

RENGO Integrated Report (Separate Volume)

Financial Data

For Year Ended March 31, 2025

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Consolidated 11-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries
(For the years ended March 31, 2015-2025)

	3/2015	3/2016	3/2017	3/2018		3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	3/2025
For the fiscal year (millions of yen):												
Net sales	¥ 522,671	¥ 532,534	¥ 545,489	¥ 605,712		¥ 653,107	¥ 683,780	¥ 680,714	¥ 746,926	¥ 846,080	¥ 900,791	¥ 993,251
Gross profits	76,428	87,288	98,586	99,710		111,197	132,461	133,281	135,716	141,918	175,381	181,790
Operating income	5,567	15,727	23,642	17,082		25,292	41,227	39,938	33,279	25,957	48,855	37,408
Profit before income taxes and non-controlling interests	12,081	16,268	24,186	23,366		25,075	41,090	41,204	41,437	30,857	50,290	42,788
Profit attributable to owners of parent	5,718	9,816	13,876	16,622		17,163	27,790	28,599	28,188	20,425	33,025	28,979
Research and development expenses	1,405	1,441	1,448	1,483		1,531	1,593	1,900	2,151	2,066	2,175	3,154
Depreciation and amortization	29,611	29,333	29,524	30,776		32,259	35,076	38,114	41,723	44,848	48,761	55,958
Capital expenditures	39,982	29,656	30,445	41,527		36,512	38,700	47,143	49,509	58,694	73,833	99,675
EBITDA	35,179	46,454	54,372	49,512		59,028	77,662	80,014	77,193	73,560	101,054	97,052
At the fiscal year-end (millions of yen):												
Total assets	¥ 655,674	¥ 644,690	¥ 704,826	¥ 747,700		¥ 769,355	¥ 820,109	¥ 869,992	¥ 934,345	¥ 1,053,138	¥ 1,172,515	¥ 1,243,116
Working capital	(34,146)	(36,801)	(24,288)	(23,760)		(10,142)	(3,041)	14,229	39,411	45,332	91,916	58,002
Interest-bearing debt	276,906	264,728	283,350	287,322		283,071	323,614	330,645	353,415	404,289	437,669	448,529
Net assets	222,390	221,733	241,510	262,580		274,697	288,820	324,463	354,289	385,732	438,978	500,244
Equity capital ^{*1}	216,353	215,962	234,241	255,015		263,948	278,254	313,326	341,909	372,795	425,293	463,968
Per share amounts (yen):												
Basic earnings per share	¥ 23.09	¥ 39.64	¥ 56.04	¥ 67.14		¥ 69.32	¥ 112.24	¥ 115.51	¥ 113.84	¥ 82.47	¥ 133.33	¥ 116.94
Diluted earnings per share	—	—	—	—		—	—	—	—	—	—	—
Cash dividends applicable to the year	12.00	12.00	12.00	12.00		14.00	20.00	24.00	24.00	24.00	30.00	30.00
Net assets per share ^{*2}	873.60	872.17	946.06	1,029.98		1,066.07	1,123.86	1,265.53	1,380.74	1,505.09	1,716.97	1,872.24
Ratio:												
Return on equity (%)	2.8	4.5	6.2	6.8		6.6	10.3	9.7	8.6	5.7	8.3	6.5
Return on total assets (%)	0.9	1.5	2.1	2.3		2.3	3.5	3.4	3.1	2.1	3.0	2.4
Debt to equity ratio (times)	1.28	1.23	1.21	1.13		1.07	1.16	1.06	1.03	1.08	1.03	0.97
Capital adequacy ratio (%)	33.0	33.5	33.2	34.1		34.3	33.9	36.0	36.6	35.4	36.3	37.3
Other data:												
Number of shares of common stock (thousand)	271,056	271,056	271,056	271,056		271,056	271,056	271,056	271,056	271,056	271,056	271,056
Number of employees	14,060	13,999	16,038	16,532		16,968	18,902	19,451	20,141	22,548	23,389	25,011
Share prices (yen):												
High	¥ 558	¥ 619	¥ 717	¥ 968		¥ 1,078	¥ 1,071	¥ 1,012	¥ 990	¥ 928	¥ 1,209	¥ 1,208
Low	443	459	546	603		787	660	776	730	688	825	786

^{*1} Equity capital = Net assets - Non-controlling interests
^{*2} The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

In FY3/2025, the Rengo Group was fully committed to the completion of its medium-term vision Vision115, with FY3/2025 as the final year. We worked diligently to expand business and increase earning capacity with a wide range of initiatives, including enhancement of marketing capabilities as well as proactive capital investment and M&A, as “General Packaging Industry (GPI) Rengo,” offering innovative and diverse solutions that meet the packaging needs of all industries.

In addition, as the rise in logistics and labor costs, capital investments for addressing environmental issues and improving working environments, and other changes in cost structure across the entire value chain have made it difficult to counter the situation with our efforts alone, we have been advancing efforts to establish a sustainable pricing structure for corrugated products, folding cartons, and clay-coated board.

In April 2024, Rengo integrated Sun-Tox Co., Ltd. (Taito-ku, Tokyo) and the Packaging Solution business in Mitsui Chemicals Tohcello, Inc. (Chiyoda-ku, Tokyo), establishing RM TOHCELLO CO., LTD. (Chiyoda-ku, Tokyo) as a subsidiary to expand the integrated structure in the flexible packaging business. Furthermore, with an eye on expansion into the bio business, Rengo acquired Biomaterial in Tokyo Co., Ltd. (Onojo-shi, Fukuoka Prefecture), a bio venture firm, as a subsidiary. In July, Rengo acquired Shibata Cardboard Co., Ltd. (Toyohashi-shi, Aichi Prefecture) as a subsidiary, and in October, invested in Murase Danboru Ltd. (Konan-shi, Aichi Prefecture) to strengthen its corrugated packaging business. Additionally, Tri-Wall Japan Co., Ltd. (Minato-ku, Tokyo), a Rengo subsidiary, acquired J-Pack Co., Ltd. (Kawasaki-shi, Kanagawa Prefecture), entering the comprehensive logistics business that offers diverse services such as export packaging and customs clearance.

With regard to overseas business, in August 2024, Tri-Wall Limited (Hong Kong, China) invested in Concept Packaging Group LLC, a manufacturer of heavy duty packaging materials in the United States. Furthermore, in December, Tri-Wall acquired shares in Pronk Multiservice India Private Limited (India), and in March 2025, acquired a stake in Pronk Multiservice ME FZE (United Arab Emirates), further enhancing its global strategy.

Environmental initiatives in ESG management are an issue given highest priority in the Rengo Group, which advocates “Less is more.” as a key concept. To achieve the greenhouse gas emission reduction target of “46% reduction compared to FY3/2014” by FY3/2031, we have further advanced initiatives related to the key issues of “Creation of a carbon-free society,” “Creation of a recycling-oriented society,” and “Water risk management.”

As a result, net sales were ¥993.3 billion, up 10.3% year on year, and profit attributable to owners of parent was ¥29.0 billion, up 87.7% year on year. Net sales increased due to factors such as an increase in the number of consolidated subsidiaries and product price revisions. However, profit attributable to owners of parent decreased due to the significant impact of increased fixed costs and rising prices for raw materials and fuels.

As of March 31, 2025, we had 196 consolidated subsidiaries, an increase of eight from the end of the previous fiscal year, and 18 affiliates accounted for using equity method, an increase of one from the end of the previous fiscal year.

Sales

Net sales were ¥993.3 billion, an increase of ¥92.5 billion from ¥900.8 billion in the previous fiscal year. The net sales increase was due to an increase in the number of consolidated subsidiaries and product price revisions.

In individual segments, net sales from the Paperboard and Packaging-Related Business increased 0.7%, net sales from the Flexible Packaging-Related Business increased 49.8%, net sales from the Heavy Duty Packaging-Related Business increased 1.4%, net sales from the Overseas Business increased 12.6%, and net sales from other businesses increased 10.9%.

Income and Expenses

Operating Expenses and Operating Income

The cost of sales increased ¥86.1 billion from ¥725.4 billion in the previous fiscal year to ¥811.5 billion due primarily to the increase in fixed costs, such as personnel expenses, and rising prices for raw materials and fuels. Selling, general and

administrative expenses increased ¥17.9 billion from ¥126.5 billion in the previous fiscal year to ¥144.4 billion due primarily to the same reasons.

Operating income was ¥37.4 billion, a ¥11.5 billion decrease from ¥48.9 billion in the previous fiscal year. This was due to the significant impact of increased fixed costs, such as personnel expenses, and rising prices for raw materials and fuels, despite the increase in net sales.

Other Income and Expenses

With regard to the net balance of other income and expenses, net income in the fiscal year under review was ¥5.4 billion, compared to a net income of ¥1.4 billion in the previous fiscal year. The main items included the recording of income such as gain on negative goodwill purchase and interest and dividend income, while also accounting for expenses such as interest expenses and loss on sale and retirement of non-current assets.

Income Taxes and Profit Attributable to Non-Controlling Interests

Income taxes decreased ¥3.9 billion from ¥16.1 billion in the previous fiscal year to ¥12.2 billion, due to a decrease in profit before income taxes and non-controlling interests as well as other factors. Profit attributable to non-controlling interests was ¥1.6 billion, increased ¥0.5 billion from ¥1.1 billion in the previous fiscal year.

Profit Attributable to Owners of Parent

As a result of the above developments, profit attributable to owners of parent was ¥29.0 billion for the fiscal year under review, down ¥4.0 billion from ¥33.0 billion in the previous fiscal year. Basic earnings per share were ¥116.94, up from ¥133.33 in the previous fiscal year.

Cash dividends applicable to the year were ¥30.0 per share.

Financial Position and Cash Flows

Assets

Total assets were ¥1,243.1 billion, an increase of ¥70.6 billion from ¥1,172.5 billion at the end of the previous fiscal year. The net increase was comprised of a ¥14.7 billion decrease

in current assets and an ¥85.3 billion increase in non-current assets.

The principal factors were increases in inventories, property, plant and equipment, and investment securities.

Liabilities and Net Assets

Total liabilities amounted to ¥742.9 billion, an increase of ¥9.4 billion from ¥733.5 billion at the end of the previous fiscal year due primarily to increases in long- and short-term loans, lease debt, and notes and accounts payable-trade.

Interest-bearing debt stood at ¥448.5 billion, an increase of ¥10.8 billion from ¥437.7 billion at the end of the previous fiscal year.

Net assets were ¥500.2 billion, an increase of ¥61.2 billion compared to ¥439.0 billion at the end of the previous fiscal year due to an increase in retained earnings resulting from the recording of profit attributable to owners of parent, an increase in foreign currency translation adjustment due to fluctuations in the exchange rate, and other factors.

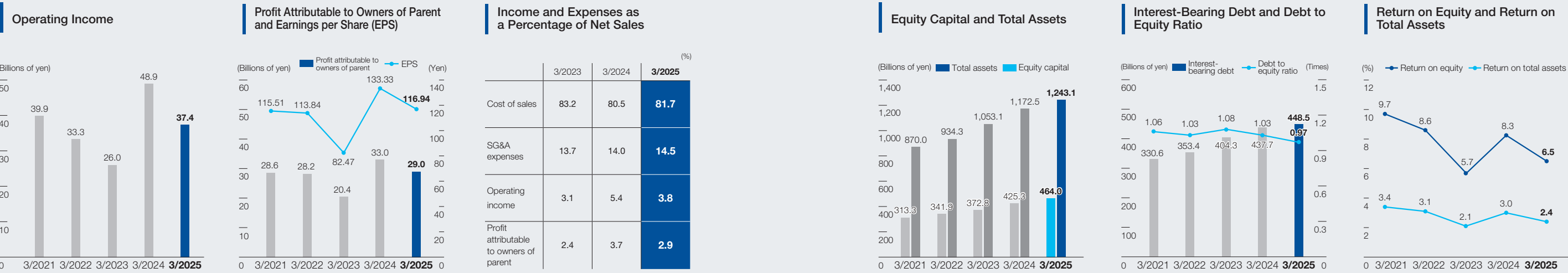
Cash Flows

Net cash provided by operating activities amounted to ¥77.0 billion, a decrease of ¥12.6 billion from ¥89.6 billion in the previous fiscal year. The main items were profit before income taxes and non-controlling interests of ¥42.8 billion, depreciation and amortization of ¥56.0 billion, and income taxes paid of ¥19.8 billion.

Net cash used in investing activities increased by ¥21.3 billion from ¥76.0 billion in the previous fiscal year to ¥97.3 billion. The main items were purchase of property, plant and equipment amounting to ¥96.1 billion, purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to ¥7.5 billion, and a net decrease in time deposits of ¥4.6 billion.

Net cash used in financing activities was ¥14.5 billion, a decrease of ¥31.8 billion from ¥17.3 billion in the previous fiscal year. The main items were ¥5.8 billion for a net increase in long- and short-term loans, ¥5.0 billion for redemption of bonds, ¥8.2 billion for cash dividends paid, and ¥6.4 billion for repayments of lease obligations.

As a result, cash and cash equivalents were ¥70.6 billion at the end of the fiscal year under review, a decrease of ¥33.2 billion from the previous fiscal year.



Risk Factors

Of the matters concerning the status of business, accounting, and so on described in this report, the main risks that management is aware of that could have a material impact on the consolidated financial condition, operating results, and cash flows are set forth below.

1. Product Demand and Market Trends

Paperboard and corrugated packaging, the Group's main products, will be impacted substantially by trends in the domestic market. Factors causing deterioration of market conditions such as a decline in demand due to economic downturn or an intensification of competition may have an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to secure business opportunities for foods, demand for which is expected to be stable, and to build good relationships with its customers in various industries with the aim of relatively reducing impacts such as declining demand in specific industries. By creating even higher added-value packaging, the Group is taking measures to enhance competitiveness and minimize risks through proactive proposal-based marketing.

2. Raw Material and Fuel Prices

Prices for old corrugated containers, the main raw material used in the Group's products, will be affected by demand trends in Southeast Asia and other overseas regions. If changes occur in the balance of supply and demand in Japan, rising purchase prices may push costs higher, and this may have an impact on the Group's business performance, financial status, and so on.

The main fuels used by the Group are city gas, LNG, and biomass. The prices of these fuels will be affected by international commodities markets, and if market prices increase, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to minimize risks through intensity improvement and fuel diversification by conducting capital investment for raising productivity and conserving resources and energy.

3. Natural Disaster and Pandemic

If the Group's sites and facilities incur extensive damage as a result of a large-scale natural disaster such as an earthquake or typhoon, interruption of business activities may have an

Forward-looking statements in this report are based on the Rengo Group's expectations and beliefs as of the end of the consolidated fiscal year under review (March 31, 2025).

impact on the Group's business performance, financial status, and so on.

Furthermore, if the Group is forced to suspend business activities as a result of the large-scale spread of infectious disease, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to create a structure that can fulfill its supply responsibilities by supplying products from its manufacturing sites located throughout Japan in the event that certain business sites suspend operations.

4. Overseas Business

The Group has positioned China, India, Southeast Asia, Europe, and North America as growth markets and is developing Paperboard and Packaging-Related Business, as well as Flexible Packaging-Related Business, and Heavy Duty Packaging-Related Business in those markets. When developing business in overseas markets, the Group makes investment decisions after thoroughly examining the risks, but overseas business activities are exposed to the risks of exchange rate fluctuations, natural disasters and pandemics, and various other risks unique to each country such as economic and political risks. If these risks materialize, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to minimize risks while companies of the Group and relevant departments in Rengo gather and share information in a timely manner so that appropriate responses can be made quickly. In the fiscal year ended March 31, 2025 overseas sales account for 21.7% of the Group's total sales.

5. Changes in Interest Rates

The Group's balance of interest-bearing debt was ¥448.5 billion as of March 31, 2025. The Group has taken diligent measures to reduce interest-bearing debt, but is exposed to risks from interest rate fluctuations, and as a result, if market interest rates increase, there may be an impact on the Group's business performance, financial status, and so on.

6. Changes in Share Prices

The Group holds shares, mainly of its business partners, and the prices of marketable shares could decrease as a result of various factors, and this may have an impact on the Group's business performance, financial status, and so on.

The Group's pension assets will be affected by stock price levels, and consequently, the retirement benefit expenses can change.

7. Changes in Currency Exchange Rates

The Group may be affected by exchange rate fluctuations when importing and exporting products, raw materials, and fuel, and there may be an impact on the Group's business performance, financial status, and so on.

8. Business Restructuring

The Group is undergoing a process of business selection and concentration in order to increase corporate value, and the occurrence of temporary losses within that process may have an impact on the Group's business performance, financial status, and so on.

9. Litigation

In the process of conducting ongoing business activities in Japan and other countries, the Group is exposed to risks of litigation arising out of intellectual property, environmental matters, and other issues. Depending on the specific details of litigation, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to practice compliance management including compliance with laws and regulations, and to minimize risks by conducting rank-specific training and education for officers and employees to raise awareness of compliance.

10. Other Risks

Risks other than those described above occurring as a result of unforeseeable circumstances are possible, and depending on the specific details of those risks, there may be an impact on the Group's business performance, financial status, and so on.

Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries
(March 31, 2025 and 2024)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Assets			
Current assets:			
Cash and deposits (Notes 6, 8 and 10)	¥ 80,563	¥ 117,588	\$ 540,691
Receivables			
Notes and accounts receivable-trade (Notes 8 and 22)	270,404	271,408	1,814,791
Other	4,474	2,919	30,026
Allowance for doubtful accounts	(1,154)	(982)	(7,744)
	273,725	273,344	1,837,080
Inventories (Note 7)	104,674	85,104	702,510
Other	10,518	8,159	70,590
Total current assets	469,481	484,196	3,150,879
Property, plant and equipment (Note 10):			
Buildings and structures	376,177	337,538	2,524,677
Machinery, equipment and vehicles	761,529	681,054	5,110,932
Land	155,496	135,892	1,043,597
Leased assets	41,232	34,221	276,724
Construction in progress	36,219	19,387	243,080
Other	33,966	28,099	227,959
	1,404,622	1,236,194	9,426,993
Less accumulated depreciation	(878,506)	(779,727)	(5,896,013)
Total property, plant and equipment	526,116	456,467	3,530,979
Intangible assets:			
Goodwill	26,751	27,075	179,536
Other (Note 10)	20,947	21,333	140,583
Total intangible assets	47,698	48,408	320,120
Investments and other assets:			
Investment securities (Notes 8, 9 and 10)	156,961	151,144	1,053,429
Long-term loans receivable	736	740	4,939
Net defined benefit asset (Note 14)	8,737	5,423	58,637
Deferred tax assets (Note 13)	2,409	2,414	16,167
Other (Note 10)	31,886	24,628	214,000
Allowance for doubtful accounts	(911)	(909)	(6,114)
Total investments and other assets	199,819	183,442	1,341,067
Total assets	1,243,116	1,172,515	8,343,060

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 8, 10 and 11)	¥ 157,777	¥ 136,830	\$ 1,058,906
Lease liabilities (Note 8)	6,191	5,512	41,550
Payables			
Notes and accounts payable-trade (Note 10)	155,252	152,857	1,041,959
Other (Note 8)	33,598	34,414	225,489
	188,850	187,271	1,267,449
Income taxes payable	8,972	13,958	60,214
Provision for directors' bonuses	471	440	3,161
Other (Note 22)	49,216	48,267	330,308
Total current liabilities	411,479	392,280	2,761,604
Non-current liabilities:			
Long-term debt due after one year (Notes 8, 10 and 11)	269,717	283,116	1,810,181
Lease liabilities (Note 8)	14,842	12,209	99,610
Deferred tax liabilities (Note 13)	31,435	30,258	210,973
Provision for directors' retirement benefits	860	784	5,771
Provision for share-based remuneration for directors (and other officers)	997	800	6,691
Net defined benefit liability (Note 14)	10,661	10,928	71,550
Other (Notes 8 and 10)	2,877	3,159	19,308
Total non-current liabilities	331,392	341,257	2,224,107
Contingent liabilities (Note 15)			
Net assets (Note 16):			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares	31,066	31,066	208,496
Issued 271,056,029 shares			
Capital surplus	34,776	33,663	233,395
Retained earnings	300,680	279,627	2,017,986
Treasury stock:			
23,241,683 shares (3/2025) and 23,355,661 shares (3/2024)	(12,457)	(12,556)	(83,604)
Total shareholders' equity	354,065	331,801	2,376,275
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	42,210	44,310	283,288
Foreign currency translation adjustment	57,241	41,976	384,167
Remeasurements of defined benefit plans	10,451	7,204	70,140
Total accumulated other comprehensive income	109,903	93,491	737,604
Non-controlling interests	36,276	13,684	243,463
Total net assets	500,244	438,978	3,357,342
Total liabilities and net assets	1,243,116	1,172,515	8,343,060

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2025 and 2024)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Net sales (Notes 22 and 23)	¥ 993,251	¥ 900,791	\$ 6,666,114
Cost of sales	811,460	725,409	5,446,040
Selling, general and administrative expenses (Note 18)	144,382	126,526	969,006
Operating income (Note 23)	37,408	48,855	251,060
Other income (expenses):			
Interest and dividend income	3,633	2,855	24,382
Equity in earnings of affiliates	1,884	—	12,644
Interest expenses	(4,334)	(3,254)	(29,087)
Equity in losses of affiliates (Note 20)	—	(1,910)	—
Gain on bargain purchase (Note 19)	5,302	—	35,583
Gain on sale of investment securities	3,065	3,681	20,570
Subsidy income	2,338	1,320	15,691
Loss on tax purpose reduction entry of non-current assets	(2,354)	(314)	(15,798)
Loss on sale and retirement of non-current assets	(1,417)	(1,365)	(9,510)
Renewal expenses of plants	(935)	(686)	(6,275)
Other, net (Note 21)	(1,804)	1,108	(12,107)
Profit before income taxes and non-controlling interests	42,788	50,290	287,167
Income taxes (Note 13):			
Income taxes-current	13,082	17,988	87,798
Income taxes-deferred	(855)	(1,855)	(5,738)
Total income taxes	12,227	16,133	82,060
Profit	30,561	34,156	205,107
Profit attributable to non-controlling interests	1,581	1,130	10,610
Profit attributable to owners of parent	28,979	33,025	194,489
	Yen		U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Per share data:			
Basic earnings per share	¥ 116.94	¥ 133.33	\$ 0.78
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	30.00	30.00	0.20

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2025 and 2024)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Profit	¥ 30,561	¥ 34,156	\$ 205,107
Other comprehensive income (Note 17):			
Valuation difference on available-for-sale securities	(2,086)	8,899	(14,000)
Foreign currency translation adjustment	10,404	9,653	69,825
Remeasurements of defined benefit plans	3,485	3,357	23,389
Share of other comprehensive income of entities accounted for using equity method	5,458	4,347	36,630
Total other comprehensive income	17,261	26,258	115,845
Comprehensive income	47,822	60,415	320,953
(Comprehensive income attributable to)			
Owners of parent	45,414	58,891	304,791
Non-controlling interests	2,407	1,523	16,154

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2025 and 2024)

Thousands		Millions of yen								
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2023	271,056	¥ 31,066	¥ 33,597	¥ 252,677	¥ (12,167)	¥ 35,467	¥ 28,325	¥ 3,827	¥ 12,937	¥ 385,732
Dividends from surplus				(5,977)						(5,977)
Profit attributable to owners of parent				33,025						33,025
Purchase of treasury stock					(910)					(910)
Disposal of treasury stock			396		521					918
Other			(330)	(98)						(428)
Net changes in items other than shareholders' equity						8,842	13,651	3,376	747	26,618
Balance at March 31, 2024	271,056	31,066	33,663	279,627	(12,556)	44,310	41,976	7,204	13,684	438,978
Dividends from surplus				(8,235)						(8,235)
Profit attributable to owners of parent				28,979						28,979
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock			0		100					100
Other			1,113	308						1,421
Net changes in items other than shareholders' equity						(2,100)	15,264	3,247	22,591	39,002
Balance at March 31, 2025	271,056	31,066	34,776	300,680	(12,457)	42,210	57,241	10,451	36,276	500,244

Thousands of U.S. dollars (Note 1)										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total	
Balance at March 31, 2024	\$ 208,496	\$ 225,926	\$ 1,876,691	\$ (84,268)	\$ 297,382	\$ 281,718	\$ 48,348	\$ 91,838	\$ 2,946,161	
Dividends from surplus			(55,268)						(55,268)	
Profit attributable to owners of parent			194,489						194,489	
Purchase of treasury stock				(6)					(6)	
Disposal of treasury stock		0		671					671	
Other		7,469	2,067						9,536	
Net changes in items other than shareholders' equity					(14,093)	102,442	21,791	151,617	261,758	
Balance at March 31, 2025	208,496	233,395	2,017,986	(83,604)	283,288	384,167	70,140	243,463	3,357,342	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2025 and 2024)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2025	3/2024	3/2025
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	¥ 42,788	¥ 50,290	\$ 287,167
Depreciation and amortization	55,958	48,761	375,557
Impairment loss	571	518	3,832
Amortization of goodwill	3,668	3,420	24,617
Gain on bargain purchase	(5,302)	—	(35,583)
Increase (decrease) in provision for directors' retirement benefits	69	(28)	463
Increase (decrease) in net defined benefit liability	(3,640)	(1,364)	(24,429)
Interest and dividend income	(3,633)	(2,855)	(24,382)
Interest expenses	4,334	3,254	29,087
Equity in (earnings) losses of affiliates	(1,884)	1,910	(12,644)
Loss (gain) on sale of investment securities	(3,065)	(3,675)	(20,570)
Loss (gain) on valuation of investment securities	419	158	2,812
Loss (gain) on sale of property, plant and equipment	(222)	(304)	(1,489)
Loss on retirement of property, plant and equipment	1,769	1,621	11,872
Decrease (increase) in notes and accounts receivable-trade	24,117	(25,297)	161,859
Decrease (increase) in inventories	(6,119)	3,671	(41,067)
Increase (decrease) in notes and accounts payable-trade	(10,351)	6,376	(69,469)
Other, net	(4,044)	10,560	(27,140)
Subtotal	95,430	97,018	640,469
Interest and dividend income received	5,700	4,318	38,255
Interest expenses paid	(4,334)	(3,228)	(29,087)
Income taxes paid	(19,787)	(8,479)	(132,798)
Net cash provided by (used in) operating activities	77,008	89,628	516,832

Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	4,583	(11,988)	30,758
Purchase of property, plant and equipment	(96,121)	(63,975)	(645,107)
Proceeds from sale of property, plant and equipment	1,441	845	9,671
Purchase of intangible assets	(2,187)	(1,060)	(14,677)
Purchase of investment securities	(272)	(475)	(1,825)
Proceeds from sale and redemption of investment securities	4,436	4,864	29,771
Purchase of shares of subsidiaries and associates	(2,182)	(2,012)	(14,644)
Purchase of investments in capital of subsidiaries and associates	(2,522)	—	(16,926)
Net decrease (increase) in short-term loans receivable	(1,231)	(108)	(8,261)
Payments of long-term loans receivable	(102)	(323)	(684)
Collection of long-term loans receivable	105	84	704
Subsidies received	4,114	—	27,610
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	316	—	2,120
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6)	(7,546)	—	(50,644)
Purchase of investment in capital of subsidiaries resulting change in scope of consolidation	—	(1,882)	—
Other, net	(115)	0	(771)
Net cash provided by (used in) investing activities	(97,283)	(76,033)	(652,906)

Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	2,357	(6,397)	15,818
Proceeds from long-term loans payable	39,206	63,851	263,127
Repayment of long-term loans payable	(35,763)	(37,557)	(240,020)
Proceeds from issuance of bonds	—	20,000	—
Redemption of bonds	(5,010)	(10,110)	(33,624)
Purchase of treasury stock	(1)	(910)	(6)
Proceeds from sale of treasury stock	100	918	671
Cash dividends paid	(8,235)	(5,977)	(55,268)
Repayments of lease obligations	(6,350)	(5,558)	(42,617)
Other, net	(788)	(992)	(5,288)
Net cash provided by (used in) financing activities	(14,485)	17,265	(97,214)

Effect of exchange rate change on cash and cash equivalents	3,014	1,934	20,228
Net increase (decrease) in cash and cash equivalents	(31,745)	32,795	(213,053)
Cash and cash equivalents at beginning of year	103,782	70,912	696,523
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	308	74	2,067
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,794)	—	(12,040)
Cash and cash equivalents at end of year (Note 6)	70,551	103,782	473,496

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Rengo Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange

Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2025, which was ¥149 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The amounts for each account and the sum of the accounts are translated from Japanese yen into U.S. dollars separately. Therefore, the total amount for each account after translation does not equal the translated amount for the sum of the accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 196 (188 in FY2023 ended March 31, 2024) significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. There are 143 subsidiaries consolidated on the basis of fiscal years ending on December 31, which differs from the date of the Company. However, necessary adjustments have been made if the effect of the difference is material.

Investments in 18 (17 in FY2023 ended March 31, 2024) unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for the equity method and, accordingly, stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion attributable to non-controlling interests is charged or credited to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated based on the fair value at the time the Company acquired control of the subsidiaries. Goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the economic benefits are not expected to be realized in the future, goodwill is fully expensed. Negative goodwill acquired prior to March 31, 2010 is amortized on a straight-line basis continuously.

(2) Translation of Foreign Currencies

A. Translation of Foreign Currencies Receivables and Payables
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end rates.

B. Translation of Foreign Currency Financial Statements

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates except for shareholders’ equity accounts, which are translated at historical rates. The income statements of the consolidated overseas subsidiaries are translated at the fiscal year-end rates except for transactions with the Company, which are translated at rates used by the Company.

Differences arising from the application of the processes stated above are presented separately in the consolidated financial statements in “Foreign currency translation adjustment” and “Non-controlling interests.”

(3) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses on unrecoverable receivables. The Companies provide the allowance for doubtful accounts for normal receivables based on the historical rate of loss and for specific doubtful accounts based on an individual evaluation.

(4) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities other than equity securities without market prices are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities which are equity securities without market prices are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities other than equity securities without market prices declines significantly and is not expected to recover, such securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the net asset value of equity securities issued by unconsolidated subsidiaries and affiliated companies without market prices or available-for-sale securities which are equity securities without market prices declines significantly, such securities should be written down to net asset value with a corresponding charge in the statement of income. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

(5) Inventories

Raw materials are stated mainly at the lower of cost determined by the moving average method or net realizable value.

Other inventories are stated mainly at the lower of cost determined by the average method or net realizable value.

(6) Property, Plant and Equipment (Except Lease Assets)

Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated by the straight-line method.

(7) Intangible Assets (Except Lease Assets)

The Companies include internal use software in other intangible assets and amortize it using the straight-line method over the estimated useful life of 5 years.

Other intangible assets are mainly amortized using the straight-line method over the estimated useful life in accordance with the Corporation Tax Law of Japan.

(8) Lease Assets

Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership of the assets are depreciated over the lease term of the respective assets with the residual book value as zero.

Foreign consolidated subsidiaries that have prepared their financial satatements in accordance with International Financial Reporting Standards (IFRSs) have adopted IFRS 16 Leases. According to IFRS 16, all lease arrangements are recorded in principle as assets and liabilities on the balance sheet. Capitalized right-of-use assets are depreciated by the straight-line method.

(9) Deferred Assets

All expenses of bond issuance cost are expensed when incurred.

(10) Provision for Directors’ Bonuses

The Companies provide for directors’ and audit & supervisory board members’ bonuses applicable to the current fiscal year based on the projected amounts of payment.

(11) Provision for loss on liquidation of subsidiaries and affiliated companies

Provision for loss on liquidation of subsidiaries and affiliated companies is provided at the estimated amount of possible losses incurred due to the liquidation of subsidiaries and affiliated companies.

The provision is directly deducted in the amount of ¥266 million (U.S. \$1,785 thousand) from the “Others” category under Investments and other assets.

(12) Provision for Directors’ Retirement Benefits

Certain domestic consolidated subsidiaries pay lump-sum retirement benefits to directors and audit & supervisory board members. In accordance with internal rules, those subsidiaries provide the amounts that would be required if all the directors and audit & supervisory board members retired at the balance sheet date.

(13) Provision for Share-Based Remuneration for Directors (And Other Officers)

Provision for share-based remuneration for directors (and other officers) is provided in accordance with internal rules at the estimated amount of the obligation to deliver shares to directors and other officers of the Company.

(14) Income Taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(15) Net Defined Benefit Liability

When calculating retirement benefit obligations, a benefit formula basis is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

The Companies provide for employees’ severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Prior service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

(16) Derivative Transactions

In principle, the Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss.

(17) Reclassifications

Certain reclassifications of the financial statements for FY2023 ended March 31, 2024 have been made to conform to the presentation for the fiscal year ended March 31, 2025.

(18) Earnings Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during the fiscal year.

Diluted earnings per share for FY2024 and FY2023 ended March 31, 2025 and 2024 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

Cash dividends per share represent actual amounts applicable to the respective fiscal years.

(19) Accounting Policy for Recognition of Significant Revenues and Expenses

The Companies principally manufacture and sell paperboard products and operate in the packaging-related business, flexible packaging-related business, heavy duty packaging-related business, overseas business and other businesses. Revenue from the sale of products is recognized when they are delivered to customers because the Companies believe that the customers obtain control of the products and the performance obligation is satisfied at the time of delivery of the products. Revenue is measured at amounts less discounts, rebates, etc.

Revenue for products sold for which the Companies are determined to be acting as an agent is recognized at the net amount of consideration less payments to suppliers.

In addition, the Companies do not recognize as revenue the consideration received from suppliers for transactions in which the Companies supply raw materials for a fee, buy back the processed products and then sell them to third parties.

The promised amount of consideration does not contain a significant financial component as it is paid approximately within three months from the time the performance obligation is satisfied.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The Company calculates amount of accounting estimates rationally based on information available when preparing the consolidated financial statements. The following items are accounting estimates that were recorded in the consolidated financial statements for the current fiscal year that could have a significant impact on the consolidated financial statements for the following fiscal year.

Impairment of Noncurrent Assets

A. Carrying amounts in the current year's consolidated financial statements

The Company examined whether it was necessary to recognize an impairment loss on noncurrent assets of Wuxi Rengo Packaging Co., Ltd., a consolidated subsidiary that operates in the overseas business, as the Company recognized recurring operating losses for several consecutive years due primarily to decreasing sales volume, indicating impairment. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the total amount of undiscounted future cash flows exceeded the carrying amount of related noncurrent assets of ¥5,703 million (U.S. \$38,275 thousand), which consisted of ¥5,606 million (U.S. \$37,624 thousand) of property, plant and equipment and ¥96 million (U.S. \$644 thousand) of intangible assets. The carrying amount of related noncurrent assets for the previous fiscal year was ¥5,612

million, which consisted of ¥5,537 million of property, plant and equipment and ¥74 million of intangible assets.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

It is necessary to determine whether an impairment loss should be recognized by comparing the carrying amount with the total amount of undiscounted future cash flows generated from the asset group. The Company reduces the carrying amount to the recoverable amount, which is measured at the higher of net selling price or value in use, and recognizes the decrease in the carrying amount as an impairment loss when it is necessary to recognize an impairment loss as the total amount of undiscounted future cash flows is less than the carrying amount.

The future cash flows were estimated based on the business plan of Wuxi Rengo Packaging Co., Ltd., which contains the assumptions which form the basis of projections of an increase in sales volume due to the sales expansion to existing customers and new customers.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the uncertainty.

4. CHANGE IN ACCOUNTING POLICIES

(New Accounting Pronouncements and Accounting Changes - Application of Accounting Standard for Current Income Taxes) "Accounting Standard for Current Income Taxes" (ASBJ Statement No.27, October 28, 2022. Hereinafter referred to as "2022 Revised Accounting Standard".), etc. shall be applied from the beginning of the current fiscal year. There is no effect on the consolidated financial statements.

In addition, regarding amendments related to classification of income taxes (taxes on other comprehensive income), the Company has followed the transitional treatment in Paragraph 20-3 proviso of the 2022 Revised Accounting Standard and the transitional treatment in Paragraph 65-2 (2) proviso of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No.28, October 28, 2022).

5. ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARDS AND OTHERS

Accounting Standard for Leases, etc.

-Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

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

(1) Summary

The above standard and guidance stipulate the treatment of recognizing assets and liabilities for all leases executed by lessees, in the same manner as international accounting standards.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of the application of the standards

The Companies are currently in the process of determining the effects of these new standards on the consolidated financial statements.

6. CASH FLOW STATEMENTS

(1) Cash and Cash Equivalents

Cash and cash equivalents comprised cash on hand, bank deposits that were withdrawable on demand and short-term highly liquid investments due within three months at date of purchase and substantially free from any price fluctuation risk.

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Cash and deposits	¥ 80,563	¥ 117,588	\$ 540,691
Less: Time deposits with maturities exceeding three months	(10,012)	(13,806)	(67,194)
Cash and cash equivalents	70,551	103,782	473,496

(2) Purchases of Newly Consolidated Subsidiary

A breakdown of the assets and liabilities at the beginning of consolidation of Mitsui Chemicals Tohcello, Inc., which was acquired by the Company in the fiscal year ended March 2025, the

consideration paid for the acquisition and the cash flow from the purchase of shares of subsidiaries resulting in a change in the scope of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 38,212	\$ 256,456
Non-current assets	24,005	161,107
Current liabilities	(19,922)	(133,704)
Non-current liabilities	(3,897)	(26,154)
Non-controlling interests	(21,134)	(141,838)
Gain on bargain purchase	(5,302)	(35,583)
Others (Note)	(1,031)	(6,919)
Consideration paid for acquisition	10,929	73,348
Cash and cash equivalents of the consolidated subsidiary	(3,625)	(24,328)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,303)	(49,013)

(Note) Others are due to fluctuations in capital surplus, etc. arising from the merger of Mitsui Chemicals Tohcello, Inc. and Sun Tox Co., Ltd., conducted prior to the acquisition by the Company.

7. INVENTORIES

Inventories at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Merchandise and finished goods	¥ 56,066	¥ 43,668	\$ 376,281
Work in process	7,341	5,563	49,268
Raw materials and supplies	41,266	35,872	276,953
Total	104,674	85,104	702,510

8. FINANCIAL INSTRUMENTS

(1) Status of Financial Instruments

A. Policies for using financial instruments

The Companies set up the fund management plan based on the plan for capital expenditures and investments and procure the necessary long-term funds by borrowing from banks and issuing corporate bonds. The Companies raise short-term working capital for the ordinary business activities by bank loans and manage temporary surplus funds through financial assets that have a high level of safety. The Company and certain consolidated subsidiaries utilize derivative financial instruments to hedge interest rate fluctuation risk on long-term borrowings and foreign currency exchange rate fluctuation risk arising from export and import transactions denominated in foreign currencies and do not enter into derivative transactions for speculative purposes or with the high level of leveraged effect.

B. Details of financial instruments and associated risk and the risk management system

Notes and accounts receivable arising from operations are exposed to the credit risk of customers. The Companies set a credit limit for such business partners and manage the outstanding balances under credit management rules.

Investment securities are primarily the stocks of companies with which the Companies have business relationships and are exposed to market price fluctuation risk. The Companies periodically evaluate the fair value of these securities and monitor the issuing company and review its policies for holding stocks.

Trade notes and accounts payable are due within one year. In addition, certain receivables and payables are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. The Company and certain subsidiaries use forward foreign exchange contracts to hedge the risk of such exchange rate fluctuations.

The Companies generally raise the working capital required for business transactions through short-term loans and procure long-term funds required for capital expenditure, investment and loans receivable through long-term loans and bond issuances.

The derivative transactions are executed and managed by the Finance and Accounting Group in accordance with its established policies. In using derivative transactions, the Companies mitigate counterparty risk by conducting transactions with highly creditworthy financial institutions.

The Companies manage liquidity risk associated with trade payable and fund procurement (payment default risk) by creating and updating monthly cash flow plans as needed.

C. Supplemental information on fair values

The fair value of financial instruments is based on market prices or estimates of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

	Millions of yen						Thousands of U.S. dollars		
	3/2025			3/2024			3/2025		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities									
Available-for-sale securities	¥ 99,028	¥ 99,028	¥ —	¥ 99,243	¥ 99,243	¥ —	\$ 664,617	\$ 664,617	\$ —
Equity securities issued by affiliated companies	18,540	6,970	(11,570)	17,659	7,815	(9,844)	124,429	46,778	(77,651)
Total assets	117,569	105,998	(11,570)	116,903	107,058	(9,844)	789,053	711,395	(77,651)
Current portion of bonds	55	54	(0)	5,010	5,008	(1)	369	362	(0)
Bonds payable	95,000	91,562	(3,438)	95,055	93,752	(1,302)	637,583	614,510	(23,073)
Long-term loans payable (including current portion)	247,416	243,160	(4,255)	239,892	238,940	(951)	1,660,510	1,631,946	(28,557)
Total liabilities	342,471	334,777	(7,693)	339,957	337,702	(2,254)	2,298,463	2,246,825	(51,630)
Derivative transactions ^{*3}									
Hedge accounting not applied	2	2	—	(3)	(3)	—	13	13	—
Total derivative transactions	2	2	—	(3)	(3)	—	13	13	—

*1 "Cash and deposits", "Notes and accounts receivable-trade", "Notes and accounts payable-trade", "Short-term borrowings (excluding current portion of long-term loans payable)" are not included in the table above because the book value and the fair value of these items are essentially equivalent as they are either cash or items to be settled in the short term.

*2 Equity securities without market prices are not included in investment securities. The carrying amount of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
	¥ 2,312	¥ 2,293	\$ 15,516
Available-for-sale securities			
Equity securities issued by unconsolidated subsidiaries and associates	37,079	31,947	248,852

*3 Amounts shown are net of assets and liabilities derived from derivative transactions. Net liability items in the total are shown in parentheses.

Note (1) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2025 and 2024 was as follows:

	Millions of yen			
	3/2025			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 80,563	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	270,404	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	350,968	—	—	120
	Millions of yen			
	3/2024			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 117,588	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	271,408	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	388,997	—	—	120
	Thousands of U.S. dollars			
	3/2025			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	\$ 540,691	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	1,814,791	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	805
Total	2,355,489	—	—	805

Note (2) The repayment schedule of long-term debt, lease debt and others subsequent to March 31, 2025 and 2024 was as follows:

	Millions of yen					
	3/2025					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 85,023	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	72,753	67,138	59,843	49,375	33,281	60,077
Lease debt	6,191	5,011	4,097	3,085	1,222	1,426
Total	163,968	72,149	63,941	52,461	34,504	61,504
	Millions of yen					
	3/2024					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 79,989	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	56,840	43,688	63,063	54,171	43,029	79,163
Lease debt	5,512	4,411	3,074	2,497	1,078	1,147
Others	0	—	—	—	—	—
Total	142,343	48,099	66,137	56,669	44,108	80,310
	Thousands of U.S. dollars					
	3/2025					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	\$ 570,624	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	488,275	450,590	401,630	331,375	223,362	403,201
Lease debt	41,550	33,630	27,496	20,704	8,201	9,570
Total	1,100,456	484,221	429,134	352,087	231,570	412,778

(3) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used in measuring fair values, fair value information of financial instruments is presented by categorizing fair values into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

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

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

When multiple inputs of different categories are used in measuring fair value, the Company classified the fair value into a category to which the lowest priority is given.

A. Financial instruments measured at fair values in the consolidated balance sheets

Millions of yen				
3/2025				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	¥ 99,028	¥ —	¥ —	¥ 99,028
Derivative transactions				
Hedge accounting not applied	—	2	—	2
Total assets	99,028	2	—	99,030

Millions of yen				
3/2024				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	¥ 99,243	¥ —	¥ —	¥ 99,243
Derivative transactions				
Hedge accounting not applied	—	(3)	—	(3)
Total assets	99,243	(3)	—	99,240

Thousands of U.S. dollars				
3/2025				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	\$ 664,617	\$ —	\$ —	\$ 664,617
Derivative transactions				
Hedge accounting not applied	—	13	—	13
Total assets	664,617	13	—	664,630

B. Financial instruments other than those measured at fair values in the consolidated balance sheets

Millions of yen				
3/2025				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies				
	¥ 6,970	¥ —	¥ —	¥ 6,970
Total assets	6,970	—	—	6,970

Current portion of bonds	—	54	—	54
Bonds payable	—	91,562	—	91,562
Long-term loans payable (including current portion)	—	243,160	—	243,160
Total liabilities	—	334,777	—	334,777

Millions of yen				
3/2024				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies				
	¥ 7,815	¥ —	¥ —	¥ 7,815
Total assets	7,815	—	—	7,815

Current portion of bonds	—	5,008	—	5,008
Bonds payable	—	93,752	—	93,752
Long-term loans payable (including current portion)	—	238,940	—	238,940
Total liabilities	—	337,702	—	337,702

Thousands of U.S. dollars				
3/2025				
Classification	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies				
	\$ 46,778	\$ —	\$ —	\$ 46,778
Total assets	46,778	—	—	46,778

Current portion of bonds	—	362	—	362
Bonds payable	—	614,510	—	614,510
Long-term loans payable (including current portion)	—	1,631,946	—	1,631,946
Total liabilities	—	2,246,825	—	2,246,825

(Note) Valuation techniques and inputs used in measuring fair values

Investment securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities are classified as level 1 fair value, because they are exchanged in active markets.

Current portion of bonds and Bonds payable

The fair value of bonds is based on market prices for those with market prices, and the fair value of those without market prices is measured by the discounted present value of the total amount of principal and interest using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of bonds is classified as Level 2 fair value.

Long-term loans payable (including current portion)

The carrying amount of long-term loans payable with floating interest rates approximates their fair value because the fair value reflects market interest rates in a short period of time and the Company's credit status has not changed significantly since the loans were borrowed. Those with fixed interest rates are measured by the discounted present value of the total amount of principal and interest(*) using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of long-term loans payable is classified as Level 2 fair value.

Derivative transactions

The fair value of derivative transactions is calculated based on the discounted cash flow method using observable inputs such as exchange rates and is classified as Level 2 fair value.

9. INFORMATION ON SECURITIES

(1) Acquisition Costs and Book Values (Fair Values) of Available-for-Sale Securities with Available Fair Values

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2025 and 2024.

	Millions of yen						Thousands of U.S. dollars		
	3/2025			3/2024			3/2025		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:									
Equity securities	¥ 95,699	¥ 31,278	¥ 64,421	¥ 95,038	¥ 30,525	¥ 64,512	\$ 642,275	\$ 209,919	\$ 432,355
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	95,699	31,278	64,421	95,038	30,525	64,512	642,275	209,919	432,355
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	3,328	3,701	(372)	4,205	4,591	(386)	22,335	24,838	(2,496)
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	3,328	3,701	(372)	4,205	4,591	(386)	22,335	24,838	(2,496)
Total	99,028	34,979	64,048	99,243	35,117	64,126	664,617	234,758	429,852

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥4,436 million (U.S. \$29,771 thousand) and ¥4,864 million, respectively. The related gains for FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥3,065 million (U.S. \$20,570 thousand) and ¥3,681 million, respectively. There were no related losses for FY2024 ended March 31, 2025, while related losses for FY2023 ended March 31, 2024 amounted to ¥5 million.

10. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings and the current portion of long-term debt of ¥3,613 million (U.S. \$24,248 thousand), long-term debt of ¥8,954 million (U.S. \$60,093 thousand), accounts payable-trade of ¥487 million (U.S. \$3,268 thousand) and others of ¥1,061 million (U.S. \$7,120 thousand) at March 31, 2025 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 7,631	\$ 51,214
Buildings and structures	15,284	102,577
Machinery, equipment and vehicles	22,455	150,704
Land	36,285	243,523
Investment securities	1,947	13,067
Other	722	4,845
Total	84,326	565,946

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	3/2025	3/2024	3/2025	3/2025
Short-term borrowings	¥ 85,023	¥ 79,989	\$ 570,624	1.20%
Current portion of long-term debt	72,753	56,840	488,275	0.27
Total	157,777	136,830	1,058,906	—

Long-term debt at March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Loans mainly from banks and insurance companies			
(3/2025: due in 9/2038, with interest rates ranging from 0.19% to 7.3%, 3/2024: due in 3/2038, with interest rates ranging from 0.15% to 8.0%)	¥ 247,416	¥ 239,892	\$ 1,660,510
Issued by Rengo Co., Ltd.			
Unsecured 0.270% straight bonds, due December 2024	—	5,000	—
Unsecured 0.390% straight bonds, due December 2026	10,000	10,000	67,114
Unsecured 0.210% straight bonds, due December 2026	10,000	10,000	67,114
Unsecured 0.160% straight bonds, due December 2026	10,000	10,000	67,114
Unsecured 0.410% straight bonds, due December 2027	5,000	5,000	33,557
Unsecured 0.539% straight bonds, due December 2027	10,000	10,000	67,114
Unsecured 0.415% straight bonds, due December 2028	10,000	10,000	67,114
Unsecured 0.300% straight bonds, due December 2029	10,000	10,000	67,114
Unsecured 0.310% straight bonds, due December 2031	10,000	10,000	67,114
Unsecured 0.728% straight bonds, due December 2028	10,000	10,000	67,114
Unsecured 1.344% straight bonds, due December 2033	10,000	10,000	67,114
Issued by Hiropax Co., Ltd.			
Unsecured 0.210% straight bonds, due September 2025	5	15	33
Unsecured 0.525% straight bonds, due March 2026	50	50	335
	342,471	339,957	2,298,463
Less current portion	(72,753)	(56,840)	(488,275)
	269,717	283,116	1,810,181

The aggregate annual maturities of long-term debt at March 31, 2025 were as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
3/2026	¥ 72,753	\$ 488,275
3/2027	67,138	450,590
3/2028	59,843	401,630
3/2029	49,375	331,375
3/2030 and thereafter	93,359	626,570
Total	342,471	2,298,463

12. LEASES

Operating leases

(As a lessee)

The future minimum lease payments under noncancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Due within one year	¥ 1,752	¥ 1,612	\$ 11,758
Due after one year	13,162	13,704	88,335
Total	14,914	15,316	100,093

13. INCOME TAXES

At March 31, 2025 and 2024, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Deferred tax assets:			
Carryforward tax loss (Note)	¥ 11,569	¥ 10,617	\$ 77,644
Net defined benefit liability	1,542	2,479	10,348
Accrued bonuses	3,996	3,496	26,818
Write-down of golf club memberships	470	438	3,154
Provision for directors' retirement benefits	363	318	2,436
Loss on valuation of investment securities	1,680	1,161	11,275
Allowance for doubtful accounts	341	286	2,288
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	335	290	2,248
Accrued enterprise taxes	578	805	3,879
Impairment loss	1,005	688	6,744
Other	3,764	2,764	25,261
Subtotal deferred tax assets	25,648	23,346	172,134
Valuation reserve for carryforward tax loss (Note)	(11,218)	(10,274)	(75,288)
Valuation reserve for deductible temporary differences	(4,488)	(3,523)	(30,120)
Subtotal valuation reserve	(15,707)	(13,797)	(105,416)
Total deferred tax assets	9,941	9,549	66,718
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(19,941)	(19,455)	(133,832)
Deferred gain tax treatment of property	(4,279)	(4,172)	(28,718)
Non-current assets revaluation difference, net of taxes unrealized gain	(10,090)	(9,101)	(67,718)
Trademark rights	(1,729)	(1,829)	(11,604)
Customer relationships	(2,235)	(2,315)	(15,000)
Other	(689)	(518)	(4,624)
Total deferred tax liabilities	(38,967)	(37,392)	(261,523)
Net deferred tax assets (liabilities)	(29,026)	(27,843)	(194,805)

(Note) Carryforward tax loss and its deferred tax assets by expiration periods

	Millions of yen						
	3/2025						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 149	¥ 678	¥ 207	¥ 629	¥ 990	¥ 8,915	¥ 11,569
Valuation reserve	(149)	(673)	(171)	(586)	(952)	(8,684)	(11,218)
Net deferred tax assets	0	4	35	43	37	230	351

	Millions of yen						
	3/2024						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 464	¥ 257	¥ 631	¥ 269	¥ 689	¥ 8,304	¥ 10,617
Valuation reserve	(464)	(257)	(631)	(265)	(687)	(7,967)	(10,274)
Net deferred tax assets	0	—	—	4	1	337	343

	Thousands of U.S. dollars						
	3/2025						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	\$ 1,000	\$ 4,550	\$ 1,389	\$ 4,221	\$ 6,644	\$ 59,832	\$ 77,644
Valuation reserve	(1,000)	(4,516)	(1,147)	(3,932)	(6,389)	(58,281)	(75,288)
Net deferred tax assets	0	26	234	288	248	1,543	2,355

(*) Carryforward tax loss shown in the above table is calculated by multiplying the statutory tax rate.

At March 31, 2025 and 2024, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	3/2025	3/2024
Statutory tax rate	30.4%	30.4%
Effect of:		
Tax deductions	(3.7)	(4.4)
Non-deductible items such as entertainment expenses	4.1	2.9
Non-taxable items such as dividends received	(1.2)	0.0
Per capita inhabitants' taxes	0.7	0.5
Adjustments of deferred tax for enacted changes in tax rates	0.4	—
Equity in earnings of affiliates	(1.3)	1.2
Valuation reserve	2.8	2.1
Amortization of goodwill	2.6	2.1
Gain on bargain purchase	(3.8)	—
Difference in tax rates from those of Parent Company	(2.1)	(2.1)
Other	(0.4)	(0.6)
Effective tax rate	28.6	32.1

On March 31, 2025, the “Law for Partial Amendment of the Income Tax Law” (Law No.13 of 2025) was enacted. Based on the amendment, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized on and after April 1, 2026 was changed from 30.4% for the fiscal year ended March 31, 2024 to 31.3%.

As a result of these changes, deferred tax liabilities (net of deferred tax assets) and income taxes-deferred increased ¥795 million (U.S. \$5,335 thousand) and ¥164 million (U.S. \$1,100 thousand), respectively, and the valuation difference on available-for-sale securities, and remeasurements of defined benefit plans decreased ¥553 million (U.S. \$3,711 thousand) and ¥77 million (U.S. \$516 thousand), respectively.

14. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2025 and 2024 and retirement benefit expenses in the consolidated statements of income for FY2024 and FY2023 ended March 31, 2025 and 2024, consisted of the following:

(1) Defined Benefit Plans

A. Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Balance at April 1, 2024 and 2023	¥ 54,070	¥ 51,808	\$ 362,885
Service cost	3,211	2,921	21,550
Interest cost	481	390	3,228
Actuarial loss (gain)	(6,393)	111	(42,906)
Benefits paid	(2,808)	(1,282)	(18,845)
Past service cost	—	18	—
Increase accompanying new additions to the scope of consolidation	6,106	—	40,979
Other	128	102	859
Balance at March 31, 2025 and 2024	54,796	54,070	367,758

B. Movement in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Balance at April 1, 2024 and 2023	¥ 54,008	¥ 46,722	\$ 362,469
Expected return on plan assets	859	664	5,765
Actuarial loss (gain)	35	5,699	234
Contributions paid by the employer	2,055	1,854	13,791
Benefits paid	(1,710)	(938)	(11,476)
Increase accompanying new additions to the scope of consolidation	3,768	—	25,288
Other	28	5	187
Balance at March 31, 2025 and 2024	59,046	54,008	396,281

C. Movement in liability for retirement benefits on defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Balance at April 1, 2024 and 2023	¥ 5,444	¥ 5,070	\$ 36,536
Retirement benefit expenses	857	721	5,751
Benefits paid	(314)	(322)	(2,107)
Contributions paid by the employer	(167)	(155)	(1,120)
Increase accompanying new additions to the scope of consolidation	369	90	2,476
Other	(14)	39	(93)
Balance at March 31, 2025 and 2024	6,172	5,444	41,422

D. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Funded retirement benefit obligations	¥ 54,003	¥ 55,895	\$ 362,436
Plan assets	(61,311)	(56,273)	(411,483)
	(7,308)	(378)	(49,046)
Unfunded retirement benefit obligations	9,231	5,884	61,953
Total net liability for retirement benefits at March 31, 2025 and 2024	1,923	5,505	12,906
Net defined benefit liability	10,661	10,928	71,550
Net defined benefit asset	(8,737)	(5,423)	(58,637)
Total net liability for retirement benefits at March 31, 2025 and 2024	1,923	5,505	12,906

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Service cost	¥ 3,211	¥ 2,921	\$ 21,550
Interest cost	481	390	3,228
Expected return on plan assets	(859)	(664)	(5,765)
Amortization of net unrecognized actuarial differences	(1,204)	(666)	(8,080)
Amortization of past service cost	(58)	(58)	(389)
Retirement benefit expenses applying for simplified method	857	721	5,751
Total retirement benefit expenses for FY2024 and FY2023 ended March 31, 2025 and 2024	2,428	2,644	16,295

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Past service cost	¥ (58)	¥ (76)	\$ (389)
Actuarial gains and losses	5,224	4,921	35,060
Total remeasurements of defined benefit plans for FY2024 and FY2023 ended March 31, 2025 and 2024	5,165	4,845	34,664

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Past service cost that are yet to be recognized	¥ 275	¥ 333	\$ 1,845
Actuarial gains and losses that are yet to be recognized	15,223	9,999	102,167
Total balance at March 31, 2025 and 2024	15,498	10,332	104,013

H. Plan assets

(a) Plan assets comprise

	3/2025	3/2024
Bonds	34%	33%
General account	29	30
Equity securities	32	32
Other	5	5
Total	100	100

(b) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

I. Actuarial assumptions

The principal actuarial assumptions

	3/2025	3/2024
Discount rate	mainly 1.8%	mainly 0.7%
Long-term expected rate of return	mainly 1.5%	mainly 1.5%

Note: The expected rate of salary increase is not presented because the Companies do not generally use it in actuarial calculations for their retirement benefit plans.

(2) Defined Contribution Plan

Required contribution for defined contribution plans by consolidated subsidiaries in FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥555 million (U.S. \$3,724 thousand) and ¥457 million, respectively.

(3) Multi-Employer Pension Plans

Required contributions to corporate pension fund system of the multi-employer pension plans which were treated the same as defined contribution plans for FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥51 million (U.S. \$342 thousand) and ¥48 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	3/2025 (As of March 31, 2024)	3/2024 (As of March 31, 2023)	3/2025 (As of March 31, 2024)
Plan assets	¥ 19,377	¥ 18,079	\$ 130,046
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	15,614	15,664	104,791
Total balance	3,763	2,415	25,255

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions

For FY2024 ended March 31, 2025 corresponding to the fiscal year ended March 31, 2025: 3.7%

For FY2023 ended March 31, 2024 corresponding to the fiscal year ended March 31, 2024: 3.8%

C. Supplemental information

The main factors of the total balance of A mentioned above are past service cost under pension funding programs, general reserve and surplus or deficiency. Past service cost under pension funding programs for FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to -¥3,476 million (-U.S. \$23,328 thousand) and -¥3,851 million, respectively. General reserve for FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥6,297 million (U.S. \$42,261 thousand) and ¥6,153 million, respectively. Surplus or deficiency for FY2024 and FY2023 ended March 31, 2025 and 2024 amounted to ¥942 million (U.S. \$6,322 thousand) and ¥129 million, respectively.

In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

15. CONTINGENT LIABILITIES

As of March 31, 2025, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes endorsed	¥ 4	\$ 26

16. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

17. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2025 and 2024, amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods, Income taxes for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	¥ 825	¥ 16,310	\$ 5,536
Reclassification adjustments for losses realized in profit	(3,060)	(3,638)	(20,536)
Amount before income taxes	(2,235)	12,672	(15,000)
Income taxes	149	(3,772)	1,000
Subtotal, net of tax amount	(2,086)	8,899	(14,000)
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	12,273	9,653	82,369
Reclassification adjustments for losses realized in profit	(1,869)	—	(12,543)
Subtotal, net of tax amount	10,404	9,653	69,825
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	6,428	5,569	43,140
Reclassification adjustments for losses realized in profit	(1,263)	(724)	(8,476)
Amount before income taxes	5,165	4,845	34,664
Income taxes	(1,679)	(1,487)	(11,268)
Subtotal, net of tax amount	3,485	3,357	23,389
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during the fiscal year	5,458	4,347	36,630
Total other comprehensive income	17,261	26,258	115,845

18. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in "General and administrative expenses" and are charged to income as incurred. The aggregate amounts of research and development expenses charged to income were ¥3,154 million (U.S. \$21,167 thousand) and ¥2,175 million for FY2024 and FY2023 ended March 31, 2025 and 2024, respectively.

19. BUSINESS COMBINATIONS

Business combination through acquisition

(1) Summary of the business combination

A. Name and business of the company acquired

Name : Mitsui Chemicals Tohcello, Inc.
Business : Manufacturing and sales of packaging-use polyolefin film and foam-molded sheets

B. Reason for the combination

The Company integrated Sun Tox Co., Ltd. and Mitsui Chemicals Tohcello Inc. and made it a subsidiary of the Company in order to respond flexibly to changes in the business environment surrounding the plastic packaging materials industry, and to achieve a sustainable growth strategy by promoting higher profitability in the polyolefin film and foamed sheet businesses, accelerating the development of new environmentally-friendly products, and expanding the overseas business.

C. Date of the combination

April 1, 2024

D. Legal form of the combination

Acquisition of equity shares for cash consideration

E. Post-combination name of the acquired company

RM TOHCELLO CO., LTD.

F. Percentage of voting rights acquired

51.0%

G. Basis for determining acquiring company

The Company has acquired shares of Mitsui Chemicals Tohcello Inc. from Mitsui Chemicals so that the Company owns 51.0% of voting rights of the acquired company after the absorption-type merger between Sun Tox Co., Ltd. and Mitsui Chemicals Tohcello Inc..

(2) Period of consolidation of the acquired company during the fiscal year ended March 31, 2023

From April 1, 2024 to March 31, 2025

(3) Acquisition price and type of consideration paid

Consideration paid for acquisition	Cash	¥ 10,929 million	(U.S. \$ 73,348 thousand)
Acquisition price		¥ 10,929 million	(U.S. \$ 73,348 thousand)

(4) Principal acquisition related expenses

Advisory fees, etc.: ¥305 million (U.S. \$2,046 thousand)

(5) Amount and cause of gain on bargain purchase arising from the acquisition

A. Amount of gain on bargain purchase incurred through the acquisition

¥5,302 million (U.S. \$35,583 thousand)

B. Cause for the occurrence of gain on bargain purchase

Because the fair value of net assets of the acquired company at the time of the business combination exceeded the acquisition cost, the difference is recorded as gain on bargain purchase.

(6) Details of the assets acquired and the liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 38,212	\$ 256,456
Non-current assets	24,005	161,107
Total assets	62,217	417,563
Current liabilities	19,922	133,704
Non-current liabilities	3,897	26,154
Total liabilities	23,820	159,865

20. EQUITY IN LOSSES OF AFFILIATES

United Pulp and Paper Co., Inc., an affiliate invested by the Company in September 2020 and accounted for using the equity method, revised its business plan for the future because sales volume fell short of the initial plan due to the economic slowdown in China. As a result of examining the recoverable amount of the investment in the affiliate, an impairment loss of ¥3,887million was recorded as “Equity in losses of affiliates (Other expenses)” for FY2023 ended March 31, 2024. The recoverable amount was estimated based on the net selling price in accordance with the income approach.

21. IMPAIRMENT LOSS

For FY2023 ended March 31, 2024, the breakdown of the impairment loss was as follows:

Place	Use	Type of assets	Millions of yen
Awa City, Tokushima	Business assets	Buildings and structures	¥ 165
		Machinery, equipment and vehicles	92
		Land	90
		Total	349
Fuji City, Shizuoka	Assets scheduled for disposal	Buildings and structures	1
		Machinery, equipment and vehicles	130
		Other	0
		Total	132
Other	Assets scheduled for disposal	Machinery, equipment and vehicles	24
		Land	11
		Other	0
		Total	36

The Company grouped business assets by business units based on management accounting classifications, and grouped idle assets, leased assets and assets to be disposed of by property units.

Business assets: The Company recognized an impairment loss by reducing the book value of these fixed assets to the recoverable amount as a result of examining whether the book value exceeds its recoverable amount due to the continuous operating losses.

Assets scheduled for disposal: The Company recognized an impairment loss by reducing the book value of these fixed assets to the recoverable amount mainly due to the decision made to suspend production facilities.

The recoverable amount was estimated based on the net selling price mainly in accordance with Real Estate Appraisal Standards. Assets that are difficult to sell were valued at zero.

22. REVENUE RECOGNITION

(1) Information of disaggregation of revenue from contracts with customers

Millions of yen							
3/2025							
	Reportable segments					Other Businesses*	Total
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal		
Japan	¥ 514,297	¥ 176,869	¥ 42,776	¥ 4,726	¥ 738,669	¥ 37,380	¥ 776,049
Asia	422	2,381	1,897	88,757	93,459	237	93,696
Europe	—	2,068	49	97,094	99,213	—	99,213
Other	—	294	253	22,515	23,064	1	23,065
Information of disaggregation of revenue from contracts with customers	514,720	181,614	44,977	213,094	954,406	37,618	992,025
Other revenue	—	—	—	—	—	1,225	1,225
Sales to third parties	514,720	181,614	44,977	213,094	954,406	38,844	993,251

Millions of yen							
3/2024							
	Reportable segments					Other Businesses*	Total
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal		
Japan	¥ 510,468	¥ 118,104	¥ 41,941	¥ 3,838	¥ 674,353	¥ 33,546	¥ 707,900
Asia	476	1,312	2,038	75,592	79,419	260	79,680
Europe	—	1,741	45	93,905	95,693	—	95,693
Other	—	119	323	15,840	16,283	—	16,283
Information of disaggregation of revenue from contracts with customers	510,945	121,278	44,348	189,177	865,749	33,807	899,557
Other revenue	—	—	—	—	—	1,234	1,234
Sales to third parties	510,945	121,278	44,348	189,177	865,749	35,041	900,791

Thousands of U.S. dollars							
3/2025							
	Reportable segments					Other Businesses*	Total
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal		
Japan	\$ 3,451,657	\$ 1,187,040	\$ 287,087	\$ 31,718	\$ 4,957,510	\$ 250,872	\$ 5,208,382
Asia	2,832	15,979	12,731	595,684	627,241	1,590	628,832
Europe	—	13,879	328	651,637	665,859	—	665,859
Other	—	1,973	1,697	151,107	154,791	6	154,798
Information of disaggregation of revenue from contracts with customers	3,454,496	1,218,885	301,859	1,430,161	6,405,409	252,469	6,657,885
Other revenue	—	—	—	—	—	8,221	8,221
Sales to third parties	3,454,496	1,218,885	301,859	1,430,161	6,405,409	260,697	6,666,114

* "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(2) Information that provides a basis for understanding of revenue from contracts with customers

The basis for understanding revenue is described in "2. Summary of Significant Accounting Policies, (19) Accounting policy for recognition of significant revenues and expenses".

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

A. Balance of receivables and contract liabilities arising from contracts with customers

Balance of receivables and contract liabilities arising from contracts with customers are as follows

Millions of yen			Thousands of U.S. dollars
	3/2025	3/2024	3/2025
Notes receivable-trade	¥ 9,843	¥ 14,177	\$ 66,060
Accounts receivable-trade	259,796	257,200	1,743,597
Receivables arising from contracts with customers	269,640	271,377	1,809,664
Contract liabilities	106	228	711

B. Transaction price allocated to remaining performance obligations

The description of the total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized is omitted, since the initially expected contractual period with customers is due within one year.

23. SEGMENT INFORMATION

(1) Segment Information

A. Overview of reportable segments

The Company's reportable segments are the business units for which separate financial information is available and which are periodically reviewed by the Board of Directors for the purposes of monitoring to determine the allocation of business resources and evaluate business performance.

To fulfill the multiple needs of packaging as "General Packaging Industry (GPI)," the Companies expanded the business field into flexible packaging and heavy duty packaging also overseas, and had been making plans for a comprehensive strategy about products in each business fields, in addition to the integrated production from paperboard to corrugated boxes. The Company has designated four reportable segments, which are the "Paperboard and Packaging-Related Business," "Flexible Packaging-Related Business," "Heavy Duty Packaging-Related Business," and "Overseas Business" segments, based on the business field.

The "Paperboard and Packaging-Related Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes and kraft pulp domestically. The "Flexible Packaging-Related Business" segment includes

manufacturing and sales of flexible packaging and cellophane domestically. The "Heavy Duty Packaging-Related Business" segment includes manufacturing and sales of heavy duty packaging products domestically. The "Overseas Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes, flexible packaging, heavy duty packaging and nonwoven products in overseas operations.

B. Method of calculating sales, profit or loss, assets and other material items by reportable segment

The accounting policies for business segments reported are generally the same as on those described in "2. Summary of Significant Accounting Policies". Figures for reportable segment income are based on operating income. Internal transactions are based on the current market prices.

C. Information on sales, profit or loss, assets and other material items by reportable segment

Information by segment for FY2024 and FY2023 ended March 31, 2025 and 2024 were as follows:

Millions of yen								
3/2025								
	Reportable segments					Other Businesses*1	Adjustments*2	Total*3
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal			
Sales to third parties	¥ 514,720	¥ 181,614	¥ 44,977	¥ 213,094	¥ 954,406	¥ 38,844	¥ —	¥ 993,251
Intersegment sales and transfers	2,425	738	4,212	8,791	16,167	33,566	(49,734)	—
Total sales	517,145	182,352	49,190	221,886	970,574	72,411	(49,734)	993,251
Segment profit	23,443	5,062	1,684	4,931	35,122	1,963	322	37,408
Segment assets	781,227	171,494	54,405	353,183	1,360,311	46,600	(163,795)	1,243,116
Other items								
Depreciation and amortization	31,203	7,148	1,394	14,601	54,348	1,520	(90)	55,778
Amortization of goodwill	218	128	34	3,261	3,643	42	—	3,685
Investment in equity method affiliates	776	—	—	65,595	66,372	1,221	—	67,593
Increase in property, plant and equipment and intangible assets	63,127	8,450	881	25,686	98,147	1,762	(234)	99,675

Millions of yen								
3/2024								
Reportable segments								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses* ¹	Adjustments* ²	Total* ³
Sales to third parties	¥ 510,945	¥ 121,278	¥ 44,348	¥ 189,177	¥ 865,749	¥ 35,041	¥ —	¥ 900,791
Intersegment sales and transfers	2,657	528	3,355	5,615	12,156	28,068	(40,224)	—
Total sales	513,602	121,806	47,704	194,792	877,906	63,110	(40,224)	900,791
Segment profit	34,966	4,770	906	6,781	47,425	1,162	267	48,855
Segment assets	815,618	111,762	52,714	305,046	1,285,142	41,604	(154,231)	1,172,515
Other items								
Depreciation and amortization	28,487	4,873	1,604	12,457	47,423	1,354	(72)	48,705
Amortization of goodwill	342	165	69	2,859	3,437	—	—	3,437
Investment in equity method affiliates	753	—	—	57,552	58,305	1,126	—	59,432
Increase in property, plant and equipment and intangible assets	48,963	4,984	1,820	17,062	72,832	1,115	(114)	73,833

Thousands of U.S. dollars								
3/2025								
Reportable segments								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses* ¹	Adjustments* ²	Total* ³
Sales to third parties	\$ 3,454,496	\$ 1,218,885	\$ 301,859	\$ 1,430,161	\$ 6,405,409	\$ 260,697	\$ —	\$ 6,666,114
Intersegment sales and transfers	16,275	4,953	28,268	59,000	108,503	225,275	(333,785)	—
Total sales	3,470,771	1,223,838	330,134	1,489,167	6,513,919	485,979	(333,785)	6,666,114
Segment profit	157,335	33,973	11,302	33,093	235,718	13,174	2,161	251,060
Segment assets	5,243,134	1,150,966	365,134	2,370,355	9,129,604	312,751	(1,099,295)	8,343,060
Other items								
Depreciation and amortization	209,416	47,973	9,355	97,993	364,751	10,201	(604)	374,348
Amortization of goodwill	1,463	859	228	21,885	24,449	281	—	24,731
Investment in equity method affiliates	5,208	—	—	440,234	445,449	8,194	—	453,644
Increase in property, plant and equipment and intangible assets	423,671	56,711	5,912	172,389	658,704	11,825	(1,570)	668,959

*1 "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 "Adjustments" were as follows:
(a) The adjustments of segment profits of ¥322 million (U.S. \$2,161 thousand) and ¥267 million for FY2024 and FY2023 ended March 31, 2025 and 2024, respectively, were from the elimination of intersegment transactions.
(b) The adjustments of segment assets of -¥163,795 million (-U.S. \$1,099,295 thousand) and -¥154,231 million for FY2024 and FY2023 ended March 31, 2025 and 2024, respectively, were from the elimination of intersegment transactions.
(c) The adjustments of depreciation and amortization of -¥90 million (-U.S. \$604 thousand) and -¥72 million for FY2024 and FY2023 ended March 31, 2025 and 2024, respectively, were from the elimination of intersegment transactions.
(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥234 million (-U.S. \$1,570 thousand) and -¥114 million for FY2024 and FY2023 ended March 31, 2025 and 2024, respectively, were from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating income in the consolidated statements of income.

(2) Related Information

A. Products and Services

Millions of yen				Thousands of U.S. dollars
3/2025				3/2025
Paperboard	¥ 63,594	¥ 63,445		\$ 426,805
Corrugated board	43,505	44,612		291,979
Corrugated boxes	398,573	379,967		2,674,986
Flexible packaging and cellophane	206,744	143,735		1,387,543
Other	280,833	269,031		1,884,785
Total	993,251	900,791		6,666,114

B. Geographical Segments

Millions of yen				Thousands of U.S. dollars
3/2025				3/2025
Japan	¥ 777,275	¥ 709,134		\$ 5,216,610
Asia	93,696	79,680		628,832
Europe	99,213	95,693		665,859
Other	23,065	16,283		154,798
Total	993,251	900,791		6,666,114

Millions of yen				Thousands of U.S. dollars
3/2025				3/2025
Japan	¥ 425,494	¥ 376,070		\$ 2,855,664
Asia	30,088	27,309		201,932
Europe	57,704	41,359		387,275
Other	12,829	11,728		86,100
Total	526,116	456,467		3,530,979

C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for FY2024 and FY2023 ended March 31, 2025 and 2024. Therefore, information regarding such major customers was not required to be disclosed.

(3) Information on Impairment Loss of Non-Current Assets by Reportable Segments

Millions of yen							
3/2025							
Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments
Impairment loss	¥ 551	¥ —	¥ —	¥ —	¥ 551	¥ 20	¥ —

Millions of yen							
3/2024							
Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments
Impairment loss	¥ 518	¥ —	¥ —	¥ —	¥ 518	¥ —	¥ —

Thousands of U.S. dollars							
3/2025							
Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments
Impairment loss	\$ 3,697	\$ —	\$ —	\$ —	\$ 3,697	\$ 134	\$ —

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(4) Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Millions of yen								
3/2025								
Reportable segments								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 218	¥ 128	¥ 34	¥ 3,261	¥ 3,643	¥ 42	¥ —	¥ 3,685
Balance at end of period	323	64	—	26,218	26,605	147	—	26,753
Negative goodwill								
Amortized for the period	15	1	—	—	16	—	—	16
Balance at end of period	0	1	—	—	2	—	—	2

Millions of yen								
3/2024								
Reportable segments								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 342	¥ 165	¥ 69	¥ 2,859	¥ 3,437	¥ —	¥ —	¥ 3,437
Balance at end of period	522	248	34	26,288	27,094	—	—	27,094
Negative goodwill								
Amortized for the period	15	1	—	—	16	—	—	16
Balance at end of period	15	3	—	—	18	—	—	18

Thousands of U.S. dollars								
3/2025								
Reportable segments								
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	\$ 1,463	\$ 859	\$ 228	\$ 21,885	\$ 24,449	\$ 281	\$ —	\$ 24,731
Balance at end of period	2,167	429	—	175,959	178,557	986	—	179,550
Negative goodwill								
Amortized for the period	100	6	—	—	107	—	—	107
Balance at end of period	0	6	—	—	13	—	—	13

“Other Businesses” are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

24. RELATED PARTY INFORMATION

There were no Significant transactions of the Company with related party for FY2024 ended March 31, 2025

There were no Significant transactions of the Company with related party for FY2023 ended March 31, 2024

25. ADDITIONNAL INFORMATION

(Stock compensation plan)

Based on the resolution of the General Meeting of Shareholders held on June 26, 2020, the Company introduced a Stock Compensation Plan using a trust for Directors, excluding Outside Directors, to increase Directors' motivation to make contributions to improving the Company's mid-to long-term performance and increasing its corporate value by making a clearer link between the compensation provided to Directors and the Company's share value and sharing with stockholders the benefits and risks associated with the fluctuation in share prices.

The Company also introduced the same compensation plan as above for the executive officers of the Company.

Additionally, at the board of directors meeting held on February 22, 2023, it was resolved to continue this plan for three fiscal years from FY2023 to FY2025. As a result, the trust term has been extended by three years.

(1) Overview of Transactions

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter the trust established by the Plan shall be referred to as the “Trust”) using money contributed by the Company as a source, and the Company's shares equivalent to the number of points awarded by the Company to each Director, etc., will be delivered to each Director, etc., through the Trust.In principle, the Company's shares will be delivered to Directors, etc., upon their retirement.

The accounting method regarding the Plan complies with the “Practical Solution on Transactions for Delivering the Company's Own Stock to Employees, etc., Through Trusts” (ASBJ Practical Issues Task Force No.30, March 26, 2015).

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are posted as treasury stock as part of net assets based on the book value, excluding amounts for incidental expenses. The corresponding treasury stock book value and number of shares at the end of the fiscal year was ¥1,518 million (U.S. \$10,187 thousand) and 1,757,200 shares, whereas ¥1,618 million and 1,873,200 shares at the end of the previous fiscal year.

26. SUBSEQUENT EVENTS

Appropriation of Non-Consolidated Retained Earnings

At the Board of Directors meeting held on May 9, 2025, the Company resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥15.00 = U.S. \$0.10 per share)	¥ 3,743	\$ 25,120

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2025. Such appropriations are recognized in the period in which they are approved.

(Note) The total amount of dividends determined by the resolution of the Board of Directors held on May 9, 2025 includes dividends of ¥26 million (U.S. \$174 thousand) which is paid for the Company's shares held by the Trust related to the Stock Compensation Plan.

Independent Auditor’s Report

To the Board of Directors of Rengo Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on noncurrent assets of Wuxi Rengo Packaging Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
As described in Note 3, “Significant accounting estimates, Impairment of noncurrent assets” of the consolidated financial statements, in the consolidated balance sheet of the Company, noncurrent assets of Wuxi Rengo Packaging Co., Ltd. (“Wuxi Rengo Packaging”) that belong to the Overseas Business amounted to ¥5,703 million. While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. Wuxi Rengo Packaging has recognized recurring operating losses for several consecutive years due primarily to decreasing sales volume, indicating impairment. Accordingly, the Company performed an impairment test during the fiscal year. The future cash flows used for the impairment test were estimated based on the business plan prepared by management. Key assumptions underlying the business plan, such as the projection of an increase in sales volume involved uncertainty. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company’s judgment as to whether an impairment should be recognized on noncurrent assets of Wuxi Rengo Packaging was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess whether the Company’s judgment with respect to the recognition of an impairment loss on noncurrent assets of Wuxi Rengo Packaging was appropriate, included the following: (1) Internal control testing We tested the design and operating effectiveness of the Company’s certain internal controls relevant to determining impairment losses to be recognized on noncurrent assets. (2) Assessment of the reasonableness of estimated future cash flows In order to assess the appropriateness of key assumptions adopted by management in preparing the business plan of Wuxi Rengo Packaging, which was used as the basis for estimating future cash flows, we: - assessed the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; - assessed the feasibility of the assumption regarding the increase in sales volume by inspecting the sales volume plan by each customer, comparing it with recent actual results, and reviewing available external information about the market environment. - compared management’s estimate of future cash flows with that independently estimated by incorporating the effect of specific uncertainty into the business plan.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditor’s report thereon. The other information is expected to be made available to us after the date of this auditor’s report.Management is responsible for the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

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

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

As part of our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 480 million yen and 32 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Koji Narumoto	Designated Engagement Partner	Certified Public Accountant
Seiko Ohashi	Designated Engagement Partner	Certified Public Accountant
Satoshi Suzuki	Designated Engagement Partner	Certified Public Accountant

Osaka Office, Japan
July 11, 2025

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