

NIPPON CHEMI-CON CORPORATION

**REPORT OF CONSOLIDATED
FINANCIAL STATEMENTS**

As of and for the year ended
March 31, 2026

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION

Five fiscal years ended March 31

	Millions of yen except for per share amounts				
	2026	2025	2024	2023	2022
Net sales	¥ 136,821	¥ 122,684	¥ 150,740	¥ 161,881	¥ 140,316
Profit (loss) attributable to owners of the parent company	¥ 2,367	¥ 37	¥ (21,291)	¥ 2,273	¥ (12,124)
Profit (loss) per share:					
Basic	¥ 106.29	¥ 1.75	¥ (1,029.15)	¥ 112.09	¥ (597.88)
Diluted	¥ 68.80	¥ 0.95	¥ -	¥ -	¥ -
Net assets per share	¥ 2,029.52	¥ 1,902.11	¥ 1,776.97	¥ 2,478.43	¥ 2,190.33

- Notes:
1. Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
 2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
 3. Diluted earnings per share for the fiscal years from 2022 to 2023 is not presented because dilutive stock was not existed. Additionally, diluted earnings per share for the fiscal year 2024 is not presented because of loss per share even dilutive is existed.

To Our Stakeholders



Kenichi Konno

Overview of the Fiscal Year Ended March 31, 2026

The global economy generally remained robust during the fiscal year ended March 31, 2026. In the United States, economic conditions remained firm, supported by strong capital investment driven in part by increased AI-related investment. In Europe, although consumer spending remained solid, the economic recovery remained modest, as exports declined in part due to the impact of U.S. tariff policies. In China, the economy continued to slow gradually amid the prolonged stagnation of the real estate market, while consumer spending remained weak as the effects of stimulus measures faded. In Japan, the economy continued on a moderate recovery path, with consumer spending remaining resilient against the backdrop of improving employment and income conditions.

Regarding the market environment for the Nippon Chemi-Con Group, the ICT-related market saw continued robust investment in data centers by major U.S. IT companies, and demand for AI servers and peripheral equipment expanded. In the automotive-related market, although the growth rate of Battery Electric Vehicles (BEVs) slowed partly due to policy changes in the United States, the market generally continued on a moderate recovery trend, supported by advances in Autonomous Driving / Advanced Driver-Assistance Systems (AD/ADAS). Industrial equipment-related markets also remained on a recovery trend, showing signs of bottoming out.

Under these business conditions, the Group steadily implemented the key initiatives set forth in its 10th Medium-term Management Plan. On the sales front, the Group focused on expanding sales of large-sized aluminum electrolytic capacitors and hybrid capacitors for the rapidly growing AI server market, while also promoting sales of products other than aluminum electrolytic capacitors, including inductors. In addition, the Group strengthened its sales structure in overseas markets where new demand is expected, including opening a new sales office at the U.S. subsidiary, United Chemi-Con Inc., and establishing Chemi-Con Electronics (India) Pvt. Ltd., a sales subsidiary in India. On the production front, the Group worked to improve profitability by establishing a supply system capable of meeting server-related demand, including expanding production capacity for large-sized aluminum electrolytic capacitors, while also continuously improving Overall Equipment Effectiveness (OEE) through measures such as preventing equipment failures and reducing waiting time during production line changeovers.

During the fiscal year under review, the Group developed the “KHR Series” of snap-in aluminum electrolytic capacitors with increased capacitance for power supply applications in servers, including AI servers. In addition, the Group launched new conductive polymer hybrid aluminum electrolytic capacitor products designed for installation in AI servers and automotive applications. The Group also developed the “FX Series” of common-mode choke coils for noise filters used in switching power supplies, inverter equipment, and automotive equipment, featuring improved magnetic permeability achieved through a proprietary manufacturing process.

As a result of the above, the Group recorded net sales of 136,821 million yen (up 11.5% Year-on-Year (YoY)), operating income of 3,369 million yen (down 9.9% YoY), ordinary income of 2,094 million yen (up 33.5% YoY), and profit attributable to owners of the parent company of 2,367 million yen (an increase of 2,330 million yen YoY) for the fiscal year under review.

Operating Results by Division

Operating results by division for the fiscal year ended March 31, 2026, are as follows.

1. Capacitors (126,180 million yen, 92.2% of total sales)

Net sales for this division increased by 12.3% YoY, driven mainly by increased demand in ICT and industrial equipment markets.

2. Mechanical Parts and Other Parts (3,155 million yen, 2.3% of total sales)

Net sales for this division decreased by 8.3% YoY, primarily due to a decline in demand for CMOS camera modules.

3. Capacitor Materials (5,643 million yen, 4.1% of total sales)

Net sales for this division decreased by 1.1% YoY, primarily due to lower demand for electrode foils used in aluminum electrolytic capacitors.

4. Other Products (1,842 million yen, 1.4% of total sales)

Net sales for this division increased by 50.9% YoY, primarily due to increased demand for resale products.

Outlook for the Fiscal Year Ending March 31, 2027

Looking ahead, the business environment surrounding the Group is expected to remain highly uncertain, due to factors such as downward pressure on the global economy from U.S. trade policies, rising energy prices linked to heightened geopolitical risks, including escalating tensions in the Middle East, soaring raw material prices, and logistics disruptions caused by restricted transportation routes.

Against this backdrop, the Group launched its 11th Medium-term Management Plan for FY2026–FY2028. The Group will position the aluminum electrolytic capacitor business at the core of its operations and work to rebuild its business foundation and fundamentally improve profitability.

Under its business strategy, the Group has classified its markets into “growth markets,” where high growth is expected, and “mass (general-purpose) markets,” where competition is primarily price-driven. The Group will implement sales and production strategies tailored to each market’s characteristics. In the AI server and automotive markets, which are growth markets, the Group has positioned high-performance, high-quality aluminum electrolytic capacitors as key products and will seek to secure stable orders through design-in activities. Meanwhile, in the highly price-competitive mass (general-purpose) markets, the Group will pursue cost structure reforms by establishing an optimal-location production system, promoting optimal-location materials procurement, and enhancing logistics and inventory management. Through these initiatives, the Group will work to strengthen its market competitiveness and regain market share through strategic sales measures.

Under its financial strategy, the Group will continue to make targeted investments in growth markets while strengthening its earnings base, thereby generating stable cash flows that will enable the Group to reduce interest-bearing debt, improve capital efficiency, and enhance financial soundness. At the same time, the Group will strengthen shareholders’ equity and maintain an appropriate capital structure to build a financial foundation resilient to changes in the business environment and to achieve sustainable enhancement of corporate value.

On December 21, 2015, Nippon Chemi-Con Corporation, its Taiwanese subsidiary Taiwan Chemi-Con Corp., and its Hong Kong subsidiary Hong Kong Chemi-Con Ltd. (hereinafter, collectively, the “Companies”) received a disposition from the Taiwan Fair Trade Commission imposing administrative fines totaling TWD 1,571.5 million for violations of Taiwan’s competition law related to transactions involving aluminum electrolytic capacitors. Thereafter, the Companies filed an administrative action in Taiwan seeking revocation of the disposition imposing the fines. Following a judgment of the Supreme Administrative Court of Taiwan, which serves as Taiwan’s highest court for administrative matters, reversing and remanding the case, proceedings were conducted before the Taipei High Administrative Court. During these proceedings, court-sponsored mediation was conducted, and on January 13, 2026, the Companies and the Taiwan Fair Trade Commission agreed to a settlement, with the mediation concluded on the same day. As a result, the Companies became entitled to receive a refund totaling TWD 345.73 million from the Taiwan Fair Trade

Commission.

With the conclusion of the mediation with the Taiwan Fair Trade Commission, all litigation related to competition law violations involving the Group concerning transactions involving aluminum electrolytic capacitors, etc., including this matter, has been fully resolved.

We respectfully ask for your continued support and encouragement.

June 26, 2026



Kenichi Konno
President and Representative Director

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2026

Assets	Millions of yen	
	2026	2025
Current assets:		
Cash and deposits (Note 5)	¥ 21,291	¥ 23,870
Electronically recorded monetary claims and accounts receivable- trade(Note 6)	29,209	23,716
Inventories (Note 7)	31,226	33,082
Accounts receivable-other	5,179	5,247
Other current assets	683	756
Less allowance for doubtful accounts	(17)	(53)
Total current assets	87,573	86,620
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	52,128	51,084
Machinery, equipment and others	164,125	160,719
Land	6,980	6,954
Lease assets	1,540	1,128
Right-of-use assets	5,589	5,255
Construction in progress	2,275	4,194
Sub total	232,639	229,335
Less accumulated depreciation	(185,090)	(181,005)
Property, plant and equipment, net	47,548	48,330
Intangible fixed assets	2,568	2,308
Investments and other assets :		
Investment securities (Notes 14 and 15)	15,629	15,007
Net defined benefit asset (Note 10)	8,704	6,649
Deferred tax assets (Note 9)	1,740	1,668
Other	2,236	2,135
Less allowance for doubtful accounts	(17)	(18)
Total investments and other assets	28,294	25,443
Total fixed assets	78,411	76,082
Total assets	¥ 165,985	¥ 162,702

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
As of March 31, 2026

	Millions of yen	
Liabilities and Net Assets	2026	2025
Current liabilities:		
Notes and accounts payable-trade	¥ 8,741	¥ 7,335
Electronically recorded obligations	4,844	5,748
Short-term debt (Note 8)	34,640	36,736
Lease obligations (Short-term)	633	637
Accounts payable-other	4,076	5,089
Income taxes payable	641	648
Accrued expenses	2,155	1,996
Bonus reserve	1,493	1,109
Notes payable-equipment	1	146
Other current liabilities	1,226	1,183
Total current liabilities	<u>58,456</u>	<u>60,631</u>
Long-term liabilities:		
Long-term debt (Note 8)	35,871	38,100
Lease obligations (Long-term)	3,771	2,765
Deferred tax liabilities (Note 9)	1,715	576
Net defined benefit liability (Note 11)	2,215	2,813
Other long-term liabilities	818	1,147
Total long-term liabilities	<u>44,393</u>	<u>45,403</u>
Total liabilities	<u>102,850</u>	<u>106,034</u>
Net assets:		
Shareholders' equity		
Share capital		
Authorized 55,000,000 shares in 2026 and 2025 issued and outstanding, 24,711,451 shares in 2026 and 21,954,933 in 2025	5,452	5,452
Capital surplus	56,793	57,343
Retained earnings	(24,327)	(26,681)
Treasury shares (Note 13)	(963)	(961)
Total shareholders' equity	<u>36,954</u>	<u>35,153</u>
Accumulated other comprehensive income		
Net unrealized gains on securities	196	(121)
Foreign currency translation adjustments	15,575	12,599
Remeasurements of defined benefit plans	9,752	8,486
Total accumulated other comprehensive income	<u>25,524</u>	<u>20,965</u>
Non-controlling interests	656	548
Total net assets	<u>63,135</u>	<u>56,667</u>
Total liabilities and net assets	<u>¥ 165,985</u>	<u>¥ 162,702</u>

The accompanying notes are an integral part of these consolidated financial statement

Consolidated Statement of Operations
For the year ended March 31,2026

	Millions of yen	
	2026	2025
Net sales	¥ 136,821	¥ 122,684
Cost of sales	112,376	98,955
Gross profit	24,444	23,729
Selling, general and administrative expenses (Notes 16 and 17)	21,074	19,989
Operating income	3,369	3,740
Non-operating income:		
Interest income	114	177
Dividend income	1	1
Foreign exchange gains	173	-
Equity in earnings of affiliated companies	185	833
Subsidy income	225	-
Other	129	41
Total non-operating income	831	1,054
Non-operating expenses:		
Interest expenses	1,508	1,526
Financing expenses	520	855
Foreign exchange losses	-	667
Other	76	177
Total non-operating expenses	2,106	3,226
Ordinary income	2,094	1,568
Extraordinary income:		
Gain on sales of property, plant and equipment (Note 18)	0	7
Settlement income (Note 19)	1,648	-
Total extraordinary income	1,648	7
Extraordinary loss:		
Loss on disposal of property, plant and equipment (Note 20)	42	38
Loss on antitrust law	-	973
Impairment losses(Note 21)	175	-
Total extraordinary loss	218	1,011
Profit before income taxes	3,524	564
Income taxes (Note 9)		
Current	840	520
Deferred	252	(21)
	1,092	498
Profit	2,432	65
Profit attributable to non-controlling interests	64	28
Profit attributable to owners of parent	¥ 2,367	¥ 37

Profit per share	Yen	
	2026	2025
Basic	¥ 106.29	¥ 1.75
Diluted	68.80	0.95

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2026

	Millions of yen			
		2026		2025
Profit	¥	2,432	¥	65
Other comprehensive income				
Foreign currency translation adjustments		2,937		508
Remeasurements of defined benefit plans		1,258		2,500
Share in other comprehensive income of affiliated companies accounted for using the equity method		405		185
Total other comprehensive income (Note 22)		4,601		3,195
Comprehensive income	¥	7,034	¥	3,260
Attributable to:				
Owners of parent		6,927		3,225
Non-controlling interests		107		35

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2026

Shareholders' equity (Note 13,23,24)					
Millions of yen					
	Share capital	Capital surplus	Retained earnings	Treasury shares (Note 13)	Total shareholders' equity
Balance at April 1, 2025	¥ 5,452	¥ 57,343	¥ (26,681)	¥ (961)	¥ 35,153
Changes of items during year					
Dividends of surplus		(550)	(14)		(564)
Profit attributable to owners of parent			2,367		2,367
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(550)	2,353	(2)	1,801
Balance as of March 31, 2026	¥ 5,452	¥ 56,793	¥ (24,327)	¥ (963)	¥ 36,954

Accumulated other comprehensive income (Note 22)						
Millions of yen						
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2025	¥ (121)	¥ 12,599	¥ 8,486	¥ 20,965	¥ 548	¥ 56,667
Changes of items during year						
Dividends of surplus						(564)
Profit attributable to owners of parent						2,367
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	317	2,975	1,265	4,559	107	4,666
Total changes of items during year	317	2,975	1,265	4,559	107	6,467
Balance as of March 31, 2026	¥ 196	¥ 15,575	¥ 9,752	¥ 25,524	¥ 656	¥ 63,135

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2026

	Shareholders' equity (Note 13,23,24)				
	Millions of yen				
	Share capital	Capital surplus	Retained earnings	Treasury shares (Note 13)	Total shareholders' equity
Balance at April 1, 2024	¥ 5,452	¥ 57,487	¥ (26,702)	¥ (917)	¥ 35,320
Changes of items during year					
Dividends of surplus		(144)	(15)		(159)
Profit attributable to owners of parent			37		37
Purchase of treasury shares				(1)	(1)
Share of parent company held by equity method affiliated company				(42)	(42)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(144)	21	(44)	(166)
Balance as of March 31, 2025	¥ 5,452	¥ 57,343	¥ (26,681)	¥ (961)	¥ 35,153

	Accumulated other comprehensive income (Note 22)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2024	¥ (8)	¥ 11,790	¥ 5,994	¥ 17,777	¥ 513	¥ 53,610
Changes of items during year						
Dividends of surplus						(159)
Profit attributable to owners of parent						37
Purchase of treasury shares						(1)
Share of parent company held by equity method affiliated company						(42)
Net changes of items other than shareholders' equity	(112)	808	2,492	3,188	35	3,223
Total changes of items during year	(112)	808	2,492	3,188	35	3,056
Balance as of March 31, 2025	¥ (121)	¥ 12,599	¥ 8,486	¥ 20,965	¥ 548	¥ 56,667

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended March 31, 2026

	Millions of yen	
	2026	2025
Cash flows from operating activities:		
Profit before income taxes	¥ 3,524	¥ 564
Depreciation and amortization	7,293	7,089
Loss on antitrust laws	-	973
Settlement income	(1,648)	-
(Decrease) increase in net defined benefit liability	(672)	(646)
(Decrease) increase in allowance for doubtful accounts	(40)	(2)
Interest and dividend income	(116)	(179)
Interest expenses	1,508	1,526
Foreign exchange loss (gain)	143	23
Equity in earnings of affiliated companies	(185)	(833)
Loss (gain) on disposal of property, plant and equipment, net	42	30
(Increase) decrease in notes and accounts receivable	(4,274)	2,724
(Increase) decrease in inventories	3,103	(3,773)
(Decrease) increase in notes and accounts payable	(533)	(1,046)
(Decrease) increase in accounts payable – other	(172)	(586)
Other	1,196	(2,663)
Sub total	<u>9,168</u>	<u>3,200</u>
Interest and dividends received	323	408
Interest paid	(1,502)	(1,565)
Income taxes paid	(869)	(1,173)
Payments related to antitrust laws	(1,147)	(1,363)
Settlement received	1,648	-
Net cash provided by (used in) operating activities	<u>7,622</u>	<u>(493)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,373)	(9,325)
Purchase of intangible fixed assets	(669)	(372)
Other	(245)	(55)
Net cash provided by (used in) investing activities	<u>(5,288)</u>	<u>(9,754)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term debt	(2,596)	(19,555)
Proceeds from long-term debt	16,600	18,200
Repayments of long-term debt	(18,554)	(9,217)
Repayments of lease obligations	(833)	(896)
Purchase of treasury shares	(2)	(1)
Repayments of installment payables	(282)	(299)
Dividends of surplus	(550)	(144)
Dividends of surplus to minority shareholders	(14)	(15)
Net cash provided by (used in) financing activities	<u>(6,232)</u>	<u>(11,931)</u>
Effect of exchange rate changes on cash and cash equivalents	1,320	748
Net increase (decrease) in cash and cash equivalents	<u>(2,578)</u>	<u>(21,430)</u>
Cash and cash equivalents at beginning of year	<u>23,864</u>	<u>45,295</u>
Cash and cash equivalents at end of year (Note 5)	<u>¥ 21,286</u>	<u>¥ 23,864</u>

The accompanying notes are an integral part of these consolidated financial statements

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and an affiliated company is as follows:

	2026
Consolidated subsidiaries	20
Affiliated company	1

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value. The fiscal year end of the affiliated company is December 31, and the financial statements for that date are used as the basis of the consolidated financial statements.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in the net profit or loss for the period. The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation and Amortization

Depreciation for property, plant and equipment (except for lease assets and right-of use assets) is computed primarily using the straight-line method over the estimated useful lives of the assets. The main useful lives are as follows.

Buildings: From 2 years through 41 years

Machinery, equipment: From 2 years through 10 years

Amortization for the intangible assets (except for lease assets) are computed primarily using the straight-line method over the estimated useful lives of the assets. Internal used software is amortized for 5 years using the straight-line method.

Finance lease assets that transfer ownership are depreciated or amortized as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Retirement Benefit

The retirement benefit obligations for employees are attributed to each period by the benefit formula method.

Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.

Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(8) Significant Hedge Accounting

1) Hedge accounting

The Interest swap agreements meeting the requirements for exceptional accounting method are accounted for using the exceptional accounting method.

2) Hedging instruments and hedged items

Hedging instruments

Interest swap

Hedged items

Interest of debts

3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of debts. The hedged items are assessed for each agreement.

4) Assessment of hedge effectiveness

Assessment of hedge effectiveness of interest swap agreements are omitted as permitted under the exceptional accounting method.

(9) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" and "Non-controlling interests" in Net Assets.

(10) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries adopt the Japanese Group Relief System. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(11) Consumption Taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(12) Profit and Net assets per Share

1) Basic profit per share amounts are based on the average number of common shares outstanding during each year. On the other hand, net assets per share amounts are based on the number of common shares outstanding at the end of each year.

		yen	
		2026	2025
Basic profit per share	¥	106.29	¥ 1.75
Net assets per share	¥	2,029.52	¥ 1,902.11
Diluted profit per share	¥	68.80	¥ 0.95

2) Basic profit (loss) per share and diluted profit per share are as below

	Millions of yen	
	2026	2025
Basic profit per share		
Profit attributable to owners of parent	¥ 2,367	¥ 37
Amount non-attributable to common shareholders	-	-
(Within preferred dividends)	(-)	(-)
Profit attributable to owners of parent for common shareholders	2,367	37
The average number of shares outstanding during the period (Thousands of number shares)	22,275	21,350
Diluted profit per share		
Profit attributable to owners of parent	¥ -	¥ -
Amount non-attributable to common shareholders	-	-
(Within preferred dividends)	(-)	(-)
The increase number of shares outstanding during the period (Thousands of number shares)	12,137	18,246
(Within classified stock (Thousands of number shares))	(12,137)	(18,246)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	-	-

Because the source of funding for preferred dividends paid to preferred shareholders in both the previous and the current consolidated fiscal years was capital surplus, such preferred dividends were not deducted from profit attributable to owners of the parent.

3) Net asset per share are as below

	Millions of yen	
	2026	2025
Net asset	¥ 63,135	¥ 56,667
Deduction from net asset	14,253	16,098
(Within paid preferred share)	(13,001)	(15,000)
(Within preferred dividends)	(596)	(550)
(Within non-controlling interests)	(656)	(548)
Amount attributable to common share	48,881	40,568
The number of shares at end of year to use as computation (Thousands of number shares)	24,085	21,328

(13) Research and Development Expense and Computer Software

Research and development expense are charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(14) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of 3 months or less and which represent a minor risk of fluctuations in value.

(15) Significant Accounting Estimates

Recoverability of Deferred Tax Assets

- 1) The amount of deferred tax assets presented on the consolidated balance sheet at March 31, 2025 and 2026 is ¥1,668 million and ¥1,740 million, respectively.
- 2) Details of significant accounting estimates related to the identified items

i) Calculation method

The Company determines the recoverability of deferred tax assets for deductible temporary differences and tax loss carryforwards by estimating taxable income for next year. Estimate of taxable income for next year is calculated based on the business plan for next year.

ii) Significant assumptions

The significant assumptions in the business plan for next year are sales volume and sales price.

iii) Impact on financial statements for the following year

Recoverability of deferred tax assets depends on estimation of taxable income in the future. Therefore, if the conditions and the assumptions are changed and the estimated taxable income in the future is reduced, there is the possibility of reducing the deferred tax assets.

(16) Standards for recording important income and expenses

The Company's main businesses are manufacturing and selling of capacitors, and revenues are recognized at the time of product delivery. They are recognized when the customers obtain control of the product at the time of delivery or the performance obligation is satisfied. Regarding domestic sales of goods or products, the alternative method (stipulated in the Paragraph 98 of "Guidelines for Applying Accounting Standards for Revenue Recognition" Corporate Accounting Standards Application Guideline No. 30, March 26, 2021) is applied. If the period from the time of shipment to the time of transferring control is considered normal in light of the business practice of the Company, revenues are recognized at the time of shipment.

Revenue is measured by deducting returns, discounts, rebates, etc. from the consideration promised in the contract with the customer.

The consideration for the transactions is received within one year after the performance obligation is satisfied, and it does not include important financial elements.

3. Unapplied accounting standards

“Accounting Standards for Leases”(ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases”(ASBJ Guidance No.33, September 13, 2024)

(1) Overview

The standard establishes the treatment of all leases including the recognition of assets and liabilities for all leases by lessees, same as international accounting standards.

(2) Scheduled application date

It will be applied from the beginning of the fiscal year ending March 2028

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

The impact on the consolidated financial statement of the application of the Accounting Standards for Leases is currently being evaluated.

“Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, issued on January 9, 2026, by the Accounting Standards Board of Japan)

- “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Guidance No. 35, issued on January 9, 2026, by the Accounting Standards Board of Japan)

(1) Overview

The “Accounting Standard for Subsequent Events,” etc., were developed with the priority objective of establishing a comprehensive accounting standard that addresses the definition, accounting treatment, and disclosure of subsequent events. As a basic policy, they carry over, in principle, the accounting-related content set forth in Auditing Standards Statement No. 560, Practical Guidance No. 1, “Audit Treatment concerning Subsequent Events,” issued by the Japanese Institute of Certified Public Accountants (JICPA) and transfer it to the Accounting Standards Board of Japan (ASBJ). The standards also revise terminology, clarify the evaluation period for subsequent events, and newly require a note concerning the approval of the financial statements for issuance, thereby prescribing the accounting treatment and disclosure of subsequent events.

(2) Scheduled date of Application

The standards will apply from the beginning of the fiscal year ending March 31, 2028.

4. Additional Information

1. Issuance of Class Shares by Way of Third-Party Allotment, Reduction of Share Capital and Legal capital surplus, and Acquisition and Cancellation of the Class A Shares

The Company, at a meeting of its Board of Directors held on March 27, 2026, resolved to enter into a share investment agreement with Development Bank of Japan Inc. (hereinafter referred to as the “Planned Allottee”) and to issue to the Planned Allottee, by way of third-party allotment, Class C shares in the total amount of ¥6,000,000,000 and Class D shares in the total amount of ¥3,000,000,000 (hereinafter collectively referred to as the “Class Shares”) (hereinafter referred to as the “Third-Party Allotment Capital Increase”); subject to completion of payment for the Third-Party Allotment Capital Increase, to reduce the amounts of share capital and legal capital surplus following the Third-Party Allotment Capital Increase, with an effective date of June 29, 2026, and to transfer the reduced amounts to other capital surplus (hereinafter referred to as the “Reduction of Share Capital and Legal capital surplus”); and to acquire the Class A shares held by Japan Industrial Solutions Fund III, an investment limited partnership, and, subject to such acquisition, to cancel those shares (hereinafter collectively referred to as the “Acquisition and Cancellation of the Class A Shares”).

(1) Third-Party Allotment Capital Increase

1. Class C shares

- (i) Payment date June 29, 2026
- (ii) Number of new shares to be issued 6,000 Class C shares
- (iii) Issue price ¥1,000,000 per share
- (iv) Total issue price ¥6,000,000,000
- (v) Method of offering or allotment All of the Class C shares will be allotted to Development Bank of Japan Inc. by way of third-party allotment.
- (vi) Other Class C shares are entitled to cumulative, non-participating preferred dividends at a rate of 6.5% per annum initially and 8.5% per annum on and after June 30, 2029.

2. Class D shares

- (i) Payment date June 29, 2026
- (ii) Number of new shares to be issued 3,000 Class D shares
- (iii) Issue price ¥1,000,000 per share
- (iv) Total issue price ¥3,000,000,000
- (v) Method of offering or allotment All of the Class D shares will be allotted to Development Bank of Japan Inc. by way of third-party allotment.
- (vi) Other Class D shares are entitled to cumulative, non-participating preferred dividends at a rate of 5.0% per annum initially and 7.0% per annum on and after June 30, 2029.

(2) Reduction of Share Capital and Legal capital surplus

1. Purpose of Reduction of Share Capital and Legal capital surplus

To enable agile and flexible capital policies in the future, the Company has decided to carry out the Reduction of Share Capital and Legal capital surplus in conjunction with the issuance of the Class Shares and to transfer the reduced amounts to other capital surplus, which forms part of the distributable amount. The Reduction of Share Capital and Legal capital surplus is conditional upon the completion of payment for the Third-Party Allotment Capital Increase.

2. Details of Reduction of Share Capital and Legal capital surplus

Pursuant to Article 447, Paragraphs 1 and 3, and Article 448, Paragraphs 1 and 3 of the Companies Act, the Company will reduce the amounts of its share capital and Legal capital surplus and transfer the respective reduced amounts to other capital surplus. The Reduction of Share Capital and Legal capital surplus is a reclassification of accounts within the net assets section of the balance sheet and will not affect the Company’s profit or loss or the amount of its net assets; therefore, it will have no impact on its financial results.

(i) Amount of reduction in share capital

The share capital, which will be ¥9,952,574,000 following the Third-Party Allotment Capital Increase, will be reduced by ¥4,500,000,000 to ¥5,452,574,000.

(ii) Item and amount of reduction in reserves

The Legal capital surplus, which will be ¥5,022,000,200 following the Third-Party Allotment Capital Increase, will be reduced by ¥4,500,000,000 to ¥522,000,200.

(iii) Item and amount of increase in surplus

Other capital surplus ¥9,000,000,000

3. Schedule of the Reduction of Share Capital and Legal capital surplus

(i) Resolution of the Board of Directors March 27, 2026

(ii) Public notice for creditor objections April 7, 2026

(iii) Final date for creditor objections May 7, 2026

(iv) Effective date June 29, 2026 (planned)

(3) Acquisition and Cancellation of the Class A Shares

1. Details of the Acquisition of Class A Shares

(i) Number of shares to be acquired 10,000 shares

(ii) Consideration for the acquisition of the shares Cash

(iii) Redemption price per share ¥1,103,493.2

The above redemption price is the amount equivalent to the paid-in amount per Class A share (¥1,000,000) multiplied by a redemption coefficient of 1.085, plus the amount of accrued and unpaid preferred dividends as of June 29, 2026, calculated on a daily pro rata basis.

(iv) Total Redemption price ¥11,034,932,000

(v) Transferor Japan Industrial Solutions Fund III, an investment limited partnership

(vi) Planned acquisition date June 29, 2026

The Acquisition of the Class A Shares is conditional upon the completion of payment for the Third-Party Allotment Capital Increase.

2. Details of the Cancellation of Class A Shares

(i) Number of shares to be canceled 10,000 shares

(ii) Effective date of cancellation June 29, 2026

The Cancellation of the Class A Shares is conditional upon the Company's acquisition of the Class A Shares as described in "1. Details of the Acquisition of Class A Shares" above.

2. Singapore Chemi-Con (Pte) Ltd. (hereafter "SCC"), as NCC subsidiary, has been facing a lawsuit concerning its sales of components to Dyson Manufacturing Sdn. Bhd. (hereafter "Dyson") who filed the lawsuit for damages in December 2024 to the Singapore International Commercial Court (SICC). Dyson is claiming damages of 145,544,762 British pounds against SCC. However, SCC regards Dyson's allegation is unreasonable and SCC is determined to assert its legitimate position in court by proving that it assumes no legal liability against the allegation.

5. Cash and Cash Equivalents

Reconciliation of cash and cash equivalents to the amount presented on the consolidated balance sheet at March 31, 2026 and 2025 is as follows:

	Millions of yen	
	2026	2025
Cash and deposits	¥ 21,291	¥ 23,870
Time deposits with a deposit term of over 3 months	(5)	(5)
Cash and cash equivalents	¥ 21,286	¥ 23,864

6. Electronically recorded monetary claims and accounts receivable-trade

	Millions of yen	
	2026	2025
Electronically recorded monetary claims	¥ 1,987	¥ 1,770
Accounts receivable-trade	27,221	21,946
Electronically recorded monetary claims and accounts receivable-trade	¥ 29,209	¥ 23,716

7. Inventories

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

	Millions of yen	
	2026	2025
Merchandise and finished goods	¥ 11,869	¥ 12,807
Work-in-process	12,297	14,105
Raw materials and supplies	7,059	6,169
Total	¥ 31,226	¥ 33,082

8. Short-Term and Long-Term Debt

The weighted average interest rates applicable to loans for the years ended March 31, 2026 and 2025 are 2.27% and 1.76%, respectively.

Short-term debt at March 31, 2026 and 2025 comprised of the following:

	Millions of yen	
	2026	2025
Bank loans and overdrafts	¥ 15,912	¥ 18,282
Current portion of long-term debt	18,728	18,454
Current lease obligations	633	637
Total	¥ 35,274	¥ 37,373

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

	Millions of yen	
	2026	2025
Loans:		
Loans, principally from banks and insurance companies due from 2027 to 2033 with interest rates ranging from 0.80 % to 5.00%	¥ 54,600	¥ 56,554
	54,600	56,554
Less: current portion	(18,728)	(18,454)
Lease obligations (Long-term)		
Lease, principally due from 2027 to 2045	3,771	2,765
Total	¥ 39,643	¥ 40,865

Note: (1) The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These include financial covenants referring to certain indices that are computed based on the consolidated balance sheet, etc.

(2) Here is the 5years redemption schedule after consolidated closing day.

	Millions of yen	
	2026	2025
Due after one year through two years	¥ 569	¥ 346
Due after two years through three years	503	283
Due after three years through four years	415	257
Due after four years through five years	401	239

9. Income Taxes

The Company is subject to various taxes based on income which, in aggregate, resulted in a statutory tax rate of approximately 30.62 % for the year ended March 31, 2026.

Significant components of deferred tax assets and liabilities as at March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Deferred tax assets:		
Net defined benefit liability	¥ 2,360	¥ 507
Bonus reserve	427	303
Tax loss carryforwards	11,307	12,068
Loss on devaluation of inventories	110	95
Impairment losses	22	-
Accrued expenses	243	153
Unrealized gain on inventories	55	111
Accounts payable-other	-	32
Other	1,030	877
Total gross deferred tax assets	<u>15,555</u>	14,150
Valuation allowance for tax loss carryforwards	(10,887)	(11,384)
Valuation allowance for total deductible temporary differences	<u>(634)</u>	(164)
Subtotal of valuation allowance	<u>(11,521)</u>	<u>(11,549)</u>
Total deferred tax assets	4,034	2,600
Deferred tax liabilities:		
Net defined benefit asset	(2,138)	-
Depreciation recorded by foreign subsidiaries	(428)	(312)
Undistributed earnings of foreign subsidiaries	(1,342)	(1,191)
Other	(99)	(5)
Total deferred tax liabilities	<u>(4,009)</u>	<u>(1,509)</u>
Net deferred tax assets	<u>¥ 25</u>	<u>¥ 1,091</u>

Notes: 1. Valuation allowance decreased by ¥28 million from the previous fiscal year. The main reason for the change is an decrease in valuation allowance for tax loss carryforwards of ¥497 million.

2. Amounts of tax loss carryforward and related deferred tax assets by expiry date as of March 31, 2026 and 2025 are as follows:

		Millions of yen						
		2026						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total	
Tax loss carryforwards	¥ -	¥ -	¥ 518	¥ 148	¥ 109	¥ 10,531	¥ 11,307	
Valuation allowance	¥ -	¥ -	¥ 518	¥ 47	¥ 108	¥ 10,211	¥ 10,887	
Deferred tax assets(*)	¥ -	¥ -	¥ -	¥ 100	¥ 0	¥ 319	¥ 420	

		Millions of yen						
		2025						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total	
Tax loss carryforwards	¥ -	¥ -	¥ -	¥ 454	¥ 299	¥ 11,314	¥ 12,068	
Valuation allowance	¥ -	¥ -	¥ -	¥ 454	¥ 162	¥ 10,767	¥ 11,384	
Deferred tax assets(*)	¥ -	¥ -	¥ -	¥ -	¥ 136	¥ 547	¥ 683	

(*): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

For the year ended March 31, 2026, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2026	2025
Statutory tax rate	- %	30.62 %
Increase (decrease) in taxes resulting from:	-	-
Expenses not deductible for income tax purposes	-	10.61
Capital levy on inhabitant tax	-	8.27
Overseas withholding taxes	-	11.93
Nontaxable dividend income	-	(42.70)
Change in the valuation allowance	-	128.15
Difference in foreign subsidiaries' tax rates	-	(13.81)
Effect of eliminated dividend income	-	(53.90)
Other	-	9.21
Effective income tax rate	- %	88.38 %

The difference between the statutory effective tax rate and the actual effective income tax rate after applying tax effect accounting for the consolidated fiscal year is within 5% of the statutory effective tax rate; therefore, the related disclosure has been omitted.

10. The Breakdown Concerning Financial Instruments by Fair Value Level

The Company uses a three-level hierarchy that is observable and prioritizes fair value measurements based on the types of inputs. The levels of the fair value hierarchy are described below:

Level 1: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value calculated using the observable inputs other than the level 1 input.

Level 3: Unobservable inputs with no market data.

Financial assets and liabilities are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement, if more than one input is used.

Financial instruments recognized on the consolidated balance sheet with the fair value

	Millions of yen			
	2026			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Currency-related transactions	-	(67)	-	(67)
Total	¥ -	¥ (67)	¥ -	¥ (67)

Financial instruments other than those recognized on the consolidated balance sheet at fair value

	Millions of yen			
	2026			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Investments in stock of affiliates	¥ 10,626	¥ -	¥ -	¥ 10,626
Total assets	10,626	-	-	10,626
Long-term debt	-	34,599	-	34,599
Total liabilities	¥ -	¥ 34,599	¥ -	¥ 34,599

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Currency-related transactions	-	28	-	28
Total	¥ -	¥ 28	¥ -	¥ 28

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Investments in stock of affiliates	¥ 6,813	¥ -	¥ -	¥ 6,813
Total assets	6,813	-	-	6,813
Long-term debt	-	34,504	-	34,504
Total liabilities	¥ -	¥ 34,504	¥ -	¥ 34,504

Explanation of the Company's fair value measurement process and the inputs related to the calculation of the fair value

1. Investment securities
Listed stocks are valued using quoted market prices. The prices are classified as Level 1 fair value because they are traded in active markets.
2. Derivative transactions
The fair value of forward exchange contract transactions is classified as Level 2 fair value based on the futures exchange rate.
Fair value of interest rate swaps accounted for under the exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied (see the following "Long-term debt").
3. Long-term debt
The fair value of long-term debt is classified as Level 2 fair value because the price is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.
Long-term borrowings with floating interest rates are subject to the exceptional treatment of interest rate swaps (see the above "Derivative transactions"), and if the total amount of principal and interest amount processed with the interest rate swaps applying to an equivalent new debt. It is calculated by discounting at the applicable reasonably estimated interest rate.

11. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Balance at the beginning of the year	¥ 20,865	¥ 22,680
Service cost	652	831
Interest cost	420	367
Actuarial loss	(1,425)	(1,486)
Retirement benefit paid	(1,563)	(1,452)
Other	353	(74)
Balance at the end of the year	¥ 19,302	¥ 20,865

The changes in the plan assets for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Balance at the beginning of the year	¥ 24,702	¥ 23,323
Expected return on plan assets	315	297
Actuarial loss	1,169	1,423
Contributions by the company	336	345
Retirement benefit paid	(788)	(691)
Other	56	4
Balance at the end of the year	¥ 25,791	¥ 24,702

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Funded defined benefit obligations	¥ 12,676	¥ 13,597
Pension assets	(25,791)	(24,702)
	(13,115)	(11,104)
Unfunded defined benefit obligations	6,626	7,268
Net amount of liabilities and assets in consolidated balance sheet	(6,488)	(3,836)
Defined benefit liability	2,215	2,813
Defined benefit Asset	(8,704)	(6,649)
Net amount of liabilities and assets in consolidated balance sheet	¥ (6,488)	¥ (3,836)

Note: Certain domestic consolidated subsidiaries calculate the defined benefit obligations using the simplified method in calculating of defined benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Service cost	¥ 652	¥ 831
Interest cost	420	367
Expected return on plan assets	(315)	(297)
Amortization of unrecognized actuarial loss	(542)	(392)
Amortization of prior service cost	13	13
Other	2	4
Retirement benefit expense	¥ 231	¥ 527

The breakdown of items in other comprehensive income before tax effect for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Actuarial loss	¥ (2,053)	¥ (2,518)
Prior service cost	(13)	(13)
Total	¥ (2,066)	¥ (2,531)

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Unrecognized actuarial loss	¥ (10,661)	¥ (8,572)
Unrecognized prior service cost	27	40
Total	¥ (10,634)	¥ (8,531)

The breakdown of pension assets by major category as of March 31, 2026 and 2025 are as follows:

	2026	2025
Equity securities	49%	48%
General account	19%	18%
Alternatives	10%	10%
Bonds	20%	20%
Other	2%	4%
Total	100%	100%

- Notes: 1. Alternatives mainly consisted of investments in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 21% of the total as of March 31, 2026 and 24% as of March 31, 2025.

The setting method of Expected rate of long-term return on plan assets.

The current and projected pension asset allocation and the current and expected long-term rate of return from the various assets that consist the pension assets is considered to decide expected rate of long-term return on plan assets of pension assets.

The items of actuarial assumptions as of March 31, 2026 and 2025 are as follows (The discount rate is shown as weighted average.):

	2026	2025
Discount rate	2.9%	1.9%
Expected rate of long-term return on plan assets	1.25%	1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Defined contribution pension plans	¥ 229	¥ 162

12. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2026			March 31, 2025		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts out of the trading markets						
Sell:						
US\$	¥	-	¥	-	¥	4
Euro						
Buy:						
US\$		2,211	(67)		24	24
	¥	2,211	¥	(67)	¥	28
	¥	2,211	¥	(67)	¥	28

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

Classification	Item	Hedged liabilities	Millions of yen					
			March 31, 2026			March 31, 2025		
			Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	17,050	5,550	(*)	28,450	17,050	(*)

(*) Fair value of interest rate swaps accounted for under the exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

13. Treasury Shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

	2025	Increase during the year	Decrease during the year	2026
Common shares	611,758	1,412	-	613,170
Total price (Millions of yen) ¥	961	¥ 2	-	¥ 963
Class B Shares	-	1,999	1,999	-
Total price (Millions of yen) ¥	-	¥ -	-	-

The increase of 1,412 shares in treasury shares of common shares was due to the purchase of shares less than one unit.

The increase and decrease of 1,999 shares of Class B treasury shares were attributable to the acquisition of Class B shares upon the exercise of holders' rights to request acquisition in exchange for common shares and the subsequent cancellation of such shares pursuant to a resolution of the Board of Directors, respectively.

	2024	Increase during the year	Decrease during the year	2025
Common shares	581,744	30,014	-	611,758
Total price (Millions of yen) ¥	917	¥ 44	¥ -	¥ 961

The increase of 30,014 treasury shares of common shares was due to the purchase of 1,574 shares less than one unit and an increase of 28,440 shares in the portion of treasury shares attributable to the Company following an increase in its ownership interest in an equity method affiliate.

14. Pledged Assets and Secured Debt

The following are the pledged assets for the years ended March 31, 2026 and 2025.

	Millions of yen	
	2026	2025
	¥	¥
Inventories	13,806	14,513
Buildings and Structures	5,383	5,697
Land	7,222	7,222
Investment securities	15,447	14,825
Total	¥ 41,860	¥ 42,258

The following are the secured debt for the years ended March 31, 2026 and 2025.

	Millions of yen	
	2026	2025
	¥	¥
Long-term debt	9,350	10,450
Total	¥ 9,350	¥ 10,450

15. Related Party Transactions

Samyoung Electronics Co., Ltd. (Samyoung) is a 35.15%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

- (1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.
- (2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.
- (3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2026 and 2025 and transactions for the years ended March 31, 2026 and 2025 with related parties are summarized as follows:

	Millions of yen			
	2026		2025	
Investment securities	¥	15,533	¥	14,911

	Millions of yen					
	2026			2025		
	Transaction amount	Account Title	Balance at end of year	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	¥ 2,226	Accounts payable	¥ 229	¥ 2,045	Accounts payable	¥ 156
Sales of materials and equipment	517	Accounts receivable -trade	39	820	Accounts receivable -trade	30
Supply of materials	¥ 1,053	Accounts receivable -other	¥ 90	¥ 911	Accounts receivable -other	¥ 54

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2026 and 2025, and for the years then ended, is follows:

	Millions of yen	
	2026	2025
Total current assets	¥ 41,956	¥ 40,635
Total fixed assets	19,717	19,329
Total current liabilities	2,245	2,466
Total long-term liabilities	348	319
Total net assets	59,080	57,178
Net sales	15,781	18,139
Profit before income taxes	761	1,515
Net profit	543	1,236

16. Selling, General and Administrative Expenses

The following are the major components of selling, general and administrative expenses for the years ended March 31, 2026 and 2025.

	Millions of yen	
	2026	2025
Freight and transportation	¥ 3,434	¥ 3,211
Salaries and wages	4,411	4,593
Provision for bonus reserve	1,097	527
Retirement benefit expenses	(32)	73
Depreciation	1,312	1,272
Research and development expenses	3,892	4,228

17. Research and Development Expenses

The total amounts of research and development expenses for the years ended March 31, 2026 and 2025 are as follows and all of them are charged to income as incurred.

	Millions of yen	
	2026	2025
Research and development expenses	¥ 3,892	¥ 4,228

18. Gain on Sales of Property, Plant

Gain on sales of property, plant and equipment for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen	
	2026	2025
Machinery, equipment and others	¥ 0	¥ 7
Total	¥ 0	¥ 7

19. Settlement income

Nippon Chemi-Con Corporation, its Taiwanese subsidiary Taiwan Chemi-Con Corp., and its Hong Kong subsidiary Hong Kong Chemi-Con Ltd. (collectively, the “Companies”) had filed an administrative action in Taiwan seeking revocation of the disposition imposed by the Taiwan Fair Trade Commission that levied administrative fines for alleged violations of Taiwan’s competition law in connection with transactions involving aluminum electrolytic capacitors.

Subsequently, court-sponsored mediation proceedings were conducted by the Taipei High Administrative Court, and on January 13, 2026, the Companies and the Taiwan Fair Trade Commission reached a settlement, with the mediation being concluded on the same day.

As a result of the settlement, the Companies received a refund totaling TWD 345.73 million from the Taiwan Fair Trade Commission. Accordingly, the Company recorded an Extraordinary income of JPY 1,648 million for the fiscal year ending March 31, 2026.

20. Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment for the years ended March 31, 2026 and 2025 are as follows:

	Millions of yen			
	2026		2025	
Buildings and structures	¥	29	¥	12
Machinery, equipment and others		13		25
Total	¥	42	¥	38

21. Impairment losses

For the fiscal year under review (April 1, 2025 to March 31, 2026), the Group recognized impairment losses on the following asset groups.

(1) Overview of Asset Groups for Which Impairment Losses Were Recognized

Location	Use	Type	Impairment Loss (Millions of yen)
Nagai City, Yamagata, Japan	Business-use assets	Machinery and equipment, vehicles, tools, furniture and fixtures	74
Cikarang Selatan, Bekasi, Indonesia	Business-use assets	Machinery and equipment, vehicles, tools, furniture and fixtures	100

(2) Background Leading to Recognition of the Impairment Losses

The Group groups its assets for impairment testing based on business segments for business-use assets and on an individual asset basis for idle assets.

With respect to business-use assets described above, for certain manufacturing facilities related to products for a specific customer, profitability is expected to decline. Accordingly, the carrying amount of those assets has been reduced to their recoverable amount, and the reduction has been recognized as an impairment loss.

The recoverable amount has been measured based on value in use.

22. Other Comprehensive Income

For the years ended March 31, 2026 and 2025, other comprehensive income is as follows:

	Millions of yen	
	2026	2025
Foreign currency translation adjustments		
Amount arising during the year	2,937	508
Reclassification adjustments	-	-
	2,937	508
Remeasurements of defined benefit plans		
Amount arising during the year	2,595	2,910
Reclassification adjustments	(528)	(378)
Income taxes and Before deferred tax adjustments	2,066	2,531
Income taxes and Deferred tax amounts	(808)	(30)
Remeasurements of defined benefit plans	1,258	2,500
Share in other comprehensive income of affiliated companies accounted for using the equity method		
Amount arising during the year	405	185
Reclassification adjustments	-	-
Share in other comprehensive income of affiliated companies accounted for using the equity method	405	185
Total other comprehensive income	¥ 4,601	¥ 3,195

23. Dividends

(1) Year ended March 31, 2026

1) Dividends paid

Resolution	Type of shares	Total dividend (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2025	Class A Shares	¥ 550	Capital surplus	¥ 55,000.00	March 31, 2025	June 30 2025

2) Dividends with effective date falling in the following fiscal year are as follows.

Resolution	Type of shares	Total dividend (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
	Common Shares	¥ 493	Capital surplus	¥ 20.00	March 31, 2026	June 29 2026
Annual general meeting of the shareholders on June 26, 2026	Class A Shares	¥ 550	Capital surplus	¥ 55,000.00	March 31, 2026	June 29 2026
	Class B Shares	¥ 46	Capital surplus	¥ 15,514.70	March 31, 2026	June 29 2026

(2) Year ended March 31, 2025

1) Dividends paid

Resolution	Type of shares	Total dividend (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2024	Class A Shares	¥ 144	Capital surplus	¥ 14,426.20	March 31, 2024	June 28 2024

2) Dividends with effective date falling in the following fiscal year are as follows.

Resolution	Type of shares	Total dividend (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2025	Class A Shares	¥ 550	Capital surplus	¥ 55,000.00	March 31, 2025	June 30 2025

24. Number of shares issued

	2025	Increase during the year	Decrease during the year	2026
Common Shares (Note 1)	21,939,933	2,758,517	-	24,698,450
Class A Shares	10,000	-	-	10,000
Class B Shares (Note 2)	5,000	-	1,999	3,001
Total	21,954,933	2,758,517	1,999	24,711,451

Note: 1. The increase of 2,758,517 issued shares of common stock was attributable to the issuance of common shares upon the exercise of holders' rights to request acquisition of Class B shares in exchange for common shares.

2. The decrease in the number of issued Class B shares was attributable to the cancellation, pursuant to a resolution of the Board of Directors, of treasury shares acquired upon the exercise of holders' rights to request acquisition of Class B shares in exchange for common shares.

	2024	Increase during the year	Decrease during the year	2025
Common Shares	21,939,933	-	-	21,939,933
Class A Shares	10,000	-	-	10,000
Class B Shares	5,000	-	-	5,000
Total	21,954,933	-	-	21,954,933

25. Financial Instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds from bank borrowings, issuance of corporate bonds and equity securities. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risks of fluctuations in exchange rates and interest rates.

2) Details of financial instruments and related risk

Electronically recorded monetary claims and accounts receivable - trade are exposed to the credit risk of customers. In addition, electronically recorded monetary claims and accounts receivable - trade denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting electronically recorded monetary claims and accounts receivable - trade denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year.

Short-term debt is used for the Company's operation and long-term debt (within 7 years in principle) is mainly used for capital expenditure. Variable interest rate debts are exposed to the risk of interest rate fluctuations. Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to Electronically recorded monetary claims and accounts receivable - trade and payables denominated in foreign currencies and hedging interest rate fluctuation risk related to loans. Interest rate swap transactions meet the requirements for special treatment.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management policies.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (risks of fluctuations in foreign currency exchange rates and interest rates)

The Company and its subsidiaries hedge against risks of fluctuations in foreign currency exchange rates related to Electronically recorded monetary claims and accounts receivable - trade and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contract periods generally not more than half year. The contracts are entered into foreign currency transactions that are certainly expected to occur as a result of scheduled transactions.

The Company and its subsidiaries enter into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company and its subsidiaries enter into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (Default risk)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10. "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no Electronically recorded monetary claims and accounts receivable - trade for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them at March 31, 2026 and 2025 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to "Note 2. Summary of Significant Accounting Policies".

	Millions of yen					
	March 31, 2026			March 31, 2025		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Investment securities						
Investments in stock of affiliates	¥ 15,447	¥ 10,626	¥ (4,820)	¥ 14,825	¥ 6,813	¥ (8,011)
Total assets	¥ 15,447	¥ 10,626	¥ (4,820)	¥ 14,825	¥ 6,813	¥ (8,011)
Long-term debt	35,871	34,599	(1,272)	38,100	34,504	(3,595)
Total liabilities	¥ 35,871	¥ 34,599	¥ (1,272)	¥ 38,100	¥ 34,504	¥ (3,595)
Derivative transactions	¥ (67)	¥ (67)	¥ -	¥ 28	¥ 28	¥ -

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

Note 1: Description of cash and deposits, Electronically recorded monetary claims and accounts receivable - trade, and short-term debt is omitted, as their book values approximate their fair values due to their short maturity. The fair values of investment securities are based on quoted market prices of stock exchanges. The fair value of long-term debt (except for lease obligations) is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

Note 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet			
	Millions of yen			
	2026		2025	
Unlisted shares	¥	182	¥	182

These items are excluded from "Investment securities" since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Note 3: Monetary claims at March 31, 2026 and 2025 due within one year

	Millions of yen			
	2026		2025	
Cash and deposits	¥	21,291	¥	23,870
Electronically recorded monetary claims and accounts receivable - trade		29,209		23,716
Total	¥	50,501	¥	47,587

Note 4: Redemption schedules of long-term debt with maturities at March 31, 2026 and 2025

	Long-term debt	
	Millions of yen	
	2026	2025
Due in one year or less	¥ 18,728	¥ 18,454
Due after one year through two years	19,078	16,350
Due after two years through three years	7,728	16,200
Due after three years through four years	6,178	5,550
Due after four years through five years	2,178	-
After five years	708	-

26. Lease

Finance lease assets that transfer ownership are depreciated or amortized on the straight-line method over the estimated useful lives of the assets with no residual value. Assets applicable to finance lease assets that transfer ownership are mainly substation equipment. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Assets applicable to finance lease assets that do not transfer ownership are mainly LNG satellite facilities and servers.

The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

27. Revenue Recognition

- (1) The information that disaggregates the revenue generated from the contracts with the customers are described in Note 28. Segment Information, etc.
- (2) The Basic information for understanding the revenue generated from contracts with customers
The basic information for understanding the revenue generated from contracts with customers are described as Notes (1. Basis of Presenting the Consolidated Financial Statements, 2. (16) Summary of Significant Accounting Policies, Standards for recording important income and expenses).
- (3) The information regarding relationship between the satisfaction of performance obligations based on the contracts with the customers, the cash flow generated from the contract and the amount of revenue expected to be recognized after the next fiscal year from the contract existing at the end of the current fiscal year.
 - 1) The balances of assets and liabilities from contracts with customers.
The balances of assets and liabilities from contracts with customers are as follows.

	Millions of yen	
	2026	2025
Assets from contracts with customers (Balance at the beginning of the year)	¥ 23,716	¥ 25,853
Assets from contracts with customers (Balance at the end of the year)	29,209	23,716
Contract liability (Balance at the beginning of the year)	92	43
Contract liability (Balance at the end of the year)	29	92

The contract liabilities are included in other current liabilities on the consolidated balance sheet. Contract liabilities are primarily the consideration received from the customers before delivery of the products. The recognized revenue in the current consolidated fiscal year included in the balance of contract liabilities in opening balance is not significant.

- 2) Allocating the transaction price to residual obligations
The Company and its subsidiaries apply simplified method and omits the disclosure for allocating the transaction prices to residual obligations because there are no significant contracts with an initially expected more than one year. Also, there are no significant amounts not included in the transaction price in the consideration generated from the contract with the customer.

28. Segment Information

(1) Overview of reportable segments

The Company defines its reportable segments as those operating units of which discrete financial information is available and results are reviewed by the Board of Directors periodically for the purpose of allocating resources and evaluating performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment "Capacitor".

The "Capacitor" business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2. "Summary of Significant Accounting Policies". Profits of reportable segments correspond to operating income.

(3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2026			2025		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	¥ 131,823	¥ 4,998	¥ 136,821	¥ 118,022	¥ 4,662	¥ 122,684
Intersegment sales	-	-	-	-	-	-
Total	¥ 131,823	¥ 4,998	¥ 136,821	¥ 118,022	¥ 4,662	¥ 122,684
Segment profit	3,225	144	3,369	3,302	438	3,740
Other:						
Depreciation	7,161	131	7,293	6,943	145	7,089
Increase in fixed assets	5,846	65	5,911	7,582	49	7,631

- Notes:
- "Other" includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
 - Total segment profit corresponds to operating income in the consolidated statements of operations.
 - Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2026 and 2025 are as follows:

1) Information by product and service

Information by product and service is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen	
	2026	2025
Japan	¥ 26,205	¥ 26,224
China	46,034	39,464
America	13,681	13,957
Europe	14,403	13,090
Others	36,495	29,946
Total	¥ 136,821	¥ 122,684

ii) Property, plant and equipment

	Millions of yen	
	2026	2025
Japan	¥ 32,722	¥ 33,947
China	2,663	2,905
America	2,898	2,585
Europe	2,974	2,776
Others	6,290	6,114
Total	¥ 47,548	¥ 48,330

iii) Information about major customers

Information about major customers for the years ended March 31, 2026 and 2025 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.

(5) Impairment losses on fixed assets by reportable segment

	Millions of yen		
	2026		Consolidated
	Capacitor	Other	
Impairment losses	175	-	175

29. Significant subsequent events

Issuance of common stock

The Company responding to the exercise by Japan Industrial Solutions III Investment Limited Partnership, a holder of Class B shares issued by the Company, of the right to request acquisition of all Class B shares in exchange for common shares, the Company delivers common shares as follows.

Date of exercise of the right to request acquisition by Class B shareholder	Number of Class B shares exercised	Number of common shares to be delivered upon exercise of the right to request acquisition	After the acquisition request takes effect
May 11, 2026	901	988,996	25,687,446
May 20, 2026	912	1,001,070	26,688,516
May 27, 2026	729	800,197	27,488,713
June 1, 2026	459	503,828	27,992,541

30. Other

On December 21, 2015, Nippon Chemi-Con Corporation, its Taiwanese subsidiary Taiwan Chemi-Con Corp., and its Hong Kong subsidiary Hong Kong Chemi-Con Ltd. (hereinafter, collectively, the “Companies”) received a disposition from the Taiwan Fair Trade Commission imposing administrative fines totaling TWD 1,571.5 million for violations of Taiwan’s competition law related to transactions involving aluminum electrolytic capacitors. Thereafter, the Companies filed an administrative action in Taiwan seeking revocation of the disposition imposing the fines. Following a judgment of the Supreme Administrative Court of Taiwan, which serves as Taiwan’s highest court for administrative matters, reversing and remanding the case, proceedings were conducted before the Taipei High Administrative Court. During these proceedings, court-sponsored mediation was conducted, and on January 13, 2026, the Companies and the Taiwan Fair Trade Commission agreed to a settlement, with the mediation concluded on the same day.

With the conclusion of the mediation with the Taiwan Fair Trade Commission, all litigation related to competition law violations involving the Group concerning transactions involving aluminum electrolytic capacitors, etc., including this matter, has been fully resolved.

Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nippon Chemi-Con Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Deferred Tax Assets of Nippon Chemi-Con Corporation

Description of Key Audit Matter	Auditor's Response
<p>The Group recognized deferred tax assets of ¥1,740 million on consolidated balance sheet as of March 31, 2026. As described in Note 9. Income Taxes, the amount of deferred tax assets before offsetting against the deferred tax liabilities is ¥4,034 million, which is a total gross deferred tax assets for deductible temporary differences and tax loss carryforwards of ¥15,555 million offset by the valuation allowance of ¥11,521 million. Of this amount, deferred tax assets recorded by the Company are ¥788 million.</p> <p>The Company determines the recoverability of deferred tax assets for deductible temporary differences and tax loss carryforwards by estimating the taxable income for next year.</p> <p>The Company's taxable income for next year is calculated based on the business plan for next year and as described in Note 2 (15) Significant Accounting Estimates, the significant assumptions in the business plan for next year are sales volume and sales price.</p> <p>Given that the significant assumptions in the business plan for next year involve uncertainties and require management's judgement in assessing the recoverability of deferred tax assets, we determined recoverability of deferred tax assets to be a key audit matter.</p>	<p>The audit procedures we performed to assess the recoverability of deferred tax assets included the following, among others:</p> <ul style="list-style-type: none"> • We examined the amount of deductible temporary differences and tax loss carryforwards. • We examined the schedule of the years in which deductible temporary differences and tax loss carryforwards were expected to be reversed or expired. • We assessed the underlying business plan for next year to evaluate the estimate of taxable income for next year. We assessed the business plan for next year, by examining its consistency with the business plan approved by the Board of Directors. • In order to evaluate the effectiveness of management's estimation process in business planning, we compared the Company's business plans in previous years to actual operating results. • In order to evaluate management's assessment of uncertainties reflecting certain risks in the business plan for next year, we compared the forecasted sales to sales in previous years and performed trend analysis on sales volume and sales price as significant assumptions. • In order to evaluate the estimated taxable income for next year, we inspected external data on market forecasts related to the industry in which the company operates.

Other Information

The other information comprises the information included in the Annual Financial Report 2026 that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of 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 otherwise appears to be materially misstated.

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

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor 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.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, 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 the Corporate Auditor 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.

Fee-related Information

The fees for the audits of the financial statements of the Company and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 102 million yen and 25 million yen, respectively.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2026

Yuichi Noda
Designated Engagement Partner
Certified Public Accountant

Takehiro Kaneko
Designated Engagement Partner
Certified Public Accountant