Consolidated Financial Statements

USHIO INC.

Year ended March 31, 2026 with
Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
USHIO INC.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of USHIO INC. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, 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.

Revenue recognition for lithography equipment in the Industrial Processes business	
Description of Key Audit Matter	**Auditor's Response**
As described in (Revenue Recognition) in the Notes to the Consolidated Financial Statements, the Company's consolidated net sales include sales to external customers of optical equipment (UV equipment) in the Industrial Processes business segment of 27,208 million yen.	We mainly performed the following audit procedures on the appropriateness of the timing of revenue recognition for lithography equipment. We involved component teams in performing audit procedures for revenue recognition by subsidiaries. ・ We evaluated the design and operating effectiveness of internal controls related to revenue recognition.

The aforementioned optical equipment (UV equipment) includes projection lithography equipment for advanced IC package substrates and direct imaging lithography equipment for packages and printed circuit boards, which are manufactured and sold by the Company and certain consolidated subsidiaries. Lithography equipment have high selling prices and thus have a significant impact on the Company's financial performance. Lithography equipment features high performance and stable operability powered by cutting-edge technology, and revenue is recognized when confirmation of the agreed performance, such as the customer's acceptance of a product, has been completed as described in (Revenue Recognition) in the Notes to the Consolidated Financial Statements. As mentioned above, since high performance and stable operability are of particular importance in the sale of lithography equipment, it is often necessary to make judgments depending on actual conditions in order to determine that performance obligations are satisfied based on the customer's acceptance of a product. Based on the above, we determined the appropriateness of the timing of revenue recognition for lithography equipment to be a key audit matter.	・ We analyzed changes in net sales and gross profit margin by customers for the previous fiscal year and the current fiscal year, as well as daily fluctuations in net sales during the last month of the current fiscal year. ・ To determine whether the performance obligations relating to the sales of lithography equipment have been satisfied, we inspected the purchase orders and acceptance certificates obtained from external customers with respect to material sales and sales identified by the analysis mentioned above. ・ To determine whether additional costs for satisfying performance obligations were recorded after recording sales, we inspected cost breakdowns by product and made inquiries of the division's cost management manager.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit and Supervisory Committee 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 Audit and Supervisory Committee is 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee, 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4(10) to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of USHIO INC. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 426 million yen and 43 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

August 6, 2026

Tomohiro Miyagawa
Designated Engagement Partner
Certified Public Accountant

Yukitaka Makino
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	61,348	75,749	473,644
Notes and accounts receivable - trade, and contract assets (*)	40,321	39,801	248,870
Securities	2,200	2,231	13,953
Merchandise and finished goods	30,424	36,489	228,157
Work in process	20,146	16,923	105,815
Raw materials and supplies	25,786	25,268	157,999
Other	7,746	11,716	73,259
Allowance for doubtful accounts	(1,413)	(1,673)	(10,462)
Total current assets	186,560	206,507	1,291,238
Non-current assets			
Property, plant and equipment			
Buildings and structures	53,163	54,470	340,590
Accumulated depreciation	(35,085)	(37,378)	(233,716)
Buildings and structures, net	18,077	17,092	106,874
Machinery, equipment and vehicles	31,328	33,866	211,761
Accumulated depreciation	(23,701)	(24,884)	(155,598)
Machinery, equipment and vehicles, net	7,627	8,982	56,162
Land	8,879	8,552	53,475
Right of use assets	4,459	7,456	46,622
Accumulated depreciation	(1,472)	(2,331)	(14,575)
Right of use assets, net	2,987	5,125	32,047
Construction in progress	1,655	2,057	12,866
Other	37,139	41,084	256,889
Accumulated depreciation	(26,449)	(29,509)	(184,515)
Other, net	10,689	11,574	72,373
Property, plant and equipment, net	49,916	53,384	333,800
Intangible assets			
Goodwill	635	7,063	44,164
Other	4,470	4,101	25,643
Total intangible assets	5,105	11,164	69,808
Investments and other assets			
Investment securities	37,473	39,033	244,065
Long-term loans receivable	13	15	94
Deferred tax assets	3,251	2,129	13,314
Net defined benefit asset	12,342	16,299	101,914
Other	2,782	2,718	16,999
Allowance for doubtful accounts	(141)	(174)	(1,090)
Total investments and other assets	55,721	60,021	375,298
Total non-current assets	110,744	124,570	778,906
Total assets	297,304	331,078	2,070,145

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	15,268	14,062	87,931
Short-term loans payable	1,617	1,471	9,198
Current portion of long-term loans payable	1,410	26,725	167,104
Lease liabilities	961	1,707	10,678
Income taxes payable	4,019	2,526	15,796
Contract liabilities	10,874	13,215	82,631
Provision for bonuses	2,572	2,823	17,655
Provision for bonuses for directors (and other officers)	78	81	511
Provision for product warranties	3,317	3,703	23,159
Provision for loss on orders received	0	-	-
Other	11,275	9,979	62,401
Total current liabilities	51,396	76,297	477,069
Non-current liabilities			
Long-term loans payable	35,000	39,775	248,702
Lease liabilities	2,410	4,929	30,823
Deferred tax liabilities	3,205	6,375	39,866
Provision for directors' retirement benefits	86	74	468
Provision for directors' stock payment	151	220	1,376
Net defined benefit liability	3,523	3,935	24,607
Asset retirement obligations	358	368	2,303
Other	662	762	4,766
Total non-current liabilities	45,398	56,441	352,915
Total liabilities	96,794	132,739	829,984
Net assets			
Shareholders' equity			
Capital stock	19,556	19,556	122,280
Capital surplus	27,767	27,767	173,624
Retained earnings	111,776	94,132	588,585
Treasury shares, at cost	(7,672)	(7,728)	(48,322)
Total shareholders' equity	151,428	133,728	836,168
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	12,326	15,993	100,005
Foreign currency translation adjustment	32,295	41,653	260,448
Remeasurements of defined benefit plans	4,449	6,948	43,444
Total accumulated other comprehensive income	49,071	64,595	403,899
Non-controlling interests	10	14	92
Total net assets	200,509	198,338	1,240,160
Total liabilities and net assets	297,304	331,078	2,070,145

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net sales (*1)	177,616	179,211	1,120,564
Cost of sales (*2)	115,400	113,693	710,895
Gross profit	62,215	65,518	409,668
Selling, general and administrative expenses (*3, 4)	53,389	53,559	334,890
Operating profit	8,825	11,959	74,778
Non-operating income			
Interest income	1,320	1,272	7,953
Dividend income	950	672	4,203
Gain on sales of securities	-	9	57
Foreign exchange gains	1,438	-	-
Gain on investments in investment partnerships	17	38	238
Other	566	845	5,286
Total non-operating income	4,293	2,837	17,739
Non-operating expenses			
Interest expenses	319	442	2,769
Loss on redemption of investment securities	0	150	940
Commission expenses	48	140	879
Foreign exchange losses	-	641	4,011
Litigation expenses	125	-	-
Other	174	74	467
Total non-operating expenses	668	1,450	9,067
Ordinary profit	12,451	13,346	83,450
Extraordinary income			
Gain on sales of non-current assets (*5)	60	46	292
Gain on sales of investment securities	9,522	10,091	63,101
Total extraordinary income	9,583	10,138	63,393
Extraordinary losses			
Loss on retirement of non-current assets (*6)	214	449	2,808
Loss on sales of non-current assets (*7)	2	32	202
Impairment loss (*8)	1,137	1,301	8,137
Loss on valuation of investment securities	966	159	997
Business structure improvement expenses (*2, 9)	5,707	6,330	39,580
Total extraordinary losses	8,027	8,272	51,726
Profit before income taxes	14,006	15,212	95,117
Income taxes-current	7,142	5,610	35,081
Income taxes-deferred	67	1,602	10,019
Total income taxes	7,210	7,212	45,100
Profit	6,796	7,999	50,016
Profit (loss) attributable to non-controlling interests	(1)	3	23
Profit attributable to owners of the parent	6,797	7,995	49,992

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit	6,796	7,999	50,016
Other comprehensive income			
Valuation difference on available-for-sale securities	(7,820)	3,667	22,933
Foreign currency translation adjustment	(2,698)	9,358	58,517
Remeasurements of defined benefit plans	968	2,498	15,621
Share of other comprehensive income of entities accounted for using equity method	(10)	-	-
Total other comprehensive income	(9,560)	15,524	97,073
Comprehensive income	(2,764)	23,524	147,089
Comprehensive income attributable to;			
Owners of the parent	(2,763)	23,519	147,061
Non-controlling interests	(1)	4	27

3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,767	140,163	(9,155)	178,331
Changes of items during period					
Dividends from surplus			(5,145)		(5,145)
Profit attributable to owners of the parent			6,797		6,797
Purchase of treasury shares				(29,033)	(29,033)
Disposal of treasury shares		21		456	477
Cancellation of treasury shares		(21)	(30,038)	30,060	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(28,386)	1,483	(26,903)
Balance at end of current period	19,556	27,767	111,776	(7,672)	151,428

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	20,146	35,004	3,481	58,632	11	236,975
Changes of items during period						
Dividends from surplus						(5,145)
Profit attributable to owners of the parent						6,797
Purchase of treasury shares						(29,033)
Disposal of treasury shares						477
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(7,820)	(2,709)	968	(9,560)	(1)	(9,562)
Total changes of items during period	(7,820)	(2,709)	968	(9,560)	(1)	(36,465)
Balance at end of current period	12,326	32,295	4,449	49,071	10	200,509

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,767	111,776	(7,672)	151,428
Changes of items during period					
Dividends from surplus			(6,226)		(6,226)
Profit attributable to owners of the parent			7,995		7,995
Purchase of treasury shares				(19,495)	(19,495)
Disposal of treasury shares		0		25	26
Cancellation of treasury shares		(0)	(19,412)	19,413	–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	(17,643)	(55)	(17,699)
Balance at end of current period	19,556	27,767	94,132	(7,728)	133,728

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	12,326	32,295	4,449	49,071	10	200,509
Changes of items during period						
Dividends from surplus						(6,226)
Profit attributable to owners of the parent						7,995
Purchase of treasury shares						(19,495)
Disposal of treasury shares						26
Cancellation of treasury shares						–
Net changes of items other than shareholders' equity	3,667	9,358	2,498	15,524	4	15,528
Total changes of items during period	3,667	9,358	2,498	15,524	4	(2,171)
Balance at end of current period	15,993	41,653	6,948	64,595	14	198,338

Fiscal year ended March 31, 2026

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	122,280	173,624	698,907	(47,972)	946,840
Changes of items during period					
Dividends from surplus			(38,932)		(38,932)
Profit attributable to owners of the parent			49,992		49,992
Purchase of treasury shares				(121,899)	(121,899)
Disposal of treasury shares		5		161	167
Cancellation of treasury shares		(5)	(121,381)	121,387	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(110,321)	(349)	(110,671)
Balance at end of current period	122,280	173,624	588,585	(48,322)	836,168

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	77,071	201,935	27,822	306,829	65	1,253,735
Changes of items during period						
Dividends from surplus						(38,932)
Profit attributable to owners of the parent						49,992
Purchase of treasury shares						(121,899)
Disposal of treasury shares						167
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	22,933	58,513	15,621	97,069	27	97,097
Total changes of items during period	22,933	58,513	15,621	97,069	27	(13,574)
Balance at end of current period	100,005	260,448	43,444	403,899	92	1,240,160

4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	14,006	15,212	95,117
Depreciation	7,871	8,572	53,603
Impairment loss	1,137	1,301	8,137
Increase (decrease) in retirement benefit asset or liability	(194)	(393)	(2,457)
Amortization of goodwill	120	188	1,176
Increase (decrease) in allowance for doubtful accounts	(110)	264	1,651
Business structure improvement expenses	5,707	6,330	39,580
Interest and dividend income	(2,271)	(1,944)	(12,157)
Litigation expenses	125	-	-
Interest expenses	319	442	2,769
Commission fee	48	140	879
Loss (gain) on sales of non-current assets	(57)	(14)	(89)
Loss on retirement of non-current assets	214	449	2,808
Loss (gain) on sales of investment securities	(9,522)	(10,091)	(63,101)
Loss (gain) on valuation of investment securities	966	159	997
Decrease (increase) in notes and accounts receivable-trade	(1,036)	2,157	13,492
Decrease (increase) in inventories	14,558	8,753	54,735
Increase (decrease) in notes and accounts payable-trade	(6,306)	(1,678)	(10,493)
Increase (decrease) in contract liabilities	(302)	1,722	10,772
Other	398	(1,758)	(10,998)
Subtotal	25,671	29,814	186,424
Interest and dividends received	2,314	2,055	12,849
Interest paid	(343)	(481)	(3,012)
Payment of business structure improvement expenses	(169)	(5,700)	(35,644)
Income taxes paid	(7,048)	(7,542)	(47,162)
Net cash provided by (used in) operating activities	20,424	18,144	113,454

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investing activities			
Payments into time deposits	(3,153)	(7,314)	(45,734)
Proceeds from withdrawal of time deposits	4,905	5,146	32,180
Payments of short-term loans receivable	(14)	(11)	(72)
Collection of short-term loans receivable	72	35	221
Proceeds from sales and redemption of securities	4,280	2,230	13,944
Purchase of property, plant and equipment	(13,641)	(8,599)	(53,769)
Proceeds from sales of property, plant and equipment	530	908	5,683
Purchase of intangible assets	(1,938)	(847)	(5,296)
Purchase of investment securities	(33)	(509)	(3,183)
Proceeds from sales and redemption of investment securities	11,886	10,852	67,857
Payments for acquisition of business (*2)	(103)	(9,239)	(57,774)
Payments of long-term loans receivable	(11)	(17)	(108)
Collection of long-term loans receivable	1	-	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation (*3)	-	(7,058)	(44,136)
Other	(61)	314	1,965
Net cash provided by (used in) investing activities	2,719	(14,109)	(88,224)
Financing activities			
Net increase (decrease) in short-term loans payable	(770)	4	26
Proceeds from long-term loans payable	10,000	31,500	196,961
Repayment of long-term loans payable	-	(1,410)	(8,816)
Repayments of lease obligations	-	(63)	(394)
Purchase of treasury shares	(29,082)	(19,613)	(122,638)
Cash dividends paid	(5,141)	(6,222)	(38,906)
Net cash provided by (used in) financing activities	(24,993)	4,195	26,232
Effect of exchange rate changes on cash and cash equivalents	(653)	3,642	22,774
Net increase (decrease) in cash and cash equivalents	(2,502)	11,872	74,236
Cash and cash equivalents at beginning of year	62,498	59,995	375,135
Cash and cash equivalents at end of year (*1)	59,995	71,868	449,372

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation
   (1) Number of consolidated subsidiaries: 44
   (2) The changes in the scope of consolidation for the fiscal year ended March 31, 2026 are as follows:
   (Addition) ・One company included in the scope of consolidation due to acquisition of shares
   OSRAM ENI GmbH (currently USHIO INE GmbH)
   (Exclusion) ・One company excluded from the scope of consolidation due to liquidation
   United Designers of Architectural Lighting, Inc.

2. Application of equity method
   (1) Number of associates under equity method: One
   Name of major company:
   KA Imaging Inc.
   (2) The fiscal year-end dates of certain companies accounted for using the equity method are different from the consolidated fiscal year-end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

3. Fiscal years, etc. of consolidated subsidiaries
   The consolidated subsidiaries whose fiscal year end is different from the consolidated fiscal year end are as follows:

Company name	Fiscal year-end date
USHIO (SUZHOU) CO., LTD.	December 31*1
USHIO SHANGHAI, INC.	December 31*1
USHIO (GUANGZHOU) CO., LTD.	December 31*1
USHIO (SHAOGUAN) CO., LTD.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHANGHAI) Co., LTD.	December 31*1
USHIO SHENZHEN, INC.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHENZHEN) CO., LTD.	December 31*1
CHRISTIE DIGITAL SYSTEMS MEXICO, S. DE R.L. DE C.V.	December 31*1
SCRABBLE VENTURES S. DE R.L. DE C.V.	December 31*1
USHIO INE GmbH	December 31*1

*1 Provisional financial statements as of the consolidated fiscal year-end date are used for these companies.

4. Accounting policies

(1) Valuation bases and methods for significant assets

(a) Securities

1) Trading securities

Carried at fair value (the cost of securities sold is calculated by the moving-average method)

2) Held-to-maturity securities

Carried at amortized cost (straight-line method)

3) Available-for-sale securities

Other than stocks, etc. without market prices:

Carried at fair value (Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated by the moving-average method.)

Stocks, etc. without market prices:

Carried at cost using the moving-average method

4) Investments in an investment limited partnership and other similar partnerships (deemed as securities according to Article 2, paragraph 2 of the Financial Instruments and Exchange Act)

Carried at their corresponding equity value, based on the latest financial statements available prepared on the financial reporting dates as specified in the respective partnership agreements.

(b) Derivatives

Carried at fair value

(c) Money held in trust for investment purposes

Carried at fair value

(d) Inventories

1) Merchandise and finished goods, and work in process

Merchandise and finished goods, and work in process are stated principally at cost determined by the gross average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

2) Raw materials

Raw materials are stated principally at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

(2) Accounting policy for depreciation of significant assets

(a) Property, plant and equipment (excluding leased assets and right-of-use assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The estimated useful lives of the major assets are as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment and vehicles:	3 to 15 years
Others:	2 to 15 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

In addition, amortization of software for internal use is calculated by the straight-line method based on the estimated useful life (five to seven years), while software intended for sale is amortized by straight-line method based on the estimated effective marketable period (three years).

(c) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to self-owned non-current assets.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(d) Right-of-use assets

Right-of-use assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(3) Accounting policy for significant allowances

(a) Allowance for doubtful accounts

(i) The Company and its domestic consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Overseas consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided based on consideration of collectibility for individual receivables.

(b) Provision for bonuses

The provision for bonuses represents the amounts for future payments of employees’ bonuses. The provision is recognized in the amount that is expected to be paid.

(c) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors (and other officers) represents the amounts for future payments of directors’ bonuses. The provision is recognized in the amount that is expected to be paid.

(d) Provision for directors’ retirement benefits

Some of the consolidated subsidiaries recognize provision for retirement benefits for directors, corporate auditors and others in the full amount that would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(e) Provision for directors’ stock payment

Provision for directors’ stock payment represents the amounts for future payments of the Company’s stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.

(f) Provision for product warranties

Provision for product warranties is recognized for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.

(g) Provision for loss on orders received

To provide for future losses on contracted orders received, the Company recognizes a provision for loss on orders received equal to the amount of losses it anticipates after the year-end. Such a provision is recognized when losses on orders received are probable and reasonably estimated at the end of the current fiscal year.

(4) Accounting treatment of retirement benefits

1) Method for attribution of estimated retirement benefits to periods

In the calculation of retirement benefit obligations, the expected retirement benefits attributed to the period up to the end of the current fiscal year are based on the benefit formula method.

2) Accounting method for actuarial gains or losses and past service costs

Past service costs are amortized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the costs are incurred.

Actuarial gains or losses are amortized from the fiscal year following the fiscal year in which the gains or losses are recognized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the gains or losses are recognized.

(5) Standards for the recognition of significant revenues and expenses

(a) Sales of products

The Group is primarily engaged in the manufacturing and sales of products in the Industrial Processes business, Visual Imaging business, Life Sciences business and Photonics Solutions business.

For the sales of various lamps, etc., in each business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers.

For the sales of a variety of optical equipment in the Industrial Processes business, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer’s acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

For the sales of a variety of imaging equipment in the Visual Imaging business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

(b) Provision of maintenance services

For a variety of optical equipment in the Industrial Processes business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. For some products of optical equipment, variable consideration corresponding to the product’s capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For a variety of imaging equipment in the Visual Imaging business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period.

(6) Significant hedge accounting

(a) Hedge accounting

Deferral hedge accounting is applied. When hedging foreign currency risk, certain domestic consolidated subsidiaries apply the foreign exchange rate designated in the forward contract when the transaction qualifies for such treatment.

(b) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange contracts and interest rate swaps
Hedged items:	Monetary receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, securities and loans payable denominated in foreign currencies

(c) Hedging policy

The Company and its consolidated subsidiaries (collectively, the “Group”) hedge the risks of fluctuation in foreign currencies and interest rates in accordance with internal management rules on financial market risk and derivative transactions.

(d) Method of assessing the hedge effectiveness

The hedge effectiveness is assessed by comparing the cumulative changes in fair value or cash flows of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness, and based on the respective amount of changes.

(7) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over a period representing its useful life.

(8) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(9) Other significant matters for preparing consolidated financial statements

The Company and its domestic consolidated subsidiaries apply the group tax sharing system. Additionally, accounting treatment and disclosure for income taxes and local income taxes and related tax effect accounting are conducted in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021).

(10) U.S. Dollar Amounts

For the readers’ convenience, the accompanying consolidated financial statements with respect to the fiscal year ended March 31, 2026 have been presented in U.S. dollars by translating all yen amounts at ¥159.93 = U.S. $1.00, the exchange rate prevailing on March 31, 2026. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

(Significant Accounting Estimates)

1. Impairment of non-current assets in the Photonics Solutions business

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

In the fiscal year ended March 31, 2026, the Company recognized indications of impairment for certain of the Company's asset groups within the "Photonics Solutions business." As a result, the Company reviewed the necessity of recognizing an impairment loss.

As a result of the review, an impairment loss of ¥186 million ($1,164 thousand) was recorded because the recoverable amount was less than the book value.

Book value at end of the period	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment	2,078	1,565	9,788
Intangible assets	1	0	3

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

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

When the recoverable amount of the relevant asset groups is less than the book value, the Group writes down the book value to the recoverable amount and records the write-down amount as an impairment loss. The recoverable amount is measured at the higher of the value in use or the net selling price.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

The recoverable amount for land and buildings is the net selling price reasonably calculated using appraisal values based on real estate appraisal standards by external real estate appraisers, and the key assumptions in the real estate appraisal are the comparable price for land and the replacement cost for buildings.

3) Effect on the consolidated financial statements for the next fiscal year

If the recoverable amount should change for reasons such as a decline in real estate appraisal values due to a downturn in the economy or the real estate market, additional impairment losses of non-current assets may be recorded in our consolidated financial statements from the next fiscal year onwards.

(Changes in Accounting Policies)

Not applicable.

(Accounting Standards Issued but Not Yet Applied)

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

・Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, issued on September 13, 2024), Etc.

(1) Overview

As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly convenient by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee’ s lease expenses in the lessee’ s accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Date of application

The standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of application

The impact of applying the “Accounting Standard for Leases,” etc. on the consolidated financial statements is currently being evaluated.

・Accounting Standard for Subsequent Events (ASBJ Statement No. 41, issued on January 9, 2026)

・Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, issued on January 9, 2026)

(1) Overview

The “Accounting Standard for Subsequent Events,” etc. establishes, as a priority issue, the development of a comprehensive accounting standard addressing the definition of subsequent events, as well as their accounting treatment and disclosure. Based on a fundamental policy of, in principle, carrying forward the accounting-related content set out in Auditing Standards Report No. 560, Practical Guideline No. 1 “Audit Treatment of Subsequent Events” issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants, and transferring it to the ASBJ, the standard revises the wording, organizes the evaluation period for subsequent events, and newly requires disclosure notes regarding the approval of the issuance of financial statements, thereby prescribing the accounting treatment and disclosure of subsequent events.

(2) Date of application

The standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

(Changes in Presentation)

"Loss on redemption of investment securities," which was included in "Other" under "Non-operating expenses" for the previous fiscal year, has been presented separately from the current fiscal year, since it exceeded 10% of the aggregate amount of non-operating expenses. To reflect this change in presentation, the amounts in the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥174 million presented in "Other" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into ¥0 million of "Loss on redemption of investment securities" and ¥174 million of "Other."

(Additional Information)

(Stock remuneration plan for directors)

The Company has introduced a stock remuneration plan for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, hereinafter "Directors, et al."), in order to raise the incentive to contribute to improving the Company's medium- to long-term business performance and to increasing enterprise value.

(1) Overview

The Company entrusts money equivalent to remuneration of Directors, et al. The Company's shares will be acquired using the entrusted money and the Company's shares and the cash equivalent of the conversion value of the Company's shares will be delivered and paid to Directors, et al. based on his or her position and the degree of accomplishment of business performance. Directors, et al. are eligible to receive the Company's shares and the cash equivalent of the conversion value of the Company's shares, in principle after retiring from the position of Director, et al. In order to maintain neutrality toward management of the Company, the voting rights of the Company's shares in the trust may not be exercised during the trust period.

(2) The Company's shares in the trust

The Company's shares in the trust were recorded as treasury shares in net assets on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The Company's shares in the trust were recorded as treasury shares in net assets on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The carrying value and number of treasury shares in the trust were ¥638 million and 360,260 shares as of March 31, 2025 and ¥625 million ($3,910 thousand) and 352,860 shares as of March 31, 2026.

(Disposal of treasury shares to employee stockholding association using restricted stocks)

Based on a restricted stock grant system (hereinafter, the "System") which grants restricted stocks to employees of the Company and its subsidiaries in Japan (hereinafter, collectively, the "Domestic Group") through the employee stockholding association, the Company disposed of its treasury shares as restricted stock (hereinafter, the "Treasury Stock Disposal"), with the Stockholding Association of the Company (hereinafter, the "Association"), which is an employee stockholding association of the Company, as the allottee, as described below.

(1) Overview of the disposal

1)Date of payment	October 31, 2025
2)Class and number of shares to be disposed of	6,360 shares of common stock of the Company
3)Disposal price	¥2,143 per share ($13 per share)
4)Total value of disposal	¥13,629,480 ($85 thousand)
5)Method of disposal	Third-party allotment
6)Other	The Company submitted a Securities Registration Statement for the Treasury Stock Disposal as required by the Financial Instruments and Exchange Act.

(2) Purpose and the reasons for the disposal

The Company introduced the System with the aim of having management and employees work together to achieve the medium-term management plan (FY2023 to FY2025) announced on May 11, 2023, and together aim to enhance corporate value over the medium to long term. Subsequently, due to significant changes in the business environment surrounding the Company, the Company reviewed its medium-term management plan and announced its "New Growth Strategy (Revive Vision 2030)" on May 14, 2024. The Company redefines strategic fields and proceeds with the transformation of its business portfolio while further strengthening strategic priority fields during the three fiscal years from fiscal year 2024 to 2026 as Phase I of the strategy. In order for the management and employees to continue to advance together toward the achievement of Phase I of the "New Growth Strategy (Revive Vision 2030)" and to aim for medium to long-term corporate value enhancement, the Company has granted restricted stock in accordance with the System to the employees of the Group who have joined the Association. In addition, the Company will dispose of treasury shares to the Association for the purpose of granting restricted stock for Phase I through the Association to employees who join the Group after the end of promotional activities in fiscal year 2024 inviting applicants for membership in the Association and other employees who are not currently members of the Association.

Additionally, the Company also expects that the System will further encourage the employees of the Group to join the Association and help them build their assets. The restricted stock will be granted only to a person (hereinafter, the "Subject Employee") who has consented to the acquisition of the interest in stock allotted to the Association, is not a non-resident of Japan, is a member of the Association and is an employee of the Group.

Further, the Company resolved to implement the Treasury Stock Disposal based on a meeting of the Board of Directors held on August 5, 2025, and completed the payment on October 31, 2025.

(Consolidated Balance Sheet)

* The amounts of receivables from contracts with customers within notes and accounts receivable - trade, and contract assets are as follows.

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade	1,758	2,387	14,927
Accounts receivable trade	36,985	35,580	222,474

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue from contracts with customers and revenue from other sources are not presented separately in net sales. The amount of revenue from contracts with customers is presented in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

*2 The ending inventory balance is the amount after write-downs of book value due to declines in profitability, and the loss on valuation of inventories included in cost of sales is as follows:

Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
3,910	4,415	27,608

*3 The main components of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and wages	15,413	14,339	89,660
Provision for bonuses	841	888	5,554
Provision for bonuses for directors (and other officers)	77	81	511
Retirement benefit expenses	270	165	1,035
Provision for directors' retirement benefits	36	39	248
Provision for directors' stock payment	63	49	310
Research and development expenses	12,835	13,547	84,710
Provision of allowance for doubtful accounts	(93)	278	1,743

*4 Research and development expenses included in general and administrative expenses are as follows:

Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
12,835	13,547	84,710

*5 The breakdown of gain on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	0	-	-
Machinery, equipment and vehicles	10	34	214
Land	36	7	44
Other	13	5	34
Total	60	46	292

*6 The breakdown of loss on retirement of non-current assets is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	53	27	174
Machinery, equipment and vehicles	21	133	836
Construction in progress	0	68	430
Other	138	218	1,366
Total	214	449	2,808

*7 The breakdown of loss on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	-	10	68
Machinery, equipment and vehicles	0	9	61
Other	2	11	72
Total	2	32	202

*8 Impairment loss

Fiscal year ended March 31, 2025

Location	Classification by use	Type of assets	(Millions of yen)
Takasago, Hyogo Kyoto, Kyoto Gotemba, Shizuoka Saku, Nagano	Business assets	Construction in progress, Machinery, equipment and vehicles, Buildings and structures, Other (Property, plant and equipment), and Other (Intangible assets)	535
Takasago, Hyogo Chiyoda-ku, Tokyo	Business assets	Machinery, equipment and vehicles, Other (Property, plant and equipment), and Other (Intangible assets)	58
Gotemba, Shizuoka Takasago, Hyogo	Business assets	Construction in progress, Other (Property, plant and equipment), and Machinery, equipment and vehicles	41
Aoba-ku, Yokohama	Idle assets	Machinery, equipment and vehicles, and Buildings and structures	15
Higashiosaka, Osaka Fukusaki-cho, Kanzaki-Gun, Hyogo Chuo-ku, Tokyo	Business assets	Buildings and structures, Other (Property, plant and equipment), and Other (Intangible assets)	59
Steinhöering, Germany	Idle assets	Machinery, equipment and vehicles, Other (Property, plant and equipment), and Buildings and structures	43
Blonie, Poland	Business assets	Goodwill	18
Blonie, Poland	Idle assets	Machinery, equipment and vehicles	9
California, U.S.A. Kitchener, Canada	Idle assets	Construction in progress and Other (Intangible assets)	1,390
Kitchener, Canada Michigan, U.S.A.	Assets planned to be sold	Other (Property, plant and equipment)	344

The carrying amounts of idle assets in California, U.S.A., and Kitchener, Canada, were reduced to ¥0 due to the decision to review the business areas of the CHRISTIE group, and the reduction amount of ¥1,379 million has been recorded as extraordinary losses under business structure improvement expenses.

In principle, the Group' s business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group' s idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The book values of assets planned to be sold are written down to the net selling values due to a decision to sell the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The net selling values are calculated based on appraisal values, which are considered to appropriately reflect the market prices based on real estate appraisal values, etc.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥535 million recognized for Takasago, Hyogo, etc., includes ¥310 million for construction in progress, ¥195 million for machinery, equipment and vehicles, ¥15 million for buildings and structures, ¥10 million for other (property, plant and equipment), and ¥4 million for other (intangible assets).
- Impairment loss of ¥58 million recognized for Takasago, Hyogo, etc., includes ¥31 million for machinery, equipment and vehicles, ¥25 million for other (property, plant and equipment), and ¥0 million for other (intangible assets).
- Impairment loss of ¥41 million recognized for Gotemba, Shizuoka, etc., includes ¥25 million for construction in progress, ¥10 million for other (property, plant and equipment), and ¥5 million for machinery, equipment and vehicles.
- Impairment loss of ¥15 million recognized for Aoba-ku, Yokohama, includes ¥9 million for machinery, equipment and vehicles, and ¥6 million for buildings and structures.
- Impairment loss of ¥59 million recognized for Higashiosaka, Osaka, etc., includes ¥50 million for buildings and structures, ¥7 million for other (property, plant and equipment), and ¥1 million for other (intangible assets).
- Impairment loss of ¥43 million recognized for Steinhöering, Germany, includes ¥21 million for machinery, equipment and vehicles, ¥18 million for other (property, plant and equipment), and ¥3 million for buildings and structures.
- Impairment loss of ¥18 million recognized for Blonie, Poland, includes ¥18 million for goodwill.
- Impairment loss of ¥9 million recognized for Blonie, Poland, includes ¥9 million for machinery, equipment and vehicles.
- Impairment loss of ¥1,390 million recognized for California, U.S.A., etc., includes ¥1,321 million for construction in progress, and ¥69 million for other (intangible assets).
- Impairment loss of ¥344 million recognized for Kitchener, Canada, etc., includes ¥344 million for other (property, plant and equipment).

Fiscal year ended March 31, 2026

Location	Classification by use	Type of assets	(Millions of yen)	(Thousands of U.S. dollars)
Takasago, Hyogo	Idle assets	Buildings and structures and Machinery, equipment and vehicles	867	5,424
Takasago, Hyogo Gotemba, Shizuoka Taipei, Taiwan Kyoto, Kyoto	Business assets	Construction in progress, Machinery, equipment and vehicles, Buildings and structures, Other (Intangible assets) and Other (Property, plant and equipment)	186	1,164
Gotemba, Shizuoka Steinhöering, Germany	Business assets	Other (Property, plant and equipment) and Machinery, equipment and vehicles	98	618
Takasago, Hyogo	Business assets	Machinery, equipment and vehicles, Construction in progress and Other (Property, plant and equipment)	91	573
Suzhou, China	Idle assets	Machinery, equipment and vehicles, Other (Property, plant and equipment) and Other (Intangible assets)	57	356
California, U.S.A.	Assets planned to be sold	Machinery, equipment and vehicles and Other (Property, plant and equipment)	18	115

The carrying amounts of idle assets in California, U.S.A., were reduced to ¥0 due to the decision to review the business areas of the CHRISTIE group, and the reduction amount of ¥18 million ($115 thousand) has been recorded as extraordinary losses under business structure improvement expenses.

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The book values of assets planned to be sold are written down to the net selling values due to a decision to sell the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The net selling values are calculated based on appraisal values, which are considered to appropriately reflect the market prices based on real estate appraisal values, etc.

* Breakdown of impairment loss by location is as follows:
  - Impairment loss of ¥867 million ($5,424 thousand) recognized for Takasago, Hyogo, etc., includes ¥857 million ($5,360 thousand) for buildings and structures, and ¥10 million ($64 thousand) for machinery, equipment and vehicles.

- Impairment loss of ¥186 million ($1,164 thousand) recognized for Takasago, Hyogo, etc., includes ¥85 million ($536 thousand) for construction in progress, ¥47 million ($294 thousand) for machinery, equipment and vehicles, ¥28 million ($181 thousand) for buildings and structures, ¥14 million ($88 thousand) for other (intangible assets), and ¥10 million ($62 thousand) for other (property, plant and equipment).
- Impairment loss of ¥98 million ($618 thousand) recognized for Gotemba, Shizuoka, etc., includes ¥87 million ($547 thousand) for other (property, plant and equipment), and ¥11 million ($70 thousand) for machinery, equipment and vehicles.
- Impairment loss of ¥91 million ($573 thousand) recognized for Takasago, Hyogo, includes ¥42 million ($264 thousand) for machinery, equipment and vehicles, ¥42 million ($263 thousand) for construction in progress, and ¥7 million ($45 thousand) for other (property, plant and equipment).
- Impairment loss of ¥57 million ($356 thousand) recognized for Suzhou, China, includes ¥27 million ($172 thousand) for machinery, equipment and vehicles, ¥7 million ($46 thousand) for other (property, plant and equipment), and ¥22 million ($137 thousand) for other (intangible assets).
- Impairment loss of ¥18 million ($115 thousand) recognized for California, U.S.A., includes ¥12 million ($76 thousand) for machinery, equipment and vehicles, ¥4 million ($26 thousand) for other (property, plant and equipment), and ¥2 million ($12 thousand) for other (intangible assets).

*9 Business structure improvement expenses

Fiscal year ended March 31, 2025

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company's businesses. The major components in the breakdown of these expenses were ¥3,771 million of costs associated with the review of the business areas of the CHRISTIE group and ¥1,560 million of costs associated with the expansion of the Second Life Support Program and the special offering.

Fiscal year ended March 31, 2026

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company's businesses. The major components in the breakdown of these expenses were ¥2,587 million ($16,176 thousand) of costs associated with the expansion of the Second Life Support Program and the special offering, ¥1,351 million ($8,450 thousand) of costs associated with the withdrawal from certain businesses, and ¥1,993 million ($12,464 thousand) of costs associated with the review of the business areas of the CHRISTIE group.

(Consolidated Statement of Comprehensive Income)

Reclassification adjustments, as well as income taxes and income tax effect, allocated to each component of other comprehensive income, are as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	(1,962)	15,356	96,020
Reclassification adjustments	(9,091)	(9,993)	(62,489)
Amount before income taxes and income tax effect	(11,054)	5,362	33,530
Income taxes and income tax effect	3,234	(1,694)	(10,596)
Valuation difference on available-for-sale securities	(7,820)	3,667	22,933
Foreign currency translation adjustment:			
Amount arising during the year	(2,774)	9,363	58,550
Reclassification adjustments	75	(5)	(32)
Amount before income taxes and income tax effect	(2,698)	9,358	58,517
Income taxes and income tax effect	-	-	-
Foreign currency translation adjustment	(2,698)	9,358	58,517
Remeasurements of defined benefit plans:			
Amount arising during the year	1,563	4,078	25,502
Reclassification adjustments	(114)	(413)	(2,586)
Amount before income taxes and income tax effect	1,449	3,664	22,915
Income taxes and income tax effect	(480)	(1,166)	(7,293)
Remeasurements of defined benefit plans	968	2,498	15,621
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(10)	-	-
Share of other comprehensive income of entities accounted for using equity method	(10)	-	-
Total other comprehensive income	(9,560)	15,524	97,073

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2025

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2024	Increase	Decrease	Number of shares as of March 31, 2025
Shares issued:				
Common shares (Note 1.)	107,500,000	−	15,000,000	92,500,000
Total	107,500,000	−	15,000,000	92,500,000
Treasury shares				
Common shares (Note 2.3.4.)	5,072,501	14,082,896	15,245,380	3,910,017
Total	5,072,501	14,082,896	15,245,380	3,910,017

(Notes) 1. The decrease of 15,000,000 shares in shares issued is due to cancellation of treasury shares.

2. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (475,680 shares and 360,260 shares at the beginning and end of the current fiscal year, respectively).

3. The increase of 14,082,896 shares of treasury shares is made up of an increase of 14,067,500 shares through market purchase, an increase of 13,742 shares due to forfeiture of restricted stock of the Employee Stockholding Association and an increase of 1,654 shares due to purchase of shares of less than standard unit.

4. The decrease of 15,245,380 shares of treasury shares is made up of a decrease of 15,000,000 shares resulting from cancellation of treasury shares, a decrease of 129,960 shares due to granting restricted stock to the Employee Stockholding Association and a decrease of 115,420 shares due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of shareholders on June 27, 2024	Common shares	5,145	50	March 31, 2024	June 28, 2024

(Note) Total dividends based on resolution at the annual general meeting of shareholders on June 27, 2024 include ¥23 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2025 and the effective date in the fiscal year ended March 31, 2026

The following items are scheduled to be submitted as a proposal at the annual general meeting of shareholders to be held on June 27, 2025.

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of shareholders on June 27, 2025	Common shares	6,226	Retained earnings	70	March 31, 2025	June 30, 2025

(Note) Total dividends based on resolution at the annual general meeting of shareholders on June 27, 2025 include ¥25 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

Fiscal year ended March 31, 2026

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2025	Increase	Decrease	Number of shares as of March 31, 2026
Shares issued:				
Common shares (Note 1.)	92,500,000	-	9,000,000	83,500,000
Total	92,500,000	-	9,000,000	83,500,000
Treasury shares				
Common shares (Note 2.3.4.)	3,910,017	8,786,553	9,013,760	3,682,810
Total	3,910,017	8,786,553	9,013,760	3,682,810

(Notes)
1. The decrease of 9,000,000 shares in shares issued is due to cancellation of treasury shares.
2. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (360,260 shares and 352,860 shares at the beginning and end of the current fiscal year, respectively).
3. The increase of 8,786,553 shares of treasury shares is made up of an increase of 8,748,400 shares through market purchase, an increase of 36,052 shares due to forfeiture of restricted stock of the Employee Stockholding Association and an increase of 2,101 shares due to purchase of shares of less than standard unit.
4. The decrease of 9,013,760 shares of treasury shares is made up of a decrease of 9,000,000 shares resulting from cancellation of treasury shares, a decrease of 6,360 shares due to granting restricted stock to the Employee Stockholding Association and a decrease of 7,400 shares due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of shareholders on June 27, 2025	Common shares	6,226	38,932	70	0.44	March 31, 2025	June 30, 2025

(Note) Total dividends based on resolution at the annual general meeting of shareholders on June 27, 2025 include ¥25 million ($157 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2026 and the effective date in the fiscal year ending March 31, 2027

The following items are scheduled to be submitted as a proposal at the annual general meeting of shareholders to be held on June 29, 2026.

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of shareholders on June 29, 2026	Common shares	5,611	35,089	Retained earnings	70	0.44	March 31, 2026	June 30, 2026

(Note) Total dividends include ¥24 million ($154 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(Consolidated Statement of Cash Flows)

*1 Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	61,348	75,749	473,644
Time deposits with a maturity of more than three months	(1,352)	(3,881)	(24,271)
Cash and cash equivalents	59,995	71,868	449,372

*2 Major Breakdown of Assets and Liabilities Increased Due to Business Acquisition

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

The major breakdown of the increase in assets and liabilities due to an acquisition of the industrial and entertainment lamp business from OSRAM ENI GmbH (currently USHIO INE GmbH) and their relation to expenditures for the business acquisition are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	5,441	34,030
Non-current assets	261	1,636
Goodwill	3,637	22,741
Current liabilities	(181)	(1,136)
Non-current liabilities	(16)	(103)
Consideration for the business acquisition	9,143	57,168
Cash and cash equivalents	-	-
Net: Expenditures for the business acquisition	9,143	57,168

*3 Major Breakdown of Assets and Liabilities of a Newly Consolidated Subsidiary Due to Acquisition of Shares

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

The major breakdown of assets and liabilities at the beginning of consolidation due to newly consolidating USHIO INE GmbH through acquisition of shares, and their relation to acquisition cost of shares and expenditures for the acquisition are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	4,977	31,120
Non-current assets	4,895	30,611
Goodwill	2,812	17,585
Current liabilities	(1,426)	(8,919)
Non-current liabilities	(4,199)	(26,260)
Acquisition cost of shares	7,058	44,136
Cash and cash equivalents	-	-
Net: Expenditures for the acquisition	7,058	44,136

(Lease Transactions)

1. Finance lease transactions and right-of-use assets

Finance lease transactions without transfer of ownership and right-of-use assets in overseas subsidiaries applying IFRS 16 and US GAAP Leases (ASU No. 2016-02).

1) Leased assets and right-of-use assets

These leases are mainly production facilities (machinery, equipment and vehicles) and rental fees for factories, offices, and other premises leased by overseas subsidiaries applying IFRS 16 and US GAAP Leases (ASU No. 2016-02).

2) Depreciation of leased assets and right-of-use assets

Leased assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	593	933	5,839
Due after one year	1,483	2,222	13,895
Total	2,077	3,156	19,734

(Note) Future minimum lease payments related to foreign subsidiaries applying IFRS 16 and US GAAP Leases (ASU No. 2016-02) are not included in the above table.

(Financial Instruments)

1. Overview of financial instruments

(1) Basic policy on managing financial instruments

The Group invests temporary surplus funds and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group's cash management plan. The method of fund raising is determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to hedge foreign exchange rate fluctuation risk and interest rate fluctuation risk, and does not use them for trading or speculative purposes.

(2) The nature and risk of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Securities and investment securities consist mainly of equity securities issued by companies with whom the Group has business alliances and equity or debt securities held for the purpose of short-term investment of temporary surplus funds and reserved funds. These investments are exposed to market risk. A part of securities and investment securities are denominated in foreign currencies, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable - trade, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Loans payable, which are primarily made to obtain working capital and funds related to M&A, are due within a maximum of ten years after the end of the current fiscal year.

Lease obligations include those recognized through the application of IFRS 16 and ASU No. 2016-02 at some overseas consolidated subsidiaries.

As for derivative transactions, forward foreign exchange contracts are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (6) Significant hedge accounting" prescribed above.

(3) Risk management structure regarding financial instruments

1) Management of credit risk (customers' default risk, etc.)

For operating receivables, the Company reviews the creditworthiness of customers by monitoring their financial status on a daily and continuous basis in accordance with the internal regulations for credit exposure management. At the same time, it endeavors to early identify and mitigate any concern on the collection of receivables due to deteriorated financial conditions by managing due dates and balances for each customer and appropriately reviewing the credit lines. The Company's consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules for credit exposure management. The credit risk associated with debt securities is immaterial since the Group invests mainly in debt securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the end of the current fiscal year, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets that are exposed to credit risk.

2) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company utilizes forward foreign exchange contracts for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies in accordance with the internal rules for market risk management. Some of the Company' s consolidated subsidiaries also manage market risk in the same manner in accordance with the Company' s internal rules for market risk management.

For securities and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of shares issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions that define the authorization policy and limits of transactions. The Company' s consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company' s internal rules.

3) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain level of liquidity.

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

The notional amounts of derivative transactions in Note "(Derivative Transactions)" do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as their differences.

As of March 31, 2025

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	40,321		
Allowance for doubtful accounts (*3)	(1,412)		
	38,909	38,909	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	38,202	38,202	-
Assets, total	77,111	77,111	-
(1) Notes and accounts payable-trade	15,268	15,268	-
(2) Short-term loans payable	1,617	1,617	-
(3) Long-term loans payable (*5)	36,410	36,166	(243)
(4) Lease obligations (*6)	3,372	3,336	(35)
Liabilities, total	56,668	56,388	(279)
Derivative transactions (*4) for which hedge accounting is not applied	20	20	-

As of March 31, 2026

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	39,801		
Allowance for doubtful accounts (*3)	(1,670)		
	38,131	38,131	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	39,512	39,512	-
Assets, total	77,643	77,643	-
(1) Notes and accounts payable-trade	14,062	14,062	-
(2) Short-term loans payable	1,471	1,471	-
(3) Long-term loans payable (*5)	66,500	65,983	(516)
(4) Lease obligations (*6)	6,637	6,378	(258)
Liabilities, total	88,671	87,896	(775)
Derivative transactions (*4) for which hedge accounting is not applied	1	1	-

As of March 31, 2026

	Consolidated balance sheet amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Notes and accounts receivable - trade, and contract assets	248,870		
Allowance for doubtful accounts (*3)	(10,446)		
	238,424	238,424	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	247,059	247,059	-
Assets, total	485,484	485,484	-
(1) Notes and accounts payable-trade	87,931	87,931	-
(2) Short-term loans payable	9,198	9,198	-
(3) Long-term loans payable (*5)	415,806	412,578	(3,228)
(4) Lease obligations (*6)	41,502	39,882	(1,619)
Liabilities, total	554,438	549,591	(4,847)
Derivative transactions (*4) for which hedge accounting is not applied	11	11	-

(*1): "Cash and deposits" are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in a short period of time.

(*2): Stocks, etc. without market prices and investments in business partnerships with limited liability are not included in "(2) Securities and investment securities." The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Classification	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares	1,241	1,582	9,897
Investments in business partnerships with limited liability	230	169	1,061

(*3): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable - trade, and contract assets.

(*4): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(*5): Includes current portion of long-term loans payable.

(*6): Includes current portion of lease obligations.

(Notes) 1. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2025

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	61,348	-	-	-
Notes and accounts receivable-trade, and contract assets	40,265	56	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	897	-	-
(2) Corporate bonds	1,794	6,728	-	2,392
(3) Other	448	448	-	-
Total	103,856	8,130	-	2,392

As of March 31, 2026

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	75,749	-	-	-
Notes and accounts receivable-trade, and contract assets	39,761	40	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	479	479	-	-
(2) Corporate bonds	2,239	4,478	-	959
(3) Other	-	479	-	-
Total	118,230	5,477	-	959

As of March 31, 2026

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to five years (Thousands of U.S. dollars)	Due after five years and up to ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	473,644	-	-	-
Notes and accounts receivable-trade, and contract assets	248,618	251	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	3,000	3,000	-	-
(2) Corporate bonds	14,000	28,000	-	6,000
(3) Other	-	3,000	-	-
Total	739,263	34,251	-	6,000

2. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts after the consolidated balance sheet date

As of March 31, 2025

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Short-term loans payable	1,617	-	-	-	-	-
Long-term loans payable	1,410	25,000	10,000	-	-	-
Lease obligations	1,058	978	730	407	158	253
Total	4,085	25,978	10,730	407	158	253

As of March 31, 2026

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Short-term loans payable	1,471	-	-	-	-	-
Long-term loans payable	26,725	11,725	18,225	1,725	1,725	6,375
Lease obligations	1,707	1,506	1,204	969	947	301
Total	29,903	13,231	19,429	2,694	2,672	6,676

As of March 31, 2026

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)
Short-term loans payable	9,198	-	-	-	-	-
Long-term loans payable	167,104	73,313	113,956	10,785	10,785	39,861
Lease obligations	10,678	9,418	7,529	6,063	5,926	1,885
Total	186,980	82,732	121,485	16,849	16,712	41,746

3. Matters related to the breakdown of fair values of financial instruments by levels and other matters

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value:

Fair value measured by quoted prices for assets and liabilities subject to the measurement of fair value formed in active markets that are observable inputs related to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than inputs related to Level 1 fair value measurement

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs are used that significantly affect the measurement of fair value, the fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

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

As of March 31, 2025

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	24,388	–	–	24,388
Bonds-National and local government bonds	875	–	–	875
Bonds-Corporate bonds	–	12,111	–	12,111
Bonds-Other	–	827	–	827
Other	–	–	–	–
Derivative transactions				
Currency-related transactions	–	20	–	20
Assets, total	25,263	12,959	–	38,222
Derivative transactions				
Currency-related transactions	–	(0)	–	(0)
Liabilities, total	–	(0)	–	(0)

As of March 31, 2026

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	28,976	–	–	28,976
Bonds-National and local government bonds	948	–	–	948
Bonds-Corporate bonds	–	9,139	–	9,139
Bonds-Other	–	447	–	447
Other	–	–	–	–
Derivative transactions				
Currency-related transactions	–	1	–	1
Assets, total	29,925	9,589	–	39,514
Derivative transactions				
Currency-related transactions	–	–	–	–
Liabilities, total	–	–	–	–

As of March 31, 2026

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	181,182	–	–	181,182
Bonds-National and local government bonds	5,931	–	–	5,931
Bonds-Corporate bonds	–	57,149	–	57,149
Bonds-Other	–	2,795	–	2,795
Other	–	–	–	–
Derivative transactions				
Currency-related transactions	–	11	–	11
Assets, total	187,113	59,957	–	247,071
Derivative transactions				
Currency-related transactions	–	–	–	–
Liabilities, total	–	–	–	–

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2025

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	–	38,909	–	38,909
Assets, total	–	38,909	–	38,909
Notes and accounts payable-trade	–	15,268	–	15,268
Short-term loans payable	–	1,617	–	1,617
Long-term loans payable	–	36,166	–	36,166
Lease obligations	–	3,336	–	3,336
Liabilities, total	–	56,388	–	56,388

As of March 31, 2026

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	–	38,131	–	38,131
Assets, total	–	38,131	–	38,131
Notes and accounts payable-trade	–	14,062	–	14,062
Short-term loans payable	–	1,471	–	1,471
Long-term loans payable	–	65,983	–	65,983
Lease obligations	–	6,378	–	6,378
Liabilities, total	–	87,896	–	87,896

As of March 31, 2026

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	－	238,424	－	238,424
Assets, total	－	238,424	－	238,424
Notes and accounts payable-trade	－	87,931	－	87,931
Short-term loans payable	－	9,198	－	9,198
Long-term loans payable	－	412,578	－	412,578
Lease obligations	－	39,882	－	39,882
Liabilities, total	－	549,591	－	549,591

(Notes) 1. Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

(1) Securities and investment securities

Listed shares, national and local government bonds, corporate bonds and other bonds are valued using quoted prices. Since listed shares and national and local government bonds are transacted in active markets, their fair value is categorized as Level 1 fair value. On the other hand, corporate bonds and other bonds held by the Company and its consolidated subsidiaries are categorized as Level 2 fair value since the frequency of transactions in the market is low and their quoted prices cannot be recognized as being in active markets.

(2) Derivative transactions

The fair value is measured based on the prices provided by counterparty financial institutions and categorized as Level 2 fair value.

(3) Notes and accounts receivable - trade, and contract assets

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, measured based on credit risk and the historical rate of credit loss, and categorized as Level 2 fair value.

(4) Notes and accounts payable-trade, and short-term loans payable

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, and categorized as Level 2 fair value.

(5) Long-term loans payable and lease obligations

The fair value of these is measured using the discounted present value method based on the total amount of principal and interest and at an interest rate that takes account of the term to maturity and credit risk of such liabilities, and is categorized as Level 2 fair value.

2. Matters concerning Level 3 fair value for financial instruments recorded at fair value on the consolidated balance sheet

(1) Reconciliation between the balance at beginning of period and end of period

Fiscal year ended March 31, 2025

Not applicable

Fiscal year ended March 31, 2026

Not applicable

(2) Description of method of measuring fair value

The Company and its consolidated subsidiaries evaluate fair value using quoted prices obtained from third parties. The Finance and Treasury Departments confirm the valuation techniques and inputs that are used, compare the movements in fair value of similar observable inputs and verify the appropriateness of the price.

(Securities and Investment Securities)

1. Available-for-sale securities

As of March 31, 2025

	Type	Carrying value (Millions of yen)	Acquisition cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost or amortized cost	(1) Shares	23,969	5,220	18,748
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	23,969	5,220	18,748
Securities whose carrying value does not exceed their acquisition cost or amortized cost	(1) Shares	419	504	(85)
	(2) Bonds:			
	1) National and local government bonds	875	891	(15)
	2) Corporate bonds	12,111	12,687	(576)
	3) Other	827	897	(70)
	(3) Other	–	–	–
	Subtotal	14,233	14,980	(747)
Total		38,202	20,200	18,001

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,241 million) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥230 million) are not included in the above table of "Available-for-sale securities."

As of March 31, 2026

	Type	Carrying value (Millions of yen)	Acquisition cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost or amortized cost	(1) Shares	28,624	4,774	23,849
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	474	474	0
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	29,098	5,248	23,850
Securities whose carrying value does not exceed their acquisition cost or amortized cost	(1) Shares	352	529	(177)
	(2) Bonds:			
	1) National and local government bonds	948	956	(7)
	2) Corporate bonds	8,665	8,905	(240)
	3) Other	447	479	(32)
	(3) Other	–	–	–
	Subtotal	10,413	10,871	(458)
Total		39,512	16,120	23,392

As of March 31, 2026

	Type	Carrying value (Thousands of U.S. dollars)	Acquisition cost or amortized cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose carrying value exceeds their acquisition cost or amortized cost	(1) Shares	178,980	29,853	149,126
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	2,967	2,964	2
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	181,947	32,817	149,129
Securities whose carrying value does not exceed their acquisition cost or amortized cost	(1) Shares	2,202	3,313	(1,110)
	(2) Bonds:			
	1) National and local government bonds	5,931	5,979	(48)
	2) Corporate bonds	54,182	55,684	(1,502)
	3) Other	2,795	3,000	(204)
	(3) Other	–	–	–
	Subtotal	65,112	67,977	(2,865)
Total		247,059	100,795	146,264

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,582 million ($9,897 thousand)) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥169 million ($1,061 thousand)) are not included in the above table of "Available-for-sale securities."

2. Available-for-sale securities sold

Fiscal year ended March 31, 2025

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	11,830	9,522	–
(2) Bonds:			
1) National and local government bonds	–	–	–
2) Corporate bonds	–	–	–
(3) Other	–	–	–
Total	11,830	9,522	–

Fiscal year ended March 31, 2026

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	10,572	10,091	–
(2) Bonds:			
1) National and local government bonds	–	–	–
2) Corporate bonds	–	–	–
(3) Other	–	–	–
Total	10,572	10,091	–

Fiscal year ended March 31, 2026

Type	Sales proceeds (Thousands of U.S. dollars)	Aggregate gains on sales (Thousands of U.S. dollars)	Aggregate losses on sales (Thousands of U.S. dollars)
(1) Shares	66,106	63,101	–
(2) Bonds:			
1) National and local government bonds	–	–	–
2) Corporate bonds	–	–	–
(3) Other	–	–	–
Total	66,106	63,101	–

3. Impairment loss recognized on securities

Fiscal year ended March 31, 2025

For the fiscal year ended March 31, 2025, impairment loss of ¥966 million was recognized for securities (¥500 million for available-for-sale securities - shares and ¥466 million for available-for-sale securities - bonds).

Fiscal year ended March 31, 2026

For the fiscal year ended March 31, 2026, impairment loss of ¥159 million ($997 thousand) was recognized for securities (¥159 million ($997 thousand) for available-for-sale securities – shares).

Impairment loss is recognized for all the securities whose fair value at the end of the fiscal year declines by 50% or more of their acquisition cost. It is also recognized when the fair value declines by approximately 30% to 50% of the acquisition cost at the amount deemed necessary considering the recoverability of the fair value of the security.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

As of March 31, 2025

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	–	–	–	–
	Buy:				
	USD	73	–	0	0
	JPY	737	–	20	20
Total		811	–	20	20

As of March 31, 2026

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	–	–	–	–
	Buy:				
	USD	–	–	–	–
	JPY	246	–	1	1
Total		246	–	1	1

As of March 31, 2026

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	–	–	–	–
	Buy:				
	USD	–	–	–	–
	JPY	1,539	–	11	11
Total		1,539	–	11	11

2. Derivative transactions for which hedge accounting is applied

As of March 31, 2025

Not applicable.

As of March 31, 2026

Not applicable.

(Retirement Benefit Plans)

1. Overview of retirement benefit plan adopted by the Company

To prepare for the payment of employees' retirement benefits, the Company and its consolidated subsidiaries adopted funded and unfunded defined benefit plans, and a defined contribution plan.

Under the defined benefit corporate pension plans, all of which are funded, the Company provides lump-sum or pension benefits based on salaries and length of service.

In addition, retirement benefit trusts are set up for said corporate pension plans of the Company.

Under the lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, the Company provides lump-sum benefits based on salaries and length of service.

Under the defined benefit corporate pension plans and the lump-sum retirement benefit plans for certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation at beginning of period	22,791	21,299	133,177
Current service costs	1,055	980	6,129
Interest costs	386	512	3,206
Actuarial gains and losses arising during period	(1,556)	(1,672)	(10,456)
Retirement benefits paid	(1,280)	(3,053)	(19,090)
Increase due to changes in the scope of consolidation	-	2,379	14,876
Other	-	3	21
Effect of exchange rate changes	(97)	341	2,134
Retirement benefit obligation at end of period	21,299	20,790	129,998

(2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at beginning of period	29,980	30,274	189,298
Expected return on plan assets	448	450	2,819
Actuarial gains and losses arising during period	7	2,405	15,042
Contributions from employer	952	804	5,030
Retirement benefits paid	(1,073)	(2,481)	(15,515)
Increase due to changes in the scope of consolidation	–	1,639	10,253
Other	(5)	(15)	(96)
Effect of exchange rate changes	(36)	283	1,775
Plan assets at end of period	30,274	33,362	208,607

(3) Reconciliation between net defined benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net defined benefit liability at beginning of period	160	156	977
Retirement benefit expenses	13	25	160
Retirement benefits paid	(12)	(14)	(91)
Increase due to changes in the scope of consolidation	–	6	42
Other	(5)	27	169
Effect of exchange rate changes	(0)	7	47
Net defined benefit liability at end of period	156	208	1,305

(4) Reconciliation between retirement benefit obligation and plan assets at end of period, and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation for funded plans	21,299	20,790	129,994
Plan assets	(30,274)	(33,362)	(208,607)
	(8,975)	(12,572)	(78,612)
Retirement benefit obligation for unfunded plans	156	208	1,305
Net balance of liability and asset recognized on the consolidated balance sheet	(8,819)	(12,363)	(77,307)
Net defined benefit liability	3,523	3,935	24,607
Net defined benefit asset	(12,342)	(16,299)	(101,914)
Net balance of liability and asset recognized on the consolidated balance sheet	(8,819)	(12,363)	(77,307)

(5) Retirement benefit expenses and their breakdown

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Current service costs	1,055	980	6,129
Interest costs	386	513	3,208
Expected return on plan assets	(448)	(450)	(2,819)
Amortization of actuarial gains and losses	(118)	(414)	(2,589)
Amortization of past service costs	3	0	2
Other	(40)	(23)	(143)
Retirement benefit expenses applying simplified method	13	25	160
Retirement benefit expenses under defined benefit plans	851	631	3,948

(Note) In addition to the above, for the fiscal year ended March 31, 2025, ¥1,935 million in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.
In addition to the above, for the fiscal year ended March 31, 2026, ¥4,110 million ($25,702 thousand) in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before income taxes and tax effect) in the consolidated statement of comprehensive income is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Past service costs	(3)	(1)	(6)
Actuarial gains and losses	(1,445)	(3,663)	(22,908)
Total	(1,449)	(3,664)	(22,915)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the amount recognized in accumulated remeasurements of defined benefit plans (before income taxes and tax effect) on the consolidated balance sheet is as follows:

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized past service costs	35	34	213
Unrecognized actuarial gains and losses	(6,574)	(10,219)	(63,899)
Total	(6,539)	(10,185)	(63,686)

(8) Plan assets

1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	As of March 31, 2025	As of March 31, 2026
Bonds	26%	25%
Securities	41%	38%
Cash and deposits	8%	13%
Alternative investments (Note 1)	21%	20%
Other	4%	4%
Total (Note 2)	100%	100%

(Notes) 1. Alternative investments mainly consist of investment to hedge funds.

2. Total plan assets include retirement benefit trusts of 9% and 6% that are set up for a corporate pension plan as of March 31, 2025 and 2026, respectively.

2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Discount rate	2.0～2.3%	2.9～4.0%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increase	2.7%	2.6～2.7%%

3. Defined contribution plan

The required contribution to the defined contribution plan amounts to ¥747 million and ¥757 million ($4,734 thousand) for the fiscal years ended March 31, 2025 and 2026, respectively.

(Tax Effect Accounting)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities

	As of March 31, 2025	As of March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Net losses carried forward (Note 2)	5,614	6,148	38,445
Allowance for doubtful accounts	341	406	2,539
Provision for bonuses	738	768	4,804
Provision for product warranties	622	677	4,233
Net defined benefit liability	1,400	1,773	11,090
Provision and accrual for directors' retirement benefits	43	39	245
Business restructuring expenses	980	1,244	7,780
Loss on valuation of inventories	3,545	3,707	23,182
Research and development expenses	2,856	3,726	23,303
Impairment loss	1,889	1,743	10,901
Deferred revenue	572	466	2,919
Elimination of unrealized income on inventories	671	844	5,277
Other	7,048	7,767	48,570
Total gross deferred tax assets	26,325	29,314	183,294
Valuation allowance for tax losses carried forward (Note 2)	(5,580)	(6,021)	(37,648)
Valuation allowance for total amount of deductible temporary differences	(9,006)	(10,161)	(63,534)
Valuation allowance (Note 1)	(14,586)	(16,182)	(101,182)
Total deferred tax assets	11,739	13,132	82,112
Deferred tax liabilities:			
Net defined benefit asset	(3,607)	(5,169)	(32,323)
Valuation difference on available-for-sale securities	(5,947)	(7,532)	(47,100)
Retained earnings of subsidiaries and associates	(1,706)	(4,028)	(25,190)
Other	(431)	(647)	(4,050)
Total deferred tax liabilities	(11,693)	(17,378)	(108,665)
Net deferred tax assets (liabilities)	45	(4,246)	(26,552)

(Notes) 1. There is no significant change in the valuation allowance.

2. The amounts of tax losses carried forward and deferred tax assets by carry-forward expiry period are as follows:

As of March 31, 2025

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*)	2	33	29	90	19	5,439	5,614
Valuation allowance	2	32	29	89	18	5,407	5,580
Deferred tax assets	-	0	-	1	0	31	34

(*) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

As of March 31, 2026

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*)	32	8	100	23	182	5,800	6,148
Valuation allowance	32	8	100	23	182	5,673	6,021
Deferred tax assets	－	－	－	－	－	127	127

As of March 31, 2026

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax losses carried forward (*)	205	56	627	148	1,138	36,269	38,445
Valuation allowance	205	56	627	148	1,138	35,472	37,648
Deferred tax assets	－	－	－	－	－	796	796

(*) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

2. Reconciliation of significant difference between statutory tax rate and effective tax rate after application of tax effect accounting

	As of March 31, 2025	As of March 31, 2026
Statutory tax rate	30.6%	30.6%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	18.3	6.8
Non-taxable income for income tax purposes (e.g. dividend income)	(0.7)	(0.5)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	0.8	1.4
Inhabitant tax on per capita basis	0.3	0.3
Tax deductions related to R&D activities	(7.7)	(4.6)
Different tax rates applied to consolidated subsidiaries	(2.1)	(3.7)
Amortization of goodwill	0.6	0.7
Retained earnings of subsidiaries and associates	8.7	17.9
Income tax effects under ASC 740 (Note)	1.3	(0.5)
Other	1.4	(1.0)
Effective tax rate after application of tax effect accounting	51.5	47.4

(Note) This is recorded based on the former FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109," included in ASC 740.

3. Accounting treatment for income taxes and local income taxes and related tax effect accounting

The Company and domestic consolidated subsidiaries apply the group tax sharing system, and conduct the accounting treatment and disclosure for income taxes and local income taxes, as well as tax effect accounting related to these taxes, in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

(Business Combinations)

On July 28, 2025, the Company entered into an agreement to acquire shares of OSRAM ENI GmbH (currently USHIO INE GmbH), which operated the lamp business for industrial and entertainment applications (hereinafter the "Business") run by ams-OSRAM AG Group (Head Office: Tobelbader Straße 30, 8141 Premstaetten, Austria; CEO: Aldo Kamper), and to acquire related assets involved in the Business. The acquisition of shares and the acquisition of related assets were completed on March 2, 2026.

1. Overview of transaction
   (1) Name of acquired company and its business description
      Name: OSRAM ENI GmbH
      Business description: Design, manufacturing, and sales of lamps for industrial and entertainment applications
   (2) Name of the company from which the lamp business for industrial and entertainment applications was acquired
      ams-OSRAM AG Group
   (3) Date of business combination
      March 2, 2026
   (4) Legal form of business combination
      Acquisition of shares and business acquisition in exchange for cash
   (5) Name of company after the business combination
      USHIO INE GmbH
   (6) Reasons for the business combination
      Under the New Growth Strategy "Revive Vision 2030," which was formulated in 2024, the Company has been implementing initiatives for business portfolio revamping, structural reforms, and improvement of capital efficiency. This transaction is aimed at strengthening the profit base of the Industrial Processes business, particularly the light source business centered on the semiconductor field, through optimization of production and significant improvement of efficiency.
      By taking advantage of this transaction to integrate the technological advantage, patents, and manufacturing know-how held by both companies in the light source business, the Company aims for the following effects.
      (i) Further sales opportunities in the semiconductor lamp market, which is expected to continue to grow
      (ii) Expansion of contribution to profits through optimization of production and significant improvement of efficiency
         The acquisition of the Business from ams-OSRAM AG Group, which is expected to record stable profits and achieve a return on invested capital exceeding 10%, will significantly contribute to the achievement of the quantitative targets (ROE 12% or more) that the Company has set forth in its New Growth Strategy, "Revive Vision 2030."
         Through this transaction, the Company will further strengthen its competitiveness and raise the level of its revenue base in order to expand the Industrial Processes business, and lead it to future consolidation of the light source industry and a faster improvement in production efficiency.
   (7) Percentage of voting rights acquired
      100%

2. Period of results of acquired businesses included in consolidated financial statements
   The financial results of USHIO INE GmbH and those from the acquired business for the period from March 2, 2026 to March 31, 2026 are included in the consolidated statement of income for the current fiscal year.

3. Matters relating to the calculation of the acquisition cost
   Acquisition cost of acquired company and acquired business, and components thereof by consideration type

   (Acquired company)

Consideration for the acquisition:	Cash	¥7,058 million ($44,136 thousand)
Acquisition cost:		¥7,058 million ($44,136 thousand)

   (Acquired business)

Consideration for the acquisition:	Cash	¥9,143 million ($57,168 thousand)
Acquisition cost:		¥9,143 million ($57,168 thousand)

4. Content and amount of major acquisition-related costs
   Remuneration and fees, etc. for advisory services ¥1,270 million ($7,941 thousand)

5. Amount of goodwill, reason for recognition, amortization method and amortization period

(1) Amount of goodwill

Acquisition of shares: ¥2,812 million ($17,585 thousand)

Acquisition of business: ¥3,637 million ($22,741 thousand)

As the identification of identifiable assets and liabilities and the calculation of their fair value as of the date of the business combination have not been completed, the allocation of the acquisition cost has not yet been finalized at the end of the current fiscal year. For this reason, the amount of goodwill is subject to provisional accounting treatment based on reasonable information available at that time.

(2) Reason for recognition

Since the acquisition cost exceeded the net asset value of the acquired company and the acquired business, the excess amount has been recorded as goodwill.

(3) Amortization method and amortization period

Acquisition of shares: Straight-line method over five years.

Acquisition of business: Straight-line method over ten years.

6. Amounts of assets acquired and liabilities assumed on the date of the business combination and the major components thereof

(1) Acquired company

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	4,977	31,120
Non-current assets	4,895	30,611
Total assets	9,872	61,731
Current liabilities	1,426	8,919
Non-current liabilities	4,199	26,260
Total liabilities	5,626	35,180

(2) Acquired business

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	5,441	34,030
Non-current assets	261	1,636
Total assets	5,704	35,667
Current liabilities	181	1,136
Non-current liabilities	16	103
Total liabilities	198	1,240

7. Allocation of acquisition cost

As the identification of identifiable assets and liabilities and the calculation of their fair value as of the date of the business combination have not been completed, the allocation of the acquisition cost has not yet finished at the end of the current fiscal year. For this reason, the amount of goodwill is subject to provisional accounting treatment based on reasonable information available at that time.

8. Estimated amount and calculation method of the effect on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the first day of the fiscal year

No description is made for the estimated amount of the effect because it is difficult to make a reasonable estimate.

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment					Others (Note)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	14,920	–	–	–	14,920	–	14,920
OA lamps	6,055	–	–	–	6,055	–	6,055
Optical equipment lamps	10,982	–	–	–	10,982	–	10,982
Optical equipment (Lithography equipment)	29,055	–	–	–	29,055	–	29,055
Optical equipment (Others)	17,911	–	–	–	17,911	–	17,911
Projector lamps	–	10,544	–	–	10,544	–	10,544
Illumination lamps	–	3,639	–	–	3,639	–	3,639
Cinema projectors	–	31,999	–	–	31,999	–	31,999
General imaging projectors	–	28,110	–	–	28,110	–	28,110
Life sciences products	–	–	6,090	–	6,090	–	6,090
Solid-state light sources	–	–	–	10,311	10,311	–	10,311
Other	–	–	–	–	–	1,056	1,056
Revenue from contracts with customers	78,925	74,293	6,090	10,311	169,621	1,056	170,678
Other revenue	–	6,603	17	–	6,620	317	6,938
Sales to external customers	78,925	80,897	6,108	10,311	176,242	1,373	177,616

(Note) "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment					Others (Note)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	15,452	–	–	–	15,452	–	15,452
OA lamps	5,189	–	–	–	5,189	–	5,189
Optical equipment lamps	12,909	–	–	–	12,909	–	12,909
Optical equipment (Lithography equipment)	27,208	–	–	–	27,208	–	27,208
Optical equipment (Others)	16,376	–	–	–	16,376	–	16,376
Projector lamps	–	9,660	–	–	9,660	–	9,660
Illumination lamps	–	3,509	–	–	3,509	–	3,509
Cinema projectors	–	31,747	–	–	31,747	–	31,747
General imaging projectors	–	31,729	–	–	31,729	–	31,729
Life sciences products	–	–	6,237	–	6,237	–	6,237
Solid- state light sources	–	–	–	10,585	10,585	–	10,585
Other	–	–	–	–	–	1,031	1,031
Revenue from contracts with customers	77,135	76,647	6,237	10,585	170,605	1,031	171,636
Other revenue	6	7,232	18	–	7,256	318	7,575
Sales to external customers	77,141	83,879	6,255	10,585	177,862	1,349	179,211

Fiscal year ended March 31, 2026

(Thousands of U.S. dollars)

	Reportable segment					Others (Note)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	96,620	−	−	−	96,620	−	96,620
OA lamps	32,446	−	−	−	32,446	−	32,446
Optical equipment lamps	80,719	−	−	−	80,719	−	80,719
Optical equipment (Lithography equipment)	170,125	−	−	−	170,125	−	170,125
Optical equipment (Others)	102,395	−	−	−	102,395	−	102,395
Projector lamps	−	60,405	−	−	60,405	−	60,405
Illumination lamps	−	21,945	−	−	21,945	−	21,945
Cinema projectors	−	198,508	−	−	198,508	−	198,508
General imaging projectors	−	198,395	−	−	198,395	−	198,395
Life sciences products	−	−	38,999	−	38,999	−	38,999
Solid- state light sources	−	−	−	66,187	66,187	−	66,187
Other	−	−	−	−	−	6,447	6,447
Revenue from contracts with customers	482,307	479,255	38,999	66,187	1,066,749	6,447	1,073,197
Other revenue	37	45,222	114	−	45,374	1,992	47,367
Sales to external customers	482,344	524,477	39,114	66,187	1,112,124	8,440	1,120,564

(Notes) "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. Information that forms the basis for understanding revenue from contracts with customers

(1) Sales of products

The Group is primarily engaged in the manufacturing and sales of products in the Industrial Processes business, Visual Imaging business, Life Sciences business and Photonics Solutions business.

For the sales of various lamps, etc., in each business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers. In addition, consideration for transactions is generally received within four months after delivery of the product.

For the sales of a variety of optical equipment in the Industrial Processes business, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer's acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Further, consideration for transactions is primarily received in stages according to the payment terms of the contract.

For the sales of a variety of imaging equipment in the Visual Imaging business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Significant financing components exist when part of the payments represent receivables over a long period, but this is immaterial. In addition, consideration for transactions is generally received within two months after delivery of the product. For some customers, consideration is received in stages according to the payment terms of the contract.

(2) Provision of maintenance services

For a variety of optical equipment in the Industrial Processes business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. For some products of optical equipment, variable consideration corresponding to the product's capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, consideration for transactions is received in stages, generally corresponding to the progress of performance obligations in accordance with the terms of the contract.

For a variety of imaging equipment in the Visual Imaging business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. In addition, consideration for transactions is primarily received in stages according to the payment terms of the contract.

3. Information concerning the satisfaction of performance obligations based on contracts with customers and the relationship with the cash flows that arise from such contracts as well as the amount of revenue and timing forecast to be recognized in or after the next fiscal year from contracts with customers that are in place at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Receivables from contracts with customers (at beginning of period)	38,192	38,744	242,258
Receivables from contracts with customers (at end of period)	38,744	37,967	237,402
Contract assets (at beginning of period)	-	-	-
Contract assets (at end of period)	-	-	-
Contract liabilities (at beginning of period)	11,294	10,874	67,997
Contract liabilities (at end of period)	10,874	13,215	82,631

Contract liabilities for optical equipment are related to advances received from customers according to the payment terms of the contract for products that include installation work and for which revenue is recognized when the confirmation of agreed performance such as the customer's acceptance of the product has been completed. For imaging equipment, this primarily refers to advances received from customers according to the payment terms of the contract for maintenance services contracts. Contract liabilities are reversed on recognition of revenue.

The amount of revenue recognized in the previous fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥7,145 million.

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the previous fiscal year arising from performance obligations satisfied (or partially satisfied) in past periods.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥5,442 million ($34,028 thousand).

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the current fiscal year under review arising from performance obligations satisfied (or partially satisfied) in past periods.

(2) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in describing the transaction price allocated to remaining performance obligations and do not include notes on contracts where the initially expected contract period is one year or less.

(Industrial Processes business)

For UV lamps, OA lamps and optical equipment lamps, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

For optical equipment, performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥13,827 million at the end of the previous fiscal year. Such performance obligations are related to the manufacturing and sales of products that include installation work in optical equipment. Approximately 53% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 36% recognized within two years and the remaining 11% recognized within three years. Performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥9,945 million ($62,187 thousand) at the end of the current fiscal year. Such performance obligations are related to the manufacturing and sales of products that include installation work in optical equipment. Approximately 61% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 36% recognized within two years and the remaining 3% recognized within three years.

(Visual Imaging business)

For projector lamps and illumination lamps, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

Performance obligations for imaging equipment are related to the manufacturing and sales of various projectors, with the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue as follows.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	619	820	5,128
Due after one year and up to two years	676	919	5,752
Due after two years and up to three years	752	998	6,240
Due after three years and up to four years	754	801	5,014
Due after four years and up to five years	567	555	3,470
Due after five years	1,467	1,213	7,586
Total	4,838	5,308	33,192

(Life Sciences business and Photonics Solutions business)

For performance obligations, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

(Segment Information, etc.)

Segment information

1. Summary of reportable segments

The Group defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Group develops and implements comprehensive strategies based on a market-centric approach for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Group are divided into four categories, the Industrial Processes business, Visual Imaging business, Life Sciences business, and Photonics Solutions business, based on market.

"Industrial Processes business" produces and sells UV lamps, OA lamps, and optical equipment, primarily for the semiconductor market.

"Visual Imaging business" produces and sells projector lamps and imaging equipment, largely for the cinema and general imaging markets.

"Life Sciences business" produces and sells UV medical devices and light sources, mainly for the environmental hygiene solutions and healthcare markets.

"Photonics Solutions business" produces and sells solid-state light sources.

2. Methods of determining the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting policies for business segment reported are generally consistent with those given in "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements."

Segment profit presents the operating profit of the segment.

Intersegment sales and transfers are recognized based on the market price.

3. Information about net sales, segment profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	78,925	80,897	6,108	10,311	176,242	1,373	177,616	–	177,616
Intersegment sales or transfers	6	9	2	0	18	8	26	(26)	–
Total	78,932	80,906	6,110	10,311	176,261	1,382	177,643	(26)	177,616
Segment profit (loss)	9,623	729	(1,079)	(415)	8,858	82	8,941	(115)	8,825
Segment assets	138,930	89,042	7,139	18,326	253,438	6,374	259,812	37,491	297,304
Other items:									
Depreciation	3,009	3,833	311	527	7,681	190	7,871	–	7,871
Amortization of goodwill	33	20	–	67	120	–	120	–	120
Increase in property, plant and equipment and intangible assets(Note 4)	8,195	5,329	530	747	14,803	44	14,848	–	14,848

(Notes) 1. "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥(115) million, include elimination of intersegment transactions totaling ¥7 million and corporate expenses totaling ¥(121) million. Corporate expenses are general and administrative expenses not allocable to any reportable segment or other revenue-generating business activities.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥37,491 million, include elimination of intersegment receivables and payables totaling ¥(89) million and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥37,598 million that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	77,141	83,879	6,255	10,585	177,862	1,349	179,211	–	179,211
Intersegment sales or transfers	1	3	4	–	9	12	21	(21)	-
Total	77,142	83,882	6,259	10,585	177,871	1,362	179,233	(21)	179,211
Segment profit (loss)	6,486	4,667	140	564	11,859	183	12,043	(83)	11,959
Segment assets	170,773	95,977	9,995	22,296	299,043	7,480	306,524	24,553	331,078
Other items:									
Depreciation	3,560	4,079	296	475	8,412	159	8,572	–	8,572
Amortization of goodwill	64	47	9	66	188	–	188	–	188
Increase in property, plant and equipment and intangible assets (Note 4)	10,988	8,876	1,803	447	22,115	243	22,359	–	22,359

Fiscal year ended March 31, 2026

(Thousands of U.S. dollars)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	482,344	524,477	39,114	66,187	1,112,124	8,440	1,120,564	–	1,120,564
Intersegment sales or transfers	10	20	25	–	56	78	135	(135)	–
Total	482,354	524,498	39,140	66,187	1,112,180	8,518	1,120,699	(135)	1,120,564
Segment profit (loss)	40,560	29,187	877	3,527	74,154	1,148	75,303	(525)	74,778
Segment assets	1,067,804	600,121	62,501	139,415	1,869,842	46,775	1,916,618	153,527	2,070,145
Other items:									
Depreciation	22,265	25,509	1,853	2,973	52,603	999	53,603	–	53,603
Amortization of goodwill	404	296	61	414	1,176	–	1,176	–	1,176
Increase in property, plant and equipment and intangible assets(Note 4)	68,708	55,500	11,276	2,796	138,281	1,524	139,806	–	139,806

(Notes) 1. "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥(83) million ($(525) thousand), include elimination of intersegment transactions totaling ¥9 million ($56 thousand) and corporate expenses totaling ¥(107) million ($(670) thousand). Corporate expenses are general and administrative expenses not allocable to any reportable segment or other revenue-generating business activities.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥24,553 million ($153,527 thousand), include elimination of intersegment receivables and payables totaling ¥(69) million ($(432) thousand) and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥24,628 million ($153,993 thousand) that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Related information

Fiscal year ended March 31, 2025

1. Information by product and service

Information by product and service is omitted as the same information is disclosed in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
40,446	51,324	1,852	15,371	32,931	33,861	1,827	177,616

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

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
31,572	11,435	1,280	1,556	4,068	3	49,916

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2026

1. Information by product and service

Information by product and service is omitted as the same information is disclosed in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
36,533	52,589	1,674	19,438	31,311	36,910	754	179,211

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
228,433	328,827	10,471	121,541	195,781	230,791	4,718	1,120,564

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

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
30,618	11,886	1,382	5,576	3,920	0	53,384

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
191,450	74,320	8,642	34,869	24,511	6	333,800

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	93	1,794	86	538	2,513	3	–	2,517

(Note) Of the impairment losses related to the Visual Imaging segment, ¥1,379 million has been recorded under business structure improvement expenses in the consolidated statement of income.

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	1,023	18	91	186	1,319	–	–	1,319

Fiscal year ended March 31, 2026

(Thousands of U.S. dollars)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	6,400	115	573	1,164	8,252	–	–	8,252

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	33	20	–	67	120	–	–	120
Balance	57	140	–	438	635	–	–	635

Fiscal year ended March 31, 2026

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	64	47	9	66	188	–	–	188
Balance	3,488	2,351	825	398	7,063	–	–	7,063

Fiscal year ended March 31, 2026

(Thousands of U.S. dollars)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	404	296	61	414	1,176	–	–	1,176
Balance	21,812	14,702	5,160	2,488	44,164	–	–	44,164

Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2025

Not applicable.

Fiscal year ended March 31, 2026

Not applicable.

Related party information

Fiscal year ended March 31, 2025

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

Fiscal year ended March 31, 2026

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

(Per Share Information)

Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026			
Net assets per share	¥2,263.23	Net assets per share	¥2,484.73	Net assets per share	$15.53
Basic earnings per share	¥70.27	Basic earnings per share	¥94.88	Basic earnings per share	$0.59

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.

2. The basis used for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit attributable to owners of the parent	6,797	7,995	49,992
Profit not attributable to common shareholders	–	–	–
Profit attributable to owners of the parent attributable to common shares	6,797	7,995	49,992
Average number of common shares outstanding during the year (Shares)	96,729,678	84,265,701	84,265,701

3. The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the total number of shares issued at the balance sheet date for the purpose of calculating net assets per share (360,260 shares and 352,860 shares as of March 31, 2025 and 2026, respectively).
   The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the weighted-average number of shares outstanding during the year for the purpose of calculating the basic earnings per share (401,272 shares and 355,535 shares for the fiscal years ended March 31, 2025 and 2026, respectively).

(Subsequent Events)

(Purchase of treasury shares)

In accordance with the resolution by the Board of Directors meeting held on August 5, 2025 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the Companies Act, the Company has made the purchase of treasury shares as follows:

1. Reason for purchase of treasury shares

   To raise capital efficiency and enable the implementation of an agile capital policy.

2. Details of purchase

Type of shares to be purchased:	Common shares of the Company
Total number of shares to be purchased:	15,000,000 shares (maximum)
Total amount of shares to be purchased:	¥20,000 million ($125,054 thousand) (maximum)
Purchase period:	August 6, 2025 to April 30, 2026
Purchasing method:	Market purchasing on the Tokyo Stock Exchange and purchase through the Tokyo Stock Exchange's Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

3. Results of purchase

(1) Details of the treasury shares acquired on or before March 31, 2026

Type of shares purchased:	Common shares of the Company
Total number of shares purchased:	8,219,400 shares
Total amount of shares purchased:	¥18,520,557,700 ($115,804 thousand)
Purchase period:	August 6, 2025 to March 31, 2026

(2) Details of the treasury shares acquired on or after April 1, 2026

Type of shares purchased:	Common shares of the Company
Total number of shares purchased:	467,900 shares
Total amount of shares purchased:	¥1,479,223,100 ($9,249 thousand)
Purchase period:	April 1, 2026 to April 28, 2026

(Company split)

The Company, by a resolution of the Board of Directors pursuant to Article 370 of the Companies Act dated April 14, 2026, has decided to transfer the semiconductor laser device business, which is part of its Photonics Solutions business (hereinafter the "Target Business"), to a newly established company (hereinafter the "Newly Established Company") through an absorption-type company split (hereinafter the "Absorption-Type Split"), and to transfer all shares of the Newly Established Company to KYOCERA Corporation (hereinafter the "Share Transfer"; the Absorption-Type Split and the Share Transfer are collectively referred to as the "Transaction"), and it has entered into a share transfer agreement (hereinafter referred the "Share Transfer Agreement").

1. Purpose of the Transaction

With over 40 years of expertise in optical technology, the Company operates a business producing high-power, highly reliable semiconductor laser devices across a broad wavelength range, from blue-violet to infrared. In particular, it possesses competitive products and technologies in the area of red lasers using GaAs (gallium arsenide) substrates.

While the structure of semiconductor demand has changed significantly in recent years due to increased investment in data centers driven by the widespread adoption of generative AI, the market for general-purpose semiconductors has remained sluggish for an extended period. Furthermore, the business environment is undergoing structural changes, with demand for high-power lasers growing in the medical and sensing fields.

Against this backdrop, the Company received a proposal from Kyocera, which is engaged in the development of RGB laser diodes for applications such as AR glasses in the metaverse sector, regarding collaboration with the Target Business. Following subsequent discussions, the Company has decided to divest the business in order to improve capital efficiency and optimize its business portfolio, in line with the new growth strategy, "Revive Vision 2030," formulated in 2024.

2. Summary of the Transaction

(1) Timeline of the Transaction

Date of Board of Directors' resolution regarding the Transaction:	April 14, 2026
Date of execution of the Share Transfer Agreement:	April 14, 2026
Date of incorporation of the Newly Established Company:	December 2026 (planned)
Date of Board of Directors' resolution for the approval of the absorption-type split:	December 2026 (planned)
Date of execution of the absorption-type split agreement:	December 2026 (planned)
Effective date of the Absorption-Type Split agreement:	April 2027 (planned)
Date of execution of the Share Transfer:	April 2027 (planned)

(2) Structure of the Absorption-Type Split

The Target Business will be transferred through the absorption-type split, with the Company as the splitting company and the Newly Established Company as the succeeding company. The Transaction is scheduled to be carried out without resolutions at shareholders' meetings of the Company and the Newly Established Company, as this constitutes a simplified absorption-type split specified in Article 784, paragraph 2 of the Companies Act for the Company and an abbreviated absorption-type split specified in Article 796, paragraph 1 of the Companies Act for the Newly Established Company.

(3) Allocation in connection with the Absorption-Type Split

In connection with the Absorption-Type Split, no shares will be allocated by the Newly Established Company to the Company, nor will any money or other assets be delivered.

(4) Treatment of share acquisition rights and bonds with share acquisition rights in connection with the Absorption-type Split

Not applicable.

(5) Increase or decrease in share capital due to the Absorption-Type Split

There will be no increase or decrease in the share capital of the Company as a result of the Absorption-Type Split.

(6) Rights and obligations to be succeeded to by the Newly Established Company

As of the effective date of the Absorption-Type Split, the Newly Established Company will succeed to the rights and obligations, including assets and liabilities, related to the Target Business, as set forth in the absorption-type split agreement relating to the Absorption-Type Split.

(7) Prospects for performance of obligations

The Company has determined that there are no concerns regarding the Newly Established Company's prospects for performing the obligations it will assume on and after the effective date of the Absorption-Type Split.

(8) Overview of the Share Transfer

The Company plans to transfer all shares of the Newly Established Company to KYOCERA Corporation as of the execution date of the Share Transfer. For information regarding the transferee, please refer to "6. (2) Overview of the counterparty to the Share Transfer."

3. Overview of parties to the Absorption-Type Split

<table>
<tr><td></td><td></td><td colspan="2">Splitting Company</td><td>Succeeding Company (Newly Established Company)</td></tr>
<tr><td>(1)</td><td>Name</td><td colspan="2">USHIO INC.</td><td>TBD</td></tr>
<tr><td>(2)</td><td>Location</td><td colspan="2">31F, Sumitomo Fudosan Tokyo Mita Garden Tower, 3-5-19 Mita, Minato-ku, Tokyo</td><td>TBD</td></tr>
<tr><td>(3)</td><td>Title and name of representative</td><td colspan="2">Takabumi Asahi, President and Chief Executive Officer</td><td>TBD</td></tr>
<tr><td>(4)</td><td>Business description</td><td colspan="2">Manufacturing and sales of products related to the Industrial Processes business, Visual Imaging business, Life Sciences business, and Photonics Solutions business</td><td>Manufacturing and sales of semiconductor laser devices</td></tr>
<tr><td>(5)</td><td>Share capital</td><td colspan="2">¥19,556 million ($122,280 thousand)</td><td>TBD</td></tr>
<tr><td>(6)</td><td>Date of establishment</td><td colspan="2">March 23, 1964</td><td>December 2026 (planned)</td></tr>
<tr><td>(7)</td><td>Number of shares outstanding</td><td colspan="2">83,500,000 shares</td><td>TBD</td></tr>
<tr><td>(8)</td><td>Fiscal year-end</td><td colspan="2">March 31</td><td>March 31</td></tr>
<tr><td rowspan="10">(9)</td><td rowspan="10">Major shareholders and their shareholding percentages</td><td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td><td>15.64%</td><td rowspan="10">100% owned by the Company</td></tr>
<tr><td>BBH (LUX) FOR FIDELITY FUNDS GLOBAL TECHNOLOGY POOL</td><td>6.48%</td></tr>
<tr><td>Resona Bank, Limited</td><td>4.86%</td></tr>
<tr><td>STATE STREET BANK AND TRUST COMPANY 505301</td><td>4.80%</td></tr>
<tr><td>Custody Bank of Japan, Ltd. (Trust Account)</td><td>3.73%</td></tr>
<tr><td>Asahi Mutual Life Insurance Company</td><td>3.05%</td></tr>
<tr><td>THE USHIO FOUNDATION</td><td>2.99%</td></tr>
<tr><td>Shiro Ushio</td><td>2.96%</td></tr>
<tr><td>STATE STREET BANK AND TRUST COMPANY 505001</td><td>2.02%</td></tr>
<tr><td>NIKON CORPORATION</td><td>1.82%</td></tr>
<tr><td>(10)</td><td>Consolidated financial position and consolidated operating results for the most recent fiscal year</td><td colspan="2">Fiscal year ended March 2025</td><td>-(Note 2)</td></tr>
<tr><td></td><td>Net assets</td><td colspan="2">¥200,509 million ($1,253,735 thousand)</td><td>-</td></tr>
<tr><td></td><td>Total assets</td><td colspan="2">¥297,304 million ($1,858,967 thousand)</td><td>-</td></tr>
<tr><td></td><td>Net assets per share</td><td colspan="2">¥2,263.23 ($14,15)</td><td>-</td></tr>
<tr><td></td><td>Net sales</td><td colspan="2">¥177,616 million ($1,110,589 thousand)</td><td>-</td></tr>
<tr><td></td><td>Operating profit</td><td colspan="2">¥8,825 million ($55,186 thousand)</td><td>-</td></tr>
<tr><td></td><td>Ordinary profit</td><td colspan="2">¥12,451 million ($77,853 thousand)</td><td>-</td></tr>
<tr><td></td><td>Profit attributable to owners of the parent</td><td colspan="2">¥6,797 million ($42,501 thousand)</td><td>-</td></tr>
<tr><td></td><td>Basic earnings per share</td><td colspan="2">¥70.27 ($0.43)</td><td>-</td></tr>
</table>

(Notes) 1 Information for the splitting company is as of March 31, 2026.

2 As the Newly Established Company has yet to be established, there is no information on financial position or operating results to be disclosed.

4. Overview of the Target Business in the Absorption-Type Split

(1) Business description

Manufacturing and sales of semiconductor laser devices

(2) Operating results of the carved-out target business (Fiscal year ended March 31, 2025)

Net sales ¥3,394 million ($21,220 thousand)

(3) Items and book values of assets and liabilities to be split

Assets		Liabilities	
Items	Book value	Items	Book value
Current assets	¥1,156 million ($7,226 thousand)	Current liabilities	¥90 million ($565 thousand)
Non-current assets	¥74 million ($465 thousand)	Non-current liabilities	¥354 million ($2,214 thousand)

(Note) The amounts above are based on the balance sheet as of December 31, 2025; therefore, the actual amounts to be transferred will be adjusted to reflect any changes through the effective date.

5. Status after the Absorption-Type Split

The name, location, title and name of the representative, business description, share capital and fiscal year-end of the Company and the Newly Established Company after the Absorption-Type Split are as described in "3. Overview of parties to the Absorption-Type Split."

6. Summary of the Share Transfer

(1) Overview of the Newly Established Company to be transferred

Please refer to "3. Overview of parties to the Absorption-Type Split."

(2) Overview of the counterparty to the Share Transfer

(1)	Name	KYOCERA Corporation	
(2)	Location	6 Takeda Tobadono-cho, Fushimi-ku, Kyoto-shi, Kyoto	
(3)	Title and name of representative	Shiro Sakushima, President and Representative Director	
(4)	Business description	Core components, electronic components, solutions business, etc.	
(5)	Share capital	¥115,703 million ($723,460 thousand)	
(6)	Date of establishment	April 1, 1959	
(7)	Net assets and total assets for the most recent fiscal year	Net assets	¥2,435,960 million ($15,231,413 thousand)
		Total assets	¥3,272,155 million ($20,459,919 thousand)
(8)	Major shareholders and their shareholding percentages (as of September 30, 2025)	The Master Trust Bank of Japan, Ltd. (Trust Account)	22.88%
		Custody Bank of Japan, Ltd. (Trust Account)	8.80%
		The Bank of Kyoto, Ltd.	4.18%
		STATE STREET BANK AND TRUST COMPANY 505001	3.93%
		Inamori Foundation	2.71%
		STATE STREET BANK WEST CLIENT - TREATY 505234	2.05%
		Stock Purchase Plan for Kyocera Group Employees	1.74%
		JP MORGAN CHASE BANK 385781	1.42%
		MUFG Bank, Ltd.	1.33%
		Daiichi Life Insurance Co., Ltd.	1.22%
(9)	Relationship between the Company and the relevant company	Capital relationship	Not applicable.
		Personnel relationship	Not applicable.
		Business relationship	There is a business relationship between the Company and the relevant company.
		Status as a related party	Not applicable.

(Note) The information is as of March 31, 2025, except where otherwise specified.

7. Status of shareholdings before and after the Share Transfer

(1)	Number of shares owned before transfer	TBD (voting rights ownership percentage: 100%)
(2)	Number of shares to be transferred	All issued shares (voting rights ownership percentage: 100%)
(3)	Transfer price	¥1 billion ($6,252,735 thousand) (Note)
(4)	Number of shares owned after transfer	0 shares (voting rights ownership percentage 0%)

(Note) Depending on the price adjustment set forth in the Share Transfer Agreement, the final transfer price may vary from the reference amount of ¥1 billion ($6,252,735 thousand).

5) Annexed Consolidated Detailed Schedules

Annexed detailed schedule of corporate bonds

Not applicable.

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Balance at beginning of current period (Thousands of U.S. dollars)	Balance at end of current period (Thousands of U.S. dollars)	Average interest rate (%)	Repayment term
Short-term loans payable	1,617	1,471	10,111	9,198	2.5	-
Current portion of long-term loans payable	1,410	26,725	8,816	167,104	0.6	-
Current portion of lease obligations	1,058	1,707	6,618	10,678	3.8	-
Long-term loans payable (excluding current portion)	35,000	39,775	218,845	248,702	1.5	From 2027 to 2036
Lease obligations (excluding current portion)	2,528	4,929	15,807	30,823	3.9	From 2027 to 2043
Total	41,613	74,608	260,200	466,507	-	-

(Notes) 1. The average interest rate represents the weighted-average interest rate over the year-end balance of loans.

2. Regarding the average interest rates on lease obligations, the total amount before deducting interest equivalents included in the total lease payments is recorded as lease obligations. Therefore, only the average interest rate of the lease obligations of consolidated subsidiaries is provided.

3. For foreign subsidiaries that have adopted IFRS and Generally Accepted Accounting Principles in the United States, lease liabilities for operating leases that have been recognized under IFRS 16 and ASU No. 2016-02 have been included in the balance of current portion of lease obligations and of lease obligations (excluding current portion).

4. The redemption schedule for long-term loans payable and lease obligations (excluding current portions) for the five years after the consolidated balance sheet date is as follows:

	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Long-term loans payable	11,725	18,225	1,725	1,725	6,375
Lease obligations	1,506	1,204	969	947	301

	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Millions of yen)
Long-term loans payable	73,313	113,956	10,785	10,785	39,861
Lease obligations	9,418	7,529	6,063	5,926	1,885

Annexed detailed schedule of asset retirement obligations

Information is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, in accordance with the provision under Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2026

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2026
Net sales (Millions of yen)	38,356	81,425	126,947	179,211
Profit (loss) before income taxes (Millions of yen)	(2,429)	2,154	7,587	15,212
Profit (loss) attributable to owners of the parent (Millions of yen)	(2,827)	240	4,036	7,995
Basic earnings (loss) per share (Yen)	(32.06)	2.77	47.25	94.88

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	(32.06)	35.72	46.08	49.08

Quarterly information for the fiscal year ended March 31, 2026

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2026
Net sales (Thousands of U.S. dollars)	239,833	509,133	793,767	1,120,564
Profit (loss) before income taxes (Thousands of U.S. dollars)	(15,188)	13,471	47,443	95,117
Profit (loss) attributable to owners of the parent (Thousands of U.S. dollars)	(17,680)	1,504	25,238	49,992
Basic earnings (loss) per share (U.S. dollars)	(0.20)	0.01	0.29	0.59

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (U.S. dollars)	(0.20)	0.22	0.28	0.30

(Note) The Company prepares financial information for the first and third quarters in accordance with the stock exchange rules, but has not received independent interim reviews for such quarterly financial information.