kuraray

Kuraray Report 2026
Financial Section

For the year ended December 31,2025

Business Environment

In the fiscal year ended December 31, 2025 (“fiscal 2025”), the overall global economic outlook remained difficult to forecast due to the trade policies of various countries. In Japan, the economy gradually recovered, underpinned by domestic demand. In the United States, despite healthy performances in AI-related fields, other fields remained weak. In Europe, the overall economy remained on a gradual expansion track, however, growth has remained low. Meanwhile, in China, economic growth was low as personal consumption, which had been underpinned by government-led economic stimulus measures, decelerated and the real estate market stagnated.

The Group worked to tackle the three challenges outlined in the medium-term management plan “PASSION 2026,” which was launched in fiscal 2022: 1) Sustainability as an opportunity, 2) Innovations starting from networking, and 3) Transformation of people and organization. We also strove to make our business portfolio more enhanced and to further strengthen our businesses and products that have strong growth potential and competitive advantages. Regarding businesses and products that we position as growth and expansion businesses and fundamental businesses, we made decisions aimed at achieving future growth, including decisions on new capital investment and acquisitions. However, regarding some businesses and products that we do not expect to improve in the near future, we made decisions to transfer, shrink, or withdraw from operations.

As a result, consolidated operating results for fiscal 2025 are as follows: net sales decreased ¥18,447 million (US$117,827 thousand) (2.2%) year on year to ¥808,447 million (US$5,163,816 thousand); operating income decreased ¥26,198 million (US$167,335 thousand) (30.8%) year on year to ¥58,882 million (US$376,099 thousand); and ordinary income decreased ¥29,964 million (US$191,390 thousand) (36.8%) year on year to ¥51,515 million (US$329,043 thousand). In addition, because of the recording of extraordinary losses, including impairment losses of assets related to the Isoprene Chemicals business and assets related to the styrenic thermoplastic elastomers in the Elastomer business, net income attributable to owners of the parent decreased ¥24,256 million (US$154,931 thousand) (76.5%) year on year to ¥7,468 million (US$47,701 thousand).

Business Results

(Billions of yen, rounded to the nearest hundred million)

	Fiscal 2025	Fiscal 2024	Change
Net Sales	**¥808.4**	¥826.9	¥(18.4)
Operating Income	**58.9**	85.1	(26.2)
Ordinary Income	**51.5**	81.5	(30.0)
Net Income Attributable to Owners of the Parent	**7.5**	31.7	(24.3)

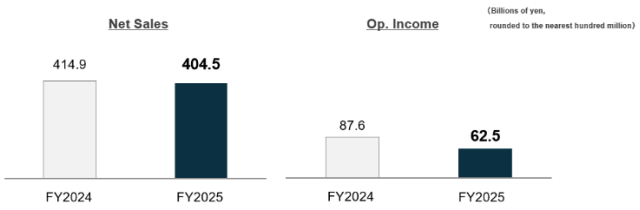
Results by Business Segment

(Billions of yen, rounded to the nearest hundred million)

	Net Sales		Operating Income	
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**	Fiscal 2024
Vinyl Acetate	**¥404.5**	¥414.9	**¥ 62.5**	¥ 87.6
Isoprene	**80.4**	76.4	**(4.9)**	(9.5)
Functional Materials	**206.9**	208.0	**10.8**	12.9
Fibers and Textiles	**60.7**	62.7	**2.6**	1.2
Trading	**68.8**	67.6	**6.0**	5.9
Others	**40.8**	50.9	**1.8**	2.3
Elimination & Corporate	**(53.7)**	(53.5)	**(20.1)**	(15.4)
Total	**¥ 808.4**	¥826.9	**¥ 58.9**	¥ 85.1

Vinyl Acetate

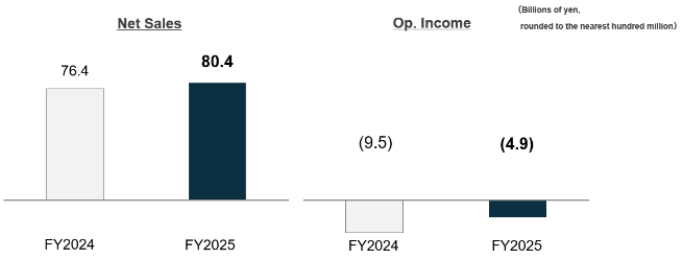
Net sales in this segment were ¥404,495 million (US$2,583,642 thousand) (down 2.5% year on year), and operating income was ¥62,545 million (US$399,495 thousand) (down 28.6% year on year). The sales volume did not increase as much as assumed due in part to European economic stagnation. Profit was impacted by the negative effects from inventory valuation differences and rising raw material and fuel prices.



PVOH resin: Sales volume decreased due to weakened demand, especially in Europe and the United States, and due to the dissipation of the special demand that arose in the previous year to work around logistics disruptions to Europe. Profit was negatively impacted by rising raw material and fuel prices. In addition, manufacturing was temporarily suspended at a factory in the United States due to the malfunctioning of some production equipment and the suspension of supplies of externally purchased utilities.
Optical-use poval film: Sales volume increased on the back of Chinese government measures to support home appliance replacement and replacement demand for TVs ahead of international sports events. Inventory valuation differences had a negative impact on profit.
Advanced Interlayer Solutions: Although sales of SentryGlas™ specialty ionoplast interlayers remained favorable, especially in the Americas, the competitive environment for PVB film has intensified, particularly in Europe and Asia. As a result, sales volume has decreased for both construction and automotive applications.
Water-soluble PVOH film: Sales volume increased due to higher demand for soluble-unit-dose detergent.
EVAL™ EVOH resin: Although sales volume for food packaging applications did not increase as much as assumed in Europe and Asia, automotive applications held steady, resulting in an increase in the overall sales volume. Profit, however, was negatively affected by inventory valuation differences and rising raw material and fuel prices.

Isoprene

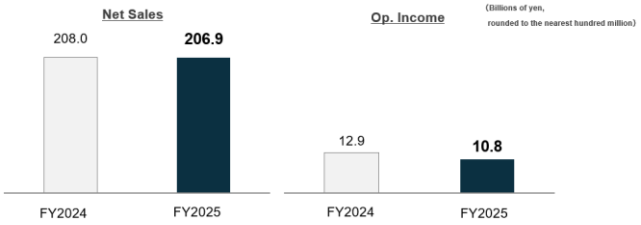
Net sales in this segment were ¥80,378 million (US$513,401 thousand) (up 5.3% year on year), and operating loss was ¥4,864 million (US$31,068 thousand) (operating loss in the previous fiscal year was ¥9,498 million (US$60,667 thousand)). Operations stabilized at the Thai base, which was leveraged to contribute to sales expansion. In addition, reflecting the deterioration of the business environment, we recorded impairment losses associated with the assets related to the Isoprene Chemicals business and the assets related to the styrenic thermoplastic elastomers in the Elastomer business in the fourth quarter as extraordinary losses.



Isoprene chemicals and elastomer: As a result of a pull-forward in demand in the first half of the year caused by U.S. tariff policies in addition to stagnant demand for construction applications in China, isoprene chemicals experienced a period of adjustment from the third quarter onward. In addition, elastomer faced intensified competition with Asian competitors in the European market and other regions due to U.S. tariff policies despite an increase in sales volume.
GENESTAR™ heat-resistant polyamide resin: Sales volume increased due to sales expansion in both electric and electronic applications and automotive applications.

Functional Materials

Net sales in this segment were ¥206,939 million (US$1,321,787 thousand) (down 0.5% year on year), and operating income was ¥10,826 million (US$69,149 thousand) (down 16.4% year on year). This result was attributable in part to the negative effects of production difficulties in addition to a cold wave in the United States.

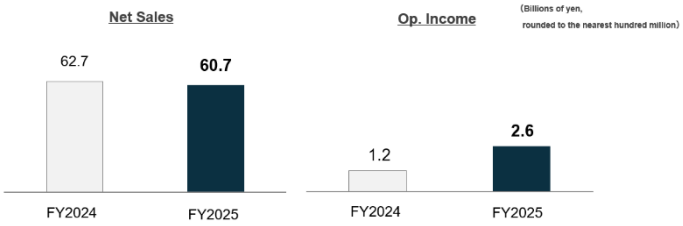


Methacrylate: Sales volume fell due to temporary production difficulties

in addition to reduced production capacity for methyl methacrylate and some downstream products from July 2025.
Medical: Sales of cosmetic dental materials, mainly in Europe and the United States, remained brisk, and we continued strengthening marketing aimed at expanding sales.
Environmental Solutions: Despite an increase in the sales volume of activated carbon, mainly for drinking water applications, a trend has emerged among some customers of revising purchasing timing due to U.S. tariff policies and an uncertain economic outlook. As a result, we did not reach our assumed sales volume level. In addition, the diatomite and perlite businesses were transferred in December 2024, resulting in a decrease in sales. Profit was negatively impacted by a cold wave and production difficulties in the United States.

Fibers and Textiles

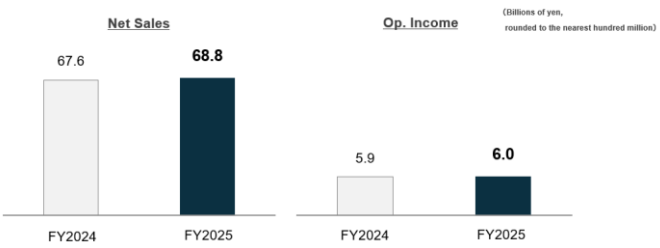
Net sales in this segment were ¥60,749 million (US$388,024 thousand) (down 3.1% year on year), and operating income was ¥2,633 million (US$16,818 thousand) (up 118.1% year on year). Improvement in the sales mix contributed to the result, which was also impacted in part by stagnation in European economies and production adjustments in EVs.



CLARINO™ man-made leather: Although the performance of shoes applications remained steady due to the effects of new recruitment efforts, sales volume decreased, especially for luxury and automotive applications due in part to the effects of production adjustments in EVs, stagnant demand in the European market, and slowing growth in the Chinese economy.
Fibers and industrial materials: Sales in Europe for construction material applications remained weak, but the sales composition continued to improve due in part to expanded sales of the liquid crystal polymer fiber VECTRAN™.

Trading

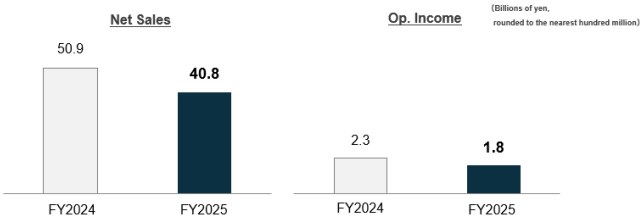
Net sales in this segment were ¥68,766 million (US$439,231 thousand) (up 1.7% year on year), and operating income was ¥6,039 million (US$38,573 thousand) (up 2.1% year on year).



Fiber-related businesses: Sales of sportswear and outdoor clothing applications remained favorable. In addition, we promoted sales expansion of high value-added products, such as highly functional fibers and environmentally friendly products.
Resins and chemicals: Sales of resin and processed products expanded, especially in the Asian market.

Others

Net sales in this segment were ¥40,794 million (US$260,565 thousand) (down 19.8% year on year), and operating income was ¥1,795 million (US$11,465 thousand) (down 21.8% year on year).



Outlook for the Fiscal Year Ending December 31, 2026

The economic environment over the next year is expected to remain unclear due in part to uncertainty and geopolitical tension related to trade policies and continued low growth in the Chinese economy.

Amid this situation, the Group will continue to promote measures in line with its medium-term management plan "PASSION 2026." We are continuing to proactively invest resources in businesses and products with strong growth potential and competitive advantages with the aim of building a more enhanced business portfolio and expanding profit.

Based on these circumstances, the outlook for the fiscal year ending December 31, 2026 ("fiscal 2026") is as follows.

(Billions of yen, rounded to the nearest hundred million)

	Fiscal 2025	**Forecast for Fiscal 2026**	Change (Adjusted)
Net Sales	¥808.4	**¥850.0**	5.1%
Operating Income	58.9	**70.0**	18.9%
Ordinary Income	51.5	**64.0**	24.2%
Net Income Attributable to Owners of the Parent	7.5	**40.0**	435.6%

The forecast is based on the following assumptions: average exchange rates of ¥150/USD and ¥175/EUR, domestic naphtha at ¥61,000/kl, US natural gas at $3.8/MMBtu, and European natural gas at €37/MWh.

[Reference] Forecast of Results by Segment for Fiscal 2026

(Billions of yen, rounded to the nearest hundred million)

	Net Sales		Operating Income	
	Fiscal 2025	**Forecast for Fiscal 2026**	Fiscal 2025	**Forecast for Fiscal 2026**
Vinyl Acetate	¥404.5	**¥420.0**	¥62.5	**¥63.0**
Isoprene	80.4	**93.0**	(4.9)	**3.0**
Functional Materials	207.8	**222.0**	8.9	**14.5**
Fibers and Textiles	60.7	**63.0**	2.6	**4.5**
Trading	68.8	**70.0**	6.0	**6.5**
Others	39.9	**41.0**	3.7	**1.0**
Elimination & Corporate	(53.7)	**(59.0)**	(20.1)	**(22.5)**
Total	¥808.4	**¥850.0**	¥58.9	**¥70.0**

From fiscal 2026, we have changed the segment category of the Electronics Materials Promotion Division from "Others" to "Functional Materials." Figures reflecting the change are used for the fiscal 2025 results and fiscal 2026 forecasts.

Consolidated Balance Sheet

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025 (December 31, 2025)	Fiscal 2024 (December 31, 2024)	**Fiscal 2025 (December 31, 2025)**
ASSETS			
I Current assets:			
1 Cash and deposits	**¥104,102**	¥118,068	**$664,934**
2 Notes and accounts receivable—trade, and contract assets[*1]	**178,330**	166,589	**1,139,052**
3 Short-term investment securities	**4,215**	3,624	**26,923**
4 Merchandise and finished goods	**178,020**	170,489	**1,137,072**
5 Work in process	**20,230**	19,974	**129,216**
6 Raw materials and supplies	**70,184**	66,365	**448,288**
7 Other	**24,209**	21,109	**154,631**
8 Allowance for doubtful accounts	**(889)**	(959)	**(5,678)**
Total current assets	**578,403**	565,262	**3,694,449**
II Noncurrent assets:			
1 Tangible fixed assets:			
(1) Buildings and structures, net	**116,992**	118,633	**747,266**
(2) Machinery, equipment and vehicles, net	**262,474**	292,153	**1,676,507**
(3) Land	**18,154**	19,016	**115,956**
(4) Construction in progress	**96,662**	59,824	**617,412**
(5) Other, net	**54,828**	50,757	**350,204**
Total tangible fixed assets[*3]	**549,112**	540,385	**3,507,358**
2 Intangible fixed assets:			
(1) Goodwill	**52,212**	53,591	**333,495**
(2) Customer-related assets	**23,868**	27,720	**152,453**
(3) Other	**34,549**	34,586	**220,676**
Total intangible fixed assets	**110,630**	115,898	**706,630**
3 Investments and other assets:			
(1) Investment securities[*4]	**23,523**	29,890	**150,249**
(2) Net defined benefit assets	**5,942**	4,020	**37,954**
(3) Deferred tax assets	**20,291**	21,485	**129,605**
(4) Other	**15,920**	14,388	**101,686**
(5) Allowance for doubtful accounts	**(311)**	(93)	**(1,986)**
Total investments and other assets	**65,366**	69,692	**417,514**
Total noncurrent assets	**725,108**	725,975	**4,631,502**
TOTAL ASSETS	**¥1,303,511**	¥1,291,238	**$8,325,952**

The accompanying notes are an integral part of the financial information.

Consolidated Balance Sheet

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025 (December 31, 2025)	Fiscal 2024 (December 31, 2024)	**Fiscal 2025 (December 31, 2025)**
LIABILITIES			
I Current liabilities:			
1 Notes and accounts payable—trade	**¥58,490**	¥59,561	**$373,595**
2 Short-term borrowings	**45,120**	23,850	**288,196**
3 Commercial paper	**11,000**	—	**70,261**
4 Current portion of bonds payable	**—**	10,000	**—**
5 Current portion of long-term borrowings	**32,612**	18,146	**208,304**
6 Accrued expenses	**23,557**	20,394	**150,466**
7 Income taxes payable	**3,410**	10,094	**21,781**
8 Provision for bonuses	**9,495**	10,772	**60,648**
9 Other[*2]	**44,543**	45,413	**284,511**
Total current liabilities	**228,229**	198,231	**1,457,773**
II Noncurrent liabilities:			
1 Bonds payable	**50,000**	50,000	**319,366**
2 Long-term borrowings	**146,187**	142,286	**933,744**
3 Deferred tax liabilities	**23,243**	24,385	**148,461**
4 Net defined benefit liabilities	**32,146**	31,417	**205,327**
5 Other	**68,529**	63,127	**437,717**
Total noncurrent liabilities	**320,106**	311,216	**2,044,622**
TOTAL LIABILITIES	**548,335**	509,448	**3,502,395**
NET ASSETS			
I Shareholders' equity:			
1 Capital stock	**88,955**	88,955	**568,185**
2 Capital surplus	**55,949**	87,124	**357,365**
3 Retained earnings	**386,853**	396,752	**2,470,957**
4 Treasury stock	**(1,623)**	(1,462)	**(10,367)**
Total shareholders' equity	**530,135**	571,369	**3,386,146**
II Accumulated other comprehensive income:			
1 Valuation difference on available-for-sale securities	**6,458**	8,684	**41,249**
2 Deferred gains or losses on hedges	**(78)**	127	**(498)**
3 Foreign currency translation adjustment	**203,014**	183,693	**1,296,717**
4 Remeasurements of defined benefit plans	**3,091**	136	**19,743**
Total accumulated other comprehensive income	**212,485**	192,642	**1,357,211**
III Subscription rights to shares	**229**	270	**1,463**
IV Non-controlling interests	**12,325**	17,507	**78,724**
TOTAL NET ASSETS	**755,175**	781,790	**4,823,550**
TOTAL LIABILITIES AND NET ASSETS	**¥1,303,511**	¥1,291,238	**$8,325,952**

The accompanying notes are an integral part of the financial information.

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025 (January 1, 2025 to December 31, 2025)	Fiscal 2024 (January 1, 2024 to December 31, 2024)	**Fiscal 2025 (January 1, 2025 to December 31, 2025)**
I Net sales[*1]	¥808,447	¥826,895	$5,163,816
II Cost of sales[*3]	561,939	559,374	3,589,288
Gross profit	246,508	267,520	1,574,527
III Selling, general and administrative expenses:			
1 Selling expenses	47,758	47,038	305,046
2 General and administrative expenses[*3]	139,867	135,401	893,376
Total selling, general and administrative expenses[*2]	187,625	182,439	1,198,422
Operating income	58,882	85,081	376,099
IV Non-operating income:			
1 Interest income	2,256	3,418	14,410
2 Dividend income	830	731	5,301
3 Share of profit of entities accounted for using equity method	338	331	2,159
4 Other	1,297	1,752	8,284
Total non-operating income	4,722	6,234	30,161
V Non-operating expenses:			
1 Interest expenses	2,807	2,738	17,929
2 Foreign exchange losses	1,246	1,202	7,959
3 Loss on disposal of tangible non-current assets	1,475	1,433	9,421
4 Other	6,561	4,459	41,907
Total non-operating expenses	12,090	9,835	77,223
Ordinary income	51,515	81,480	329,043
VI Extraordinary income:			
1 Gain on sale of investment securities	5,086	1,526	32,486
2 Insurance claim income	705	—	4,503
3 Subsidy income	557	—	3,558
Total extraordinary income	6,349	1,526	40,553
VII Extraordinary loss:			
1 Impairment loss[*4]	29,626	16,793	189,231
2 Costs related to the suspension of operations[*5]	4,604	1,346	29,407
3 Loss on disposal of tangible non-current assets[*6]	1,468	5,341	9,377
4 Loss on sale of tangible non-current assets[*7]	1,021	—	6,521
5 Loss on liquidation of business[*8]	848	4,452	5,416
6 Loss on tax purpose reduction entry of non-current assets	474	—	3,028
7 Loss on contingent liabilities[*9]	—	1,896	—
Total extraordinary loss	38,044	29,830	242,999
Income before income taxes	19,821	53,176	126,603
Income taxes—current	15,082	23,932	96,334
Income taxes—deferred	(312)	(1,932)	(1,993)
Total income taxes	14,769	22,000	94,334
Net income	5,051	31,176	32,262
Net loss attributable to non-controlling interests	(2,417)	(548)	(15,438)
Net income attributable to owners of the parent	¥7,468	¥31,724	$47,701

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025 (January 1, 2025 to December 31, 2025)	Fiscal 2024 (January 1, 2024 to December 31, 2024)	**Fiscal 2025 (January 1, 2025 to December 31, 2025)**
I Net income	**¥5,051**	¥31,176	**$32,262**
II Other comprehensive income:			
1 Valuation difference on available-for-sale securities	**(2,225)**	1,825	**(14,212)**
2 Deferred gains or losses on hedges	**(298)**	108	**(1,903)**
3 Foreign currency translation adjustment	**19,290**	52,953	**123,212**
4 Remeasurements of defined benefit plans	**2,954**	661	**18,868**
5 Share of other comprehensive income of entities accounted for using equity method	**146**	304	**933**
Total other comprehensive income[*1]	**19,866**	55,852	**126,891**
III Comprehensive income	**¥24,918**	¥87,028	**$159,159**
Comprehensive income attributable to			
1 Owners of the parent	**¥27,311**	¥86,818	**$174,444**
2 Non-controlling interests	**(2,393)**	210	**(15,285)**

The accompanying notes are an integral part of the financial information.

Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

	Millions of yen				
	Shareholders' equity				
Fiscal 2025 (January 1, 2025 to December 31, 2025)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2025	**¥88,955**	**¥87,124**	**¥396,752**	**¥(1,462)**	**¥571,369**
Changes of items during the period					
Cash dividends			**(17,367)**		**(17,367)**
Net income attributable to owners of the parent			**7,468**		**7,468**
Purchase of treasury stock				**(30,004)**	**(30,004)**
Disposal of treasury stock		**33**		**162**	**195**
Retirement of treasury stock		**(29,680)**		**29,680**	**—**
Change in ownership interest of parent due to transactions with non-controlling interests		**(1,527)**			**(1,527)**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**—**	**(31,174)**	**(9,898)**	**(161)**	**(41,234)**
Balance at December 31, 2025	**¥88,955**	**¥55,949**	**¥386,853**	**¥(1,623)**	**¥530,135**

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2025	**¥8,684**	**¥127**	**¥183,693**	**¥136**	**¥192,642**	**¥270**	**¥17,507**	**¥781,790**
Changes of items during the period								
Cash dividends								**(17,367)**
Net income attributable to owners of the parent								**7,468**
Purchase of treasury stock								**(30,004)**
Disposal of treasury stock								**195**
Retirement of treasury stock								**—**
Change in ownership interest of parent due to transactions with non-controlling interests								**(1,527)**
Net changes of items other than shareholders' equity	**(2,225)**	**(206)**	**19,320**	**2,954**	**19,842**	**(40)**	**(5,182)**	**14,620**
Total changes of items during the period	**(2,225)**	**(206)**	**19,320**	**2,954**	**19,842**	**(40)**	**(5,182)**	**(26,614)**
Balance at December 31, 2025	**¥6,458**	**¥(78)**	**¥203,014**	**¥3,091**	**¥212,485**	**¥229**	**¥12,325**	**¥755,175**

The accompanying notes are an integral part of the financial information.

Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

	Thousands of U.S. dollars				
	Shareholders' equity				
Fiscal 2025 (January 1, 2025 to December 31, 2025)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2025	$568,185	$556,490	$2,534,185	$(9,338)	$3,649,521
Changes of items during the period					
Cash dividends			(110,929)		(110,929)
Net income attributable to owners of the parent			47,701		47,701
Purchase of treasury stock				(191,645)	(191,645)
Disposal of treasury stock		211		1,035	1,246
Retirement of treasury stock		(189,576)		189,576	—
Change in ownership interest of parent due to transactions with non-controlling interests		(9,753)			(9,753)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(199,119)	(63,222)	(1,028)	(263,375)
Balance at December 31, 2025	$568,185	$357,365	$2,470,957	$(10,367)	$3,386,146

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2025	$55,468	$811	$1,173,307	$869	$1,230,468	$1,725	$111,823	$4,993,549
Changes of items during the period								
Cash dividends								(110,929)
Net income attributable to owners of the parent								47,701
Purchase of treasury stock								(191,645)
Disposal of treasury stock								1,246
Retirement of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(9,753)
Net changes of items other than shareholders' equity	(14,212)	(1,316)	123,403	18,868	126,737	(255)	(33,099)	93,383
Total changes of items during the period	(14,212)	(1,316)	123,403	18,868	126,737	(255)	(33,099)	(169,992)
Balance at December 31, 2025	$41,249	$(498)	$1,296,717	$19,743	$1,357,211	$1,463	$78,724	$4,823,550

The accompanying notes are an integral part of the financial information.

Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

	Millions of yen				
	Shareholders' equity				
Fiscal 2024 (January 1, 2024 to December 31, 2024)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2024	¥88,955	¥87,146	¥426,290	¥(25,654)	¥576,737
Changes of items during the period					
Cash dividends			(17,292)		(17,292)
Net income attributable to owners of the parent			31,724		31,724
Purchase of treasury stock				(20,004)	(20,004)
Disposal of treasury stock		33		171	205
Retirement of treasury stock		(44,025)		44,025	—
Transfer to capital surplus from retained earnings		43,970	(43,970)		—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(22)	(29,537)	24,192	(5,367)
Balance at December 31, 2024	¥88,955	¥87,124	¥396,752	¥(1,462)	¥571,369

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2024	¥6,856	¥(53)	¥131,269	¥(524)	¥137,548	¥341	¥21,529	¥736,156
Changes of items during the period								
Cash dividends								(17,292)
Net income attributable to owners of the parent								31,724
Purchase of treasury stock								(20,004)
Disposal of treasury stock								205
Retirement of treasury stock								—
Transfer to capital surplus from retained earnings								—
Net changes of items other than shareholders' equity	1,827	180	52,423	661	55,093	(71)	(4,021)	51,000
Total changes of items during the period	1,827	180	52,423	661	55,093	(71)	(4,021)	45,633
Balance at December 31, 2024	¥8,684	¥127	¥183,693	¥136	¥192,642	¥270	¥17,507	¥781,790

The accompanying notes are an integral part of the financial information.

Consolidated Statement of Cash Flows

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2025

		Millions of yen		Thousands of U.S. dollars
		Fiscal 2025 (January 1, 2025 to December 31, 2025)	Fiscal 2024 (January 1, 2024 to December 31, 2024)	**Fiscal 2025** (January 1, 2025 to December 31, 2025)
I	**Net cash provided by (used in) operating activities:**			
	1 Income before income taxes	¥19,821	¥53,176	$126,603
	2 Depreciation and amortization	84,702	85,260	541,019
	3 Loss (gain) on sale of investment securities	(5,086)	(1,526)	(32,486)
	4 Impairment loss	29,626	16,793	189,231
	5 Loss on disposal of tangible fixed assets	1,468	5,341	9,377
	6 Loss (gain) on sale of tangible fixed assets	1,021	—	6,521
	7 Loss on liquidation of business	848	4,452	5,416
	8 Foreign exchange losses (gains)	(2,130)	(6,591)	(13,605)
	9 Interest and dividends income	(3,087)	(4,150)	(19,718)
	10 Interest expenses	2,807	2,738	17,929
	11 Decrease (increase) in notes and accounts receivable—trade	(8,854)	2,199	(56,553)
	12 Decrease (increase) in inventories	(6,327)	(17,259)	(40,413)
	13 Increase (decrease) in notes and accounts payable—trade	(1,332)	6,238	(8,508)
	14 Other, net	4,696	8,356	29,995
	Subtotal	118,173	155,030	754,810
	15 Interest and dividends income received	5,037	4,297	32,173
	16 Interest expenses paid	(1,820)	(2,090)	(11,625)
	17 Income taxes (paid) refund	(22,799)	(18,943)	(145,625)
	Net cash provided by (used in) operating activities	98,591	138,294	629,733
II	**Net cash provided by (used in) investing activities:**			
	1 Proceeds from sales and redemption of investment securities	7,005	2,125	44,743
	2 Purchase of tangible fixed assets and intangible fixed assets	(94,177)	(71,383)	(601,539)
	3 Payments for disposal of tangible fixed assets and intangible fixed assets	(3,478)	(4,396)	(22,215)
	4 Other, net	(7,479)	(2,353)	(47,771)
	Net cash provided by (used in) investing activities	(98,129)	(76,008)	(626,782)
III	**Net cash provided by (used in) financing activities:**			
	1 Net increase (decrease) in short-term borrowings	21,270	(16,392)	135,858
	2 Net increase (decrease) in commercial paper	11,000	—	70,261
	3 Proceeds from long-term loans payable	35,000	—	223,556
	4 Repayment of long-term borrowings	(18,024)	(24,959)	(115,125)
	5 Redemption of bonds	(10,000)	—	(63,873)
	6 Purchase of treasury stock	(30,004)	(20,004)	(191,645)
	7 Cash dividends paid	(17,367)	(17,292)	(110,929)
	8 Other, net	(8,179)	(3,855)	(52,242)
	Net cash provided by (used in) financing activities	(16,305)	(82,504)	(104,145)
IV	**Effect of exchange rate changes on cash and cash equivalents**	2,464	8,848	15,738
V	**Net increase (decrease) in cash and cash equivalents**	(13,378)	(11,369)	(85,450)
VI	**Cash and cash equivalents, beginning of year**	121,692	133,663	777,287
VII	**Decrease in cash and cash equivalents from exclusion of subsidiaries from consolidation**	—	(601)	—
VIII	**Cash and cash equivalents, end of year**[*1]	¥108,314	¥121,692	$691,837

The accompanying notes are an integral part of the financial information.

1 Significant Accounting Policies

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Kuraray Co., Ltd. (hereinafter "the Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the "MOF") as required by the Financial Instruments and Exchange Act of Japan. The accompanying consolidated financial statements are translations of those filed with the MOF.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (and rounded to the nearest 1 thousand dollars in the case of the translation into the United States dollars).

The United States dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥156.6 = $1, the approximate exchange rate prevailing on December 31, 2025. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into the United States dollars at this or any other rate.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

	Fiscal 2025	Fiscal 2024
Number of consolidated subsidiaries	**67**	**73**

(Major consolidated subsidiaries)

KURARAY TRADING Co., LTD., Kuraray Plastics Co., Ltd., KURARAY ENGINEERING CO., LTD., Kuraray Techno Co., Ltd., KURARAY AQUA CO., LTD., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY SAIJO CO., LTD., KURARAY TAMASHIMA COMPANY, LIMITED, KURASHIKI KOKUSAI HOTEL LTD., KURARAY FASTENING CO., LTD., Kuraray Noritake Dental Inc., Kuraray Okayama Spinning Co., Ltd., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., MonoSol Holdings, Inc., MonoSol, LLC, Calgon Carbon Corporation, Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Europe Moravia s.r.o., Kuraray Asia Pacific Pte. Ltd., Kuraray (Shanghai) Co., Ltd., Kuraray China Co., Ltd., Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd., Kuraray Hong Kong Co., Ltd., Kuraray Korea Ltd., Plantic Technologies Limited, Kuraray Specialities (Thailand) Co., Ltd., Kuraray Advanced Chemicals (Thailand) Co., Ltd., Kuraray SC (Thailand) Co., Ltd., Kuraray GC Advanced Materials Co., Ltd. and 35 other consolidated subsidiaries.

In the fiscal year ended December 31, 2025, the Company included Nelumbo Inc. in the scope of consolidation due to its acquisition. In addition, the Company excluded KURARAY-KURAFLEX CO., LTD from the scope of consolidation as the result of an absorption-type merger and also excluded CHARCOAL CLOTH (INTERNATIONAL) LIMITED and five other companies from the scope of consolidation as a consequence of liquidation.

(2) Names of major unconsolidated subsidiaries

(Major unconsolidated subsidiaries)

Kuraray South America Ltda.

Kuraray India Private Limited

(Reasons for excluding from the scope of consolidation)

The total assets, total sales and net income and loss (amount corresponding to the owned interest) and retained earnings (amount corresponding to the owned interest) of the unconsolidated subsidiaries have no material effect on the consolidated financial statements.

3. Scope of application of equity method affiliates and subsidiaries

(1) Number of affiliates accounted for using the equity method

	Fiscal 2025	Fiscal 2024
Number of affiliates accounted for using the equity method	2	4

(Name of major affiliates, etc.)

Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd.

In the fiscal year ended December 31, 2025, the Company excluded Okayama Rinkoh Co., Ltd. and Okayama Rinkoh Warehouse and Transport Co., Ltd. from the scope of application of the equity method due to the sale of all shares it held in Okayama Rinkoh Co., Ltd.

(2) Unconsolidated subsidiaries and affiliates (Kuraray South America Ltda. and Cenapro Chemical Corporation) have not been accounted for using the equity method, because their net income and loss and retained earnings (amount corresponding to the owned interest) have no material impact on the consolidated financial statements.

4. Fiscal years of consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

5. Accounting policies

(1) Valuation standards and methods for significant assets

a) Investment securities

Available-for-sale securities other than shares, etc. that do not have a market price are stated at fair value at the year-end. (Net unrealized gains or losses on these securities are recorded as a separate component in “Net assets,” net of tax amount. The cost of securities sold is determined based on the moving-average cost of all such securities held at the time of sale.) Shares, etc. that do not have a market price are stated at cost determined by the moving-average method.

b) Derivative financial instruments

All derivatives are stated at fair value.

c) Inventories

Finished goods, raw materials, and work in process are principally stated at the lower of cost determined by the first-in, first-out method or net realizable value.

Supplies are principally stated at the lower of cost determined by the moving-average method or net realizable value.

(2) Depreciation method of significant depreciable assets

a) Tangible fixed assets (excluding lease assets and right-of-use assets)

Depreciation is primarily computed using the straight-line method.

The estimated useful lives of assets are primarily as follows:

- Buildings and structures…… 15 to 50 years
- Machinery, equipment and vehicles…..... 4 to 10 years

b) Intangible assets (excluding lease assets and right-of-use assets)

Amortization is primarily computed using the straight-line method.

The numbers of years for amortization are primarily as follows:

- Goodwill……. 15 to 20 years
- Customer-related assets……... 15 to 20 years

However, all minor amounts are charged to income directly in the year of acquisition.

c) Lease assets

Leased assets related to finance leases without transfer of ownership

Amortization is primarily computed using the straight-line method that adopts the lease terms as the useful lives with the residual value being zero.

d) Right-of-use assets

Overseas subsidiaries and affiliates either apply IFRS 16 “Leases” or ASC 842 “Leases” and adopt a depreciation method according to International Financial Reporting Standards or US GAAP.

All leases as a lessee related to right-of-use are in principle recognized as assets and liabilities on the consolidated balance sheet.

(3) Accounting for significant allowance

a) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.

b) Provision for bonuses

Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on services provided for the fiscal year.

(4) Accounting treatment of retirement benefit plan

a) Method for attributing estimated retirement benefits to individual periods of service

In calculating benefit obligation, the benefit formula basis was used to attribute estimated retirement benefits to periods up to December 31, 2025.

b) Calculation of net actuarial gain or loss and prior service cost

Prior service cost is amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees.

Actuarial gains or losses are amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees, allocated proportionately commencing the year following the year in which each respective gain or loss occurred.

c) Use of simplified method among small companies

Certain consolidated subsidiaries calculate retirement benefit liabilities and expenses using the simplified method that assumes their benefit obligation is equal to the benefits payable if all employees voluntarily retired at fiscal year-end.

(5) Standards for recognizing revenues and expenses

The Group mainly engages in the sale of goods/products to its customers. Revenue from goods/product sales is recognized at the time of delivery, when the customer obtains control over the goods/product and the performance obligation is satisfied.

In the environmental solutions business and the environmental business under the Functional Materials segment, and the engineering business under the Others segment, the Group enters into construction contracts with customers. For such contracts, as the performance obligation is deemed to be satisfied over time, the Group, in principle, recognizes revenue based on the progress towards complete satisfaction of the performance obligation. The progress is estimated by the input method based on the cost incurred.

Revenue is calculated based on the consideration amount promised in the contract with the customer, less any rebates and the likes to the extent that it is probable that a significant reduction will not occur. For transactions in which the Group provides goods/products as an agent, revenue is recognized at the net amount received from customers less amounts paid to suppliers. There is no significant financing component to the consideration for these transactions, because the Group receives the consideration generally within one year after fulfilling the performance obligation.

(6) Significant hedge accounting

a) Hedge accounting

In principle, the Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, deferral hedge accounting is applied to some forward foreign exchange contracts, and when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

b) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency-denominated monetary receivables and payables (including forecast transactions)
Interest rate swap contracts	Interest expenses
Commodity swap contracts	Raw materials

c) Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation, exchange fluctuation risks and price fluctuation risks in accordance with their internal policies and procedures.

d) Assessment method for hedge accounting

The Company identifies and confirms the material conditions and measures the effectiveness of forward foreign exchange contracts associated with planned transactions denominated in foreign currencies, interest rate swaps and commodity swaps associated with raw materials.

Subsequent measurement of hedge effectiveness is not considered necessary for forward foreign exchange contracts that meet the requirements for deferral hedge accounting and interest rate swaps that meet the requirements for special accounting because the Company identifies and confirms the material conditions at the time of transaction.

(7) Amortization of goodwill

The Company amortizes goodwill using the straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged to income directly in the year of acquisition.

(8) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2 Significant Accounting Estimates

Recognition of impairment related to fixed assets

(1) The amount recorded on the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Tangible fixed assets	**¥549,112**	¥540,385	**$3,507,358**
Intangible fixed assets	**110,630**	115,898	**706,630**
Impairment loss	**29,626**	16,793	**189,231**

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

a) Method for calculating the amount recorded on the consolidated financial statements for fiscal 2025

With regard to the grouping of assets, business assets are grouped based on classifications under management accounting, for which profit or loss is consistently monitored. Assets for rental, idle assets, assets for which business has been decided to be discontinued or reorganized, and assets scheduled to be suspended are treated individually, while other head office and research facilities are grouped as assets for common use.

When impairment needs to be recognized in an asset group, the carrying amount of the group's assets are written down to their recoverable amount, and the reduced amount is recorded as an impairment loss. The recoverable amount is estimated by value in use or net realizable value, whichever is the higher. For value in use, we use the future cash flows expected to be generated from the asset group.

b) Key assumptions used in calculating the amount recorded on the consolidated financial statements for fiscal 2025

Future cash flows are estimated based on business plans and forecast in consideration of estimated future incomes, etc.

c) Impact on the consolidated financial statements for the following fiscal year

Judgements of impairment on fixed assets are based on future cash flows, net realizable value, and other assumptions. Therefore, an impairment loss may be recorded in the event of changes in the assumptions.

3 Change in Accounting Policies

Application of Accounting Standard for Current Income Taxes, etc.

The Company has adopted the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022), the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022), and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) from January 1, 2025. These changes have no effect on the consolidated financial statements.

4 Accounting Standards Issued but Not Yet Applied

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Outline

As part of its efforts to ensure consistency between Japanese and international accounting standards, the Accounting Standards Board of Japan (ASBJ) carried out a study based on international accounting standards to develop an accounting standard to recognize assets and liabilities for all leases held by a lessee. The basic approach of the lease accounting standard issued by ASBJ is to adopt only the key provisions of IFRS 16, which is based on a single accounting model, rather than all of its provisions. The revision thus aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16.

Regarding the method for allocating lease expenses in the accounting treatment for lessees, using a similar approach to IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases, regardless of whether the lease is a finance lease or an operating lease.

(2) Expected Application Date

Scheduled to be introduced from the beginning of the fiscal year ending December 31, 2028.

(3) Effect of Applying the Accounting Standard

The impact is being evaluated at the time of preparation of these consolidated financial statements.

5 Notes to Consolidated Balance Sheet

*1. Receivables and contract assets from contracts with customers, included in notes and accounts receivable—trade, and contract assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Notes receivable—trade	**¥20,121**	¥18,084	**$128,519**
Accounts receivable—trade	**154,245**	145,134	**985,213**
Contract assets	**3,963**	3,370	**25,313**

*2. Contract liabilities, included in other, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Contract liabilities	**¥3,146**	¥3,433	**$20,095**

*3. Accumulated depreciation of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Accumulated depreciation of tangible fixed assets	**¥1,238,432**	¥1,162,089	**$7,910,271**

*4. Investments in unconsolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Investment securities (equity)	**¥7,585**	¥9,651	**$48,448**

5. Contingent liabilities

(1) Claim for damages in relation to manufacturing and sales of activated carbon

In connection with the violations of the Antimonopoly Act in the manufacture and sale of certain activated carbon, several companies including the Company and its subsidiaries have received claims for payment for damages jointly and severally from several local governments. In addition, some of these local governments have filed lawsuits demanding payment for damages and losses on delays. It is difficult at the present time to reasonably estimate the amount for which the Group is liable.

(2) Lawsuits relating to the manufacture and sale of interlayer films for laminated safety glass

Patent infringement lawsuits have been filed by SEKISUI CHEMICAL CO., LTD. against two subsidiaries of the Company regarding some of the interlayer films for laminated safety glass manufactured and sold by subsidiaries of the Company. It is difficult at the present time to reasonably estimate the amount of the impact.

6 Notes to Consolidated Statement of Income

*1. Revenue from contracts with customers

With regard to net sales, revenue from contracts with customers and revenue from other sources are not stated separately because the amount of revenue other than revenue from contracts with customers is immaterial.

*2. Major items and the amounts under “Selling, general and administrative expenses” are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Freight and storage	**¥33,935**	¥34,277	**$216,754**
Research and development	**28,130**	25,472	**179,676**
Salaries and legal welfare expense	**44,803**	41,551	**286,171**
Bonuses	**8,890**	9,944	**56,783**
Retirement benefit expenses	**1,842**	2,087	**11,765**

*3. Research and development expenses included in general, administrative and current manufacturing expenses

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
	¥28,369	¥25,699	**$181,202**

*4. Impairment loss

The main impairment loss recorded by the Group is as follows:

Fiscal 2025

			Impairment loss	
Location	Usage	Type	Millions of yen	Thousands of U.S. dollars
Kamisu city, Ibaraki Tainai, Niigata Thailand	Assets related to the Isoprene Chemicals business	Machinery, etc.	**¥14,965**	**$95,586**
Kamisu city, Ibaraki U.S.A. Thailand	Assets related to styrenic thermoplastic elastomer in the Elastomer business	Machinery, etc.	**¥10,620**	**$67,833**

Fiscal 2024

			Impairment loss
Location	Usage	Type	Millions of yen
Tainai, Niigata	Assets related to the Methacrylate business	Machinery, etc.	¥9,459

(Identifying the cash-generating unit to which an asset belongs)

As a minimum unit for generating cash flows, business assets are grouped into sections used for management accounting. Assets for rental, idle assets, assets for which business has been decided to be discontinued or reorganized, and assets scheduled to be suspended are determined individually, while other head office and research facilities are considered to be assets for common use.

(Method for calculating the recoverable amount)

For business assets, businesses generating consecutive operating losses are examined individually for indication of impairment, and those whose recoverable amount is less than their carrying amount are written down to their recoverable amount. The recoverable amount is measured by value in use, which is calculated by discounting future cash flows at a rate of 7.1%.

For assets scheduled to be suspended, the carrying amount is written down to the recoverable amount. The recoverable amount is measured by value in use. In the value-in-use calculation, the discount rate is not considered, as the assets are expected to be used only for a short period of time.

(Impairment loss on fixed assets in the Isoprene Chemicals business)

With a product group consisting of isobutylene and butadiene derivatives, the Isoprene Chemicals business manufactures and sells products for a wide variety of applications, ranging from specialty chemicals such as urethanes, detergents, and solvents to fine chemicals such as fragrances, cosmetics, pharmaceutical and agrochemical intermediates, and electronic materials. The Group identifies this business as the smallest identifiable group of assets that generates independent cash inflows.

In the Isoprene Chemicals business, although the plant in Thailand that started operations in 2023 achieved stable operations from the current fiscal year, operating results from operating activities remained continuously negative in both the previous and current fiscal years due to factors such as sluggish demand for construction-related applications in China. The Group expects that this weakness in demand will persist over an extended period.

Based on these circumstances, the Group determined that there were indicators of impairment for the asset group related to the Isoprene Chemicals business. As a result of estimating future cash flows, the Group reduced the carrying amount of fixed assets related to the Isoprene Chemicals business to the recoverable amount and recognized the resulting decrease of ¥14,965 million (US$95,586 thousand) as an impairment loss.

In measuring the impairment loss, the Group determined the recoverable amount of the relevant asset group based on the value in use. The future cash flows used in calculating the value in use were estimated based on the business plan for the business, taking into account uncertainties related to business forecasts, including assumptions regarding projected sales volumes and price forecasts.

(Impairment loss on fixed assets related to styrenic thermoplastic elastomers in the Elastomer business)

The Group identifies the fixed assets related to styrenic thermoplastic elastomers, which have characteristics such as resistance to heat aging, weather, and chemicals, as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

With respect to styrenic thermoplastic elastomers, although the plant in Thailand that started operations in 2023 achieved stable operations from the current fiscal year, operating results from operating activities remained continuously negative in both the previous and current fiscal years due to rising raw material and fuel prices, increased logistics costs, and intensified market competition.

Based on these circumstances, the Group determined that there were indicators of impairment for the asset group related to styrenic thermoplastic elastomers. As a result of estimating future cash flows, the Group reduced the carrying amount of fixed assets related to the business to the recoverable amount and recognized the resulting decrease of ¥10,620 million (US$67,833 thousand) as an impairment loss.

In measuring the impairment loss, the Group determined the recoverable amount of the asset group related to styrenic thermoplastic elastomers based on the value in use. The future cash flows used in calculating the value in use were estimated based on the business plan for the business, taking into account uncertainties related to business forecasts, including assumptions regarding projected sales volumes and price forecasts.

*5. Costs related to the suspension of operations

The costs related to the suspension of operations are mainly the amounts equivalent to fixed costs during the period of the suspension of production.

*6. Loss on disposal of tangible non-current assets

Expense related to the removal of equipment rendered unnecessary due to business closure and other factors.

*7. Loss on sale of tangible non-current assets

Resulting from the sale of land and buildings

*8. Loss on liquidation of business

This is a loss incurred in connection with the sale of a portion of a business by the Company’s subsidiary.

*9. Loss on contingent liabilities

This is an associated loss arising from the business dissolution of a contractor that builds production facilities for the Company’s subsidiary in fiscal 2024.

7 Notes to Consolidated Statement of Comprehensive Income

*1 Reclassification adjustments, income taxes and tax effect adjustments relating to other comprehensive income (loss) for the fiscal years ended December 31, 2025 and December 31, 2024, are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Valuation difference on available-for-sale securities			
Amount recorded during the period	**¥2,157**	¥4,273	**$13,777**
Reclassification adjustments	**(4,957)**	(1,529)	**(31,662)**
Before income taxes and tax effect adjustments	**(2,799)**	2,744	**(17,878)**
Income taxes and tax effect	**574**	(919)	**3,666**
Valuation difference on available-for-sale securities	**(2,225)**	1,825	**(14,212)**
Deferred gains or losses on hedges			
Amount recorded during the period	**(225)**	39	**(1,437)**
Reclassification adjustments	**(126)**	123	**(805)**
Before income taxes and tax effect adjustments	**(352)**	163	**(2,248)**
Income taxes and tax effect	**53**	(55)	**339**
Deferred gains or losses on hedges	**(298)**	108	**(1,903)**
Foreign currency translation adjustment			
Amount recorded during the period	**19,411**	53,072	**123,984**
Reclassification adjustments	**—**	(119)	**—**
Before income taxes and tax effect adjustments	**19,411**	52,953	**123,984**
Income taxes and tax effect	**(121)**	—	**(773)**
Foreign currency translation adjustment	**19,290**	52,953	**123,212**
Remeasurements of defined benefit plans			
Amount recorded during the period	**4,178**	828	**26,686**
Reclassification adjustments	**168**	12	**1,073**
Before income taxes and tax effect adjustments	**4,346**	840	**27,759**
Income taxes and tax effect	**(1,392)**	(179)	**(8,891)**
Remeasurements of defined benefit plans	**2,954**	661	**18,868**
Shares of other comprehensive income of entities accounted for using equity method			
Amount recorded during the period	**146**	304	**933**
Reclassification adjustments	**—**	—	**—**
Shares of other comprehensive income of entities accounted for using equity method	**146**	304	**933**
Total other comprehensive income	**¥19,866**	¥55,852	**$126,891**

8 Notes to Consolidated Statement of Changes in Net Assets

Fiscal 2025

1. Type and number of issued shares of common stock and treasury stock

	Number of thousands of shares			
	As of January 1, 2025	Increase	Decrease	As of December 31, 2025
Issued shares				
Common stock (Note 1)	**324,863**	**—**	**16,900**	**307,963**
Total	**324,863**	**—**	**16,900**	**307,963**
Treasury stock				
Common stock (Notes 2, 3)	**996**	**16,938**	**17,010**	**924**
Total	**996**	**16,938**	**17,010**	**924**

Notes: 1. The decrease in the number of issued common stocks of 16,900 thousand shares is due to the retirement of treasury stock.
2. The increase in treasury stock (common stock) of 16,938 thousand shares is attributable to the acquisition of treasury stock (16,936 thousand shares), pursuant to a resolution of the Board of Directors, and to the purchase of shares less than one unit (2 thousand shares).
3. The decrease in treasury stock (common stock) of 17,010 thousand shares is attributable to the retirement of treasury stock (16,900 thousand shares), the exercise of stock options (30 thousand shares), the disposal of treasury stock as restricted stock compensation (80 thousand shares), and the sale of shares less than one unit by shareholders (0 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers subscription rights to the Company shares as stock options. The balance of the subscription rights to shares as of December 31, 2025 is ¥229 million (US$1,463 thousand).

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on March 27, 2025	Common stock	¥8,744 (US$55,851 thousand)	¥27.00 (US$0.17)	December 31, 2024	March 28, 2025
Board of directors' meeting held on August 8, 2025	Common stock	¥8,622 (US$55,072 thousand)	¥27.00 (US$0.17)	June 30, 2025	September 10, 2025

(2) Dividends whose effective date is after the end of Fiscal 2025 and record date is included in Fiscal 2025.

The following proposals are scheduled to be submitted to the general shareholders' meeting to be held on March 26, 2026.

Resolution	Type of share	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on March 26, 2026	Common stock	Retained earnings	¥8,290 (US$52,951 thousand)	¥27.00 (US$0.17)	December 31, 2025	March 27, 2026

Fiscal 2024

1. Type and number of issued shares of common stock and treasury stock

	Number of thousands of shares			
	As of January 1, 2024	Increase	Decrease	As of December 31, 2024
Issued shares				
Common stock (Note 1)	354,863	—	30,000	324,863
Total	354,863	—	30,000	324,863
Treasury stock				
Common stock (Notes 2, 3)	20,107	11,023	30,134	996
Total	20,107	11,023	30,134	996

Notes: 1. The decrease in the number of issued common stocks of 30,000 thousand shares is due to the retirement of treasury stock.
2. The increase in treasury stock (common stock) of 11,023 thousand shares is attributable to the acquisition of treasury stock (11,020 thousand shares), pursuant to a resolution of the Board of Directors, and to the purchase of shares less than one unit (2 thousand shares).
3. The decrease in treasury stock (common stock) of 30,134 thousand shares is attributable to the retirement of treasury stock (30,000 thousand shares), the exercise of stock options (51 thousand shares), the disposal of treasury stock as restricted stock compensation (83 thousand shares), and the sale of shares less than one unit by shareholders (0 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers subscription rights to the Company shares as stock options. The balance of the subscription rights to shares as of December 31, 2024 is ¥270 million.

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on March 27, 2024	Common stock	¥8,368	¥25.00	December 31, 2023	March 28, 2024
Board of directors' meeting held on August 9, 2024	Common stock	¥8,923	¥27.00	June 30, 2024	September 10, 2024

(2) Dividends whose effective date is after the end of Fiscal 2024 and record date is included in Fiscal 2024.

Resolution	Type of share	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on March 27, 2025	Common stock	Retained earnings	¥8,744	¥27.00	December 31, 2024	March 28, 2025

9 Notes to Consolidated Statement of Cash Flows

*1. Cash and cash equivalents at December 31, 2025 and December 31, 2024 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Cash on hand and in banks	**¥104,102**	¥118,068	**$664,934**
Time deposits with a deposit period of more than 3 months	**(3)**	—	**(19)**
Marketable securities with original maturities of 3 months or less	**4,215**	3,624	**26,923**
Total	**¥108,314**	¥121,692	**$691,837**

10 Leases

1. Finance lease transactions

Lease transactions as a lessee:

Finance leases without transfer of ownership

1) Details of lease assets

· Tangible fixed assets

Mainly vehicles used at plants including forklifts, buildings and equipment, etc., related to manufacturing (“Machinery, equipment and vehicles”, “Buildings and structures”), OA equipment, including personal computers and printers, and servers (“Other”).

2) Depreciation method of lease assets

As described in the basis of presenting consolidated financial statements “1. Significant Accounting Policies, 5. Accounting policies (2) Depreciation method of significant depreciable assets.”

2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases at December 31, 2025 and December 31, 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Due within one year	**¥718**	¥1,724	**$4,586**
Due after one year	**—**	718	**—**
Total	**¥718**	¥2,442	**$4,586**

11 Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group raises funds necessary to conduct its business mainly through bank loans or issuance of bonds. Temporary cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as notes and accounts receivable–trade are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk.

Short-term investment securities and investment securities, mainly consisting of bonds, certificates of deposit and stocks in companies with which the Company has a business relationship are exposed to the risk of market price fluctuations.

Payment terms of payables, such as notes and accounts payable–trade, are mostly within one year. Payables in foreign currencies incurred mainly from import of raw materials are exposed to foreign currency exchange fluctuation risk.

Loans, commercial paper, bonds, and lease obligations, used to raise funds for working capital and capital expenditures, and lease liabilities, to which some overseas affiliates have applied IFRS 16 “Leases” or ASC 842 “Leases” have maturities of at the longest 88 years from the balance sheet date. The debts bearing floating interest rates are exposed to interest rate fluctuation risk, although a part of the exposure is hedged through use of derivatives (interest rate swaps).

Derivative transactions include forward foreign currency contracts for the purpose of hedging foreign currency exchange fluctuation risk resulting from receivables and payables denominated in foreign currencies, interest rate swaps for the purpose of hedging interest rate fluctuation risk resulting from variable interest expenses on debts, forward foreign currency contracts and currency swaps for the purpose of hedging foreign currency exchange fluctuation risk resulting from loans receivable and payable denominated in foreign currencies and commodity swaps for the purpose of hedging price fluctuation risk resulting from raw materials. Please refer to “(6) Significant hedge accounting” under “1. Significant Accounting Policies, 5. Accounting policies” for a description of the Company’s accounting policy relating to hedging activities.

(3) Risk management for financial instruments

a. *Credit Risk Management (customers' default risk)*

The Company manages and mitigates customer credit risk from trade receivables on the basis of internal rules concerning credit management, which include monitoring of payment terms and balances of customers to identify default risk at an early stage.

With respect to loan receivables and liability guarantee agreements, the Company manages its exposure to credit risk by periodically identifying the financial position of the debtors.

With respect to financial assets, the Company's credit risk is minimal as the investments are limited to issuers with high credit ratings in accordance with internal rules concerning fund management.

The Company enters into derivative transactions only with financial institutions that have high credit ratings in order to mitigate counterparty risks.

b. *Market Risk Management (foreign currency exchange and interest rate fluctuation risks)*

The Group principally uses forward foreign exchange contracts to hedge against fluctuation risks in foreign currency exchange rates, which are relevant to trade receivables and payables and are analyzed by currency and settlement month. Depending on foreign currency exchange rate conditions, trade receivables and payables denominated in foreign currencies that are expected to be generated based on export and import forecasts are hedged using forward foreign exchange contracts. The Group also hedges certain scheduled nontrading transactions denominated in foreign currencies that it expects to generate.

In addition, the Group uses currency swap and interest rate swap contracts for some transactions to mitigate foreign currency exchange fluctuation risk exposure in connection with long-term loans receivable in foreign currencies and interest rate fluctuation risk exposure in connection with long-term borrowings. Some consolidated subsidiaries use commodity swaps to control price fluctuation risks in connection with raw materials.

With respect to short-term investment securities and investment securities, the Group periodically monitors fair values or financial status of the related issuers. With respect to stocks in companies with which the Group has a business relationship, the Group continuously checks the necessity for holding them, taking into account the business relationship.

The Group manages derivative transactions in accordance with internal rules that regulate delegation of authority concerning derivative transactions.

c. *Liquidity Risk Management on Fund Raising*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full at the respective maturity dates. The Group manages its liquidity risk by diversifying its fund raising instruments, obtaining commitment lines from several financial institutions and adjusting short-term and long-term funding balances in consideration of market environments.

(4) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments may vary depending on the different assumptions since variable factors are incorporated in computing the relevant fair values. The notional amounts and other information described in Note 13. "Derivative Financial Instruments" are not indicative of market risk exposure to derivative transactions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of December 31, 2025 and December 31, 2024 are as follows:

Fiscal 2025

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Investment securities:			
Available-for-sale securities	¥12,440	¥12,440	¥—
Total assets	¥12,440	¥12,440	¥—
(1) Bonds	¥50,000	¥47,536	¥(2,463)
(2) Long-term borrowings (*1)	178,800	173,881	(4,918)
Total liabilities	¥228,800	¥221,417	¥(7,382)
Derivative transactions (*2)	¥(813)	¥(813)	¥—

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Investment securities:			
Available-for-sale securities	$79,458	$79,458	$—
Total assets	$79,458	$79,458	$—
(1) Bonds	$319,366	$303,628	$(15,732)
(2) Long-term borrowings (*1)	1,142,054	1,110,635	(31,413)
Total liabilities	$1,461,421	$1,414,263	$(47,151)
Derivative transactions (*2)	$(5,193)	$(5,193)	$—

(*1) Long-term borrowings include the current portion of long-term borrowings.

(*2) Receivables and payables incurred as a result of derivative transactions are presented on a net basis. Net payables are presented in parentheses.

(*3) Notes have been omitted for cash and deposits; notes and accounts receivable—trade, and contract assets; short-term investment securities; and notes and accounts payable—trade because they are cash or their fair value approximates their carrying amount due to their short maturities.

(*4) Shares, etc. that do not have a market price are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such financial instruments in the consolidated balance sheet are as follows:

	Millions of yen	Thousands of U.S. dollars
Category	Carrying amount	Carrying amount
Unlisted equity securities	¥8,877	$56,700

(*5) Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such investments in the consolidated balance sheet are as follows:

	Millions of yen	Thousands of U.S. dollars
Category	Carrying amount	Carrying amount
Investment limited partnership, etc.	¥2,204	$14,078

Fiscal 2024

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Investment securities:			
Available-for-sale securities	¥17,112	¥17,112	¥—
Total assets	¥17,112	¥17,112	¥—
(1) Bonds (*1)	¥60,000	¥58,475	¥(1,524)
(2) Long-term borrowings (*2)	160,432	158,002	(2,429)
Total liabilities	¥220,432	¥216,478	¥(3,954)
Derivative transactions (*3)	¥(1,374)	¥(1,374)	¥—

(*1) Bonds include the current portion of bonds.

(*2) Long-term borrowings include the current portion of long-term borrowings.

(*3) Receivables and payables incurred as a result of derivative transactions are presented on a net basis. Net payables are presented in parentheses.

(*4) Notes have been omitted for cash and deposits; notes and accounts receivable—trade, and contract assets; short-term investment securities; and notes and accounts payable—trade because they are cash or their fair value approximates their carrying amount due to their short maturities.

(*5) Shares, etc. that do not have a market price are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such financial instruments in the consolidated balance sheet are as follows:

	Millions of yen
Category	Carrying amount
Unlisted equity securities	¥10,949

(*6) Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such investments in the consolidated balance sheet are as follows:

	Millions of yen
Category	Carrying amount
Investment limited partnership, etc.	¥1,828

Notes: 1. Redemption schedule of monetary assets and securities with contractual maturities

Fiscal 2025

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	**¥104,102**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable—trade	**174,366**	**—**	**—**	**—**
Short-term investment securities and investment securities:				
Available-for-sale securities with contractual maturities:				
Others	**¥4,215**	**—**	**—**	**—**
Total	**¥282,684**	**¥—**	**¥—**	**¥—**

	Thousands of U.S. dollars			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	**$664,934**	**$—**	**$—**	**$—**
Notes and accounts receivable—trade	**1,113,733**	**—**	**—**	**—**
Short-term investment securities and investment securities:				
Available-for-sale securities with contractual maturities:				
Others	**26,923**	**—**	**—**	**—**
Total	**$1,805,595**	**$—**	**$—**	**$—**

Fiscal 2024

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥118,068	¥—	¥—	¥—
Notes and accounts receivable—trade	163,218	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with contractual maturities:				
Others	3,624	—	—	—
Total	¥284,911	¥—	¥—	¥—

2. Redemption schedule of bonds, long-term borrowings, lease obligations and lease liabilities after the balance sheet date:

Fiscal 2025

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Bonds	¥—	¥10,000	¥10,000	¥—	¥20,000	¥10,000
Long-term borrowings	32,612	17,612	23,575	30,000	10,000	65,000
Lease obligations	581	423	334	215	134	4,045
Lease liabilities	6,071	5,486	4,494	3,665	3,159	20,857
Total	¥39,265	¥33,522	¥38,404	¥33,881	¥33,293	¥99,902

	Thousands of U.S. dollars					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Bonds	$—	$63,873	$63,873	$—	$127,747	$63,873
Long-term borrowings	208,304	112,494	150,581	191,620	63,873	415,176
Lease obligations	3,711	2,702	2,133	1,373	856	25,837
Lease liabilities	38,777	35,041	28,705	23,410	20,178	133,220
Total	$250,798	$214,116	$245,299	$216,409	$212,653	$638,107

Fiscal 2024

	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Bonds	¥10,000	¥—	¥10,000	¥10,000	¥—	¥30,000
Long-term borrowings	18,146	32,106	17,106	23,072	25,000	45,000
Lease obligations	508	371	212	121	66	583
Lease liabilities	5,971	4,531	3,899	3,618	2,979	20,191
Total	¥34,627	¥37,009	¥31,218	¥36,812	¥28,046	¥95,774

3. Fair value information by level within the fair value hierarchy

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

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Fiscal 2025

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	**¥12,440**	**¥—**	**¥—**	**¥12,440**
Total assets	**¥12,440**	**¥—**	**¥—**	**¥12,440**
Derivative transactions:				
Currencies	**¥—**	**¥593**	**¥—**	**¥593**
Interest rate	**—**	**124**	**—**	**124**
Commodity	**—**	**95**	**—**	**95**
Total liabilities	**¥—**	**¥813**	**¥—**	**¥813**

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	**$79,458**	**$—**	**$—**	**$79,458**
Total assets	**$79,458**	**$—**	**$—**	**$79,458**
Derivative transactions:				
Currencies	**$—**	**$3,788**	**$—**	**$3,788**
Interest rate	**—**	**792**	**—**	**792**
Commodity	**—**	**607**	**—**	**607**
Total liabilities	**$—**	**$5,193**	**$—**	**$5,193**

Fiscal 2024

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥17,112	¥—	¥—	¥17,112
Derivative transactions:				
Interest rate	—	81	—	81
Total assets	¥17,112	¥81	¥—	¥17,194
Derivative transactions:				
Currencies	¥—	¥1,400	¥—	¥1,400
Commodity	—	56	—	56
Total liabilities	¥—	¥1,456	¥—	¥1,456

(2) Financial instruments other than those listed on the consolidated balance sheet at fair value

Fiscal 2025

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds	**¥—**	**¥47,536**	**¥—**	**¥47,536**
Long-term borrowings	**—**	**173,881**	**—**	**173,881**
Total liabilities	**¥—**	**¥221,417**	**¥—**	**¥221,417**

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds	**$—**	**$303,628**	**$—**	**$303,628**
Long-term borrowings	**—**	**1,110,635**	**—**	**1,110,635**
Total liabilities	**$—**	**$1,414,263**	**$—**	**$1,414,263**

Fiscal 2024

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds	¥—	¥58,475	¥—	¥58,475
Long-term borrowings	—	158,002	—	158,002
Total liabilities	¥—	¥216,478	¥—	¥216,478

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

The fair values of listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair values of forward foreign exchange contracts, interest rate swaps, and commodity swaps are measured based on forward exchange rates and prices quoted by counterparty financial institutions, etc. and are classified as Level 2.

Bonds

The fair value of bonds issued by the Company is determined at the present value that is calculated by discounting the aggregated values of the principal and interest using an interest rate reflecting the remaining terms of the Company’s bonds and the credit risk, and are classified as Level 2.

Long-term borrowings

The fair values of long-term loans payable are calculated by discounting the aggregated values of the principal and interest using an assumed interest rate based on the interest rate that would be applied to a new loan of a similar nature, and are classified as Level 2.

12 Securities

1. Available-for-sale securities with market value

Fiscal 2025

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount (estimated fair value)	Cost	Net	Carrying amount (estimated fair value)	Cost	Net
Securities with carrying amount exceeding their acquisition cost:						
Equity securities	¥12,440	¥3,258	¥9,182	$79,458	$20,810	$58,648
Bonds:						
Government and municipal	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	—	—	—	—	—	—
Subtotal	12,440	3,258	9,182	79,458	20,810	58,648
Securities with carrying amount not exceeding their acquisition cost:						
Equity securities	—	—	—	—	—	—
Bonds:						
Government and municipal	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	4,215	4,215	—	26,923	26,923	—
Subtotal	4,215	4,215	—	26,923	26,923	—
Total	¥16,656	¥7,473	¥9,182	$106,387	$47,732	$58,648

Notes: 1. Unlisted equity securities amounting to ¥1,292 million (US$ 8,252 thousand) are excluded from the above table, because they are shares, etc. that do not have a market price.

2. Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis (amounting to ¥2,204 million (US$ 14,078 thousand)) are not included in available-for-sale securities in the above table.

Fiscal 2024

	Millions of yen		
	Carrying amount (estimated fair value)	Cost	Net
Securities with carrying amount exceeding their acquisition cost:			
Equity securities	¥16,934	¥4,943	¥11,990
Bonds:			
Government and municipal	—	—	—
Corporate	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	16,934	4,943	11,990
Securities with carrying amount not exceeding their acquisition cost:			
Equity securities	178	190	(12)
Bonds:			
Government and municipal	—	—	—
Corporate	—	—	—
Others	—	—	—
Others	3,624	3,624	—
Subtotal	3,802	3,814	(12)
Total	¥20,737	¥8,758	¥11,978

Notes: 1. Unlisted equity securities amounting to ¥1,297 million are excluded from the above table, because they are shares, etc. that do not have a market price.

2. Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis (amounting to ¥1,828 million) are not included in available-for-sale securities in the above table.

2. Available-for-sale securities sold during the fiscal year

Fiscal 2025

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Total gain	Total loss	Proceeds from sales	Total gain	Total loss
Equity securities	**¥6,846**	**¥4,957**	**¥—**	**$43,728**	**$31,662**	**$—**
Total	**¥6,846**	**¥4,957**	**¥—**	**$43,728**	**$31,662**	**$—**

Note: Shares, etc. that do not have a market price are excluded from the above table.

Fiscal 2024

	Millions of yen		
	Proceeds from sales	Total gain	Total loss
Equity securities	¥2,105	¥1,526	¥—
Total	¥2,105	¥1,526	¥—

Note: Shares, etc. that do not have a market price are excluded from the above table.

13 Derivative Financial Instruments

1. Derivative transactions to which hedge accounting is not applied

Currencies

Fiscal 2025

Category	Classification	Millions of yen			
		Nominal amount	Nominal amount due after one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Receipts in Yen/Payments in U.S. dollar ..	¥8,774	¥—	¥(147)	¥(147)
	Receipts in Yen/Payments in Euro	6,872	—	(232)	(232)
	Receipts in Yen/Payments in Australian dollar	12,578	—	(257)	(257)
	Receipts in Yen/Payments in Baht	49,501	—	110	110
	Receipts in Yen/Payments in Zloty	1,745	—	(2)	(2)
	Receipts in Yen/Payments in Yuan	1,524	—	(76)	(76)
	Receipts in Euro/Payments in Yen	13,360	—	42	42
	Other	3,978	—	24	24
	Non-deliverable forward foreign exchange transaction:				
	Receipts in Yen/Payments in Won	2,188	—	(68)	(68)
Total		¥100,524	¥—	¥(607)	¥(607)

Category	Classification	Thousands of U.S. dollars			
		Nominal Amount	Nominal amount due after one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Receipts in Yen/Payments in U.S. dollar ..	$56,042	$—	$(939)	$(939)
	Receipts in Yen/Payments in Euro	43,894	—	(1,482)	(1,482)
	Receipts in Yen/Payments in Australian dollar	80,340	—	(1,642)	(1,642)
	Receipts in Yen/Payments in Baht	316,179	—	703	703
	Receipts in Yen/Payments in Zloty	11,146		(13)	(13)
	Receipts in Yen/Payments in Yuan	9,734	—	(485)	(485)
	Receipts in Euro/Payments in Yen	85,335	—	268	268
	Other	25,409	—	153	153
	Non-deliverable forward foreign exchange transaction:				
	Receipts in Yen/Payments in Won	13,975	—	(434)	(434)
Total		$642,080	$—	$(3,877)	$(3,877)

Note: The forward foreign exchange contracts and non-deliverable forward foreign exchange transaction above are mainly those set with claims and liabilities to consolidated subsidiaries as the hedged items.

Fiscal 2024

Category	Classification	Millions of yen			
		Nominal amount	Nominal amount due after one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Receipts in Yen/Payments in U.S. dollar ..	¥12,720	¥—	¥(818)	¥(818)
	Receipts in Yen/Payments in Euro	5,882	—	(131)	(131)
	Receipts in Yen/Payments in Australian dollar	10,736	—	(30)	(30)
	Receipts in Yen/Payments in Baht	36,934	—	(1,113)	(1,113)
	Receipts in Yen/Payments in Zloty	4,057	—	(86)	(86)
	Receipts in Yen/Payments in Yuan	1,675	—	(70)	(70)
	Receipts in Euro/Payments in Yen	37,283	—	533	533
	Receipts in Baht/Payments in Yen	1,276		68	68
	Other	4,476	—	(2)	(2)
	Non-deliverable forward foreign exchange transaction:				
	Receipts in Yen/Payments in Won	5,315	—	103	103
Total		¥120,357	¥—	¥(1,549)	¥(1,549)

Note: The forward foreign exchange contracts and non-deliverable forward foreign exchange transaction above are mainly those set with claims and liabilities to consolidated subsidiaries as the hedged items.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Fiscal 2025

Hedge accounting method	Classification	Major hedged items	Millions of yen			Thousands of U.S. dollars		
			Nominal amount	Nominal amount due after one year	Market value	Nominal amount	Nominal amount due after one year	Market value
Allocation method	Forward foreign exchange contracts:							
	Receipts in Yen/ Payments in U.S. dollar	Accounts receivable—trade	¥453	¥—	Note	$2,893	$—	Note
	Receipts in Yen/ Payments in Yuan	Accounts receivable—trade	308	—	Note	1,967	—	Note
	Receipts in U.S. dollar/ Payments in Yen	Accounts payable—trade	216	—	Note	1,380	—	Note
	Other	Accounts receivable—trade	42	—	Note	268	—	Note
Total			¥1,021	¥—		$6,521	$—	

Note: With respect to forward foreign exchange contracts whose exchange rates are used for translating accounts receivable—trade, loans receivable or accounts payable—trade, market values of forward foreign exchange contracts are included in the market values of the relevant accounts receivable—trade, loans receivable or accounts payable—trade, since they are used for recording accounts receivable—trade, loans receivable or accounts payable—trade as hedged items.

Hedge accounting method	Classification	Major hedged items	Millions of yen			Thousands of U.S. dollars		
			Nominal amount	Nominal amount due after one year	Market value	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Forward foreign exchange contracts:							
	Receipts in Yen/ Payments in U.S. dollar	Forecasted transactions in foreign currencies	¥2,659	¥—	¥(2)	$16,984	$—	$(13)
	Receipts in Yen/ Payments in Euro	Forecasted transactions in foreign currencies	3,119	—	1	19,922	—	6
	Receipts in U.S. dollar/ Payments in Euro	Forecasted transactions in foreign currencies	1,659	250	(70)	10,597	1,597	(447)
	Receipts in U.S. dollar/ Payments in Yen	Forecasted transactions in foreign currencies	2,493	—	100	15,924	—	639
	Other	Forecasted transactions in foreign currencies	1,509	—	(15)	9,638	—	(96)
Total			¥11,440	¥250	¥14	$73,071	$1,597	$89

Fiscal 2024

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Nominal amount	Nominal amount due after one year	Market value
Allocation method	Forward foreign exchange contracts:				
	Receipts in Yen/ Payments in U.S. dollar	Accounts receivable—trade	¥570	¥—	Note
	Receipts in Yen/ Payments in Baht	Loans receivable	560	—	Note
	Receipts in Yen/ Payments in Yuan	Accounts receivable—trade	232	—	Note
	Receipts in U.S. dollar/ Payments in Yen	Accounts payable—trade	321	—	Note
	Other	Accounts receivable—trade	17	—	Note
Total			¥1,702	¥—	

Note: With respect to forward foreign exchange contracts whose exchange rates are used for translating accounts receivable—trade, loans receivable or accounts payable—trade, market values of forward foreign exchange contracts are included in the market values of the relevant accounts receivable—trade, loans receivable or accounts payable—trade, since they are used for recording accounts receivable—trade, loans receivable or accounts payable—trade as hedged items.

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Forward foreign exchange contracts:				
	Receipts in Yen/ Payments in U.S. dollar	Forecasted transactions in foreign currencies	¥4,121	¥—	¥(32)
	Receipts in Yen/ Payments in Euro	Forecasted transactions in foreign currencies	2,032	—	(1)
	Receipts in U.S. dollar/ Payments in Euro	Forecasted transactions in foreign currencies	1,676	221	50
	Receipts in U.S. dollar/ Payments in Yen	Forecasted transactions in foreign currencies	3,028	—	138
	Receipts in Baht/ Payments in Yen	Forecasted transactions in foreign currencies	1,118	—	(1)
	Other	Forecasted transactions in foreign currencies	410	—	(2)
Total			¥12,387	¥221	¥148

(2) Interest rate

Fiscal 2025

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	**¥12,166**	**¥8,104**	**¥(124)**

			Thousands of U.S. dollars		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	**$77,708**	**$51,763**	**$(792)**

Fiscal 2024

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Interest rate swaps: Floating rate into fixed rate	Long-term borrowings	¥15,151	¥11,358	¥81

(3) Commodity

Fiscal 2025

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Commodity swaps: Floating rate into fixed rate	Raw material	**¥2,293**	**¥1,374**	**¥(95)**

			Thousands of U.S. dollars		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Commodity swaps: Floating rate into fixed rate	Raw material	**$14,646**	**$8,776**	**$(607)**

Fiscal 2024

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Nominal amount	Nominal amount due after one year	Market value
Deferred hedge method	Commodity swaps: Floating rate into fixed rate	Raw material	¥1,741	¥899	¥(56)

14 Retirement Benefits

1. Summary of retirement benefit plan

The Company and certain consolidated subsidiaries provide retirement benefits to employees with funded and unfunded defined benefits plans and a defined contribution plan. Certain consolidated subsidiaries participate in a multi-employer plan and account for their contributions to this fund as a retirement benefit expense because the plan assets that correspond to the contribution of each participant cannot be reasonably calculated.

The funded defined benefits plan provides a lump sum payment or a pension primarily based on qualifications and length of service. The Company and certain consolidated subsidiaries are introducing a cash-balance plan to the defined benefits plan. The cash-balance plan establishes hypothetical individual employee accounts representing each employee's share of plan funding and assets. Interest credits based on money market rate movements and credits primarily based on qualifications and length of service accumulate in the hypothetical individual employee accounts.

The unfunded retirement benefit plan is a lump sum retirement plan. It functions as a retirement savings plan because the Company has established a retirement benefits trust for it. This plan provides lump sum retirement benefits primarily based on qualifications and length of service.

Certain consolidated subsidiaries use a simplified method to calculate liabilities and expenses associated with their defined benefit and lump sum plans.

2. Defined benefit plan

(1) Reconciliations of beginning and ending balance of retirement benefit plan (excluding simplified method)

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Retirement benefit obligations at beginning of year	**¥69,803**	¥67,471	**$445,855**
Service costs	**3,241**	2,978	**20,701**
Interest costs	**1,789**	1,807	**11,427**
Actuarial gain or loss	**(3,132)**	(834)	**(20,005)**
Benefits paid	**(4,795)**	(4,554)	**(30,627)**
Other	**(3,241)**	2,934	**(20,701)**
Retirement benefit obligations at end of year	**¥63,666**	¥69,803	**$406,656**

Note: "Other" mainly consists of foreign currency translation adjustment (change due to effects of foreign currency translation).

(2) Reconciliations of beginning and ending balance of plan assets (excluding simplified method)

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Plan assets at beginning of year	**¥44,560**	¥43,534	**$284,619**
Expected return on plan assets	**1,471**	1,607	**9,396**
Actuarial gain or loss	**1,046**	(5)	**6,681**
Contribution from the employer	**1,551**	1,570	**9,907**
Benefits paid	**(4,849)**	(4,569)	**(30,972)**
Other	**(4,231)**	2,423	**(27,025)**
Plan assets at end of year	**¥39,548**	¥44,560	**$252,606**

Note: "Other" mainly consists of foreign currency translation adjustment (change due to effects of foreign currency translation).

(3) Reconciliations of beginning and ending net defined benefit liabilities using the simplified method

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Net defined benefit liabilities at beginning of year	**¥2,153**	¥2,323	**$13,752**
Retirement benefit expenses	**309**	375	**1,974**
Benefits paid	**(171)**	(163)	**(1,092)**
Contribution to plan assets	**(123)**	(208)	**(786)**
Other	**(82)**	(174)	**(524)**
Net defined benefit liabilities at end of year	**¥2,085**	¥2,153	**$13,318**

(4) Reconciliations of net amount of retirement benefit liabilities and plan assets and net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Installment type retirement benefit obligation	**¥53,942**	¥61,151	**$344,545**
Plan assets	**(41,188)**	(46,116)	**(263,081)**
	12,753	15,035	**81,458**
Non installment type retirement benefit obligation	**13,449**	12,361	**85,903**
Net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet	**¥26,203**	¥27,396	**$167,367**
Net defined benefit liabilities	**¥32,146**	¥31,417	**$205,327**
Net defined benefit assets	**(5,942)**	(4,020)	**(37,954)**
Net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet	**¥26,203**	¥27,396	**$167,367**

Note: Includes plan that uses the simplified method.

(5) The components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Service costs	**¥3,241**	¥2,978	**$20,701**
Interest costs	**1,789**	1,807	**11,427**
Expected return on plan assets	**(1,471)**	(1,607)	**(9,396)**
Amortization of actuarial gains or losses	**481**	129	**3,072**
Amortization of prior service costs	**(313)**	(117)	**(1,999)**
Retirement benefit expenses calculated by simplified method	**309**	375	**1,974**
Other	**296**	246	**1,891**
Retirement benefit expense pertaining to defined benefit plan	**¥4,333**	¥3,812	**$27,676**

(6) Remeasurements of defined benefit plans (Consolidated comprehensive income)

The following is a breakdown of remeasurements of defined benefit plans (before income taxes and tax effect adjustments)

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Prior service costs	**¥(313)**	¥(117)	**$(1,999)**
Actuarial gain or loss	**4,660**	958	**29,765**
Total	**¥4,346**	¥840	**$27,759**

(7) Remeasurements of defined benefit plans (Consolidated balance sheet)

The following is a breakdown of items recorded in cumulative remeasurements of defined benefit plans (before income taxes and tax effect adjustments).

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Unrecognized prior service costs	**¥1,132**	¥1,446	**$7,230**
Unrecognized actuarial gain or loss	**2,601**	(2,058)	**16,613**
Total	**¥3,734**	¥(612)	**$23,850**

(8) Plan assets

a. The components of plan assets

The following is a share by major classifications for plan assets for the year ended December 31, 2025 and 2024.

	Fiscal 2025	Fiscal 2024
Debt securities	**44%**	52%
Equity securities	**14**	19
Life insurance company general accounts (Note 1)	**5**	10
Cash and deposits	**21**	7
Other assets	**16**	12
Total (Note 2)	**100%**	100%

Notes: 1. Life insurance companies manage the assets in, assume the asset management risk for, and guarantee a fixed return to policyholders for life insurance company general accounts.
2. Total retirement plan assets for the years ended December 31, 2025 and 2024 include 11% and 15% , respectively, of the retirement benefits trust established for the lump sum retirement plan.

b. Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined with due consideration of current and future distribution of plan assets and current and expected returns on the various types of plan assets.

(9) Actuarial assumptions

	Fiscal 2025	Fiscal 2024
Discount rate	**Mainly 2.0% to 5.7%**	Mainly 0.7% to 5.5%
Long-term expected rate of return	**Mainly 1.0% to 5.5%**	Mainly 1.0% to 5.6%

3. Defined contribution plan

The amounts of required contribution to the defined contribution plan of the Company and its consolidated subsidiaries for the years ended December 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Defined contribution plan	**¥2,258**	¥2,098	**$14,423**

4. Multi-employer plan

The contribution to the multi-employer plan, which is accounted for in the same manner as the defined contribution plan for the years ended December 31, 2025 and 2024, totaled ¥140 million (US$894 thousand) and ¥133 million, respectively.

Multi-employer plan in which overseas consolidated subsidiaries participate

(1) Accumulated funds for the plan

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025 **(As of June 30, 2025)**	Fiscal 2024 (As of June 30, 2024)	**Fiscal 2025** **(As of June 30, 2025)**
Plan assets	**¥93,210**	¥100,854	**$595,363**
Total of actuarial pension liabilities and plan's minimum reserve	**88,000**	95,968	**562,085**
Difference	**¥5,209**	¥4,885	**$33,272**

(2) Ratio of total salaries of the consolidated subsidiary to total funds of the plan

Fiscal 2025 **(As of June 30, 2025)**	Fiscal 2024 (As of June 30, 2024)
3.5%	3.2%

The ratio in the above (2) does not match with the ratio of the actual burden of the consolidated subsidiary.

15 Stock-Based Compensation Plans

1. Item and amount of expenses for stock options

Not applicable.

2. Details including size and changes of stock options

(1) Stock options plans

	Stock options May 2013	Stock options May 2014
Resolution date	April 25, 2013	April 25, 2014
Number of eligible persons by position	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 17	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 17
Total number and type of stocks granted	88,000 shares of common stock	78,500 shares of common stock
Grant date	May 15, 2013	May 15, 2014
Prerequisite to be vested	No vesting conditions are set.	No vesting conditions are set.
Required service period	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From May 15, 2013 to May 14, 2028; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by April 15, 2028, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.	From May 15, 2014 to May 14, 2029; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by April 15, 2029, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.
Number of subscription rights to shares (units) (Note 3)	3	5
Type, content and number of shares subject to subscription rights to shares (Note 3)	1,500 shares of common stock	2,500 shares of common stock
Amount paid at the time of exercise of subscription rights to shares (yen) (Note 3)	¥1/share (US$0.01)	¥1/share (US$0.01)
Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) (Note 3)	Issue price: ¥1,483 (US$9.47) Amount to be incorporated into stated capital: ¥742 (US$4.74)	Issue price: ¥1,120 (US$7.15) Amount to be incorporated into stated capital: ¥560 (US$3.58)
Conditions for exercising subscription rights to shares (Note 3)	(Note 1)	
Matters related to transfer of subscription rights to shares (Note 3)	Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.	
Matters related to delivery of subscription rights to shares in association with reorganization (Note 3)	(Note 2)	

	Stock options February 2015	Stock options February 2016
Resolution date	January 21, 2015	January 20, 2016
Number of eligible persons by position	Directors of the Company: 12 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11	Directors of the Company: 12 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 10
Total number and type of stocks granted	59,500 shares of common stock	69,000 shares of common stock
Grant date	February 17, 2015	February 10, 2016
Prerequisite to be vested	No vesting conditions are set.	No vesting conditions are set.
Required service period	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From February 17, 2015 to February 16, 2030; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 17, 2030, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.	From February 10, 2016 to February 9, 2031; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 10, 2031, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.
Number of subscription rights to shares (units) (Note 3)	12	23
Type, content and number of shares subject to subscription rights to shares (Note 3)	6,000 shares of common stock	11,500 shares of common stock
Amount paid at the time of exercise of subscription rights to shares (yen) (Note 3)	¥1/share (US$0.01)	¥1/share (US$0.01)
Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) (Note 3)	Issue price: ¥1,353 (US$8.64) Amount to be incorporated into stated capital: ¥677 (US$4.32)	Issue price: ¥1,201 (US$7.67) Amount to be incorporated into stated capital: ¥601 (US$3.84)
Conditions for exercising subscription rights to shares (Note 3)	(Note 1)	
Matters related to transfer of subscription rights to shares (Note 3)	Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.	
Matters related to delivery of subscription rights to shares in association with reorganization (Note 3)	(Note 2)	

	Stock options February 2017	Stock options February 2018
Resolution date	January 18, 2017	January 17, 2018
Number of eligible persons by position	Directors of the Company: 12 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 12
Total number and type of stocks granted	75,500 shares of common stock	45,000 shares of common stock
Grant date	February 9, 2017	February 15, 2018
Prerequisite to be vested	No vesting conditions are set.	No vesting conditions are set.
Required service period	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From February 9, 2017 to February 8, 2032; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 9, 2032, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.	From February 15, 2018 to February 14, 2033; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 15, 2033, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.
Number of subscription rights to shares (units) (Note 3)	35	26
Type, content and number of shares subject to subscription rights to shares (Note 3)	17,500 shares of common stock	13,000 shares of common stock
Amount paid at the time of exercise of subscription rights to shares (yen) (Note 3)	¥1/share (US$0.01)	¥1/share (US$0.01)
Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) (Note 3)	Issue price: ¥1,539 (US$9.83) Amount to be incorporated into stated capital: ¥770 (US$4.92)	Issue price: ¥1,762 (US$11.25) Amount to be incorporated into stated capital: ¥881 (US$5.63)
Conditions for exercising subscription rights to shares (Note 3)	(Note 1)	
Matters related to transfer of subscription rights to shares (Note 3)	Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.	
Matters related to delivery of subscription rights to shares in association with reorganization (Note 3)	(Note 2)	

	Stock options February 2019	Stock options February 2020
Resolution date	January 16, 2019	January 22, 2020
Number of eligible persons by position	Directors of the Company: 9 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 13	Directors of the Company: 12 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 12
Total number and type of stocks granted	64,500 shares of common stock	86,500 shares of common stock
Grant date	February 14, 2019	February 14, 2020
Prerequisite to be vested	No vesting conditions are set.	No vesting conditions are set.
Required service period	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From February 14, 2019 to February 13, 2034; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 14, 2034, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.	From February 14, 2020 to February 13, 2035; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 14, 2035, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.
Number of subscription rights to shares (units) (Note 3)	49	72
Type, content and number of shares subject to subscription rights to shares (Note 3)	24,500 shares of common stock	36,000 shares of common stock
Amount paid at the time of exercise of subscription rights to shares (yen) (Note 3)	¥1/share (US$0.01)	¥1/share (US$0.01)
Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) (Note 3)	Issue price: ¥1,467 (US$9.37) Amount to be incorporated into stated capital: ¥734 (US$4.69)	Issue price: ¥1,315 (US$8.40) Amount to be incorporated into stated capital: ¥658 (US$4.20)
Conditions for exercising subscription rights to shares (Note 3)	(Note 1)	
Matters related to transfer of subscription rights to shares (Note 3)	Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.	
Matters related to delivery of subscription rights to shares in association with reorganization (Note 3)	(Note 2)	

	Stock options February 2021
Resolution date	January 20, 2021
Number of eligible persons by position	Directors of the Company (excluding those working overseas): 11 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 13
Total number and type of stocks granted	98,500 shares of common stock
Grant date	February 12, 2021
Prerequisite to be vested	No vesting conditions are set.
Required service period	There is no provision for a required service period.
Exercise period	From February 12, 2021 to February 11, 2036; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date. A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date"). Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 12, 2036, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares.
Number of subscription rights to shares (units) (Note 3)	119
Type, content and number of shares subject to subscription rights to shares (Note 3)	59,500 shares of common stock
Amount paid at the time of exercise of subscription rights to shares (yen) (Note 3)	¥1/share (US$0.01)
Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) (Note 3)	Issue price: ¥1,175 (US$7.51) Amount to be incorporated into stated capital: ¥588 (US$3.76)
Conditions for exercising subscription rights to shares (Note 3)	(Note 1)
Matters related to transfer of subscription rights to shares (Note 3)	Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.
Matters related to delivery of subscription rights to shares in association with reorganization (Note 3)	(Note 2)

Notes: 1. Conditions for exercising subscription rights to shares

(i) If the Company decides to acquire the subscription rights to shares without contribution by resolution of a shareholders' meeting or a Board of Directors' meeting (Note 1-1), a holder of the subscription rights to shares may exercise the subscription rights to shares for a period that is prior to the date of such gratis acquisition and is separately determined by the Board of Directors.

(ii) If a holder of the subscription rights to shares is deceased, his or her heir may exercise the subscription rights to shares pursuant to the conditions specified in the "Contracts on Subscription Rights to Shares" listed in (iii) below.

(iii) The other exercise conditions are prescribed in the "Contracts on Subscription Rights to Shares" to be concluded between the Company and a holder of the subscription rights to shares.

1-1. If a proposal for approval of a merger agreement in which the Company will be a non-surviving company, an absorption-type split agreement or an incorporation-type company split plan in which the Company will be a split company, or a share exchange agreement or a share transfer plan in which the Company will be a wholly-owned subsidiary, is approved at the shareholders' meeting of the Company (if the resolution of the shareholders' meeting is not required, a resolution at the Board of Directors of the Company that approves these proposals), the Company may acquire all the remaining subscription rights to shares without consideration, as of the date separately determined by the Board of Directors.

2. Matters related to delivery of subscription rights to shares in association with reorganization

When the Company carries out a merger (only where the Company becomes a non-surviving company), absorption-type split, incorporation-type company split, share exchange or share transfer (collectively the "Reorganizational Acts"), the subscription rights to shares of a stock company listed in (a) to (e) in Paragraphs 1-8, Article 236 of the Companies Act ("Reorganized Company") shall be delivered to a holder of the subscription rights to shares who holds the remaining subscription rights to shares at the effective timing of the Reorganizational Acts ("Remaining Subscription Rights to Shares"), for each case, based on the conditions described below. In this case, Remaining Subscription Rights to Shares shall be extinguished, and the Reorganized Company shall newly deliver subscription rights to shares. However, the foregoing is limited to a case that a provision to deliver subscription rights to shares of the Reorganized Company pursuant to the following conditions is stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(i) Number of Reorganized Company's subscription rights to shares to be delivered

The same number as that of Remaining Subscription Rights to Shares held by the holders of the subscription rights to shares shall be delivered, respectively.

(ii) Type of shares of the Reorganized Company underlying the subscription rights to shares

Common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company underlying the subscription rights to shares

Determined in consideration for conditions of the Reorganizational Acts and other factors.

(iv) Value of assets to be contributed upon exercise of the subscription rights to shares

Post-reorganization paid-in amount shall be ¥1 per share of the Reorganized Company upon exercise of the subscription rights to shares. The value of assets to be contributed shall be calculated by multiplying the amount with the number of shares of the Reorganized Company determined according to (iii) above.

(v) Exercise period of the subscription rights to shares

From the starting day of the period for exercisable subscription rights to shares or the day when the Reorganization Action comes into effect, whichever comes later, to the expiration date of the exercise period of the subscription rights to shares above.

(vi) Amount of capital to be increased when shares are issued upon exercise of the subscription rights to shares

Half of the maximum amount of increase in stated capital calculated in accordance with Paragraph 1, Article 17 of the Regulation on Corporate Accounting, and any fraction of less than ¥1 resulting from the calculation shall be rounded up.

(vii) Restriction on acquisition of the subscription rights to shares by transfer

Acquisition of the subscription rights to shares by transfer requires the approval of the Board of Directors of the Reorganized Company.

(viii) Acquisition provision of the subscription rights to shares

Determined according to Note 1-1 above.

(ix) Other conditions for exercise of the subscription rights to shares

Determined according to "(v) Exercise period of the subscription rights to shares" and Note 1 above.

3. Stated are details as of the end of fiscal 2025. As of the end of the month preceding the month that the filing date of the securities report belongs to (February 28, 2026), there are no changes from the details as of the end of fiscal 2025.

(2) Size and changes of stock options

Stock options that existed in current fiscal year were converted into shares.

1) Number of stock options

	Stock options May 2013	Stock options May 2014	Stock options February 2015	Stock options February 2016	Stock options February 2017	Stock options February 2018
Unvested stock options (shares)						
At the beginning of the fiscal year	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	—	—
At the end of the fiscal year	—	—	—	—	—	—
Vested stock options (shares)						
At the beginning of the fiscal year	3,000	4,000	7,000	13,000	21,000	15,500
Vested	—	—	—	—	—	—
Exercised	1,500	1,500	1,000	1,500	3,500	2,500
Forfeited	—	—	—	—	—	—
At the end of the fiscal year	1,500	2,500	6,000	11,500	17,500	13,000

	Stock options February 2019	Stock options February 2020	Stock options February 2021
Unvested stock options (shares)			
At the beginning of the fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
At the end of the fiscal year	—	—	—
Vested stock options (shares)			
At the beginning of the fiscal year	28,500	41,000	69,000
Vested	—	—	—
Exercised	4,000	5,000	9,500
Forfeited	—	—	—
At the end of the fiscal year	24,500	36,000	59,500

2) Price information

	Yen					
	Stock options May 2013	Stock options May 2014	Stock options February 2015	Stock options February 2016	Stock options February 2017	Stock options February 2018
Exercise prices	¥1	¥1	¥1	¥1	¥1	¥1
Weighted-average exercise date stock price	1,906	1,906	1,906	1,906	1,906	1,906
Fair value at the grant date	1,482	1,119	1,352	1,200	1,538	1,761

	Yen		
	Stock options February 2019	Stock options February 2020	Stock options February 2021
Exercise prices	¥1	¥1	¥1
Weighted-average exercise date stock price	1,906	1,906	1,906
Fair value at the grant date	1,466	1,314	1,174

	U.S. dollars					
	Stock options May 2013	Stock options May 2014	Stock options February 2015	Stock options February 2016	Stock options February 2017	Stock options February 2018
Exercise prices	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Weighted-average exercise date stock price	12.17	12.17	12.17	12.17	12.17	12.17
Fair value at the grant date	9.47	7.15	8.64	7.66	9.82	11.25

	U.S. dollars		
	Stock options February 2019	Stock options February 2020	Stock options February 2021
Exercise prices	$0.01	$0.01	$0.01
Weighted-average exercise date stock price	12.17	12.17	12.17
Fair value at the grant date	9.36	8.39	7.50

3. Method to estimate number of vested stock options

The number of vested stock options is the same as the number of stock options granted, since no vesting conditions are set.

16 Income Taxes

1. Significant components of deferred tax assets and liabilities at December 31, 2025 and December 31, 2024

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Deferred tax assets:			
Impairment loss	**¥14,712**	¥7,862	**$93,970**
Net defined benefit liabilities	**10,513**	9,886	**67,150**
Depreciation and amortization	**6,566**	5,306	**41,939**
Unrealized gain on inventories	**3,606**	3,921	**23,033**
Tax credit carry forward of overseas subsidiaries	**2,258**	1,808	**14,423**
Accrued expenses	**2,128**	2,909	**13,592**
Provision for bonuses	**2,128**	2,372	**13,592**
Valuation difference on inventories	**1,886**	2,513	**12,046**
Tax loss carry forward (Note 2)	**11,332**	9,521	**72,381**
Other	**9,084**	8,658	**58,022**
Subtotal deferred tax assets	**64,217**	54,760	**410,175**
Valuation allowance relating to tax loss carry forward (Note 2)	**(10,142)**	(9,288)	**(64,780)**
Valuation allowance for total deductible temporary differences	**(12,584)**	(5,145)	**(80,378)**
Subtotal valuation allowance (Note 1)	**(22,727)**	(14,433)	**(145,165)**
Total deferred tax assets	**41,490**	40,327	**265,010**
Deferred tax liabilities:			
Depreciation and amortization	**(19,416)**	(17,377)	**(124,016)**
Adjustment to carrying amount of assets stated at fair value	**(9,826)**	(9,591)	**(62,762)**
Retained earnings of overseas subsidiaries	**(7,043)**	(7,209)	**(44,986)**
Unrealized gain on revaluation of securities	**(2,793)**	(3,368)	**(17,840)**
Net defined benefit assets	**(2,539)**	(1,222)	**(16,217)**
Other	**(2,822)**	(4,457)	**(18,025)**
Total deferred tax liabilities	**(44,442)**	(43,227)	**(283,866)**
Net deferred tax assets (liabilities)	**¥(2,951)**	¥(2,899)	**$(18,849)**

Notes: 1. The valuation allowance increased by ¥8,294 million (US$52,976 thousand). This was primarily due to an increase in the valuation allowance related to impairment losses.
2. Amounts of tax loss carry forward and deferred tax assets according to the carryforward periods

Fiscal 2025 (December 31, 2025)

(Millions of yen)

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carry forward (*)	**¥111**	**¥109**	**¥81**	**¥6**	**¥149**	**¥10,875**	**¥11,332**
Valuation allowance	**(71)**	**(87)**	**(55)**	**(1)**	**(67)**	**(9,858)**	**(10,142)**
Deferred tax assets	**40**	**21**	**25**	**4**	**81**	**1,017**	**1,189**

(Thousands of U.S. dollars)

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carry forward (*)	**$709**	**$696**	**$517**	**$38**	**$952**	**$69,462**	**$72,381**
Valuation allowance	**(454)**	**(556)**	**(351)**	**(6)**	**(428)**	**(62,966)**	**(64,780)**
Deferred tax assets	**255**	**134**	**160**	**26**	**517**	**6,496**	**7,595**

(*) Tax loss carry forward is the amount multiplied by the statutory effective tax rate.

Fiscal 2024 (December 31, 2024)

(Millions of yen)

	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carry forward (*)	¥150	¥168	¥72	¥162	¥13	¥8,954	¥9,521
Valuation allowance	(93)	(120)	(53)	(108)	(4)	(8,907)	(9,288)
Deferred tax assets	57	48	18	54	8	47	233

(*) Tax loss carry forward is the amount multiplied by the statutory effective tax rate.

2. Reconciliation of the differences between the statutory effective tax rate and the income tax rate in the accompanying consolidated statement of income at December 31, 2025 and December 31, 2024

	Fiscal 2025	Fiscal 2024
Statutory effective tax rate	**30.4%**	30.4%
(Adjustment)		
Items permanently excluded from deductible expenses or taxable income	**8.6**	3.6
Tax credit primarily for research and development expenses	**(3.9)**	(6.3)
Changes in valuation allowance, etc.	**43.0**	4.8
Amortization of goodwill	**6.1**	2.0
Effect of income tax rates difference	**(2.9)**	(3.3)
Retained earnings of overseas subsidiaries	**(0.8)**	10.1
Other	**(5.8)**	0.0
Income tax rate per the consolidated statement of income	**74.7%**	41.3%

3. Adjustments to deferred tax assets and deferred tax liabilities due to changes in rates for income taxes, etc.

Following the enactment of the “Act on Partial Revision to the Income Tax Act” (Act No. 13 of 2025) by the Diet on March 31, 2025, a “Special Defense Corporate Tax” will be imposed from fiscal years beginning on or after April 1, 2026.

Accordingly, for deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed for fiscal years beginning on or after January 1, 2027, the statutory effective tax rate has been changed from 30.4% to 31.3%.

The impact of this tax rate change is immaterial.

17 Revenue Recognition

1. Breakdown of revenue from contracts with customers

Fiscal 2025

Breakdown of revenue by region

Millions of yen

	Reporting Segments							
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 2)	Total
Japan	¥24,619	¥22,583	¥35,004	¥22,188	¥35,407	¥139,804	¥21,958	¥161,763
United States	86,725	7,944	85,105	5,888	102	185,765	2,323	188,088
China	65,567	8,830	11,840	6,507	26,412	119,158	573	119,732
Europe	122,901	11,370	51,675	11,125	177	197,250	6,430	203,681
Asia	48,521	9,227	10,134	9,828	4,333	82,045	2,174	84,219
Other area	38,834	1,101	8,448	726	908	50,019	943	50,962
Total	¥387,169	¥61,057	¥202,208	¥56,265	¥67,343	¥774,043	¥34,404	¥808,447

Thousands of U.S. dollars

	Reporting Segments							
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 2)	Total
Japan	$157,250	$144,245	$223,582	$141,722	$226,156	$892,974	$140,253	$1,033,233
United States	553,941	50,741	543,594	37,609	652	1,186,542	14,838	1,201,380
China	418,798	56,400	75,626	41,562	168,702	761,101	3,660	764,768
Europe	785,009	72,624	330,065	71,059	1,131	1,259,900	41,071	1,300,977
Asia	309,920	58,936	64,729	62,775	27,676	524,048	13,886	537,934
Other area	248,045	7,032	53,960	4,637	5,800	319,488	6,023	325,511
Total	$2,472,975	$389,991	$1,291,569	$359,383	$430,142	$4,944,066	$219,750	$5,163,816

Notes: 1. Revenues by region are classified by country or area based on customer location.

2. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

Fiscal 2024

Breakdown of revenue by region

	Millions of yen							
	Reporting Segments							
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 2)	Total
Japan	¥25,218	¥21,391	¥35,192	¥24,220	¥34,671	¥140,695	¥31,416	¥172,112
United States	85,575	7,847	81,544	6,594	86	181,648	1,868	183,517
China	68,007	8,521	12,430	7,542	26,271	122,773	870	123,644
Europe	125,518	10,092	54,233	10,757	161	200,763	5,784	206,548
Asia	53,129	8,913	11,215	7,852	4,470	85,582	2,032	87,614
Other area	40,529	1,399	8,332	1,112	719	52,093	1,365	53,458
Total	¥397,979	¥58,166	¥202,949	¥58,079	¥66,381	¥783,556	¥43,339	¥826,895

Notes: 1. Revenues by region are classified by country or area based on customer location.

2. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

2. Basic information to understand revenues from contracts with customers

Basic information to understand revenues is described in “(5) Standards for recognizing revenues and expenses” under “1. Significant accounting policies, 5. Accounting policies.”

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers existing at the end of the current fiscal year

(1) The balance of contract assets and liabilities, etc.

Fiscal 2025

	Millions of yen		Thousands of U.S. dollars	
	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables from contracts with customers	**¥163,218**	**¥174,366**	**$1,042,527**	**$1,113,733**
Contract assets	**3,370**	**3,963**	**21,525**	**25,313**
Contract liabilities	**3,433**	**3,146**	**21,928**	**20,095**

Contract assets are related to the rights to consideration for construction contracts in progress. Contract liabilities are advances received from customers.

The beginning balance of the contract liabilities was largely recognized as revenue in fiscal 2025.

Fiscal 2024

	Millions of yen	
	Beginning balance	Ending balance
Receivables from contracts with customers	¥160,762	¥163,218
Contract assets	1,142	3,370
Contract liabilities	9,248	3,433

Contract assets are related to the rights to consideration for construction contracts in progress. Contract liabilities are advances received from customers. The beginning balance of the contract liabilities was largely recognized as revenue in fiscal 2024.

(2) Transaction price allocated to the remaining performance obligations

Since there are no material contracts with an initial expected term of over one year, the Group has applied a practical expedient and omitted information on the remaining performance obligations. Also, there is no material amount that has not been included in the transaction price in considerations received from contracts with customers.

18 Segment Information

Segment information

1. Segment overview

The business segments reported by Kuraray are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

Kuraray adopts an in-house company system where each in-house company conducts business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, for the products it handles. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray Group products as well as other companies' products.

Consequently, Kuraray has created five business segments for reporting—"Vinyl Acetate," "Isoprene," "Functional Materials," "Fibers and Textiles" and "Trading"—categorized by product group based on the respective in-house companies and the Trading segment.

The Vinyl Acetate segment manufactures and markets functional resins and film, including PVOH, PVB and EVAL™EVOH resin. The Isoprene segment manufactures and markets SEPTON™ thermoplastic elastomer, isoprene-related products and GENESTAR™ heat-resistant polyamide resin. The Functional Materials segment manufactures and markets methacrylic resin, medical products, activated carbon and others. The Fibers and Textiles segment manufactures and markets synthetic fibers and textiles, CLARINO™ man-made leather and others. The Trading segment mainly processes and sells synthetic fibers and man-made leather, and conducts planning and marketing for other products produced by the Kuraray Group and other companies.

2. Methods for calculating reporting segment net sales, income and loss, assets, liabilities, and other items

The accounting method applied to reported business segments is the same as that stated in "1. Significant Accounting Policies." Profits from reporting segments are operating income, and inter-segment sales and transfers are based on the prevailing market prices.

3. Information on sales, income and loss, assets, liabilities, and other amounts by reporting segment

Fiscal 2025 (January 1, 2025 to December 31, 2025)

Millions of yen

	Reporting Segments									
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 1)	Total	Adjustment (Notes 2,4)	Consolidated Financial Statements (Note 3)
Net sales										
(1) Outside customers	¥387,169	¥61,057	¥202,208	¥56,265	¥67,343	¥774,043	¥34,404	¥808,447	¥—	¥808,447
(2) Inter-segment sales and transfers	17,325	19,320	4,730	4,484	1,423	47,284	6,390	53,675	(53,675)	—
Total.	¥404,495	¥80,378	¥206,939	¥60,749	¥68,766	¥821,328	¥40,794	¥862,123	¥(53,675)	¥808,447
Segment income (loss)	62,545	(4,864)	10,826	2,633	6,039	77,179	1,795	78,975	(20,092)	58,882
Segment assets.	596,759	140,200	321,950	75,656	59,226	1,193,793	23,605	1,217,399	86,112	1,303,511
Other items										
Depreciation and amortization (other than goodwill)	41,531	11,138	17,368	4,322	238	74,599	651	75,251	4,166	79,418
Impairment loss	1,148	25,636	784	1,909	—	29,478	147	29,626	—	29,626
Amortization of goodwill	1,743	—	2,938	—	—	4,682	—	4,682	601	5,283
Balance of goodwill at end of current period	12,959	—	35,684	—	—	48,643	—	48,643	3,568	52,212
Investments in equity method affiliates	—	—	—	4,416	—	4,416	—	4,416	—	4,416
Increase in tangible fixed assets and intangible fixed assets	62,699	4,332	27,118	4,397	141	98,689	908	99,598	7,230	106,829

	Thousands of U.S. dollars									
	Reporting Segments									
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 1)	Total	Adjustment (Notes 2,4)	Consolidated Financial Statements (Note 3)
Net sales										
(1) Outside customers	$2,472,975	$389,991	$1,291,569	$359,383	$430,142	$4,944,066	$219,750	$5,163,816	$—	$5,163,816
(2) Inter-segment sales and transfers	110,660	123,403	30,212	28,641	9,089	302,018	40,815	342,840	(342,840)	—
Total	$2,583,642	$513,401	$1,321,787	$388,024	$439,231	$5,246,091	$260,565	$5,506,662	$(342,840)	$5,163,816
Segment income (loss)	399,495	(31,068)	69,149	16,818	38,573	492,968	11,465	504,439	(128,334)	376,099
Segment assets	3,811,695	895,503	2,056,400	483,240	378,296	7,625,147	150,773	7,775,926	550,026	8,325,952
Other items										
Depreciation and amortization (other than goodwill)	265,272	71,142	110,935	27,606	1,520	476,488	4,158	480,653	26,610	507,269
Impairment loss	7,333	163,746	5,008	12,193	—	188,286	939	189,231	—	189,231
Amortization of goodwill	11,133	—	18,766	—	—	29,905	—	29,905	3,839	33,744
Balance of goodwill at end of current period	82,773	—	227,925	—	—	310,699	—	310,699	22,790	333,495
Investments in equity method affiliates	—	—	—	28,206	—	28,206	—	28,206	—	28,206
Increase in tangible fixed assets and intangible fixed assets	400,479	27,670	173,212	28,085	901	630,359	5,800	636,165	46,180	682,352

Notes: 1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

2. Adjustments of negative ¥20,092 million (negative US$128,334 thousand) for segment income (loss) include the elimination of inter-segment transactions of ¥2,090 million (US$13,350 thousand) and unallocated corporate expenses of negative ¥22,182 million (negative US$141,684 thousand). These corporate expenses mainly comprise the Company’s basic research expenses.

3. Segment income (loss) is adjusted with operating income under the Consolidated Statement of Income.

4. Adjustments for segment assets amounting to ¥86,112 million (US$550,026 thousand) include the elimination of inter-segment transactions of negative ¥55,087 million (negative US$351,859 thousand) and unallocated corporate assets of ¥141,199 million (US$901,884 thousand). These corporate assets mainly comprise the Company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

Fiscal 2024 (January 1, 2024 to December 31, 2024)

Millions of yen

	Reporting Segments									
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total	Others (Note 1)	Total	Adjustment (Notes 2,4)	Consolidated Financial Statements (Note 3)
Net sales										
(1) Outside customers	¥397,979	¥58,166	¥202,949	¥58,079	¥66,381	¥783,556	¥43,339	¥826,895	¥—	¥826,895
(2) Inter-segment sales and transfers	16,928	18,198	5,032	4,595	1,243	45,998	7,524	53,523	(53,523)	—
Total.	¥414,907	¥76,365	¥207,981	¥62,674	¥67,625	¥829,555	¥50,863	¥880,419	¥(53,523)	¥826,895
Segment income (loss)	87,630	(9,498)	12,946	1,207	5,915	98,201	2,295	100,497	(15,416)	85,081
Segment assets.	564,942	165,243	317,962	82,733	57,117	1,187,998	25,496	1,213,494	77,743	1,291,238
Other items										
Depreciation and amortization (other than goodwill)	42,342	10,638	17,534	5,354	247	76,117	575	76,692	3,697	80,390
Impairment loss	458	137	10,361	5,395	284	16,637	54	16,692	101	16,793
Amortization of goodwill	1,747	—	3,122	—	—	4,870	—	4,870	—	4,870
Balance of goodwill at end of current period	14,436	—	39,154	—	—	53,591	—	53,591	—	53,591
Investments in equity method affiliates	—	—	—	4,018	—	4,018	2,741	6,760	—	6,760
Increase in tangible fixed assets and intangible fixed assets	45,006	4,307	23,556	4,306	388	77,564	783	78,348	5,928	84,276

Notes: 1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

2. Adjustments of negative ¥15,416 million for segment income (loss) include the elimination of inter-segment transactions of ¥3,111 million and unallocated corporate expenses of negative ¥18,528 million. These corporate expenses mainly comprise the Company’s basic research expenses.

3. Segment income (loss) is adjusted with operating income under the Consolidated Statement of Income.

4. Adjustments for segment assets amounting to ¥77,743 million include the elimination of inter-segment transactions of negative ¥60,422 million and unallocated corporate assets of ¥138,166 million. These corporate assets mainly comprise the Company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

(Related Information)

Fiscal 2025 (January 1, 2025 to December 31, 2025)

1. Information about products and services

	Millions of yen					
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Others	Total
Net sales to outside customers	¥398,582	¥76,941	¥205,579	¥87,314	¥40,030	¥808,447

	Thousands of U.S. dollars					
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Others	Total
Net sales to outside customers	$2,545,874	$491,447	$1,313,100	$557,703	$255,685	$5,163,816

Note: Principal products of each segment are as follows:

Vinyl Acetate	: PVOH resin and film, PVB resin and film, EVAL™ EVOH resin and others
Isoprene	: SEPTON™ thermoplastic elastomer, isoprene chemicals, GENESTAR™ heat-resistant polyamide resin and others
Functional Materials	: Methacrylic resin, medical products, activated carbon, aqua business and others
Fibers and Textiles	: KURALON™, CLARINO™ man-made leather, MAGICTAPE™ hook and loop fasteners, polyester and others
Others	: Engineering business and others

2. Performance by geographical segment

(1) Net sales

Millions of yen						
Japan	United States	China	Europe	Asia	Others	Total
¥161,763	¥188,088	¥119,732	¥203,681	¥84,219	¥50,962	¥808,447

Thousands of U.S. dollars						
Japan	United States	China	Europe	Asia	Others	Total
$1,033,233	$1,201,380	$764,768	$1,300,977	$537,934	$325,511	$5,163,816

Note: Net sales are classified by country or area based on customer location.

(2) Tangible fixed assets

Millions of yen					Thousands of U.S. dollars				
Japan	United States	Thailand	Others	Total	Japan	United States	Thailand	Others	Total
¥169,863	¥178,386	¥59,280	¥141,581	¥549,112	$1,084,971	$1,139,410	$378,641	$904,324	$3,507,358

3. Major customers

No information is available as there is no single outside customer accounting for 10% or more of the Group's total net sales.

Fiscal 2024 (January 1, 2024 to December 31, 2024)

1. Information about products and services

	Millions of yen					
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Others	Total
Net sales to outside customers	¥408,212	¥73,838	¥206,564	¥89,292	¥48,987	¥826,895

Note: Principal products of each segment are as follows:

Vinyl Acetate	: PVOH resin and film, PVB resin and film, EVAL™ EVOH resin and others
Isoprene	: SEPTON™ thermoplastic elastomer, isoprene chemicals, GENESTAR™ heat-resistant polyamide resin and others
Functional Materials	: Methacrylic resin, medical products, activated carbon, aqua business and others
Fibers and Textiles	: KURALON™, CLARINO™ man-made leather, non-woven fabrics, MAGICTAPE™ hook and loop fasteners, polyester and others
Others	: Engineering business and others

2. Performance by geographical segment

(1) Net sales

Millions of yen						
Japan	United States	China	Europe	Asia	Others	Total
¥172,112	¥183,517	¥123,644	¥206,548	¥87,614	¥53,458	¥826,895

Note: Net sales are classified by country or area based on customer location.

(2) Tangible fixed assets

Millions of yen				
Japan	United States	Thailand	Others	Total
¥171,364	¥183,748	¥81,498	¥103,774	¥540,385

3. Major customers

No information is available as there is no single outside customer accounting for 10% or more of the Group's total net sales.

Information about impairment loss of fixed assets by reporting segment

Fiscal 2025: This information is omitted since similar information is disclosed in the segment information.

Fiscal 2024: This information is omitted since similar information is disclosed in the segment information.

Information about amortization of goodwill and unamortized balance of goodwill by reporting segment

Fiscal 2025: This information is omitted since similar information is disclosed in the segment information.

Fiscal 2024: This information is omitted since similar information is disclosed in the segment information.

Information about gain on negative goodwill

Fiscal 2025: Not applicable.

Fiscal 2024: Not applicable.

19 Related Party Disclosures

Fiscal 2025: Not applicable.

Fiscal 2024: Not applicable.

20 Per Share Information

	Yen		U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Net assets per share	**¥2,418.65**	¥2,359.03	**$15.45**
Basic net income per share	**23.62**	96.33	**0.15**
Diluted net income per share	**23.60**	96.27	**0.15**

Note: The basis for computation of basic and diluted net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2025	Fiscal 2024	**Fiscal 2025**
Basic net income per share			
Net income attributable to owners of the parent	**¥7,468**	¥31,724	**$47,701**
Amount unallocated to common stock	**—**	—	**—**
Net income attributable to owners of the parent allocated to common stock	**7,468**	31,724	**47,701**
Average number of common stock outstanding during the fiscal year (thousand shares)	**316,247**	329,327	**316,247**
Diluted net income per share			
Adjustment made on net income attributable to owners of the parent	**—**	—	**—**
Increase of common stocks (thousand shares)	**179**	214	**179**
(New subscription rights to shares (thousand shares))	**(179)**	(214)	**(179)**
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect	**—**	—	**—**

21 Significant Subsequent Events

Share Buyback

At a meeting of its Board of Directors on February 10, 2026, the Company resolved to conduct the following buyback of its own shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act.

1. Reason for the share buyback

The Company positions the distribution of profits to all shareholders as a priority management issue. Its shareholder return policy is to ensure a total return ratio of at least 50% as a proportion of net income attributable to owners of the parent, hold steady or increase dividends per share, and aim to continually conduct share buybacks. Under this policy, the Company has decided to conduct a share buyback.

2. Details of the share buyback

(1)	Type of shares in buyback:	Common stock
(2)	Maximum number of shares:	Up to 8,000 thousand shares (Approximately 2.61% of total outstanding shares, excluding treasury stock)
(3)	Maximum value of buyback:	Up to ¥10,000 million (US$63,873 thousand)
(4)	Buyback method:	Market purchase based on a trade contract for acquiring treasury stock
(5)	Buyback period:	February 12, 2026 to May 31, 2026

1 Detailed Schedule of Bonds

Company name	Issue	Date of issue	Millions of yen		Thousands of U.S. dollars	Yield	Security	Date of redemption
			Balance as of January 1, 2025	Balance as of December 31, 2025	Balance as of December 31, 2025			
Kuraray Co., Ltd.	No. 7 Unsecured bonds	April 25, 2018	¥10,000 (¥10,000)	**¥—**	**$—**	0.19%	None	April 25, 2025
	No. 8 Unsecured bonds	April 25, 2018	10,000	**10,000**	**63,873**	0.31%	None	April 25, 2028
	No. 9 Unsecured bonds	April 30, 2020	10,000	**10,000**	**63,873**	0.34%	None	April 30, 2027
	No. 10 Unsecured bonds	April 30, 2020	20,000	**20,000**	**127,747**	0.43%	None	April 30, 2030
	No. 11 Unsecured bonds	June 1, 2022	10,000	**10,000**	**63,873**	0.49%	None	June 1, 2032
	Total	—	¥60,000 (¥10,000)	**¥50,000**	**$319,366**	—	—	—

Notes: 1. Figures in brackets represent current portion of bonds payable.

2. Total amount of corporate bonds to be redeemed each year within five years of the fiscal year-end:

(Millions of yen)

Within One year	One to two years	Two to three years	Three to four years	Four to five years
¥—	**¥10,000**	**¥10,000**	**¥—**	**¥20,000**

(Thousands of U.S. dollars)

Within One year	One to two years	Two to three years	Three to four years	Four to five years
$—	**$63,873**	**$63,873**	**$—**	**$127,747**

2 Detailed Schedule of Loans Payable and Others

Category	Millions of yen		Thousands of U.S. dollars	Average Interest rate (%)	Due date
	Balance as of January 1, 2025	Balance as of December 31, 2025	Balance as of December 31, 2025		
Short-term borrowings	¥23,850	**¥45,120**	**$288,196**	0.9	—
Current portion of long-term borrowings due within one year	18,146	**32,612**	**208,304**	0.9	—
Current portion of lease obligations due within one year (Note 2)	508	**581**	**3,711**	—	—
Current portion of lease liabilities due within one year (Note 2)	5,971	**6,071**	**38,777**	—	—
Long-term borrowings (Excluding current portion) (Note 3)	142,286	**146,187**	**933,744**	0.9	From May 2027 to July 2035
Lease obligations (Excluding current portion) (Notes 2, 3)	1,355	**5,153**	**32,914**	—	From January 2027 to August 2063
Lease liabilities (Excluding current portion) (Notes 2, 3)	35,220	**37,663**	**240,566**	—	From January 2027 to May 2113
Other interest-bearing debts Commercial paper (Current portion)	—	**11,000**	**70,261**	0.8	—
Total	¥227,339	**¥284,389**	**$1,816,486**	—	—

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at December 31, 2025.

2. The average interest rates on lease obligations and lease liabilities are not reported, since interest payment equivalents included in total lease payments are allocated to each fiscal year using the straight-line method for some transactions.

3. Repayments of long-term borrowings, lease obligations and lease liabilities (excluding those due within one year) within five years after the consolidated balance sheet date are as follows:

(Millions of yen)

Category	One to two years	Two to three years	Three to four years	Four to five years
Long-term borrowings	**¥17,612**	**¥23,575**	**¥30,000**	**¥10,000**
Lease obligations	**423**	**334**	**215**	**134**
Lease liabilities	**5,486**	**4,494**	**3,665**	**3,159**

(Thousands of U.S. dollars)

Category	One to two years	Two to three years	Three to four years	Four to five years
Long-term borrowings	**$112,494**	**$150,581**	**$191,620**	**$63,873**
Lease obligations	**2,702**	**2,133**	**1,373**	**856**
Lease liabilities	**35,041**	**28,705**	**23,410**	**20,178**

3 Detailed Schedule of Asset Retirement Obligations

The schedule of asset retirement obligations is omitted since the amount of asset retirement obligations is not more than one hundredth of total liabilities and net assets as of January 1, 2025 and December 31, 2025.

4 Half-Year Information in Fiscal 2025

(Millions of yen)

	First half from January 1 to June 30, 2025	Fiscal 2025
Net sales	¥399,958	¥808,447
Income before income taxes	21,210	19,821
Net income attributable to owners of the parent	14,039	7,468
Net income per share (Yen)	43.50	23.62

(Thousands of U.S. dollars)

	First half from January 1 to June 30, 2025	Fiscal 2025
Net sales	$2,554,663	$5,163,816
Income before income taxes	135,475	126,603
Net income attributable to owners of the parent	89,672	47,701
Net income per share (U.S. dollars)	0.28	0.15

Independent Auditor's Report on Financial Statements and Internal Control Over Financial Reporting
(English Translation*)

March 25, 2026

To the Board of Directors of Kuraray Co., Ltd.

PricewaterhouseCoopers Japan LLC
Tokyo office

Hiroyuki Kawase, CPA
Designated limited liability Partner
Engagement Partner

Kazuaki Sekine, CPA
Designated limited liability Partner
Engagement Partner

THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements of Kuraray Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section, which comprise the consolidated balance sheet, consolidated statements of income and comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, significant matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary schedules for the consolidated fiscal year from January 1, 2025 to December 31, 2025.

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

Basis for Opinion

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

Key Audit Matters

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

In our audit of the consolidated financial statements for the previous fiscal year, we stated the following as key audit matters.

- Recognition of impairment loss on fixed assets in the Methacrylate business

In the audit of the consolidated financial statements for the current fiscal year, we examined the matters to be key audit matters from items communicated with corporate auditors and the board of corporate

auditors, considering the changes in the areas of which significant risks or risks of material misstatement are high, significant judgments made by us in relation to the areas of the consolidated financial statements in which the Company made significant judgments, the impact of significant events or transactions that occurred during the current fiscal year on the audit, and relative materiality in our audit and matters specific to the Company.

As a consequence, the key audit matters in the audit of the consolidated financial statements for the current fiscal year are as follows.

<table>
<tr><td colspan="2">Recognition and Measurement of Impairment Loss on Fixed Assets Related to Styrenic Thermoplastic Elastomers in the Elastomers Business
([Notes to the Consolidated Statement of Income] *4. Impairment loss)</td></tr>
<tr><td>Key audit matter description</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Company recognized an impairment loss of ¥10,620 million as an extraordinary loss in the consolidated statement of income for the current consolidated fiscal year related to the asset group associated with styrenic thermoplastic elastomers in the Elastomers business, which belongs to the Isoprene segment.

The Company identifies the fixed assets related to styrenic thermoplastic elastomers, which have characteristics such as resistance to heat aging, weather, and chemicals, as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

With respect to styrenic thermoplastic elastomers, although the plant in Thailand that started operations in 2023 achieved stable operations from the current consolidated fiscal year, operating results from operating activities remained continuously negative in both the previous and current consolidated fiscal years due to rising raw material and fuel prices, increased logistics costs, and intensified market competition.

Based on these circumstances, the Company determined that there were indicators of impairment for the asset group related to styrenic thermoplastic elastomers. As a result of estimating future cash flows, the Company reduced the carrying amount to the recoverable amount and recognized the resulting decrease of ¥10,620 million as an impairment loss.

In measuring the impairment loss, the Company determined the recoverable amount of the asset group related to styrenic thermoplastic elastomers based on the value in use. The future cash flows used in calculating the value in use were estimated based on the business plan for styrenic thermoplastic elastomers prepared and approved by management, taking into account uncertainties related to future business forecasts, including significant assumptions regarding sales price projections. Changes in these assumptions could result in changes in the amount of</td><td>We primarily performed the following audit procedures regarding the recognition and measurement of the impairment loss related to the asset group associated with styrenic thermoplastic elastomers.

We evaluated the design and tested the operating effectiveness of internal controls related to the identification of indicators of impairment and the recognition and measurement of impairment losses for fixed assets.

With respect to the recognition of the impairment loss related to the asset group associated with styrenic thermoplastic elastomers, we performed the following audit procedures:

• We made inquiries of management and reviewed minutes of meetings of the Board of Directors to obtain an understanding of the recent business environment of the asset group related to styrenic thermoplastic elastomers.

• We visited overseas subsidiaries with material carrying amounts within the asset group related to styrenic thermoplastic elastomers, made inquiries of management and production managers regarding operating conditions, and conducted site inspections.

• We verified the consistency between the business plan underlying the estimation of future cash flows for the asset group related to styrenic thermoplastic elastomers and the business plan approved by management.

• We obtained an understanding of the factors causing variances between prior year business plans and actual results, and evaluated whether uncertainties in future forecasts reflecting those factors were appropriately considered in the estimation of future cash flows.

• For sales price projections, which are a key assumption in the business plan, we examined customer indications and assessed the feasibility of those projections.</td></tr>
</table>

impairment loss recognized. Accordingly, the calculation of the recoverable amount involves uncertainty and requires management's subjective judgment. In addition, the amount of impairment loss recognized for the asset group related to styrenic thermoplastic elastomers is quantitatively material and has a significant impact on the consolidated financial statements. Based on the above, we determined that the recognition and measurement of the impairment loss related to the asset group associated with styrenic thermoplastic elastomers in the Elastomers business constitutes a key audit matter.	• We performed sensitivity analyses on undiscounted future cash flows that reflect uncertainties in the business plan, including assumptions related to sales price projections, and evaluated management's assessment of estimation uncertainty reflecting certain risks. • With respect to the discount rate, we used an auditor's specialist to independently calculate the discount rate and compared it with the discount rate used by management.

Recognition and Measurement of Impairment Loss on Fixed Assets in the Isoprene Chemicals Business ([Notes to the Consolidated Statement of Income] *4. Impairment loss)	
Key audit matter description	How our audit addressed the key audit matter
The Company recognized an impairment loss of ¥14,965 million as an extraordinary loss in the consolidated statement of income for the current consolidated fiscal year related to the Isoprene Chemicals business, which belongs to the Isoprene segment. The Isoprene Chemicals business manufactures and sells products for a wide variety of applications, ranging from specialty chemicals such as urethanes, detergents, and solvents, to fine chemicals such as fragrances, cosmetics, pharmaceutical and agrochemical intermediates, and electronic materials. The Company identifies this business as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. In the Isoprene Chemicals business, although the plant in Thailand that started operations in 2023 achieved stable operations from the current consolidated fiscal year, operating results from operating activities remained continuously negative in both the previous and the current consolidated fiscal years due to factors such as sluggish demand for construction related applications in China. The Company expects that this demand weakness will persist over an extended period. Based on these circumstances, the Company determined that there were indicators of impairment for the asset group related to the Isoprene Chemicals business. As a result of estimating future cash flows, the Company reduced the carrying amount of fixed assets related to the Isoprene Chemicals business to the recoverable amount and recognized the resulting decrease of ¥14,965 million as an impairment loss.	We primarily performed the following audit procedures regarding the recognition and measurement of the impairment loss on fixed assets in the Isoprene Chemicals business. We evaluated the design and tested the operating effectiveness of internal controls related to the identification of indicators of impairment and the recognition and measurement of impairment losses for fixed assets. With respect to the recognition and measurement of the impairment loss related to the Isoprene Chemicals business, we performed the following audit procedures: • We made inquiries of management and reviewed minutes of meetings of the Board of Directors to obtain an understanding of the recent business environment of the Isoprene Chemicals business. • We visited overseas subsidiaries with material carrying amounts of fixed assets in the Isoprene Chemicals business, made inquiries of management and production managers regarding operating conditions, and conducted site inspections. • We verified the consistency between the business plan underlying the estimation of future cash flows for the Isoprene Chemicals business and the business plan approved by management. • We obtained an understanding of the factors causing variances between prior year business plans and actual results, and evaluated whether uncertainties in future forecasts reflecting those factors were appropriately considered in the estimation of future cash flows. • For projected sales volumes, which are a key assumption in the business plan, we examined

In measuring the impairment loss, the Company determined the recoverable amount of the Isoprene Chemicals business based on the value in use. The future cash flows used in calculating the value in use were estimated based on the business plan for the Isoprene Chemicals business prepared and approved by management, taking into account uncertainties related to future business forecasts, including assumptions regarding projected sales volumes. Changes in these assumptions could result in changes in the amount of impairment loss recognized. Accordingly, the calculation of the recoverable amount involves uncertainty and requires management's subjective judgment. In addition, the amount of impairment loss recognized for this business is quantitatively material and has a significant impact on the consolidated financial statements. Based on the above, we determined that the recognition and measurement of the impairment loss on fixed assets in the Isoprene Chemicals business constitutes a key audit matter.	customer specific project information and order data and assessed the feasibility of those projections. • We performed sensitivity analyses on undiscounted future cash flows that reflect uncertainties in the business plan, including assumptions related to projected sales volumes, and evaluated management's assessment of estimation uncertainty reflecting certain risks. • With respect to the discount rate, we used an auditor's specialist to independently calculate the discount rate and compared it with the discount rate used by management.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. In addition, those charged with governance are responsible for overseeing the directors' execution of their duties in designing and operating the reporting process over the other information.

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 to remain alert for whether there are the indications that the other information appears to be materially misstated beyond such material inconsistencies.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' execution of their duties in designing and operating 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 independent auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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 corporate auditors and the board of corporate auditors 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 and other matters required by auditing standards.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with corporate auditors and the board of corporate auditors, 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.

THE AUDIT OF THE INTERNAL CONTROL REPORT

Opinion

We have audited, pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report of Kuraray Co., Ltd. as of December 31, 2025.

In our opinion, the internal control report referred to above, which states that the internal control over financial reporting was effective as at December 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to audits of internal control reports of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements of financial statements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report, and to issue an independent auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated and other matters required by auditing standards for internal control over financial reporting.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to impact our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

FEE-RELATED INFORMATION

The amounts of fees for the audit and the other services charged to the company and its controlled entities by the audit firm and firms belonging to the same network as the audit firm are disclosed in “Status of corporate governance, etc. (3) Status of audit” included in the “Status of the Reporting Company” section.

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.

* Notes to the Readers of Independent Auditor’s Report
This is an English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The original was prepared in Japanese. All possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.
The Independent Auditor's Report on the consolidated financial statements and the internal control report are included in the Annual Securities Report (Yukashoken Hokokusho).
As described in “Notes to Consolidated Financial Statements, 1. Significant Accounting Policies”, the U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2025 are presented solely for convenience of readers outside Japan. The audit by PricewaterhouseCoopers Japan LLC does not include the translation of Japanese yen amounts into U.S. dollar amounts.

(Notes) 1. The original of the Independent Auditor’s Report above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.