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Annual Securities Report

Fiscal year	From April 1, 2023
(86th)	To March 31, 2024

EIKEN CHEMICAL CO.,LTD.

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(Note) The Kansai Sales Department mentioned above is not a place for inspection as stipulated in the Financial Instruments and Exchange Act, but it is a place for vertical inspection for the convenience of investors.

Part 1 Company Information

I. Overview of Company

1. Trends of Key Management Indicators

(1) Consolidated Management Indicators

Fiscal Year	82nd period	83rd period	84th period	85th period	86th period
Year End	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (Millions of yen)	36,585	38,667	42,996	43,271	40,052
Ordinary profit (Millions of yen)	4,723	6,808	8,508	7,568	3,568
Profit attributable to owners of parent (Millions of yen)	3,538	5,044	6,218	5,736	2,634
Comprehensive income (Millions of yen)	3,337	5,507	6,290	5,595	2,931
Net assets (Millions of yen)	37,303	41,672	45,803	49,535	45,971
Total assets (Millions of yen)	50,322	55,685	62,512	66,275	61,651
Net assets per share (Yen)	1,002.86	1,120.36	1,230.55	1,327.47	1,318.38
Basic earnings per share (Yen)	95.95	136.65	168.28	155.17	71.69
Diluted earnings per share (Yen)	95.21	135.60	167.01	153.86	71.10
Equity ratio (%)	73.5	74.3	72.8	74.2	74.0
Return on equity (%)	9.9	12.9	14.3	12.1	5.6
Price earnings ratio (Times)	20.5	15.8	10.3	10.1	27.9
Cash flows from operating activities (Millions of yen)	5,460	5,451	7,769	7,575	3,806
Cash flows from investing activities (Millions of yen)	(3,711)	(2,193)	(5,044)	(316)	(2,216)
Cash flows from financing activities (Millions of yen)	(1,220)	(1,275)	1,200	(2,095)	(6,694)
Cash and cash equivalents at end of period (Millions of yen)	4,981	6,968	10,900	16,064	10,966
Number of employees (Persons)	724	733	745	754	757
[Average number of temporary employees]	(329)	(354)	(360)	(352)	(344)

(Note) The “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. are applied from the beginning of the 84th fiscal year and the key management indicators in and after the 84th fiscal year are those after the application of the said accounting standard, etc.

(2) Management Indicators of Reporting Company

Fiscal Year		82nd period	83rd period	84th period	85th period	86th period
Year End		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	36,564	38,610	42,915	43,195	39,962
Ordinary profit	(Millions of yen)	4,703	6,833	8,515	7,613	3,581
Profit	(Millions of yen)	3,518	5,070	6,231	5,781	2,648
Share capital	(Millions of yen)	6,897	6,897	6,897	6,897	6,897
Total number of issued shares	(Shares)	43,541,438	43,541,438	43,541,438	43,541,438	40,041,438
Net assets	(Millions of yen)	37,741	41,679	45,755	49,667	45,828
Total assets	(Millions of yen)	50,753	55,696	62,469	66,404	61,503
Net assets per share	(Yen)	1,014.73	1,120.56	1,229.25	1,331.05	1,314.26
Dividend per share [Interim dividend per share]	(Yen)	30.00 (13.00)	41.00 (15.00)	51.00 (20.00)	51.00 (24.00)	51.00 (25.00)
Basic earnings per share	(Yen)	95.41	137.35	168.62	156.40	72.07
Diluted earnings per share	(Yen)	94.67	136.30	167.34	155.08	71.48
Equity ratio	(%)	73.7	74.3	72.7	74.2	73.9
Return on equity	(%)	9.7	12.9	14.4	12.2	5.6
Price earnings ratio	(Times)	20.7	15.7	10.2	10.0	27.7
Dividend payout ratio	(%)	31.4	29.9	30.2	32.6	70.8
Number of employees [Average number of temporary employees]	(Persons)	677 (315)	684 (341)	697 (347)	708 (344)	713 (340)
Total shareholder return [Comparison indicators: Dividend Included TOPIX]	(%) (%)	76.8 (90.5)	85.7 (128.6)	71.0 (131.2)	66.6 (138.8)	85.3 (196.2)
Highest share price	(Yen)	2,660	2,438	2,340	2,076	2,055
Lowest share price	(Yen)	1,440	1,562	1,652	1,534	1,334

(Notes) 1. Highest and lowest share prices on and before April 3, 2022 are those recorded on the First Section of the Tokyo Stock Exchange, while prices on and after April 4, 2022 are those recorded on the Prime Market of the Tokyo Stock Exchange.

2. The “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. are applied from the beginning of the 84th fiscal year and the key management indicators for the fiscal years in and after the 84th fiscal year are those after the application of the said accounting standard, etc.

2. History

February 1939	Koa Kagakukogyo Co., Ltd. (133, Honden-cho, Katsushika-ku, Tokyo) established with 50,000 yen in capital and launched manufacturing and sales of nutritional foods made with livestock organs as raw materials.
August 1940	Company name changed to Koa Eiyokagaku Kenkyusho Co., Ltd.
April 1941	Obtained a license as a pharmaceutical manufacturer and dealer to begin the manufacture and sale of organ pharmaceuticals.
May 1943	Capital alliance executed with Tanabe Seiyaku Co., Ltd. through a third-party allotment.
April 1946	Company name changed to Nihon Eiyokagaku Co., Ltd.
April 1950	First company to succeed in creating a powdered agar for the detection of shigella bacteria (typhoid search), contributing to the development of communicable disease control and public health in Japan.
May 1961	Established the Clinical Diagnostics Division and launched research and development of in vitro diagnostics.
September 1965	Completed phase-one construction of the Nogi Plant (Nogi, Tochigi) and launched production.
February 1969	Company name changed to Eiken Chemical Co., Ltd. on the 30th anniversary of its founding.
February 1975	Completed Oji Office (Kita-ku, Tokyo) and launched operations.
June 1979	Completed Togane Plant (Togane, Chiba) and launched production.
August 1980	Completed new headquarters building (Bunkyo-ku, Tokyo) and launched operations.
April 1984	Completed phase-one construction of the Nasu Plant (Otawara, Tochigi) and launched production.
March 1987	Completed the phase-two construction of the Nasu Plant and launched production.
December 1987	Began capital participation in EIKEN KIZAI CO., LTD.
June 1989	Completed Nogi Plant No. 8 (Immuno-Serum Preparation Plant) and launched production.
January 1990	Listed stock in the Second Section of the Tokyo Stock Exchange.
May 1990	Established Tokyo Office (Sumida-ku, Tokyo).
September 1991	Established Eiken Million Staff Co., Ltd.
June 1992	Completed Biochemical Research Laboratory (Nogi, Tochigi) and launched operations.
September 1996	Completed phase-one construction of the Nasu Plant No. 2 and launched production.
September 2001	Established Eiken Logistics Service Co., Ltd.
March 2002	Selected as one of the specified brands of the Tokyo Stock Exchange First Section.
February 2004	Completed Logistics Management Center (Nogi, Tochigi) and launched operations.
September 2004	Established EIKEN SHANGHAI CO., LTD.
August 2006	Completed construction of the factory of EIKEN SHANGHAI CO., LTD.
October 2006	Merged Eiken Logistics Service Co., Ltd. into Eiken Million Staff Co., Ltd.
April 2007	Merged with EIKEN KIZAI CO., LTD.
July 2008	Relocated headquarters and integrated three Tokyo offices (Taito-ku, Tokyo).
July 2009	Completed Nogi Plant's powder culture mediums plant and launched production.
February 2012	Completed Operation Management Center (Office Building and Manufacturing Building) at the Nogi Division and launched operations.
March 2012	Closed Oji Office and operations consolidated mainly into the Nogi Division.
April 2012	EIKEN SHANGHAI CO., LTD. renamed EIKEN CHINA CO., LTD.
June 2012	Closed the Togane Division and transferred production to the Nogi Division.
March 2014	Dissolved Eiken Million Staff Co., Ltd.
April 2014	Established Europe Office (Amsterdam, Holland).
April 2017	Expanded and renovated Nasu Plant No. 2 and launched operations.
September 2017	Began operation of a production line for urinalysis paper at the new manufacturing building of the Nogi Plant.
September 2020	Established a stable supply system for COVID-19 detection reagents.
April 2022	Moved from the First Section to the Prime Market due to the revision of the market classification of the

	Tokyo Stock Exchange.
October 2022	Completed a new research laboratory (Nogi, Tochigi), and launched operations as the R&D Center together with an existing research laboratory.
November 2023	Established EIKEN MEDICAL AMERICA INC. (DELAWARE).

3. Business Description

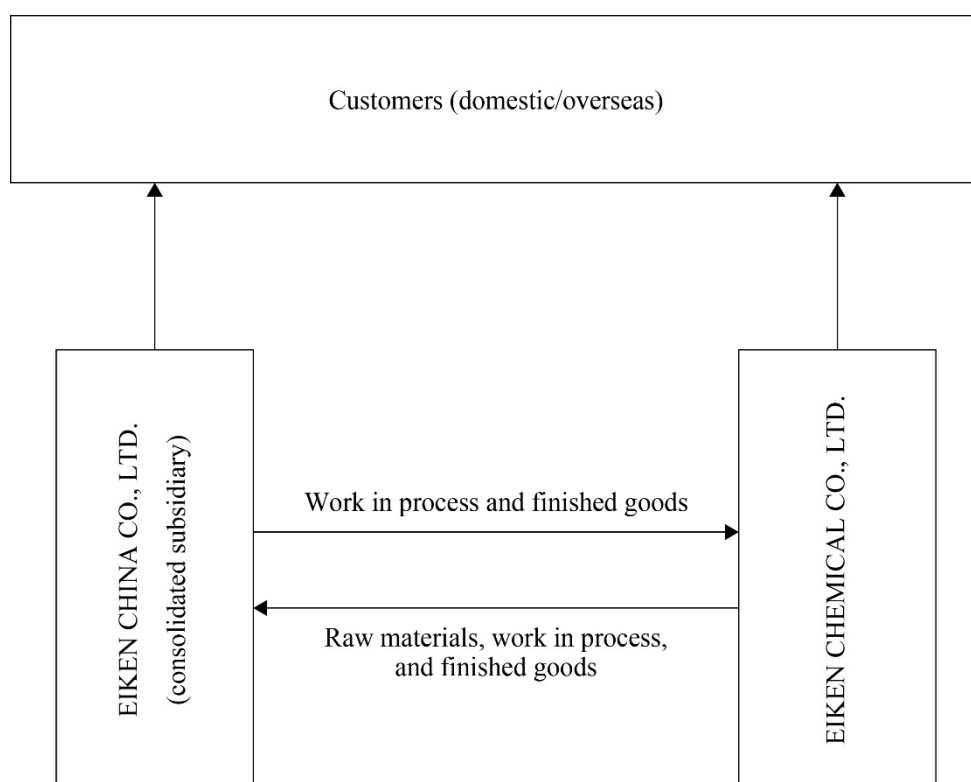
The Group consists of the Company and its consolidated subsidiaries (EIKEN CHINA CO., LTD. and EIKEN MEDICAL AMERICA INC.) It consists of a total of three companies, and its main business is the manufacture and sale of clinical diagnostics.

EIKEN CHINA CO., LTD. is engaged in the contract production of our clinical diagnostics and the purchase, manufacture and sale of our clinical diagnostics.

EIKEN MEDICAL AMERICA INC. was established in the current consolidated fiscal year, but has not started business.

The above is shown as a systematic diagram of the business.

[Business diagram]



(Note) EIKEN MEDICAL AMERICA INC. has not started its business, so it is not included in the above business diagram.

4. Subsidiaries and Other Affiliated Entities

Consolidated Subsidiaries

Name	Location	Share capital (Million yen)	Main business	Percentage of voting rights held (%)	Relationship with the Company					
					Concurrent officer, etc.		Financial support (Millions of yen)	Business transactions	Lease of equipment	Other
					The Company's officers (Persons)	The Company's employees (Persons)				
EIKEN CHINA CO., LTD.	China Shanghai	1,316	Manufacture and sale of clinical diagnostics	100	2	1	—	Contract manufacturing of the Company's products and purchase, manufacture, and sale of the Company's products	—	—
EIKEN MEDICAL AMERICA INC.	United States Texas state	72	Sales of clinical diagnostics	100	1	—	—	purchase and sales of the Company's products	—	—

(Note) EIKEN CHINA CO., LTD. is a specified subsidiary.

5 Employees

(1) Consolidated companies

As of March 31, 2024

	Number of employees (persons)
Total	757(344)

- (Notes)
1. The number of employees is the number of full-time employees, and the number of temporary employees (including senior employees, part-time employees, contract employees, and temporary employees) is the average number of employees per year, which is shown in parentheses.
 2. The number of employees is collectively stated for the Group because the Group's business is a single segment in the clinical diagnostics business, and it does not distinguish between business divisions, etc.

(2) Reporting company

As of March 31, 2024

Number of employees (persons)	Average age	Average length of service	Average annual salary (yen)
713(340)	42 years and 5 months old	15 years and 5 months	7,717,032

- (Notes)
1. Average annual salary includes non-standard salary and bonus.
 2. The number of employees is the number of full-time employees, and the number of temporary employees (including senior employees, part-time employees, contract employees, and temporary employees) is the average number of employees per year, which is shown in parentheses.

(3) Status of labor unions

Labor-management relationship is stable at the Group, and there are no matters to be stated.

(4) Percentage of women in management positions, percentage of male employees taking childcare leave, and differences in wages between male and female employees

Reporting company

Current fiscal year				
Percentage of women in management positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Differences in wages between male and female employees (%) (Note 1)		
		All workers	Regular Employment laborer	Part Fixed-term workers
15.4	90.0	68.9	91.7	49.4

- (Notes)
1. Calculated in accordance with the provisions of the “Act on Promotion of Women’s Participation and Advancement in the Workplace” (Act No. 64, 2015).
 2. Calculated based on the ratio of employees who took childcare leave, etc. as stipulated in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25, 1991), in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76, 1991).

II. Overview of Business

1. Management Policy, Business Environment, Issues to Address

Forward-looking statements in this document are based on the judgment of the Group as of the end of the consolidated fiscal year under review.

(1) Management policy

The Group has established the “EIKEN WAY,” which consists of our management philosophy, management vision, and motto, and by implementing the “EIKEN WAY” throughout the Group, we aim to continuously increase corporate value and contribute to the prosperity of our business partners and to our shareholders and society.

EIKEN WAY

- Our Management Philosophy: Protect the health of the public through health care services.
- Our Management Vision: Eiken group is dedicated to leveraging expertise as a medical testing pioneer in order to increase corporate value by protecting the health of the public with products and services that customers can trust.
- Our Motto: We Eiken provide trustworthy quality, and develop with technology.

(2) Management strategy, etc.

To respond to the unfolding changes in its business environment and operate from a perspective of sustainable management, the Group has formulated the “EIKEN ROAD MAP 2030” with the year 2030 as the target year.

The slogan for the Group’s vision for 2030 is “Beyond the Field: Team × Challenge.” Under this slogan, we aim to achieve three objectives: To energize the skillset of each and every employee so that all employees can broaden their domain of activity; to give rise to fresh possibilities by gathering those individuals with their enhanced capabilities and taking them beyond their respective domains to take on challenges as a team; and to step beyond existing business domains to inspire innovation in medical processes, thereby building the future of testing.

“EIKEN ROAD MAP 2030” identifies the Group’s existing business domains as its core businesses while specifying three areas as key business fields: Contribution to the prevention and treatment of cancer; Contribution to the eradication and control of infectious diseases; and Provision of products and services that play a valuable role in health management.

In the field of “cancer,” we will focus on areas that are more directly related to treatment, while in the field of “infectious diseases,” we will focus on establishing simpler testing technologies. In the field of “healthcare,” the Group will expand its products and services to serve the needs of remote diagnosis and home testing.

<Vision for the Medium-to-Long Term>

■ Contribution to the prevention and treatment of cancer

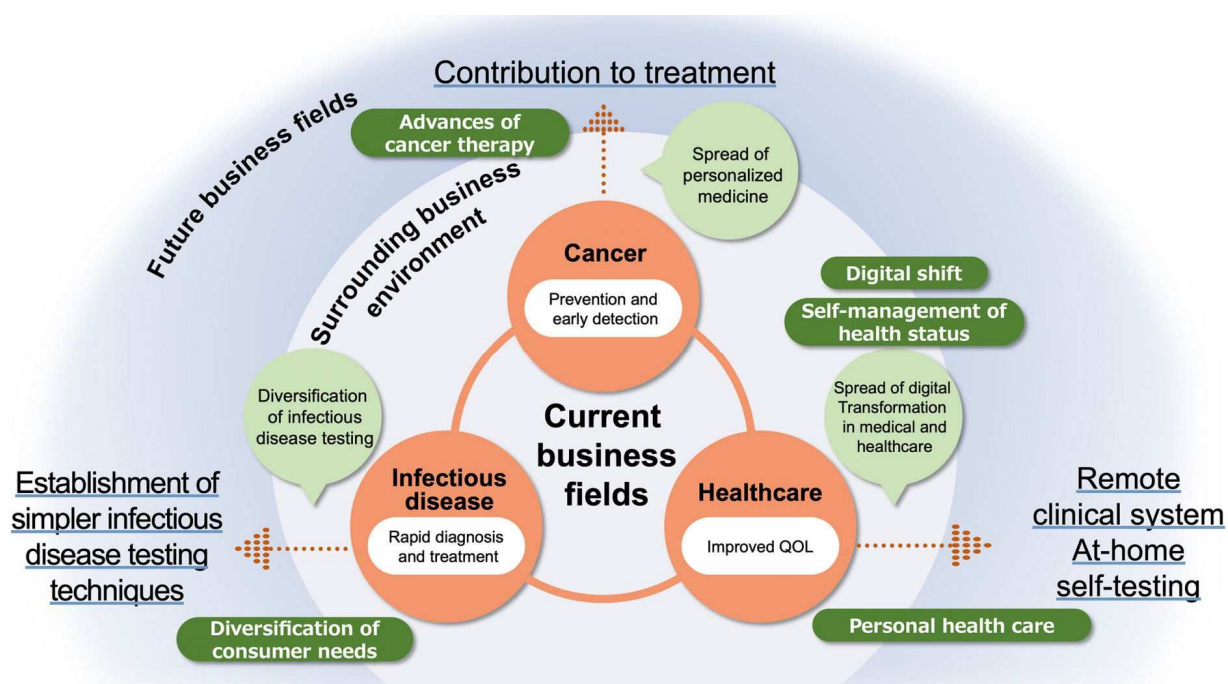
The Group concentrates its efforts on the diagnostic business (prevention and early detection). This focus has enabled the Group to contribute to lowering the cancer death rate, particularly in colorectal cancer, by constructing a global screening program and enabling the early detection of cancer. However, the cancer treatment field has other needs as well. Cancer treatment can be ruinously expensive, and choosing the right treatment is paramount. To serve these treatment needs, the Group aims not only to prevent cancer but also to develop comprehensive testing systems that cover the selection of therapeutic agents and the judgement of the efficacy of treatments. In this way the Group is committed to reducing the death rate from cancer.

■ Contribution to the eradication and control of infectious diseases

To grapple with threatening infectious diseases, the Group will expand its lineup of related products and deploy genetic testing systems for tuberculosis, malaria and other infectious diseases worldwide. By developing infection-diagnostic systems that are simpler and faster than previous diagnostic methods, the Group will contribute to improved access to healthcare.

■ Provision of products and services that play a valuable role in health management

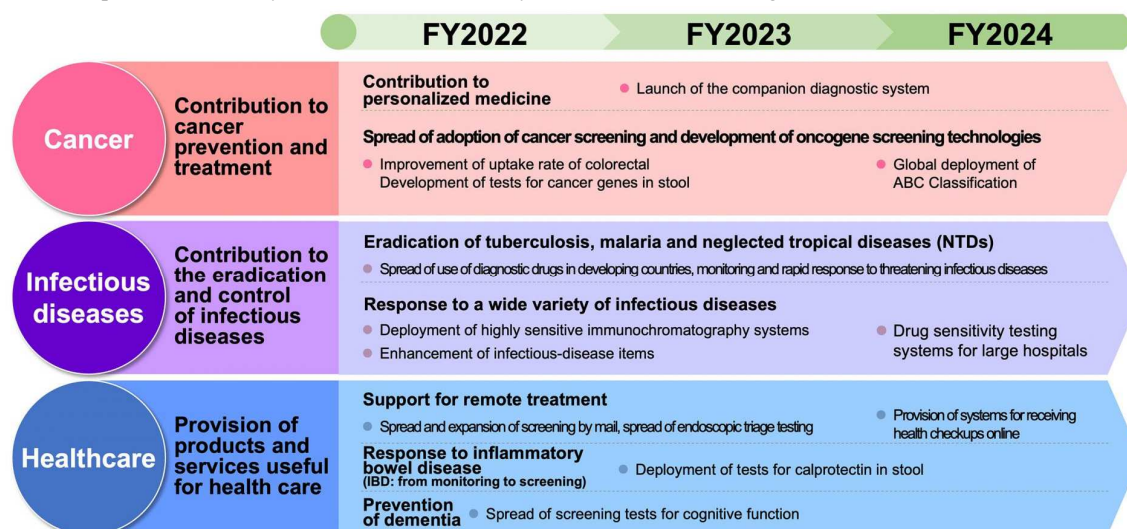
To extend people's healthy lifespan, the Group will advance into the field of mobile health, diversifying into remote diagnostics and home testing. Ultimately, the Group aims to develop monitoring systems that stay close to people's lives and provide information about their health condition before they realize they need it.



<Medium-Term Management Plan>

The Group has established its first Medium-Term Management Plan aimed at achieving “EIKEN ROAD MAP 2030”. This Plan outlines key measures in accordance with the vision of “EIKEN ROAD MAP 2030” and responds to the currently accelerating paradigm shift in healthcare. In addition, the Plan aims to advance the enhancement of management platform, promote personnel-focused management, enhance employee satisfaction and motivation, furnish an environment that fosters innovation and boost sustainable growth with steady improvement in profitability.

Principal Fields and Key Measures for the Three-year Medium-Term Management Plan



(3) Objective indicators for judging the status of achievement of management goals

In its Medium-Term Management Plan, the Group aims to achieve net sales of 43,500 million yen (11,230 million yen in overseas sales), operating profit of 6,250 million yen (operating profit margin of 14.4%), and ROE of 9.2% with the fiscal year ending March 31, 2025 being the final year of the plan.

		FY2024	FY2030
Growth	Net sales	¥43.5bn	¥75.0bn
	Overseas sales as share of total	25.8%	40% or greater
Profitability	Operating profit margin	14.4%	20% or greater
Capital efficiency	ROE	9.2%	15% or greater

(4) Business Environment

Regarding future prospects, difficult conditions will likely continue due to the unstable global situation in Ukraine, the Middle East, etc., soaring resource and raw material prices and the impact of rising prices caused by the weaker yen.

In addition to responding to the unfolding changes in its business environment, the Eiken Group will identify existing business domains as its core businesses and implement key measures focused on the three key business fields of “Contribution to cancer prevention and treatment,” “Contribution to the eradication and control of infectious diseases,” and “Provision of products and services useful for health care,” based on the Group’s management framework “EIKEN ROAD MAP 2030” In the field of “cancer,” we will focus on areas that are more directly related to treatment, while in the field of “infectious diseases,” we will focus on establishing simpler testing technologies. In the field of “healthcare,” the Group will expand its products and services to serve the needs of remote diagnosis and home testing.

With a view to establishing a sustainable society, the Group has identified 11 materialities (key issues) for priority response and is deploying detailed action plans for each. The Group sets key performance indicators (KPI) For each materiality and proceeds with each materiality while monitoring progress toward achievement. As a Group with a mission to protect the health of people worldwide, the Group is addressing issues not only in “Medical” but also in the “Environment,” “Society,” and “Governance.” We believe that contributing solutions to social issues in this way will further bolster our corporate value and lead to achieving a sustainable society.

Regarding our performance forecast for the next fiscal year, we forecast sales of 43,100 million yen (up 7.6% year-on-year) due to increased sales of fecal immunochemical test reagents and Mycobacterium tuberculosis complex detection reagent kits overseas. Regarding profit, we forecast operating profit of 5,660 million yen (up 67.6% year-on-year), ordinary profit of 5,620 million yen (up 57.5% year-on-year), and profit attributable to owners of parent of 4,480 million yen (up 70.1% year-on-year) due to an increase in expenses from investment for research and development and investment to bolster management fundamentals.

Overseas, we forecast net sales of 12,320 million yen (up 21.8% year-on-year) and a sales ratio of 28.6%.

(5) Business and financial issues to be addressed on a priority basis

In the current consolidated fiscal year, the Group has been working on the following priority issues based on the “EIKEN ROAD MAP 2030” and the Medium-Term Management Plan (FY ending March 2023 ~ FY ending March 2025).

① Contribution to cancer prevention and treatment

We have improved the buffer solution in the stool collection container for fecal immunochemical tests and succeeded in improving the stability of hemoglobin and the reactivity with antibodies. The improvement of the buffer solution will make it possible to conduct medical examinations by mail even in the summer, and it is expected that the expansion of mail-in screening will lead to an increase in the screening rate.

② Contribution to eradication and control of infectious diseases

The tuberculosis testing system that uses the LAMP (Loop-mediated Isothermal Amplification) method (TB-LAMP) has been adopted on a large scale in Nigeria as an active screening program for tuberculosis patients through mobile health screening. Since its launch in 2011, TB-LAMP has been used globally and has been awarded the 27th Princess Chichibu Memorial Tuberculosis Prevention Achievement Award (International Cooperation Achievement Award) in recognition of its significant contribution to tuberculosis prevention. The Group will further accelerate its efforts to solve the social issue of the eradication of tuberculosis.

③ Provision of products and services that play a valuable role in health management

The purpose of use (clinical significance) of “Assists in establishing Crohn's disease” has been added to the stool calprotectin measurement reagent, which is being developed as a test for the early detection of inflammatory bowel disease (IBD), which requires long-term treatment when it develops. As assists in establishing Crohn's disease, it is expected that the non-invasive examination from stool will lead to a reduction in the physical and financial burden on patients due to endoscopy. In addition, the "periodontal disease risk assessment tool" that we are currently developing has been adopted by the Ministry of Health, Labour and Welfare as a "Periodontal Disease Screening Tool Development Support Project". In the future, we will work on the development of this tool with the aim of implementing it in society.

In the “EIKEN ROAD MAP 2030”, we have set forth "a vibrant corporation making use of employee’s talent" and "business

activities in harmony with the global environment" as management strategies that are indispensable for promoting the above business activities. In order to achieve these goals, it is necessary to further strengthen the governance of the Group (including subsidiaries) as a foundation, and we will continue to strive to improve it.

The Group will continue to promote the above priority measures, strengthen its management base, promote management that focuses on human assets, and aim for sustainable growth and steady improvement in profitability.

2 Views on Sustainability and Initiatives

The Group's views on sustainability and its initiatives are as follows.

Forward-looking statements in this document are based on the judgment of the Group as of the end of the consolidated fiscal year under review.














To respond to environmental changes surrounding its business and incorporate a perspective of sustainable management, the Group has formulated the "EIKEN ROAD MAP 2030" with the year 2030 as the target year. We will engage in our business activities based on the "EIKEN WAY," which is based on our management philosophy, management vision, and motto, and strengthen our ESG (environmental, social, and governance) initiatives to contribute to solving social issues, thereby realizing a sustainable society and continuously increasing our corporate value.

(1) Governance

Based on the management philosophy "Protect the health of the public through health care services," the Group will strive to solve various social issues through its business activities. In order to promote sustainability more actively throughout the Group, we have established a Sustainability Committee, which is chaired by the President & CEO and consists of the Executive Officers in charge of each function and business group. In principle, the Sustainability Committee meets twice a year, deliberating and reporting on important matters related to sustainability. Depending on the importance or other aspects of the contents of issues to be deliberated, the Committee refers some matters to the Management Conference, as necessary. The proceedings of the Sustainability Committee are reported to and supervised by the Board of Directors. The mid-term and annual targets that are approved and set forth by the Sustainability Committee are sent for execution to related committees and divisions, where they are developed in detail and related activities are advanced.

(2) Strategy

The Group has identified 11 materialities, and in addition to "Environment," "Society," and "Governance," has created the category of "Medical" as a company that protects the health of people around the world, expressed in four categories. The Group is raising awareness of these materialities internally, incorporating them into its business strategy and drafting targets and key performance indicators (KPI) for each issue. In so doing, the Group is focusing its combined efforts on these materialities and contributing through various initiatives to the achievement of the SDGs.

Materialities (key issues)			Measures
Medical	Contributing to Health and Quality of Life for People Around the World   	Improving Access to Healthcare	Supply of products to developing countries that have not yet adopted them
		Solutions to Medical Issues	Global solutions to healthcare issues Development of advanced technologies and advancement of innovation
		Pursuing Quality and Establishing Sustainable Supply Chains	Proactive measures on quality Strengthening of supply-chain management
Environment	Business Activities in Harmony with the Global Environment    	Responding to Climate Change	Reduction of CO ₂ emissions at worksites (Scope 1 and 2) Reduction in CO ₂ emissions in supply chains (Scope 3)
		Contributing to a Recycling-Oriented Society	Reduction of water volume consumed Reduction of waste Reduction of packaging and use of sustainable materials
Social	A Vibrant Corporation Making Use of Employee's Talent   	Respecting Human Rights and Diversity	Promotion of diversity and inclusion Eradication of harassment
		Employee Engagement and HR Development	Creating fulfilling and supportive workplaces and achieving work-life balance Development of global personnel Development of R&D personnel
		Boosting Health and Ensuring Safety and Hygiene	Advancement of health improvement programs and safety-and-hygiene activities
Governance	An Organizational Base That Supports Sustainable Growth   	Achieving Sound and Transparent Governance	Promoting diversity among executives
		Rigorous Compliance and Thorough Corruption Prevention	Training and monitoring based on compliance programs Thorough prevention of corruption
		Establishing Risk Management	Continuous improvement of business continuity management Strengthening of information security management

Sustainability Site: <https://www.eiken.co.jp/sustainability/>

(3) Risk management

The Group has established the “Eiken Group Risk Management Regulations” based on the “Eiken Group Risk Management Policy” and conducts periodic risk assessments to identify, analyze, and evaluate risks related to business activities. For major risks and Group-wide risks, the “Risk Management & Compliance Committee,” which includes all Executive Officers, oversees risk management activities and works to reduce risks and prevent their occurrence. In addition, the “Risk Management & Compliance Promotion Committee” has been established at each division to address risks related to operations at the division or department level. The committee reports on risk management activities to the Board of Directors, which oversees the effectiveness of risk management.

(4) Indicators and Targets

Regarding the materiality items as described in the above “(2) Strategy” of the Group, it is difficult to describe at the consolidated Group level because, although specific efforts are being made by the Company, along with the management of related indicator data, such efforts are not being made at all companies belonging to the consolidated Group. For this reason, of the targets related to the following indicators, those of the submitting company, which operates the main business in the consolidated Group, are listed except for the materiality related to the environment.

Materialities		Measures	Indicators (KPI)	Medium- and Long-Term Goals	
				FY2024	FY2030
Contributing to Health and Quality of Life for People Around the World	Improving Access to Healthcare	Supply of products to developing countries that have not yet adopted them	Declaration of stance on improvement of access to healthcare	Formulation and Declaration	—
			Number of countries in which products are deployed	8 countries	15 countries
	Solutions to Medical Issues	Global solutions to healthcare issues	Number of countries in which colorectal cancer screening tests are deployed	49 countries	57 countries
	Pursuing Quality and Establishing Sustainable Supply Chains	Strengthening of supply-chain management	Rate of implementation of surveys on responsible procurement*1	100%	100%
			Rate of implementation of due diligence on human rights*1	100%	100%
Business Activities in Harmony with Regional Environments	Responding to Climate Change Contributing to a Recycling-Oriented Society	Reduction of CO ₂ emissions at worksites (Scopes 1 and 2)	Rate of reduction in CO ₂ emissions (total amount)	Compared to FY2021 19% reduction	Compared to FY2021 56% reduction
		Reduction of CO ₂ emissions at Supply Chain (Scope 3)	Reduction rate of CO ₂ emissions (total amount)	—	Compared to FY2022 25% reduction
	Contributing to a Recycling-Oriented Society	Reduction of water use (water use at all production bases globally)	Rate of reduction in water use (by unit of value of production)	Compared to FY2018 30% reduction	Compared to FY2018 35% reduction
		Reduction of waste	Rate of reduction of waste volume (by unit of sales)	Compared to FY2018 5% reduction	Compared to FY2018 15% reduction
		Reduction of packaging and use of sustainable materials	Rate of adoption of eco-friendly packaging (recycled paper)*2 (compared with FY2021)	20% compared to FY2021	30% compared to FY2021
			Rate of adoption of biodegradable plastics and other recyclable materials*3 (compared with FY2021)	2% compared to FY2021	8% compared to FY2021

A Dynamic Company Driven by Excellent People	Respecting Human Rights and Diversity	Promotion of diversity and inclusion	Percentage of managerial positions held by women* ⁴	20%	30%
			Percentage of employees who are disabled	2.6%	3.0%
		Eradication of harassment	Rate of uptake of harassment prevention training	100%	100%
	Employee Engagement and Personnel Training	Creating fulfilling and supportive workplaces and achieving work-life balance	Rate of uptake of child-rearing leave (male)* ⁵	100%	100%
			Rate of uptake of child-rearing leave (female) (acquirer/eligible persons)	100%	100%
			Total actual work hours per full-time employee per year* ⁶	1,870h	1,635h
			Rate of uptake of annual paid leave per full-time employee	65%	100%
		Development of global personnel	Rate of uptake of EGP among young employees* ⁷	25%	30%
	Boosting Health and Ensuring Safety and Hygiene	Advancement of health improvement programs and safety-and hygiene activities	Rate of uptake of regular health checkups	100%	100%
			Number of occupational accidents (including commuting accidents)	0 results	0 results
An Organizational Base That Supports Sustainable Growth	Achieving Sound and Transparent Governance	Promoting diversity among executives	Female directors as share of directors	20%	30%
			Foreign-national directors as share of directors	—	20%
			Female executive officers as share of executive officers	—	30%
			Foreign-national executive officers as share of executive officers	—	20%
	Rigorous Compliance and Thorough Corruption Prevention	Training and monitoring based on compliance programs	Training attendance rate	100%	100%
			Number of serious noncompliance incident* ⁸	0 results	0 results
		Thorough prevention of corruption	Rate of completion of requested measures* ¹	100%	100%
	Establishing Risk Management	Continuous improvement of business continuity management	Number of BCP (Business Continuity Plan) training sessions	1 time	2 times
		Strengthening of information security management	Number of education and training sessions on information security	3 times	4 times

*1 Targets top 90% in transaction value

*2 Shipped basis (number of product codes using eco-friendly packaging/number of product codes shipped)

*3 Shipment base (number of product codes using eco-friendly materials such as biomass plastics/number of shipping product codes)

*4 Women in managerial positions at section-manager level or higher as share of total

*5 Includes number of employees who use leave programs unique to the Company for the purpose of raising a child

*6 [Scheduled working hours] + [non-scheduled working hours] – [amount taken of annual paid leave and other leave]

*7 Rate of participation in the Eiken Global Program: For each fiscal year, [number of employees participating] ÷ [number of employees of that fiscal year]

*8 Total of major violations in each country of competition law, laws and regulations on corruption, and other socioeconomic laws and regulations

<Human Capital Management Initiatives>

Based on the Group's management philosophy "Protect the health of the public through health care services," we consider our employees to be the most important assets for contributing to society through the provision of products and services that protect the health and lives of people around the world, and therefore, we describe our human resources as human assets.

(1) Governance

The Group's Personnel Committee, chaired by the President & CEO and composed of Executive Officers in charge of each function and business group, makes decisions on policies related to human resource strategy, organizational reforms including the establishment and reorganization of organizations, appointment and dismissal of key positions, personnel assignment and personnel cost planning, and the establishment, revision, and abolition of human assets policies. Decisions made by the Personnel Committee are reported to and supervised by the Board of Directors.

(2) Strategy

The human assets strategy under the Group's Medium-Term Management Plan is as follows.

We believe that the future of the Group is created by our employees, and that expanding the potential of our employees will lead to the growth of the company and its contribution to society. Based on this policy, with the aim of becoming "A Dynamic Company Driven by Excellent People," the Group fosters an organizational culture that respects all types of diversity and embraces diversity, gives full consideration to employee safety and health, create an environment in which employees can concentrate on high value-added work to enable all employees to realize success, and develop human assets that create new innovations.

■ Personnel system

We will shift to a wage system that places more emphasis on roles and expertise, and an evaluation system that encourages employees to take on new challenges, in pursuit of employee fulfillment and job satisfaction.

We will also promote a hybrid work style that combines office work and telecommuting, and super-flex working hours without core hours to suit individual lifestyles to achieve a work-life balance and enhance labor productivity.

■ Securing human assets

Every year, we hire 5% of our employees.

• Recruitment of new employees

We will continue to recruit new graduates by job type based on their background details such as experience as a student and areas of expertise. In addition, we also support diverse career designs by allowing employees to transfer between different job types after joining the Company based on their own wishes and aptitude for the duties

• Mid-career recruitment

We will further strengthen the recruitment and appointment of specialized human assets necessary to promote our business strategy to realize "EIKEN ROAD MAP 2030".

In addition, in securing human assets, we believe that one of the important themes is to provide support in the workplace and improve the environment, and we will continue to review onboarding in order for new members of Eiken Chemical to integrate into the company's culture and culture and demonstrate their abilities as team members at an early stage.

■ Human assets management

With the aim of fostering a corporate culture in which diverse human assets can play an active role, including the promotion of women's empowerment, we will continue to work on measures to foster career awareness among employees, support career design (reform of work styles, provision of growth opportunities, etc.), and develop diverse subordinates for leaders and senior positions. In addition, we will develop an HR database that visualizes the abilities, experience, and personalities of employees, and use it to monitor executive candidates, assign the right people to the right positions, and formulate succession plans for important positions.

■ Human assets development

In order to continue to be a company that contributes to society amid drastic changes in the business environment, we have established human assets development vision and human assets requirement model, and have established human assets development system to support new employees from becoming globally active leaders. In addition, in order to further encourage employees to learn voluntarily and autonomously, we will provide opportunities for employees to learn "anytime" and "anywhere" from the perspective of fostering the next generation of management and relearning for mid-level ~ senior

managers, and we will enhance our investment in human capital, which will lead to the growth of the company.

(3) Risk management

In the Group's business activities, it is important to create an environment in which diverse human assets can utilize their expertise and backgrounds, and demonstrate their abilities to the fullest. Amid the increasing liquidity of human assets, we believe that our greatest risk is that we will not be able to secure human assets as planned and that our organizational strength will decline due to employee turnover. We are striving to reduce this risk by promoting growth through advance investment in each employee and by creating an environment in which everyone can play an active role.

(4) Indicators and targets

At the Group, regarding the human assets strategy under the Medium-Term Management Plan as described in the above "(2) Strategy," it is difficult to describe at the consolidated Group level because, although specific efforts are being made by the Company, along with the management of related indicator data, such efforts are not being made at all companies belonging to the consolidated Group. For this reason, the targets and results for the following indicators are those of the submitting company, which operates the main business in the consolidated Group.

Materialities	Main measures	Indicators (KPI)	Results	Annual target	
			2023	2024	2030
Respecting Human Rights and Diversity	Promotion of diversity and inclusion	Percentage of managerial positions held by women	15.4%	20%	30%
		Percentage of employees who are disabled	2.8%	2.6%	3.0%
		Rate of uptake of harassment prevention training	100%	100%	100%
Employee Engagement and Personnel Training	Creating fulfilling and supportive workplaces and achieving work-life balance	Rate of uptake of childcare leave (male)	90.0%	100%	100%
		Rate of uptake of childcare leave (female)	100%	100%	100%
	Development of global personnel	Total actual work hours per employee per year	1,864h	1,870h	1,635h
		Rate of uptake of annual paid leave per employee	67.3%	65%	100%
		Rate of uptake of EGP among young employees	26.3%	25%	30%
Boosting Health and Ensuring Safety and Hygiene	Advancement of health improvement programs and safety-and-hygiene activities	Rate of uptake of regular health checkups	100%	100%	100%
		Number of occupational accidents (including commuting accidents)	10 results	0 results	0 results

<Response to Climate Change and TCFD>

The Group recognizes that responding to climate change is an especially vital issue for the sustainability of society. One key task is to reduce emissions of CO₂ and other greenhouse gases that are factors in climate change. The Group sets medium-to-long term targets for reducing these emissions, as part of energy-saving activities under its environmental management system, and carries out activities to achieve them. As climate disasters grow more intense and frequent, the world's attitude to global warming is changing, as the Paris Agreement and other landmark events testify. In view of these trends, the Group is strengthening its efforts to achieve carbon neutrality by 2050.

In 2015 the Financial Stability Board (FSB), an international body based in Switzerland, established the Task Force on Climate-Related Financial Disclosures (TCFD). In its final report, tabled in June 2017, the TCFD recommended that companies disclose climate-related information that may affect their finances. The TCFD recommends disclosure of risks and opportunities presented by climate change in terms of four elements: governance, strategy, risk management, and indices and targets. In February 2023, the Group announced its endorsement of the recommendations of the TCFD.

(1) Governance

The Group recognizes activities to tackle climate change as a materiality. The Group's Sustainability Committee, chaired by the president and representative director, drafts targets and action plans and manages progress. Activities to tackle climate change as deliberated upon by the Sustainability Committee are reported to and supervised by the Board of Directors and some of their results are reflected in performance-based compensation for executive officers. In terms of its framework for environmental management, the Group strives for continuous improvement through the Environmental Management Committee, which is chaired by an executive officer from the Business Management Division.

(2) Strategy

The Group recognizes that climate change is an important management issue affecting the economy and society. In accordance with the framework of the TCFD recommendations, the Group is examining the risks and opportunities associated with climate change from a wide range of perspectives, to identify those risks and opportunities that the Group deems most important. To analyze the potential financial impact on the Group of the risks and opportunities associated with climate change, the Group has examined two scenarios: a scenario of 2°C of warming or less, in which regulatory and other responses to climate change will proceed on their current course, and a scenario of 4°C of warming, in which natural disasters and the spread of infectious diseases will become more serious. To gather the information necessary for our inquiries, we referred to resources such as the International Energy Agency (IEA)'s World Energy Outlook 2022 (WEO 2022); Net Zero by 2050 and the same agency's Energy Technology Perspectives 2020 (ETP 2020).

The Group's understanding of the business environment in each scenario and the expected impact on its operations are summarized below.

The 2°C-or-less scenario	The 4°C scenario
<p><Recognition of environment></p> <p>Private-sector responses and government regulations will continue in a bid to restrain the rise of atmospheric temperatures. Whole societies will shift toward a low-carbon framework. The main effect on the operating environment will be the realization of transitional risk, as described below.</p>	<p><Recognition of environment></p> <p>Serious efforts to grapple with climate change are not taken. As a result, physical risks such as the spread of infectious diseases and the ferocity of natural disasters grow more severe, having the following impacts on the business environment.</p>
<p><Impact on society></p> <p>Governments and organizations all over the world respond actively to climate change, introducing regulatory measures such as carbon taxes and restrictions on greenhouse-gas emissions. Companies unavoidably bear the cost of complying with these measures and higher prices passed on from suppliers.</p>	<p><Impact on society></p> <p>Regulations and policies on climate change have little effect and fail to deliver significant results in terms of operations. The rise in atmospheric temperatures proceeds unrestrained. Large-scale natural disasters become more frequent and more severe.</p>
<p><Changes in the Group's business environment></p> <p>As the shift to renewable energy progresses and new carbon-reduction technologies emerge, customer awareness changes, driving up demand for products and services that contribute to the formation of a low-carbon society. The promotion of measures to reduce plastic use and recycle plastics can be expected, as represented by regulations on plastics already in force in Europe. The Group will have to respond, as products use a great deal of plastics.</p>	<p><Changes in the Group's business environment></p> <p>In addition to direct damage from natural disasters, the rise in global temperatures is expected to aggravate the spread of infectious diseases and change disease trends. As a result, the social responsibility of the Group, as a developer and supplier of clinical diagnostics, is anticipated to expand significantly.</p>

Impact of Climate Change on the Group

Risks and opportunities		Type	Impact factors	Main impacts on the Eiken Group	Expected time-frame	Degree of impact		Measures under consideration
						2 °C less than	4 °C	
Risks	Transitional risks	Regulatory	Carbon taxes and emission trading systems	Additional costs from effects such as the introduction of carbon taxes and emission trading systems	Medium term	Inter-mediate	—	- Advancement of energy-saving activities (introduction of energy-saving devices, conversion to LED lighting, advancement of DX, etc.) - Expansion of introduction of renewable energy (use of hydroelectric and solar power, etc.) - Continuous monitoring of Scopes 1 and 2 and emission reduction efforts
			Environmental regulations related to plastics	Reductions in sales due to inability to sell certain products, as a result of environmental regulations on certain products, such as plastics and other packaging and products	Short to medium term	Inter-mediate	—	- Continuous surveying and response to trends in environmental regulations - Product development in view of market and industry trends
		Technological	Failed investments in new technologies	Loss of sales opportunities due to delays in development of technologies for low-environmental-impact products, focusing on plastic-related products	Medium to long term	Inter-mediate	—	- Evaluation of environmental impact of products - Encouragement of product development and capital investment geared to reduction of environmental impact
		Market	Increases in procurement costs	Pressure on earnings caused by increased material and transportation costs as carbon taxes are passed on in the prices of these items	Medium term	Inter-mediate	—	- Optimization of material suppliers and import routes
		Reputational	Lowered evaluation in the eyes of stakeholders	Decrease in share price and corporate value due to loss of confidence of shareholders and investors if environmental measures are inadequate	Medium term	Minor	—	- Active disclosure through advancement of sustainable management
	Physical risks	Acute	Increased severity and frequency of abnormal weather	Loss of sales opportunities from supply-chain disruption caused by inundation and flood damage at factories and logistical facilities	Long term	Inter-mediate	large	- Strengthening of disaster-preparedness measures at offices and suppliers
		Chronic	Increase in average atmospheric temperature	Loss of sales opportunities from reduced rate of operation at Company and supplier production facilities as well as disruption of parts supplies resulting from the spread of infectious diseases	Long term	Minor	small	- Preparation and continuous improvement of business continuity plans

Opportunities	Products and services	Development and provision of low-emission products and services	Increase in sales opportunities in development and provision of products with low CO ₂ emissions in the production phase and energy-saving services, as needs for highly sustainable products increase	Medium to long term	Inter-mediate	-	- Evaluation of environmental impact of products - Advancement of product development and capital investment focused on sustainability
			Increase in sales opportunities arising from supply of equipment with low CO ₂ emissions across the product life cycle	Medium to long term	Inter-mediate	-	- Evaluation of environmental impact of products - Development of environmentally friendly products (improvement of packaging and product design)
		Development of solutions for climate adaptation and resilience	Sales increases and contributions to society from early response to changes in disease trends, such as spread of new infectious diseases in tandem with climate change	Long term	Inter-mediate	Inter-mediate	- Continuous monitoring of trends in infectious diseases and development and provision of diagnostics
		Product development through R&D and technical innovation	Increase in sales opportunities from development of quality-first products unaffected by atmospheric temperature	Medium to long term	Inter-mediate	Inter-mediate	- Evaluation of environmental impact of products - Development of products with reduced environmental impact in the preservation and storage phases of the product cycle
			Increase in sales opportunities from provision of products that can run on renewable energy	Short to medium term	Inter-mediate	Inter-mediate	- Provision of movable products such as portable solar panels
	Market	Response to climate-change risk	Improvement in corporate value resulting from improved ESG-related evaluations by investors, by vigorously advancing measures to deal with climate change	Medium term	Inter-mediate	-	- Active disclosure through advancement of sustainable management

* Definition of expected time Short-term: less than 3 years Medium-term: 3 years or more, less than 10 years Long-term: 10 years or more

* Definition of financial impact Small: less than 100 million yen Medium: 100 million yen or more, less than 2.5 billion yen Large: 2.5 billion yen or more

(3) Risk management

The Group annually assesses the impact of its business activities on the environment, including from the perspective of compliance obligations, as part of its environmental management system. In addition, a comprehensive risk assessment is conducted annually as part of risk management. Building upon the TCFD Recommendations, the Group assesses the risks and opportunities engendered by climate change through the deliberations of the Risk Management & Compliance Committee, the Sustainability Committee and its subordinate organization, the Environmental Management Committee. The Group strives to reduce risks and create business opportunities in response to the risks and opportunities identified.

(4) Indices and targets

Aiming to achieve carbon neutrality by 2050, the Group has set a target to reduce CO₂ emissions (Scope 1+2) by 56% by 2030 (compared to fiscal 2021). Also, Scope 3 has been calculated since fiscal 2020, and we have set a target of 25% reduction in fiscal 2030 (compared to fiscal 2022).

	Results in FY2023	Target for FY2024	Target for FY2030
Reduction in CO ₂ emissions at business locations (Scope 1 and Scope 2)	2,742t-CO ₂ (62.5% reduction compared to FY2021)	19% reduction (Compared to FY2021)	56% reduction (Compared to FY2021)
Reduction of CO ₂ emissions at Supply Chain (Scope 3)	(Under calculation)	—	25% reduction (Compared to FY2022)

Scope 1: Direct emission from own fuel usage or usage in manufacturing processes of the Company

Scope 2: Indirect emissions from usage of electricity or heat purchased by the Company

Scope 3: Indirect emissions related to processes other than Scope 1 and Scope 2 (procurement of raw materials, product shipment, usage, and disposal, employee commuting, business trips, etc.)

3. Operating Risks

In order to respond to the various risks that exist in the course of its business activities, the Eiken Group has established the Eiken Group Risk Management Regulations, which systematically stipulate the Group's risk management. The Risk Management and Compliance Committee supervises risk management activities. Risk management initiatives are reported to the Board of Directors, and the Board of Directors supervises their effectiveness.

Among the matters related to the status of business and accounting described in the Annual Securities Report, the following matters may have a significant impact on the decisions of investors.

In addition to the above, there are various other risks that may affect the Company's financial position and operating results in the present and future, and the risks described here are not all risks of the Group. In addition, forward-looking matters in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Risks related to overseas operations

In order to achieve the “EIKEN ROAD MAP 2030”, it is necessary to promote global expansion. However, due to changes in the economy and economic conditions of each country and region, the outbreak of a pandemic, geopolitical risks, etc., there is a possibility that the financial position and operating results of the company will be affected if there is a delay, suspension or discontinuation of the screening program for colorectal cancer screening with respect to fecal immunochemical tests reagents, which is our main product, or if there is a delay in the regulatory approval of a new product.

In addition, EIKEN CHINA Co., Ltd., a consolidated subsidiary, is engaged in the development, manufacture, and sales of clinical diagnostics independently in China, as well as contract manufacturing of clinical diagnostics from the Company. However, if contract production from the Company decreases due to changes in market conditions, or if the company's business development does not progress as planned due to revisions in Chinese laws and regulations, or if the company experiences a significant decline in real estate value, it may be difficult to recover the Company's investment.

In light of these risks, the Group's overseas sales divisions will strive to promptly collect and share risk information and economic trends in each country through its distributors will respond in a timely and appropriate manner.

(2) Risks related to new products and technologies

In order to achieve the “EIKEN ROAD MAP 2030”, we also need to develop new products, new technologies, and new businesses. The Group strives to strengthen the planning and development of new products and technologies and to create new businesses based on medical needs and medium- to long-term vision. However, if the recovery of R&D investment becomes difficult due to the uncertainty of R&D (delays, interruptions or cancellations), or if it does not lead to sufficient results due to the loss of commercialization opportunities or inconsistency with ever-changing market trends, or if there is a delay or interruption in the planning of new business, the medium- to long-term business plan may be affected and the financial position and operating results may be affected.

In light of these risks, the “EIKEN ROAD MAP 2030” and the Medium-Term Management Plan formulate business strategies in response to changes in the business environment, strategically promote new products and technologies, set standards for investment recovery, and evaluate and manage progress at the Executive Committee, Board of Directors, etc.

(3) Risks related to medical systems and pharmaceutical regulations

The Group sells its products in accordance with the regulatory regulations of each country and region, but if medical costs are controlled or regulatory regulations are tightened due to trends in healthcare system reform in each country, product prices, product usage, and regulatory applications for new products may be affected, which may affect the Group's financial position and operating results.

In light of these risks, the Group's regulatory affairs department will strive to quickly grasp trends in healthcare systems and pharmaceutical regulations in each country and respond in a timely and appropriate manner.

(4) Risks related to product quality

The Group is engaged in product quality assurance based on the quality management system (ISO13485 certification, MDSAP certification). However, in the unlikely event that a product quality problem occurs and the supply of the product cannot be maintained, the financial position and operating results may be affected.

In light of these risks, the Group is working to stabilize quality by strengthening its production technology capabilities, appropriately operate its quality management system, and strengthen quality assurance by investigating and analyzing product quality evaluations in the market.

(5) Risks related to stable supply of products

In the event that the factories and facilities of the Group or its suppliers suffer enormous damage due to natural disasters such as large-scale earthquakes, storms and floods, or serious accidents such as fires, or if operations are suspended for a long period of time due to the outbreak of a pandemic or geopolitical risks, we may not be able to maintain the supply of products, which may affect our financial position and operating results.

In light of these risks, the Group strives to secure safe stock of products, secure inventory of important raw materials, and avoid risks by purchasing from multiple companies, and has formulated a Business Continuity Plan (BCP) to continuously improve its ability to respond to the situation so that it can maintain supply. In addition, we have obtained the National Resilience Contribution Organization Certification (Resilience Certification) promoted by the National Resilience Promotion Office of the Cabinet Secretariat.

(6) Risks related to IT systems

The Group has introduced various IT systems to improve operational efficiency and is working to improve business processes. Therefore, if a long-term response is required due to a system failure due to a disaster, a cyber attack, or a computer virus infection that hinders business operations, or information leakage outside the company, financial position and operating results may be affected.

In light of these risks, the Group has established appropriate information security measures and conducts education and training aimed at responding to targeted attack e-mails and improving IT literacy.

(7) Risks related to sharp rises in raw material prices and transportation costs

The prices of raw materials used in the Group's products fluctuate depending on the occurrence of natural disasters and pandemics, market prices, fuel costs, exchange rates, and other factors associated with economic conditions. In the event that raw material prices or the transportation cost due to these causes rises, the cost of the product may rise, which may affect our financial position and operating results.

In light of these risks, the Group is implementing measures such as purchasing major raw materials from multiple companies, collecting information on market trends in raw materials, securing appropriate inventory, and reducing manufacturing costs by continuously improving production efficiency.

(8) Risks related to valuation of inventories

In the consolidated balance sheet for the fiscal year ending March 2024, the Group recorded 8,098 million yen in inventories, representing 13.1% of total assets. In the event of a significant decline in the commodity market due to a sudden deterioration in the supply-demand balance, etc., the write-down of inventories may affect the financial position and operating results.

In light of these risks, the Group will closely monitor the status of inventory and appropriately manage inventory with safety stock in mind to reduce the risk of holding excess inventory.

4. Management Analysis of Consolidated Financial Position, Consolidated Business Performance and Cash Flows

(1) Summary of consolidated business performance, etc.

The summary of the consolidated financial position, consolidated business performance, and cash flows (“business performance, etc.”) of the Group (the Company and its consolidated subsidiaries, hereinafter the same shall apply) for the consolidated fiscal year under review are as follows.

(i) Status of consolidated financial position and consolidated operating results.

During the consolidated fiscal year under review, the Japanese economy progressed toward normalized economic activities and gradually recovered owing to the reclassification of COVID-19 to a Class 5 infectious disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases. Meanwhile, overseas economies remained unstable due to downside risks mainly caused by surging global resource prices and the impact of monetary tightening against a backdrop of geopolitical uncertainty, including the protracted situation in Ukraine as well as growing tensions in the Middle East.

The business environment became increasingly severe in the clinical diagnostics industry due to measures to cap medical expenses and rising costs such as for logistics and raw material procurement, etc., on account of yen depreciation and high crude oil prices. Corporations are being forced to focus on greater cost competitiveness and to actively expand overseas.

In the context of this business environment, the Eiken Group is implementing key measures focused on the three key business fields of “Contribution to cancer prevention and treatment,” “Contribution to the eradication and control of infectious diseases,” and “Provision of products and services useful for health care” and striving to achieve sustainable growth and steadily enhance profitability for the Group as a whole, in accordance with the Medium-term Management Plan established based on the Group’s management framework “EIKEN ROAD MAP 2030”

In addition, as a Group with a mission to protect the health of people worldwide, the Eiken Group is addressing issues not only in “Medical” but also in the “Environment,” “Society,” and “Governance.” Through this, we strive to further enhance our corporate value and achieve a sustainable society.

The net sales for the consolidated fiscal year under review declined to 40,052 million yen (down 7.4% year-on-year) due to sales of COVID-19 genetic testing reagents using the LAMP method decreasing significantly following limited demand for genetic testing in response to the reclassification of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases.

For net sales by product class and type, sales of microbiological testing reagents increased to 4,312 million yen (up 9.5% year-on-year) due to a substantial recovery of products related to infectious diseases other than COVID-19, particularly rapid diagnosis kits and drug sensitivity testing reagents. As for urinalysis reagents, sales were 4,401 million yen (up 6.2% year-on-year), with the domestic hospital market and the medical examination market having recovered to pre-COVID-19 pandemic levels. Sales for immunological and serological reagents were 21,710 million yen (up 4.8% year-on-year) due to fecal immunochemical clinical diagnostics recovering to pre-COVID-19 pandemic levels in the domestic market, together with significantly increased sales in overseas markets. Sales for clinical chemistry reagents were 575 million yen (down 2.5% year-on-year). Sales for the equipment and culture medium for food and environment related category amounted to 1,961 million yen (down 9.4% year-on-year). Sales in other category (medical devices, genetic-related products, etc.) fell to 7,090 million yen (down 39.5% year-on-year) due to a significant decrease in sales for COVID-19 detection reagents.

Overseas sales were 10,115 million yen (up 15.0% year-on-year) as sales for fecal immunochemical clinical diagnostics, urinalysis reagents, and Mycobacterium tuberculosis complex detection reagent kits for Nigeria increased significantly.

Regarding profit, operating profit was 3,377 million yen (down 54.7% year-on-year) due to decreases in sales of high-profit COVID-19 detection reagent products and income from patent rights for the LAMP method. Ordinary profit was 3,568 million yen (down 52.8% year-on-year) while profit attributable to owners of parent was 2,634 million yen (down 54.1% year-on-year).

The financial position at the end of the consolidated fiscal year under review was as follows.

When compared to the end of the previous consolidated fiscal year, total assets decreased by 4,623 million yen, liabilities decreased by 1,059 million yen, and net assets decreased by 3,564 million yen.

Major increases and decreases in the category of assets include a decrease of 2,009 million yen in cash and deposits and an increase of 1,359 million yen in notes and accounts receivable - trade, and contract assets. In addition, long-term time deposits declined by 3,000 million yen. In the category of liabilities, electronically recorded obligations - operating decreased by 174 million yen, and income taxes payable decreased by 827 million yen. In the category of net assets, despite having recorded profit attributable to owners of parent, shareholders’ equity decreased by 3,838 million yen due to the payment of dividends and purchase of Treasury shares. In addition, due to the cancellation of Treasury shares, capital surplus decreased by 242 million yen, retained earnings

decreased by 1,771 million yen, and treasury shares decreased by 2,013 million yen.

As a result of the above, the equity ratio decreased to 74.0% from 74.2% at the end of the previous consolidated fiscal year.

(ii) Status of cash flows

Cash and cash equivalents for the consolidated fiscal year under review (hereinafter referred to as “net cash”) decreased by 5,098 million yen compared to the end of the previous consolidated fiscal year to 10,966 million yen on March 31, 2024.

The following is a summary of cash flows and related causes for the consolidated fiscal year under review.

Cash flows from operating activities

Net cash provided by operating activities was 3,806 million yen (compared to the net cash proceed of 7,575 million yen in the previous consolidated fiscal year). This was mainly due to a 1,355 million yen expenditure due to increased trade receivables, a 322 million yen proceed caused by a decrease in inventories, a 212 million yen expenditure caused by a decrease in trade payables, and 3,503 million yen in profit before income taxes.

Depreciation totaled 2,326 million yen.

Cash flows from investing activities

Net cash used in investing activities was an expenditure of 2,216 million yen (compared to the net cash expenditure of 316 million yen in the previous consolidated fiscal year). This was mainly due to 1,976 million yen in purchase of property, plant and equipment, 2,341 million yen in payments into time deposits, and 2,279 million yen in proceeds from withdrawal of time deposits.

Cash flows from financing activities

Net cash used in financing activities was 6,694 million yen (compared to the net cash expenditure of 2,095 million yen in the previous consolidated fiscal year). This was mainly due to a 4,707 million yen expenditure due to purchase of Treasury shares and dividends paid of 1,927 million yen.

(iii) Production, orders received, and sales

Production, orders received, and sales are described by breaking down sales by product class and type since the Group's business is a single segment in the clinical diagnostics business.

(a) Production performance

Production performance for the consolidated fiscal year under review described by product class and type is as follows.

(Millions of yen)

Name of product class and type	For the fiscal year ended March 31, 2024	Change from the previous corresponding period (%)
Microbiological testing reagents	3,999	111.9
Urinalysis reagents	4,865	113.2
Immunological and serological reagents	7,642	98.8
Equipment and culture medium for food and environment related category	128	98.5
Other category	1,552	25.0
Total	18,187	82.8

(Note) Amounts displayed are sales prices.

(b) Purchases of merchandise

Purchases of merchandise for the consolidated fiscal year under review described by product class and type are as follows.

(Millions of yen)

Name of product class and type	For the fiscal year ended March 31, 2024	Change from the previous corresponding period (%)
Microbiological testing reagents	349	97.3
Urinalysis reagents	18	85.1
Immunological and serological reagents	9,228	101.6
Clinical chemistry reagents	297	88.5
Equipment and culture medium for food and environment related category	1,493	81.0
Other category	3,281	100.9
Total	14,669	98.5

(c) Orders received

There are no applicable items because the Group conducts production on a prospective basis.

(d) Sales performance

Sales performance for the consolidated fiscal year under review described by product class and type is as follows.

(Millions of yen)

Name of product class and type	For the fiscal year ended March 31, 2024	Change from the previous corresponding period (%)
Microbiological testing reagents	4,312	109.5
Urinalysis reagents	4,401	106.2
Immunological and serological reagents	21,710	104.8
Clinical chemistry reagents	575	97.5
Equipment and culture medium for food and environment related category	1,961	90.6
Other category	7,090	60.5
Total	40,052	92.6

(Note) Sales performance by major customer and the ratio of the sales performance to total sales performance for the two most recent consolidated fiscal years are as follows.

Customer	For the fiscal year ended March 31, 2023		For the fiscal year ended March 31, 2024	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
SUZUKEN CO., LTD.	5,475	12.7	4,891	12.2
Alfresa Corporation	5,254	12.1	4,476	11.2
TOHO PHARMACEUTICAL CO., LTD.	4,615	10.7	4,328	10.8

(2) Analysis and discussion of the status of business performance, etc. from management's perspective

The assessment, analysis, and discussion of the Group's business performance, etc. from management's perspective is as follows.

Forward-looking statements in this document are based on the judgment of the Group as of the end of the consolidated fiscal year under review, and include forecast information that involves risks, uncertainties, and assumptions about the future. Due to factors such as those described in "3. Operating Risks" and other factors, the Group's actual performance may differ significantly from those projected based on the forecast information.

(i) Significant accounting policies and estimates

The Company's consolidated financial statements have been prepared based on accounting principles and practices generally accepted in Japan.

In preparing the consolidated financial statements, the Company's management is required to make estimates and assumptions that affect the reported values of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported values of revenues and expenses during the reporting period. Management continually evaluates its estimates and judgments regarding credit losses, retirement allowance, investments, contingencies and litigation. Management makes estimates and judgments based on a variety of factors that it believes are reasonable in light of past performance and circumstances, and the results form the basis for making judgments about the carrying value of assets and liabilities and the reported figures for revenues and expenses that are difficult to determine otherwise. Actual results may differ from these estimates due to the uncertainties inherent in estimates.

We believe that the following critical accounting policies in particular have a significant impact on our critical judgments and estimates used in the preparation of our consolidated financial statements.

(a) Allowance for doubtful accounts

The Group records an allowance for doubtful accounts for the estimated amount of losses to be incurred when customers fail to pay. If a customer's financial condition deteriorates and its ability to pay declines, the Group may be required to make additional allowances.

(b) Retirement benefit expenses

The Company calculates employee retirement benefit expenses and obligations based on assumptions established in actuarial calculations. These assumptions include discount rates, future salary levels, retirement rates, mortality rates calculated based on recent statistical data, and rates of return on pension assets. For the Company's pension plans, the discount rate is calculated using the market yield of Japanese government bonds as a reference value over a certain number of years within the average remaining service period of enrolled employees. The expected rate of return is calculated based on the weighted average of the expected rates of return for each type of asset in which the pension assets are invested. If actual results differ from the assumptions or if the assumptions change, the effects are accumulated and are recognized regularly in future periods, generally affecting the expenses recognized and liabilities recorded in future periods. In addition, a decrease in the discount rate and losses on pension asset management could have an adverse effect on the Group's retirement benefit expenses.

(c) Impairment of investments

The Group holds shares in certain customers to maintain business relationships. These include shares of publicly traded companies, whose prices are highly volatile, and shares of privately held companies, whose share prices are difficult to determine. In addition, the Group holds investments in affiliated companies. The Group records an impairment loss on an investment when it determines that the value of the investment has declined significantly and is unlikely to recover. If future deterioration in market conditions or poor performance of the investee results in losses not reflected in the current book value or inability to recover the book value of the investment, the Group may be required to record a loss on valuation.

(d) Valuation of inventories

Valuation of inventories is as described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements (Significant accounting estimates)."

(2) Recognition, analysis, and consideration of the status of business results, etc. for the current consolidated fiscal year

The Group's operating results for the fiscal year under review are as follows.

Net sales for the fiscal year under review were 40,052 million yen (down 7.4% year-on-year) due to a significant decline in sales of COVID-19 genetic testing reagents using the LAMP method due to limited demand for genetic testing due to the transition of the classification of COVID-19 under the Infectious Diseases Act.

Cost of goods sold was 23,328 million yen, and the cost of goods sold ratio was 58.2%, an increase of 5.6 percentage points from the previous consolidated fiscal year.

Gross profit decreased by 3,783 million yen from the previous consolidated fiscal year to 16,723 million yen. Selling, general and administrative expenses increased by 295 million yen from the previous consolidated fiscal year to 13,345 million yen.

Operating profit decreased by 4,079 million yen from the previous consolidated fiscal year to 3,377 million yen. The operating profit margin was 8.4%, down 8.8 percentage points from the previous fiscal year.

Non-operating income was 284 million yen, an increase of 130 million yen from the previous consolidated fiscal year.

Non-operating expenses was 93 million yen, an increase of 51 million yen from the previous consolidated fiscal year.

Ordinary profit was 3,568 million yen due to non-operating income of 191 million yen, a decrease of 3,999 million yen from the previous consolidated fiscal year. The ordinary profit margin decreased by 8.6 percentage points from the previous fiscal year to 8.9%.

Extraordinary income was 1 million yen, a decrease of 79 million yen from the previous consolidated fiscal year. Extraordinary losses was 66 million yen, an increase of 8 million yen from the previous consolidated fiscal year.

Profit before income taxes was 3,503 million yen, reflecting a net loss of 65 million yen due to extraordinary income and losses. The burden of income taxes(current) on profit before income taxes was 24.8% in the current fiscal year compared to 24.4% in the previous consolidated fiscal year, an increase of 0.4 percentage points.

Profit attributable to owners of parent decreased by 3,101 million yen from the previous fiscal year to 2,634 million yen, resulting in a profit margin of 6.7 percentage points to 6.6%. The Group had set a target of net sales of 42,000 million yen, operating profit of 5,380 million yen, and ROE of 8.4% in the fiscal year ending March 2024 as objective indicators for determining the achievement status of management policies, strategies, and management targets, but net sales of 40,052 million yen, operating profit of 3,377 million yen, and ROE of 5.6% fell short of the target values.

(Millions of yen)

Indicators	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Target	Results	Target	Results
Consolidated net sales	43,600	43,271	42,000	40,052
Consolidated operating profit	7,470	7,457	5,380	3,377
ROE (%)	12.3	12.1	8.4	5.6

The financial resources of the Group's capital and the liquidity of funds are as follows.

(a) Cash flow

The analysis of cash flows for the fiscal year under review is described in "(1) Summary of consolidated business performance, etc. and (ii) Status of cash flows."

(b) Financial Policy

The Group's basic financial policy is to strengthen its financial position by improving capital efficiency, and this policy is being continuously implemented.

The Group works in unison to raise and invest funds, making maximum use of the Company's creditworthiness. Working capital and capital investment are basically financed from cash on hand (profits and other internal reserves). The Company has concluded overdraft agreements and commitment line agreements totaling 4,600 million yen with financial institutions for the efficient procurement of working capital. Surplus funds are invested in safe and highly liquid financial instruments. The Group is considering efficient and strategic fund management in the future for its high cash position.

The Group believes that its sound financial position, ability to generate cash flow from operating activities, accounts receivable trust (receivables securitization) and loan commitment agreements will enable it to raise the working capital and capital investment funds needed in the future to sustain its growth. However, long-term financing for capital investment, etc. is procured through long-term borrowings from financial institutions, corporate bonds, or a combination of both.

The Group regards the return of profits to shareholders as one of its highest management priorities and has a basic policy of implementing a stable dividend policy while taking into consideration the need to strengthen its financial standing and enhance internal reserves necessary for aggressive business development, and of paying dividends from surplus twice a year, an interim dividend and a year-end dividend. The Board of Directors considers the shareholder return policy as one of the policies that contribute to enhancing the corporate value of the Company.

5. Material Contracts, etc.

Business alliance agreement

Name of contracting company	Description	Contract date	Expiration date
Otsuka Pharmaceutical Co., Ltd.	A business alliance agreement including capital participation in the Company for the purpose of mutual use of sales, market development, R&D, and technology to strengthen competitiveness and benefit both companies in the clinical diagnostics market, as well as to deepen the relationship of trust and cooperation between the two companies and to further facilitate the business alliance.	September 7, 2006	Business alliance agreement 5 years * Renewed every year after the end of the term

6 Research and Development Activities

As the status of COVID-19 infection under the "Act on Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases" has become a Category 5 infectious disease, and the environment surrounding us is returning to its previous situation, we have been promoting product development by strengthening and enhancing our existing large-scale product groups and improving our R&D capabilities under our management philosophy of "Protect the health of the public through health care services."

In June 2023, we added "Assists in establishing Crohn's disease" to the insurance coverage of OC-Calprotectin 'Eiken', which has been used to "Assists in the diagnosis of inflammatory bowel disease" and "Assists in establishing clinical condition of ulcerative colitis". In addition, in February 2024, we launched a new stool buffer solution in Japan that was developed with the aim of greatly improving the stability of the collected specimens and enabling mail-in screening. In the area of immunochromatography reagents, in January 2024, we launched "Immunocatch-Strep A" and "Immunocatch-Adeno," which share the sample extracts for group A β hemolytic streptococcus and adenovirus tests, which had to be collected and processed separately. As a contribution to measures against antimicrobial resistance (AMR), we launched the KB disc of Cefiderocol in March 2024, and the veterinary susceptibility disc of thiamphenicol in April 2024 for the purpose of the proper use of veterinary drugs from the perspective of One Health. In addition, in January 2024, we launched the "Seed Tube II 'Eiken'," a container for storing and transporting specimens for the purpose of anaerobic bacteria testing.

In addition, as part of the development of the cancer business, which is one of the focus areas of the management plan "EIKEN ROAD MAP 2030", we have registered a part of the Nogi Plant as a health laboratory (name: "EIKEN Clinical Laboratory") in order to launch a commissioned inspection business. The purpose of this project is to promote our own cancer genetic testing, and we plan to start with a commissioned inspection of companion diagnostics using the "Mutation Investigator using the Next-era Sequencer" (MINTS) for lung cancer, which is currently applying for manufacturing and marketing approval.

Based on a business alliance agreement with Otsuka Pharmaceutical Co., Ltd., we are continuing to consider joint development focusing on areas where both companies can complement each other.

Total Research and Development expenses for the fiscal year under review were 3,939 million yen.

III. Information about Facilities

1. Overview of Capital Expenditures

Total capital expenditure for the fiscal year under review was 1,812 million yen.

The main capital expenditures were 211 million yen for the urinalysis reagent manufacturing facility and 123 million yen for the new Nogi production building.

2 Major Facilities

The Group's main facilities are as follows.

(1) Reporting company

(As of March 31, 2024)

Office name (Location)	Classification by product type	Description of facilities	Book value						Number of employees (persons)
			Buildings and structures (Millions of yen)	Machinery, equipment and vehicles (Millions of yen)	Lease assets (Millions of yen)	Other (Millions of yen)	Land (Millions of yen) (Area m ²)	Total (Millions of yen)	
Nogi Division (Nogi-machi, Tochigi)	General reagents	Manufacture, distribution and research of general reagents	9,828	1,087	57	607	996 (82,583)	12,578	284 (231)
Nasu Division (Otawara-shi, Tochigi)	Immunologic al and serological reagents Genetic testing reagents	Manufacture and research of immunologic al and serological reagents and genetic testing reagents	1,837	357	—	122	931 (74,486)	3,249	70 (54)

(Notes) 1. “Other” under book value is the total for tools, furniture and fixtures, and does not include construction in progress.

2. The number of employees in parentheses () indicates the number of temporary employees.

(2) Overseas Subsidiaries

(As of March 31, 2024)

Company name	Location	Classification by product type	Description of facilities	Book value					Number of Employees (persons)
				Buildings and structures (Millions of yen)	Machinery, equipment and vehicles (Millions of yen)	Lease assets (Millions of yen)	Other (Millions of yen)	Total (Millions of yen)	
EIKEN CHINA CO., LTD.	Shanghai, China	Urinalysis reagents Immunological and serological reagents Equipment and culture medium for food and environment related category Genetic testing reagents	Manufacture of urinalysis reagents, immunological and serological reagents, equipment and culture medium for food and environment related category, and genetic testing reagents	297	68	0	10	378	45 (4)

(Notes) 1. "Other" under book value is the total for tools, furniture and fixtures, and does not include construction in progress.

2. The number of employees in parentheses () indicates the number of temporary employees.

3 Planned Addition, Retirement, and Other Changes of Facilities

(1) Significant addition of facilities

Company name Office name	Location	Segment name	Description of facilities	Planned capital expenditures		Method of fund procurement	Planned start and end date		Increased capacity after completion
				Total amount (Millions of yen)	Amount already paid (Millions of yen)		Start	End	
The Company Nogi Division	Nogi-machi, Tochigi	Clinical diagnostics business	Urinalysis reagent production facility	636	433	Own funds	August 2022	September 2024	50% increase in production capacity
The Company Nogi Division	Nogi-machi, Tochigi	Clinical diagnostics business	New Production Building	6,533	128	Own funds	May 2024	June 2025	Note

(Note) The capacity to increase after completion is not included because it is difficult to make a reasonable calculation.

(2) Significant retirement of facilities

Not applicable.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(1) Total number of shares

Class	Total number of shares that can be issued (shares)
Common Shares	123,900,000
Total	123,900,000

(2) Issued shares

Class	Number of issued shares as of the end of the current fiscal year (March 31, 2024)	Number of issued shares as of the submission date (June 26, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common Shares	40,041,438	38,541,438	Tokyo Stock Exchange Prime Market	The number of shares per unit is 100 shares.
Total	40,041,438	38,541,438	—	—

(Note) At the Board of Directors meeting held on April 24, 2024, the Board of Directors resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act, and on April 26, 2024, 1,500,000 shares of Treasury share were canceled. As a result, the total number of shares outstanding decreased by 1,500,000 shares to 38,541,438 shares.

(2) Share Acquisition Rights.

① Stock options

Share acquisition rights under the Companies Act are as shown below. No new share acquisition rights have been issued because the share-based compensation stock option plan has been terminated following the resolution at the Compensation Committee meeting held on June 27, 2023 to introduce a restricted share compensation plan.

Date of resolution	June 21, 2007
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights*	40 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 4,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2007 to July 9, 2027
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2026, the share acquisition rights may be exercised from July 10, 2026 to July 9, 2027.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \text{or share consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 12, 2008
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 13
Number of share acquisition rights*	40 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 4,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2008 to July 8, 2028
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2027, the share acquisition rights may be exercised from July 9, 2027 to July 8, 2028.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \\ \text{after adjustment} & = & & & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 19, 2009
Classification and number of grantees	Directors: 4 (2 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights*	80 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 8,000(Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2009 to July 9, 2029
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2028, the share acquisition rights may be exercised from July 10, 2028 to July 9, 2029.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	-

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \text{or share consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 18, 2010
Classification and number of grantees	Directors: 3 (2 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights *	80 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 8,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2010 to July 8, 2030
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2029, the share acquisition rights may be exercised from July 9, 2029 to July 8, 2030.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	-

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 18, 2011
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights *	90 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 9,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2011 to July 8, 2031
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2030, the share acquisition rights may be exercised from July 9, 2030 to July 8, 2031.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	-

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 17, 2012
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 13
Number of share acquisition rights *	130 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares 13,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2012 to July 9, 2032
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2031, the share acquisition rights may be exercised from July 10, 2031 to July 9, 2032.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 16, 2013
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 13
Number of share acquisition rights *	130 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares 13,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2013 to July 9, 2033
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2032, the share acquisition rights may be exercised from July 10, 2032 to July 9, 2033.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 16, 2014
Classification and number of grantees	Directors: 4 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights *	240 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 24,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2014 to July 8, 2034
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2033, the share acquisition rights may be exercised from July 9, 2033 to July 8, 2034.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \text{or share consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 18, 2015
Classification and number of grantees	Directors: 3 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 13
Number of share acquisition rights *	280 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 28,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2015 to July 9, 2035
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2034, the share acquisition rights may be exercised from July 10, 2034 to July 9, 2035.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	-

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \text{or share consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	May 18, 2016
Classification and number of grantees	Directors: 2 (1 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 12
Number of share acquisition rights *	210 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 21,000 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2016 to July 8, 2036
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2035, the share acquisition rights may be exercised from July 9, 2035 to July 8, 2036.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \text{or share consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 14, 2017
Classification and number of grantees	Directors: 2 (1 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 13
Number of share acquisition rights *	254 (Note 2, 5)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 25,400 (Note 3,5)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 11, 2017 to July 10, 2037
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 10, 2036, the share acquisition rights may be exercised from July 11, 2036 to July 10, 2037.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \\ \text{after adjustment} & = & & & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 14, 2018
Classification and number of grantees	Directors: 3 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 11
Number of share acquisition rights *	201 (Note 2)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 20,100 (Note 3)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 13, 2018 to July 12, 2038
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 12, 2037, the share acquisition rights may be exercised from July 13, 2037 to July 12, 2038.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 18, 2019
Classification and number of grantees	Directors: 3 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 11
Number of share acquisition rights *	204 (Note 2)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 20,400 (Note 3)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 12, 2019 to July 11, 2039
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 11, 2038, the share acquisition rights may be exercised from July 12, 2038 to July 11, 2039.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \\ \text{after adjustment} & = & & & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 16, 2020
Classification and number of grantees	Directors: 3 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 9
Number of share acquisition rights *	233 (Note 2)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 23,300 (Note 3)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 10, 2020 to July 9, 2040
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 9, 2039, the share acquisition rights may be exercised from July 10, 2039 to July 9, 2040.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	-

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ & & \text{before adjustment} & \times & \\ \text{after adjustment} & = & & & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 16, 2021
Classification and number of grantees	Directors: 3 (3 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 10
Number of share acquisition rights *	386 (Note 2)
Type, description and number of shares to be issued upon exercise of share acquisition rights*	Common shares: 38,600 (Note 3)
Paid-in amount upon exercise of share acquisition rights (Yen)*	1 (Note 4)
Exercise period of share acquisition rights*	From July 9, 2021 to July 8, 2041
Issue price and amount to be incorporated into capital upon exercise of share acquisition rights (Yen)*	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising share acquisition rights*	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 8, 2040, the share acquisition rights may be exercised from July 9, 2040 to July 8, 2041.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters related to the transfer of share acquisition rights*	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters related to the delivery of share acquisition rights in connection with reorganization*	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

Date of resolution	June 17, 2022
Category and number of recipients (persons)	Directors: 3 (2 of whom concurrently serve as Executive Officers) (Note 1) Executive Officers: 10
Number of Stock Acquisition Rights (Units) *	381 (Note 2)
Type, content and number of shares subject to stock acquisition rights *	Common shares: 38,100 (Note 3)
Amount paid at the time of exercise of stock acquisition rights (yen) ※	1 (Note 4)
Period for exercising stock acquisition rights *	From July 8, 2022 to July 7, 2042
In the case of issuing shares through the exercise of stock acquisition rights, the issuance price of shares and the amount of capital incorporation (yen) *	Issue price: 1 Amount to be incorporated into capital: 1
Conditions for exercising stock acquisition rights *	<p>(1) Holders of share acquisition rights may exercise their share acquisition rights only after one year has elapsed since assuming office as Director (excluding Outside Directors) or Executive Officer (excluding retirement due to death) and until 10 days have elapsed from the day following the day on which they retire from all positions as Director and Executive Officer.</p> <p>(2) Notwithstanding (1) above, if the holder of the share acquisition rights has not reached the rights exercise commencement date by July 7, 2041, the share acquisition rights may be exercised from July 8, 2041 to July 7, 2042.</p> <p>(3) Notwithstanding (1) above, if a proposal for approval of a merger agreement in which the Company is to be dissolved, a proposal for approval of a share exchange agreement in which the Company is to become a wholly owned subsidiary, or a proposal for approval of a share transfer plan is approved at a General Meeting of Shareholders (or when a resolution of the Board of Directors is passed if a resolution of the General Meeting of Shareholders is not required), the share acquisition rights may be exercised only during the period from the day following the date of such approval until 15 days have passed.</p> <p>(4) Share acquisition rights may not be exercised in part.</p> <p>(5) If a share acquisition right holder dies, his or her heir may exercise the share acquisition rights.</p> <p>(6) Other conditions shall be set forth in the Share Acquisition Rights Allotment Agreement to be entered into between the Company and the share acquisition rights holders in accordance with a resolution of the Board of Directors regarding the issuing of share acquisition rights and a decision by the Representative Executive Officer.</p>
Matters concerning the transfer of stock acquisition rights *	Approval from the Board of Directors is required for the transfer of share acquisition rights.
Matters concerning the issuance of stock acquisition rights in connection with the reorganization Act *	—

* Details are as of the end of the current fiscal year (March 31, 2024). The details pertaining to the end of the month prior to the date of filing have been omitted, since there have been no changes to the details to be included from those as of the end of the current fiscal year as of the end of the month prior to the date of filing (May 31, 2024).

(Notes) 1. The number of Directors excludes Outside Directors.

2. The number of shares to be issued upon exercising each share acquisition right shall be 100 shares.

3. If the Company conducts a share split (including allotment of shares without contribution) or a share consolidation, the number of shares to be issued upon exercise of unexercised share acquisition rights shall be adjusted in accordance with the following formula, and any shares less than one share resulting from the adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{after adjustment} & = & \text{before adjustment} & \times & \text{or share consolidation} \end{array}$$

In addition, if unavoidable circumstances occur that necessitate adjustment of the number of allotted shares, such as the Company conducting a merger or company split, the number of allotted shares shall be adjusted to a reasonable extent, taking into account factors such as the conditions of the merger or company split

4. The amount to be paid in upon exercise of the share acquisition rights shall be the amount obtained by multiplying the price per share of common shares of the Company that can be delivered upon exercise of the share acquisition rights, by the number of shares to be issued per share acquisition right, where 1 yen is the amount to be paid in per share.

5. The Company conducted a two-for-one share split of its common shares with an effective date of April 1, 2018 by resolution of the Board of Directors meeting held on February 15, 2018. As a result, the “Number of share acquisition rights” and “Type, description and number of shares to be issued upon exercise of share acquisition rights” were adjusted.

② Rights plans

Not applicable.

③ Other share acquisition rights

Not applicable.

(3) Exercises of bonds with share acquisition rights containing a clause for exercise price amendment

Not applicable.

(4) Changes in total number of issued shares, share capital and others

Date	Changes in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
November 30, 2023 (Note 1)	(2,500,000)	41,041,438	—	6,897	—	7,892
February 9, 2024 (Note 1)	(1,000,000)	40,041,438	—	6,897	—	7,892

(Notes) 1. This is a decrease due to the retirement of Treasury shares.

2. In accordance with a resolution of the Board of Directors held on April 24, 2024, treasury shares were cancelled on April 26, 2024, and the total number of issued shares was reduced by 1,500,000 shares.

(5) Shareholding by shareholder category

As of March 31, 2024

As of March 31, 2024

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Status of shares less than one unit (Shares)
	Government and local municipalities	Financial institutions	Financial service providers	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	14	23	45	215	8	6,326	6,631	—
Number of shares held (Unit)	—	97,882	6,335	3,395	166,914	48	125,613	400,187	22,738
Percentage of shareholdings (%)	—	24.46	1.58	0.85	41.71	0.01	31.39	100.00	—

(Note) 5,443,508 treasury shares are listed in the "Individuals and others" category of 54,435 units, and 8 shares are listed in the "Status of shares of less than one unit" section.

(6) Major shareholders

(As of March 31, 2024)

Name/company name	Address	Number of shares held (Hundred shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo Akasaka Intercity AIR	50,287	14.53
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	24,552	7.10
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (SHINAGAWA INTERCITY A, 2-15-1 KONAN, Minato-ku, Tokyo)	21,008	6.07
NIPPON ACTIVE VALUE FUND PLC (Permanent Agent: Custody Department, The Hongkong and Shanghai Banking Corporation, Tokyo Branch)	1ST FLOOR, SENATOR HOUSE, 85 QUEEN VICTORIA STREET, LONDON, EC4V 4AB (3-11-1 Japanbashi, Chuo-ku, Tokyo)	19,492	5.63
AVI JAPAN OPPORTUNITY TRUST PLC (Permanent Agent: Mizuho Bank, Ltd., Settlement Sales Department)	BEAUFORT HOUSE EXETER EX4 4EP UNITED KINGDOM (Shinagawa Intercity A, 2-15-1 Konan, Minato-ku, Tokyo)	18,309	5.29
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1 Yurakucho, Chiyoda-ku, Tokyo (1-8-12 Harumi, Chuo-ku, Tokyo)	11,000	3.18
NORTHERN TRUST CO.(AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND (Standing proxy: Custody Business Department, The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Japanbashi, Chuo-ku, Tokyo)	10,610	3.07
The Japan Life Insurance Company (Permanent Agent: The Master Trust Bank of Japan, Ltd.)	Japan Life Securities Management Department, 1-6-6 Marunouchi, Chiyoda-ku, Tokyo (Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo)	7,992	2.31
Eiken Chemical Employee Stock Ownership Association	4-19-9 Taito, Taito-ku, Tokyo	6,240	1.80
Tadao Kurozumi	Koganei City, Tokyo	6,147	1.78
Total	—	175,638	50.77

(Notes) 1. In addition to the above, there are 54,435 shares of Treasury share.

2. The number of shares held by the Japan Master Trust Bank, Ltd. (trust account) is 21,549 shares set by investment trusts, 2,358 shares by pension trusts, and 26,380 shares by other trust shares.

3. The breakdown of the number of shares held by Japan Custody Bank, Ltd. (trust account) is 9,435 shares set up for investment trusts, 4,800 shares for pension trusts, 13,052 shares for other trust shares, and 1,585 shares for others.

4. In the Change Report Regarding Report of Possession of Large Volume made available for public inspection as of June 19, 2023, it was stated that Mitsubishi UFJ Financial Group, Inc. held the following shares as of June 12, 2023. However, as the Company has not confirmed the actual number of shares held as of March 31, 2024, they are not included in Status of Major Shareholders above.

(Contents of the Large-Scale Holdings Report)

Name/company name	Address	Stock holdings, etc. Number of (100 shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Mitsubishi UFJ Trust and Banking Co., Ltd.	1-4-5 Marunouchi, Chiyoda-ku, Tokyo	13,431	3.88
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1 Yurakuchō, Chiyoda-ku, Tokyo	2,947	0.85
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	176	0.05

5. In the Report of Possession of Large Volume made available for public inspection as of December 6, 2023, although it is stated that Sumitomo Mitsui Trust Bank, Ltd. owns the following shares as of November 30, 2023, the Company cannot confirm the number of shares actually owned as of March 31, 2024, so it is not included in the status of the above major shareholders.

(Contents of the Large-Scale Holdings Report)

Name/company name	Address	Stock holdings, etc. Number of (100 shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	10,511	3.04
Nikko Asset Management Corporation	9-7-1 Akasaka, Minato-ku, Tokyo	11,005	3.18

6. In the Report of Possession of Large Volume made available for public inspection as of March 11, 2024, it was stated that Asset Value Investors Limited held the following shares as of March 5, 2024. However, as the Company was unable to confirm the actual number of shares held as of March 31, 2024, they are not included in the Status of Major Shareholders above.

(Contents of the Large-Scale Holdings Report)

Name/company name	Address	Stock holdings, etc. Number of (100 shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Asset Value Investors Limited	Cavendish Square 2, London, UK	20,069	5.80

7. In the Revised Report on the Mass Holdings Report dated March 26, 2024, which is open to the public, NIPPON ACTIVE VALUE FUND PLC and its co-holders, NAVF Select LLC and Dalton Investments, Inc. Investments, Inc.) owns the following shares as of March 18, 2024. However with the exception of NIPPON ACTIVE VALUE FUND PLC, we are unable to confirm the number of shares effectively held as of March 31, 2024, so they are not included in the status of major shareholders above.

(Contents of the Large-Scale Holdings Report)

Name/company name	Address	Stock holdings, etc. Number of (100 shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
NIPPON ACTIVE VALUE FUND PLC	6th Floor, 125 London Wall, London, England	19,373	5.60
NAVF Select LLC	251 Little Falls Drive, Wilmington, New Castle County, Delaware USA	4,872	1.41
Dalton Investments, Inc.	9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA	8,695	2.51

(7) Voting rights

① Issued shares

As of March 31, 2024

Category	Number of shares (Shares)	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	Common 5,443,500 Shares	—	—
Shares with full voting rights (Other)	Common Shares 34,575,200	345,752	—
Shares less than one unit	Common Shares 22,738	—	—
Total number of issued shares	40,041,438	—	—
Number of voting rights held by all shareholders	—	345,752	—

② Treasury share, etc.

As of March 31, 2024

Name/company name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Ratio of number of shares held to total number of issued shares (%)
Eiken Chemical Co., Ltd.	4-19-9 Taito, Taito-ku, Tokyo	5,443,500	—	5,443,500	13.59
Total	—	5,443,500	—	5,443,500	13.59

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.: Acquisition of common shares pursuant to Article 155, Item 3 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors' Meeting

Category	Number of shares (shares)	Total value (yen)
Status of Resolutions at the Board of Directors Meeting (January 30, 2024) (Period of acquisition: January 31, 2024 ~ June 30, 2024)	2,700,000	5,400,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired in the current fiscal year	2,500,000	4,636,945,585
Total number and value of the remaining resolution shares	200,000	763,054,415
Percentage of non-exercise as of the end of the fiscal year under review (%)	7.4	14.1
Treasury shares acquired during the period under review	—	—
Percentage of non-exercise as of the date of submission (%)	7.4	14.1

(Note) The share buyback based on a resolution of the Board of Directors held on January 30, 2024 ended on March 19, 2024.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors' Meeting

Not applicable.

(4) Disposal of acquired treasury shares and number of Treasury shares held

Category	Current fiscal year		Current Period	
	Number of shares (shares)	Total amount of disposal value (Yen)	Number of shares (shares)	Total amount of disposal value (Yen)
Acquired treasury shares through an offer of underwriters	—	—	—	—
Acquired treasury shares that have been disposed of for cancellation	3,500,000	2,013,159,170	1,500,000	1,567,078,240
Treasury shares acquired through mergers, share exchanges, stock distributions, and transfers related to company splits	—	—	—	—
Other	69,117	32,844,150	—	—
Number of Treasury shares held	5,443,508	—	3,943,508	—

(Notes) 1. "Other" in the fiscal year under review is due to the disposal of Treasury share as restricted stock compensation (35,417 shares, total disposal price: 16,836,650 yen) and the exercise of stock options (33,700 shares, total disposal price: 16,007,500 yen).

2. Treasury shares for the period under review do not include shares due to a request for sale of less than one unit of shares from June 1, 2024 to the date of submission of this annual securities report.

3. The number of Treasury shares held during the period under review does not include shares purchased or requested for sale of less than one unit of shares from June 1, 2024 to the date of submission of this annual securities report.

3 Dividend Policy

The Company regards distribution of profits to its shareholders as one of the important management issues. Our Company's basic policies are to implement a stable dividend policy based on consideration for internal reserves required for reinforcement of our financial base and active business development, and to distribute profits by paying stable dividends twice annually in the form of an interim dividend and a year-end dividend. The Board of Directors considers the shareholder return policy as one of the policies that contribute to enhancing the corporate value of the Company. In addition, in its Articles of Incorporation, the Company has set the decision-making body regarding dividends from surplus as follows: "Dividends from surplus, etc., can be distributed by a resolution of the Board of Directors in accordance with regulations of Article 459, Paragraph 1 of the Companies Act."

The year-end dividend for the current fiscal year has been set at 26 yen per share. As we have already paid an interim dividend of 25 yen on December 1, 2023, dividends on an annual basis will amount to 51 yen per share.

In regard to per share dividends for the next fiscal year, we forecast ordinary dividends consisting of an interim dividend of 26 yen and a year-end dividend of 27 yen. Internal reserves will be used effectively from a mid to long-term perspective in investment for R&D aimed at strengthening our business structure, facilities investment, and efforts to improve business efficiency.

The dividends of surplus for the fiscal year under review are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 26, 2023 Resolution of the Board of Directors	927	25
May 9, 2024 Resolution of the Board of Directors	899	26

4 Corporate Governance

(1) Overview of corporate governance

① Basic views on corporate governance

Our corporate governance policy is based on our management philosophy, management vision, and motto.

The Company recognizes that enhancing corporate governance with a strong focus on the shareholders' perspective is one of its most important management issues, for the purposes of enhancing management soundness, speed and transparency and improving corporate value, and carries out activities to these ends.

② Overview of corporate governance system and reasons for adopting the system

By adopting the structure of a company with a Nominating Committee, the Company endeavors to realize prompt management decisions and business execution by Executive Officers, while the Board of Directors and the three committees (Nominating Committee, Compensation Committee, Audit Committee) continuously monitor the efficiency of business execution to achieve highly transparent and fair management.

(a) Board of Directors

The Board of Directors, consisting of eight Directors (five of whom are Outside Directors), delegates occupational authority within the scope of laws and regulations to the Executive Officers, and focuses on making decisions on important matters related to basic management policies such as the medium-term management plan and management policies, and supervising the status of business execution. The Board of Directors is chaired by Morifumi Wada, Chairman of the Board of Directors, and consists of three directors (Morifumi Wada, Tsugunori Notomi, and Hajime Watari) and five outside directors (Yukiya Hakozaiki, Kiyoshi Ishii, Kiyomi Nakamura, Akira Fujiyoshi, and Naoki Matsutake).

(b) Nominating Committee

The Nominating Committee determines the content and other matters related to proposals for the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, in light of the criteria for the nomination and dismissal of Directors. The committee is chaired by Kiyoshi Ishii, an outside director, and consists of one director (Tsugunori Notomi) and two outside directors (Kiyoshi Ishii and Yukiya Hakozaiki).

(c) Compensation Committee

The Compensation Committee determines policies for the determination of individual compensation for Directors and Executive Officers, as well as individual compensation. The committee is chaired by Outside Director Akira Fujiyoshi and consists of one director (Tsugunori Notomi) and two outside directors (Akira Fujiyoshi and Kiyoshi Ishii).

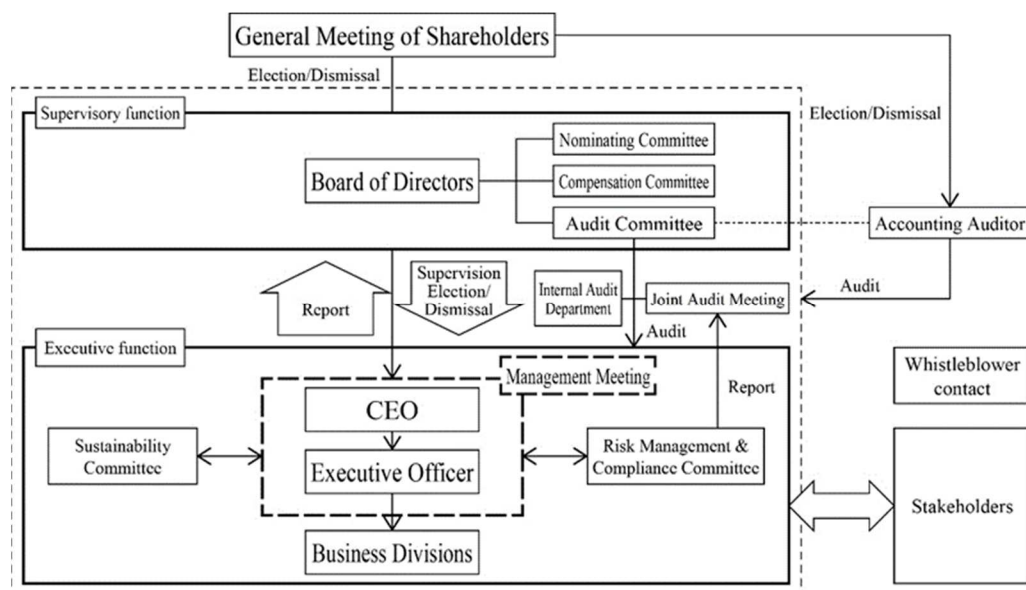
(d) Audit Committee

The Audit Committee determines matters related to basic policies and implementation plans for audits and the content and other matters related to proposals for the election and dismissal of the Accounting Auditor and the non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders. The committee is chaired by Outside Director Kiyomi Nakamura and consists of one director (Morifumi Wada) and three outside directors (Kiyomi Nakamura, Akira Fujiyoshi, and Naoki Matsutake).

(e) Business Execution Agencies, etc.

One Representative Executive Officer and nine Executive Officers are in charge.

A schematic diagram of the Company's corporate governance structure is as follows.



③ Other matters regarding corporate governance

The Company's basic policy for the development of internal control and risk management systems is as follows.

(a) Matters necessary for the execution of duties by the Audit Committee

a. Matters concerning the employees who should assist the Audit Committee in its duties

The Company shall establish an Audit Committee Secretariat to assist the Audit Committee in its duties, and the Internal Audit Department is in charge of such work.

b. Matters concerning the independence from Executive Officers of employees who should assist the Audit Committee in its duties

The Company shall ensure the independence of employees assigned to the Internal Audit Department from Executive Officers in accordance with its Internal Rules (Rules Concerning Employees Who Should Assist the Audit Committee in Its Duties). Transfers in and out of the department shall be decided in advance with the approval of the Audit Committee, and the Company shall ensure that no employee is treated unfavorably because of his or her duties with respect to personnel evaluations and salary.

c. Matters concerning ensuring the effectiveness of instructions given by the Audit Committee to the employees who should assist the Audit Committee in its duties

The Company shall ensure that employees assigned to the Internal Audit Department are not subject to undue restrictions in the performance of their duties. If any employee assigned to the Internal Audit Department is subject to undue restrictions from within or outside the Company when performing his or her duties, he or she must inform the Audit Committee or an Audit Committee member designated in advance by the Audit Committee, and request the lifting of the undue restrictions.

d. System for reporting to the Audit Committee by the Directors, Executive Officers, and employees, and system for reporting to the Audit Committee by Directors, etc. and employees of subsidiaries or persons who receive reports from such persons

The Company shall stipulate the matters to be reported to the Audit Committee in its Internal Rules (Rules on Reporting Information to the Audit Committee, etc.), and Directors (excluding Directors who are Audit Committee Members), Executive Officers, and employees, as well as Directors, etc. and employees of subsidiaries or persons who receive reports from such persons, shall report to the Audit Committee.

In addition, Audit Committee Members shall attend Board of Directors meetings and other important meetings to monitor the state of business execution and shall receive reports from each department at joint audit meetings held regularly. To ensure thorough compliance, the Company has established internal and external whistleblower contacts.

e. System for ensuring that persons who report to the Audit Committee are not subject to any disadvantageous treatment on

the basis of such report

The Audit Committee shall ensure that persons who make a report to the Audit Committee are not treated disadvantageously on the grounds of having made such report.

- f. Matters concerning procedures for prepayment or reimbursement of expenses incurred in the performance of duties by Audit Committee Members, and other policies pertaining to the settlement of expenses or liabilities incurred in the performance of such duties

When the Audit Committee entrusts advice, investigations, appraisals, or other administrative work to attorneys, certified public accountants, or other outside experts in order to conduct an audit, or when the Company receives a demand for advance payment of start-up costs or other expenses, reimbursement of expenses incurred after the fact, or other expenses, the Company must pay such expenses or settle such liabilities unless the expenses or liabilities pertaining to such demand are deemed unnecessary for the performance of the duties of the Audit Committee.

- g. Other systems to ensure that audits by the Audit Committee are conducted effectively

Members of the Audit Committee shall attend Board of Directors meetings and other important meetings in order to monitor the state of business execution, and shall give opinions as necessary, and facilitate the smooth execution of audit work. In addition, members of the Audit Committee shall confirm that the effectiveness of audits is being ensured through joint audit meetings, and ensure cooperation with the Accounting Auditor as necessary.

- (b) Systems to ensure that the execution of duties by Executive Officers complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the appropriateness of operations

- a. System to store and manage information pertaining to the execution of duties by Executive Officers

The Company shall store information pertaining to the execution of duties by Executive Officers, minutes and related materials, and other important information and documents, etc., in accordance with the Internal Rules for the storage and management of information and maintain them in a state that can be accessed as necessary.

- b. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries

The Company and its subsidiaries (the “Group”) shall formulate the Eiken Group Risk Management Regulations which systematically define the risk management of the Group and the risk of loss (“Risk”) associated with the promotion of Group operations, which shall be continuously monitored and managed by the Risk Management & Compliance Committee.

In addition, the Executive Officer in charge of risk management, whose duty it is to oversee company-wide risks, shall promptly and appropriately communicate information and establish an emergency response system in the event of an emergency in accordance with such regulations.

- c. System to ensure the execution of duties by Executive Officers of the Company and Directors of subsidiaries is conducted efficiently

Execution of important matters pertaining to the basic management policies of the Group shall be determined following deliberations by the Board of Directors. Business execution shall be conducted promptly and smoothly based on a proper chain of instructions and orders in accordance with the Rules for Executive Officers and the Rules on Administrative Authority.

The Board of Directors meets once a month, and holds extraordinary meetings on an ad hoc basis as necessary, to continuously monitor business execution efficiency.

In addition, the Company’s subsidiaries also stipulate occupational authority and perform their duties efficiently.

The Audit Committee monitors each internal control system and takes appropriate action to ensure the appropriateness of operations of the Eiken Group, which consists of the Company and its subsidiaries.

- d. System for reporting to the Company matters pertaining to the execution of duties by Directors, Executive Officers, and employees who execute business, etc. of the Company’s subsidiaries

Executive Officers in charge of the Company’s subsidiaries shall report to the Company’s Chief Executive Officer according the level of importance, etc., while respecting the autonomy and independence of the subsidiaries.

- e. System to ensure that the execution of duties by Executive Officers and employees of the Company and the Directors, etc. and employees of subsidiaries complies with laws, regulations and the Articles of Incorporation

The Eiken Group Global Code of Conduct and Eiken Group Compliance Regulations shall be established as codes of conduct to ensure Executive Officers and employees of the Company, as well as Directors, etc. and employees of subsidiaries

comply with laws, regulations and the Articles of Incorporation and act in accordance with social norms. Internal training shall also be conducted on an ongoing basis to in combination with the Rules on Administrative Authority to further enhance their effectiveness.

In addition, the Company and its subsidiaries shall each establish a Risk Management & Compliance Committee, as well as a Risk Management & Compliance Promotion Committee, as a subordinate body to the Risk Management & Compliance Committee that acts as an execution organization for each office and subsidiary. Through these Committees, the Company promotes corporate ethics and legal compliance, and continuously monitors legality and efficiency through Internal Audit Department audits, Risk Management & Compliance Committee meetings, and joint audit meetings.

(c) Development status of systems to ensure the appropriateness of operations at subsidiaries

The Company ensures the appropriateness of operations at subsidiaries by operating and managing subsidiaries by having Executive Officers concurrently serve as officers at subsidiaries, and by regularly reporting their business performance and the state of operation and management to the Board of Directors and the Management Committee.

④ Activities of the Board of Directors

During the fiscal year under review, the Company held 15 meetings of the Board of Directors, and the attendance of individual directors is as follows.

Name	Number of meetings held	Number of attendance
Morifumi Wada	15 times	15 times
Tsugunori Notomi	15 times	15 times
Hajime Watari	15 times	15 times
Shigeru Nomura	4 times	4 times
Yukiya Hakozaiki	15 times	15 times
Kiyoshi Ishii	15 times	15 times
Kiyomi Nakamura	15 times	15 times
Akira Fujiyoshi	15 times	15 times
Naoki Matsutake	11 times	11 times

(Notes) 1. Shigeru Nomura retired on June 27, 2023, so his attendance status is based on his resignation.

2. Naoki Matsutake was appointed to the Board of Directors on June 27, 2023, so this is the status of attendance after his appointment.

At meetings of the Board of Directors, in addition to making decisions on important matters relating to management policies, etc. and other basic management policies, resolutions were made on matters such as the launch of the contract inspection business. Furthermore, to supervise the status of business execution, the Board of Directors received reports on development strategies, investment plans, the details and outcome of deliberations by the Sustainability Committee, and the opinions of shareholders and investors gathered during investor relations activities.

⑤ Activities of the Nominating Committee

In the fiscal year under review, the Nominating Committee met seven times, and the attendance of individual Nominating Committee members is as follows.

Name	Number of meetings held	Number of attendance
Kiyoshi Ishii	7 times	7 times
Yukiya Hakozaiki	7 times	7 times
Tsugunori Notomi	7 times	7 times

The Nominating Committee reviewed and discussed the proposed candidates for the Board of Directors and for Chief Executive Officer, and the training of their successors. The main results of activities by the Nominating Committee are as follows.

The Committee simulated the future appointment and retirement of Outside Directors, and based on the results, the Committee partially revised the internal rules regarding the retirement age and term of office of Outside Directors, from the viewpoint of continuity of the Board of Directors and securing human resources. After confirming that there are no issues with the independence and neutrality of the candidate for new Outside Director and five candidates for reappointment as Outside Directors for the fiscal year ending March 31, 2025, and that they are well-balanced in terms of the skills matrix, the Committee decided eight candidates for the Board of Directors, including the reappointment of three internal Directors. In addition, the Committee presented the candidate for Chief Executive Officer to the Board of Directors, and encouraged discussions with the Chief Executive Officer and the Board of Directors regarding the selection and training of successor candidates for Chief Executive Officer. Through discussions, the Chief Executive Officer and the Board of Directors shared the view that the creation of a succession plan for not only the Chief Executive Officer but also future top management is an important matter that will affect the growth of the Company, and the Nominating Committee will continue to actively supervise and provide advice accordingly.

⑥ Activities of the Compensation Committee

In the fiscal year under review, the Compensation Committee met 10 times, and the attendance status of individual Compensation Committee members is as follows.

Name	Number of meetings held	Number of attendance
Akira Fujiyoshi	10 times	10 times
Kiyomi Nakamura	3 times	3 times
Kiyoshi Ishii	7 times	7 times
Tsugunori Notomi	10 times	10 times

(Notes) 1. Kiyomi Nakamura retired from the Compensation Committee on June 27, 2023, so this is the attendance status before his retirement.

2. Kiyoshi Ishii was appointed to the Compensation Committee on June 27, 2023, so this is the status of attendance after his appointment.

The Compensation Committee worked on two priority themes.

(a) Composition of compensation for Directors and Executive Officers

The compensation for Executive Officers consists of fixed compensation, performance-linked compensation, and restricted stock compensation, and the ratio of basic compensation, performance-linked compensation, and restricted stock compensation is 55%, 30%, and 15% as a model case. In addition, we are considering expanding the scope of restricted stock compensation to outside directors in conjunction with discussions on reviewing the Compensation system for executive officers.

(b) Improvement of content and method of goal setting

With regard to the setting of goals for executive officers, we have clarified the medium- to long-term goals that executive officers should work on to realize the management concept “EIKEN ROAD MAP 2030” and achieve the medium-term management plan, with a focus on reforms, in addition to the opinions of outside directors and recognition of issues. In addition, we will review and reform the compensation design to incentivize the reform of executive officers. Specifically, in addition to making compensation competitive, we are considering linking the compensation system to the stock price and the achievement rate of the medium-term management plan.

⑦ Activities of the Audit Committee

In the fiscal year under review, the Audit Committee met eight times, and the attendance status of individual Audit Committee members is as follows.

Name	Number of meetings held	Number of attendance
Shigeru Nomura	3 times	3 times
Kiyomi Nakamura	8 times	8 times
Akira Fujiyoshi	8 times	8 times
Naoki Matsutake	5 times	5 times
Morifumi Wada	8 times	8 times

(Notes) 1. Shigeru Nomura retired from the Audit Committee on June 27, 2023, so his attendance is based on his attendance before his retirement.

2. Naoki Matsutake was appointed to the Audit Committee on June 27, 2023, so this is the status of attendance after his appointment.

The Audit Committee has confirmed that governance and risk management are functioning properly by receiving regular reports from the Business Management Division, Production Division, Quality Control departments, and other departments in accordance with the Audit Committee Rules, as well as through quarterly opinion exchanges with the Chief Executive Officer and information exchange with the Accounting Auditor. The Internal Audit Department, which serves as the secretariat to the Audit Committee has audited the development and operation of internal control systems, and conducted business audits. The Audit Committee has also investigated and analyzed risks surrounding the business environment, shared information with executive departments and the Board of Directors, and endeavored to strengthen governance by confirming a system to respond immediately to risks. No material facts in violation of laws, regulations, or the Articles of Incorporation were found as a result of these activities in the execution of duties by Directors and Executive Officers during the fiscal year under review. The Audit Committee will collaborate with the Internal Audit Department and the Accounting Auditor to improve the effectiveness of the audit and the system, and will conduct audits to promote stronger governance to enhance corporate value and to earn trust from society.

⑧ Number of directors

The Company's Articles of Incorporation stipulate that there shall be no more than ten Directors and that at least two Directors shall be Outside Directors (meaning Outside Directors stipulated in Article 2, Item 15 of the Companies Act).

⑨ Overview of the content of liability limitation agreements

The Company has concluded a limited liability agreement with six Directors to limit their liability to compensate for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act. The limit of the liability under such agreements for Directors (excluding Executive Directors, etc.) shall be the greater of either 10 million yen or the amount prescribed in laws and regulations. Such limitation of liability shall apply only when the relevant Directors (excluding Executive Directors, etc.) have performed their duties, which is the cause of the liability, in good faith and without gross negligence.

⑩ Overview of the content of Directors and Officers Liability Insurance

The Company has taken out Directors and Officers Liability Insurance as prescribed in Article 430-3, Paragraph 1 of the Companies Act, naming all Directors, Executive Officers and officers of subsidiaries as the insured parties. Insurance premiums, including riders, are paid in full by the Company.

The insurance policy is designed to cover damages, etc. incurred by the insured Directors and Executive Officers, etc., due to claims for damages arising from the performance of their duties. However, certain exemptions such as damage caused by acts committed while acknowledging that such acts violate laws and regulations will not be covered.

⑪ Requirements for resolutions to elect Directors

The Company's Articles of Incorporation stipulate that Directors shall be elected by a resolution of the General Meeting of Shareholders and that the resolution for their election shall be adopted by a majority of the voting rights of shareholders present at the meeting, at which shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. Resolutions for the election of Directors shall not be conducted by cumulative voting.

⑫ Organization for determining dividends of surplus, etc.

The Company's Articles of Incorporation stipulate that matters set forth in each item of Article 459, Paragraph 1 of the Companies Act, including dividends of surplus, shall be decided by resolutions of the Board of Directors instead of resolutions of General Meeting of Shareholders, unless otherwise provided by laws and regulations. The purpose of this policy is to flexibly return profits to shareholders by giving the Board of Directors the authority to distribute dividends of surplus, etc.

⑬ Organization for determining the acquisition of Treasury shares

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc. by a resolution of the Board of Directors, pursuant to Article 165, Paragraph 2 of the Companies Act. The purpose of this policy is to flexibly repurchase treasury shares.

⑭ Exemption of Directors and Executive Officers from liability

The Company's Articles of Incorporation stipulate that the Company can, in cases where the statutory requirements are satisfied, exempt Directors (including former Directors) and Executive Officers (including former Executive Officers) from the indemnity liability pursuant to Article 423, Paragraph 1 of the Companies Act, limited to the balance of the indemnity liability amount reduced by the statutory minimum liability amount, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, by a resolution of the Board of Directors. The purpose of this policy is to create an environment in which Directors and Executive Officers can fully demonstrate their abilities and fulfill their expected roles in the execution of their duties.

⑮ Requirements for special resolution at the General Meetings of Shareholders

The Company's Articles of Incorporation stipulate that the requirements for special resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be passed by two-thirds of the voting rights of shareholders present at the meeting, at which shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this policy is to ensure the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at such meetings.

⑯ Matters to be resolved by the Board of Directors in cases where the Articles of Incorporation stipulate that such matters cannot be resolved at the General Meeting of Shareholders, and the reasons thereof

The Company's Articles of Incorporation stipulate that the matters listed in each item of Article 459, Paragraph 1 of the Companies Act shall not be determined by a resolution of the General Meeting of Shareholders. The purpose of this is to flexibly return profits to shareholders by giving the Board of Directors the authority to distribute dividends of surplus, etc.

(2) Status of Officers

15 males, 1 female (6.3% of executives are female)

(1) List of Officers

a. Status of Directors

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundred shares)
Director	Morifumi Wada	Date of birth: October 8, 1954	March, 1978 April, 2005	Joined the Company General Manager, Production Planning & Control Division, Production Division, and General Manager, Procurement Department of the Company	(Note 3)	29
			Jun 2006	Executive Officer of the Company		
			April, 2007	General Manager, Nogi Plant, Production Division of the Company		
			May 2007	General Manager, Togane Plant, Production Division of the Company		
			April, 2011	Vice President and Executive Officer of the Company		
			Jun 2011	Director of the Company		
			April 2012	General Manager, Sales Division of the Company		
			June 2014	President and CEO of the Company		
			June 2021	Chairman and CEO of the Company		
			June 2022	Chairman and Director of the Company (to present)		
			June 2023	Outside Director of ORGANO CORPORATION (to present)		
Director	Tsugunori Notomi	Date of birth: May 7, 1958	Apr. 1981 May, 2001	Joined the Company General Manager, DUG Unit Technology Development Department of the Company	(Note 3)	66
			October, 2005	Deputy General Manager, Biochemical Research Laboratory, R&D Division of the Company		
			April, 2009	General Manager, Biochemical Research Laboratory, R&D Division of the Company		
			April, 2009	Executive Officer of the Company		
			April, 2011	General Manager, Biochemical Research Laboratory-II, R&D Division of the Company		
			April 2018	General Manager, R&D Division of the Company		
			June 2018	Director of the Company (to present)		
			June 2018	Vice President and Executive Officer of the Company		
			April 2020	General Manager, R&D Division, and General Manager, Production Division of the Company		
			June 2020	Senior Vice President and Executive Officer of the Company		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundred shares)
			June 2021	President and CEO of the Company (to present)		
Director	Hajime Watari	Date of birth: October 17, 1960	March, 1985 April, 2013	Joined the Company General Manager, Strategic Planning & Business Development Department, Corporate Strategy Office of the Company	(Note 3)	102
			June 2014	General Manager, Overseas Sales Office, Sales Division of the Company		
			April, 2015	Executive Officer of the Company		
			April, 2016	General Manager, Global Sales & Business Development Division of the Company		
			April 2020	General Manager, Business Management Division, and General Manager, Global Business Division of the Company		
			June 2020	Director of the Company (to present)		
			June 2020	Vice President and Executive Officer of the Company		
			June 2021	Senior Vice President and Executive Officer of the Company (to present)		
			April 2022	General Manager, Business Management Division (to present)		
			November 2023	Director, EIKEN MEDICAL AMERICA INC. (to present)		

Job Title	identity	Date of birth	Biography		tenure	Number of shares held (100 shares)
Director	Yukiya Hakozaki	Date of birth: October 17, 1954	June 1983 Aug. 1987 1997.10 Aug 2000 Aug 2004 December, 2006 October, 2014 November 2014 June 2015 April 2017 April 2021 June 2022	Japan Self Defense Forces Fuji Hospital Medical Director Gastroenterological Medicine, Japan Self Defense Forces Central Hospital Section Chief, Research and Examination Department, General Manager, Endoscope Office, Japan Self Defense Forces Central Hospital Director, First Section, Department of Internal Medicine and Chief of Health Care Center, JSDF Hanshin Hospital Medical officer, Overseeing and Directing Department, JGSDF Western Army Head, Internal Medicine, First Section, Self Defense Forces Central Hospital (Medical treatment secretary) Retired President, Genkikai-Yokohama Hospital (Medical Corporation) Outside Director of the Company (to present) Visiting Professor, Tokyo Metropolitan University (to present) Advisor, Medical corporation Reiju medock General Examination Clinic Chairman, IEMS-Japan (to present)	(Note 3)	—

Director	Kiyoshi Ishii	Date of birth: October 24, 1952	Apr. 1977	Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)	(Note 3)	—
			April, 2005	Associate Director, Division Director, Defense System Business Division, Aero Engine & Space Business Headquarters, Ishikawajima-Harima Heavy Industries, Co., Ltd.		
			April, 2007	Executive Officer, Vice President, Aero Engine & Space Business Headquarters, and Division Director, Defense System Business Division, Ishikawajima-Harima Heavy Industries Co., Ltd.		
			April, 2008	Senior Managing Director, Ai Eichi Ai AEROSPACE Co., Ltd. (currently IHI AEROSPACE Co., Ltd.)		
			Jun 2008	President, Ai Eichi Ai AEROSPACE Co., Ltd.		
			Jun 2012	Chairman, IHI AEROSPACE Co., Ltd. (part-time)		
			Jun 2012	President, and Chief Executive Officer, MEISEI ELECTRIC CO., LTD.		
			June 2013	Director, IHI AEROSPACE Co., Ltd. (part-time)		
			June 2016	Advisor, MEISEI ELECTRIC CO., LTD.		
			July 2018	Advisor, IHI Corporation		
			June 2019	Outside Director of the Company (to present)		
Director	Kiyomi Nakamura	Date of birth: October 31, 1968	February 2020	Outside Director, Kyowa Seiki Co., Ltd. (to present)	(Note 3)	—
			Apr. 1998	Registered as attorney-at-law		
			Apr. 1998	Joined Takao Ono Law Office (currently ONO SOGO LEGAL PROFESSION CORPORATION)		
			Jan 2008	Partner, Akitoshi Ishimoto Law Office		
			June 2019	Outside Director of the Company (to present)		
			June 2020	Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (to present)		
			May 2022	Partner, HORIZON LAW OFFICE (to present)		

Job Title	identity	Date of birth	Biography		tenure	Number of shares held (100 shares)
Director	Akira Fujiyoshi	Date of birth: March 19, 1954	Apr. 1976 Aug. 1988 Apr. 1997 April, 2000 July, 2003 Jun 2006 Jun 2009 June 2014 March 2017 October, 2019 June 2020	Joined Eisai Co., Ltd. (R&D) Seconded to Eisai America, Inc., U.S. subsidiary of Eisai Co., Ltd. Seconded to Eisai Research Institute of Boston Inc., U.S. subsidiary of Eisai Co., Ltd. General Manager, Planning Group, Research and Development Planning Department of Eisai Co., Ltd. General Manager, IR Group, Public Relations Department of Eisai Co., Ltd. Corporate Officer in charge of Corporate Communications and IR of Eisai Co., Ltd. Director, Member of the Audit Committee of Eisai Co., Ltd. Adviser of Eisai Co., Ltd. Independent Director, SEMBA CORPORATION External Auditor & Supervisor, Heartseed Inc. (to present) Outside Director of the Company (to present)	(Note 3)	—
Director	Naoki Matsutake	Date of birth: June 30, 1958	Apr. 1987 March, 1993 Jun 2003 March 2016 June 2023	Registered as Certified Public Accountant Representative Director, Kazu Corporation Co., Ltd. (to present) Corporate Auditor, BP Castrol K.K. Outside Director (Audit and Supervisory Committee Member), BP Castrol K.K. Outside Director of the Company (to present)	(Note 3)	—
Total						198

(Notes) 1. Yukiya Hakozaiki, Kiyoshi Ishii, Kiyomi Nakamura, Akira Fujiyoshi, and Naoki Matsutake are five outside directors.

2. The Company's committee structure is as follows.

Nominating Committee Members: Kiyoshi Ishii, Yukiya Hakozaiki, Tsugunori Notomi

Compensation Committee Members: Akira Fujiyoshi, Kiyoshi Ishii, Tsugunori Notomi

Audit Committee Members: Kiyomi Nakamura, Akira Fujiyoshi, Naoki Matsutake, Morifumi Wada

3. One year from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 25, 2024

b. Status of Executive Officers

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundred shares)
President & CEO	Tsugunori Notomi	May 7, 1958	a. Refer to the status of directors		(Note)	66
Senior Vice President and Executive Officer and General Manager of Corporate Administration	Hajime Watari	October 17, 1960	a. Refer to the status of directors		(Note)	102
Vice President and Executive Officer and General Manager, Sales Division	Naomichi Harada	December 17, 1960	<p>April 1986 July 2007</p> <p>April 2010</p> <p>April 2013</p> <p>October 2013</p> <p>January 2017</p> <p>January 2017</p> <p>April 2019</p> <p>June 2021</p>	<p>Joined the Company General Manager, Kyoto Sales Office, Sales Division of the Company</p> <p>General Manager, Nagoya Sales Office, Sales Division of the Company</p> <p>General Manager, Sales Administration Office, Sales Division of the Company</p> <p>General Manager, Planning Department, Sales Administration Office, Sales Division of the Company</p> <p>Appointed Executive Officer of the Company</p> <p>General Manager, Sales Division of the Company (to present)</p> <p>General Manager, Domestic Sales Office of the Company</p> <p>Appointed Vice President and Executive Officer of the Company (to present)</p>	(Note)	33
Vice President and Executive Officer and General Manager of the R&D Division	Hidetoshi Kanda	May 1, 1960	<p>March 1985 April 2009</p> <p>April 2011</p> <p>April 2016</p> <p>April 2018</p> <p>April 2020</p> <p>April 2020</p> <p>June 2021</p> <p>June 2023</p> <p>April 2024</p>	<p>Joined the Company General Manager, Department II, Biochemical Research Laboratory, R&D Division of the Company</p> <p>General Manager, Department I, Biochemical Research Laboratory-II, R&D Division of the Company</p> <p>General Manager, Planning Development Department, R&D Division of the Company</p> <p>General Manager, Fundamental Research Laboratory, R&D Division of the Company</p> <p>General Manager, Biochemical Research Laboratory-I, R&D Division and General Manager, Fundamental Research Laboratory of the Company</p> <p>Appointed Executive Officer of the Company</p> <p>General Manager, R&D Division, and General Manager, Fundamental Research Laboratory of the Company</p> <p>Vice President and Executive Officer of the Company (to present)</p> <p>General Manager of the R&D Division (to present)</p>	(Note)	53

Executive Officer, General Manager of Internal Audit Office	Shinya Sadamoto	October 12, 1961	March, 1984	Joined the Company	(Note)	26
			April, 2009	General Manager, Department III, Biochemical Research Laboratory, R&D Division of the Company		
			April, 2011	General Manager, Department III, Biochemical Research Laboratory-I, R&D Division of the Company		
			April 2012	Appointed Executive Officer of the Company (to present)		
			April 2012	General Manager, Biochemical Research Laboratory-I, R&D Division of the Company		
			June 2014	General Manager, Development Department, R&D Division of the Company		
			April, 2015	General Manager, Quality Assurance Division of the Company		
			April 2022	General Manager, President's Office of the Company		
			April 2024	General Manager of the Internal Audit Office (to present)		

Job Title	identity	Date of birth	Biography		tenure	Number of shares held (100 shares)
Executive Officer, General Manager of Production Management Department , General Manager of Production Control Office , and General Manager of Quality Assurance Office	Michitoshi Doi	November 11, 1961	<p>April 1988 April 2013</p> <p>April 2016</p> <p>April 2018</p> <p>April 2021</p> <p>April 2021</p> <p>April 2022</p> <p>April 2024</p>	<p>Joined the Company General Manager, Administration Department II, Production Planning & Control Division, Production Division of the Company</p> <p>General Manager, IT Planning Department, IT Planning Promotion Office, Business Management Division of the Company</p> <p>General Manager, IT Planning Promotion Office, Business Management Division and General Manager, IT Planning Department of the Company</p> <p>Appointed Executive Officer of the Company (to present)</p> <p>General Manager, Production Division and General Manager, IT Planning Promotion Office, Business Management Division and General Manager, IT Planning Department of the Company</p> <p>General Manager, Production Division and General Manager, Production Management Office of the Company</p> <p>General Manager of Production Management Department, General Manager of Production Control Office, and General Manager of Quality Assurance Office (to present)</p>	(Note)	42
Executive Officer, General Manager, General Manager, Sales Promotion Office, Sales Division	Tetsuya Takahashi	May 22, 1963	<p>Apr. 1986 Apr 2010</p> <p>April, 2013</p> <p>April, 2015</p> <p>April 2017</p> <p>April 2021</p> <p>April 2021</p> <p>April 2023</p>	<p>Joined the Company General Manager, Takamatsu Sales Office, Sales Division of the Company</p> <p>General Manager, Nagoya Sales Office, Domestic Sales Office, Sales Division of the Company</p> <p>General Manager, Sales Promotion Department, Sales Administration Office, Sales Division of the Company</p> <p>General Manager, Sales Administration Office, Sales Division of the Company</p> <p>Appointed Executive Officer of the Company (to present)</p> <p>General Manager, Marketing Promotion Office of the Company</p> <p>General Manager, Sales Promotion Office, Sales Division of the Company (to present)</p>	(Note)	49

Executive Officer, General Manager, Overseas Planning and Sales Office, Sales Division	Yasuyoshi Mori	July 19, 1967	May 1995	Joined the Company	(Note)	26
			April, 2015	General Manager, Department I, Biochemical Research Laboratory-II, R&D Division of the Company		
			April 2018	General Manager, Biochemical Research Laboratory-II and General Manager, Department I, R&D Division of the Company		
			April 2020	General Manager, Biochemical Research Laboratory-II and General Manager, Department II, R&D Division of the Company		
			April 2021	Appointed Executive Officer of the Company (to present)		
			April 2021	General Manager, Biochemical Research Laboratory-II, R&D Division of the Company		
			April 2022	General Manager, Global Sales & Business Development Division, Sales Division of the Company		
			April 2023	General Manager, Overseas Planning and Sales Office, Sales Division of the Company		
			June 2023	General Manager, Overseas Planning and Sales Office, and General Manager, Chinese Business Division, Sales Division of the Company		
Executive Officer, General Manager, General Manager, Marketing Office, Sales Division	Yuji Segawa	November 7, 1965	June 2023	Chairman of the Board of Directors of EIKEN CHINA CO., LTD (to present)	(Note)	26
			April 2024	General Manager, Overseas Planning and Sales Office, Sales Division of the Company (to present)		
			Apr. 1990	Joined Sony Corporation		
			Jul 2013	Joined the Company		
			June 2014	General Manager, Department II, Biochemical Research Laboratory-II, R&D Division of the Company		
			April 2020	General Manager, Applied Technology Research Laboratory, R&D Division of the Company		
			April 2022	Appointed Executive Officer of the Company (to present)	(Note)	26
			April 2023	General Manager, Marketing Office, Sales Division of the Company (to present)		

Executive Officer, General Manager, Nogi Plant, Production Division	Hiroyasu Furuhashi	July 12, 1963	April 1988	Joined the Company	(Note)	80
			April 2015	General Manager, Quality Control Department, Nasu Plant, Production Division of the Company		
			April 2018	General Manager, Quality Control Department, Nogi Plant, Production Division of the Company		
			April 2021	General Manager, Nogi Plant, Production Division of the Company		
			April 2022	General Manager, Nogi Plant, Production Division and General Manager, Quality Assurance Office of the Company		
			April 2023	Appointed Executive Officer of the Company of the Company (to present)		
			April 2024	General Manager, Nogi Plant, Production Division of the Company (to present)		
Total						505

(Note) One year from the conclusion of the first meeting of the Board of Directors held after the conclusion of the General Meeting of Shareholders held on June 25, 2024.

(2) Status of Outside Officers

Of the Company's eight directors, the following five are Outside Directors.

Name	Employer and Title	Personal, capital and business relationships or other interests with the Company
Yukiya Hakozaiki	Visiting Professor, Tokyo Metropolitan University President, Japan International Organization for Emergency Medical Care and Health	None. Satisfies the “Standards for the Independence of Outside Directors” established by the Company’s Nominating Committee.
Kiyoshi Ishii	Outside Director, Kyowa Seiki Co., Ltd.	None. Satisfies the “Standards for the Independence of Outside Directors” established by the Company’s Nominating Committee.
Kiyomi Nakamura	Partner, HORIZON LAW OFFICE Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd.	None. Satisfies the “Standards for the Independence of Outside Directors” established by the Company’s Nominating Committee.
Akira Fujiyoshi	External Auditor & Supervisor, Heartseed Inc.	None. Satisfies the “Standards for the Independence of Outside Directors” established by the Company’s Nominating Committee.
Naoki Matsutake	Representative Director of Kazu Corporation	None. Satisfies the “Standards for the Independence of Outside Directors” established by the Company’s Nominating Committee.

Outside Director Yukiya Hakozaiki is a medical doctor. Although he has not been involved in company management by means other than serving as Outside Director, he has actively provided advice and opinions about management from an independent and objective standpoint at the Company’s Board of Directors’ meetings, utilizing his professional knowledge, experience and profound insight as a medical doctor gained through his career. Further, he has contributed to active discussions at the Nominating Committee by actively expressing his opinions in the process of appointing Directors and CEO. Given his extensive knowledge and achievements, the Company believes that he is qualified to serve as an Outside Director.

Outside Director Kiyoshi Ishii has been engaged in corporate management for many years in the aerospace business and has abundant experience and extensive knowledge in corporate management in such business. He has actively provided advice and opinions at the Company’s Board of Directors’ meetings about management from an independent and objective standpoint based on his profound insight in corporate management gained through his career. Further, he has made a significant contribution to strengthening the management and personnel functions as Chairman of the Nominating Committee by giving advice as necessary about a decision on executive appointment that has transparency, fairness and rationality as well as discussions on operation policies of the Nominating Committee with the focus on succession plans, etc. As a member of the Compensation Committee, he contributes significantly to the strengthening of the management and human assets function by providing necessary advice as appropriate in deliberations on specific compensation amounts and revisions to the executive compensation system. Given his extensive knowledge and achievements, the Company believes that he is qualified to serve as an Outside Director.

Outside Director Kiyomi Nakamura is an attorney-at-law. Although she has not been involved in company management by means other than serving as Outside Director, she has provided advice at the Company’s Board of Directors’ meetings about management from an independent and objective standpoint based on her abundant experience and extensive knowledge related to the legal profession gained through her career, and has contributed to the enhancement of the Company’s corporate governance. Further, she has made a substantial contribution to the maintenance and strengthening of audit functions by auditing the business execution of Directors and Executive Officers at a company with a nominating committee, etc. as Chairman of the Audit Committee as well as having discussions at the Audit Committee about matters referred to the Board of Directors, matters determined to need monitoring by the Audit Committee, etc. from the viewpoint of legality and validity. Given her extensive knowledge and achievements, the Company believes that she is qualified to serve as an Outside Director.

She is also deeply knowledgeable about gender issues, and she was Vice Chairperson of the Sexual Equality Commission of the Tokyo Bar Association from 2017 until March 2021 and has been active as a member of the said commission since April 2021.

Outside Director Akira Fujiyoshi has been engaged in research and development, overseas business, IR, and other activities at a major pharmaceutical company for many years and has abundant experience and extensive knowledge in corporate management in such business. He has actively provided advice and opinions at the Company's Board of Directors' meetings about management from an independent and objective standpoint based on his profound insight in corporate management and the pharmaceutical industry gained through his career. Further, he has made a substantial contribution to the maintenance and strengthening of audit functions by auditing the business execution of Directors and Executive Officers at a company with a nominating committee, etc. as a member of the Audit Committee as well as having discussions at the Audit Committee about matters referred to the Board of Directors, matters determined to need monitoring by the Audit Committee, etc. from the viewpoint of legality and validity. As Chairman of the Compensation Committee, he has made a significant contribution to strengthening the management and personnel functions by giving advice as necessary at discussions about specific Compensation amounts, revisions of the executive Compensation system, etc. Given his extensive knowledge and achievements, the Company believes that he is qualified to serve as an Outside Director.

Outside Director Naoki Matsutake is a certified public accountant and has professional knowledge and abundant experience in finance and accounting. As a management consultant, he also has a track record of contributing to the improvement of corporate governance and the enhancement of audit systems at listed companies. Further, he has made a substantial contribution to the maintenance and strengthening of audit functions by auditing the business execution of Directors and Executive Officers at a company with a nominating committee, etc. as a member of the Audit Committee as well as having discussions at the Audit Committee about matters referred to the Board of Directors, matters determined to need monitoring by the Audit Committee, etc. from the viewpoint of legality and validity. The Company expects that he will provide advice from an independent and objective standpoint, further strengthen corporate governance, oversee and supervise management utilizing his profound management insight gained through his career, and believes that he is qualified to serve as an Outside Director.

The five Outside Directors are designated as independent Directors as provided for by the regulations of the Tokyo Stock Exchange, as they have no direct conflicts of interest with the management team that executes the business and there is no risk of a conflict of interest with general shareholders. The Outside Directors also concurrently serve as members of the Nominating, Audit, and Compensation Committees. At meetings of the Board of Directors and each Committee meetings, they provide useful advice and suggestions as appropriate, on the monitoring and supervision of the Company's management and the Company's corporate governance from a standpoint that is independent of the Company.

Outside Directors who concurrently serve as members of the Audit Committee collaborate with the Internal Audit Department and the Accounting Auditor as described in "3) Cooperation in supervision or auditing and internal audits by Outside Directors or the Audit Committee, Audit Committee audits, and accounting audits, and the relationship with the Internal Control Department." Outside Directors also receive regular reports from the Risk Management & Compliance Committee and continuously monitor the Company's risks and its responses thereto.

The Company has established the following standards for independence for the election of Outside Directors.

[Standards for the Independence of Outside Directors]

In order for the Outside Directors of the Company to be recognized as independent, they should not fall under any of the following categories.

1. Any person who does not fall under legal stipulations
2. Any person whose major business partner is the Company (any person who received a payment from the Company an amount 2% or more of the person's annual consolidated sales for the most recent business year, or 100 million yen a year, whichever is greater)
3. Any person who is a major business partner of the Company (any person who paid the Company an amount equivalent to 2% or more of the Company's annual consolidated sales for the most recent business year, or any person who provided the Company with a loan of an amount equivalent to 2% or more of the Company's consolidated total assets for the business year)
4. Any consultant, accounting expert such as certified public accountant, legal expert such as attorney-at-law, or other expert who receives money or other assets exceeding a certain amount (Note 1) from the Company, in addition to his or her compensation as a Director
5. Any person who receives donations or subsidies exceeding a certain amount (Note 1) from the Company
6. Major shareholders of the Company (who hold 10% or more of the total number of voting rights of the Company directly or indirectly)
7. Any person who belongs to an auditing firm who conducts audit of the Company
8. If a business executive (Note 2) of the Company currently holds or held a position as Outside Director at another company, any person who is a business executive (Note 2) of that company
9. If a person falling under one of the categories listed in the above items 2 through 6 is a corporation, association or other organization, any person who is a business executive (Note 2) of that corporation, association or other organization
10. Any person falling under one of the categories listed in the above items 2 through 9 in the past 3 years
11. If a person falling under one of the categories listed in the above items 2 through 10 is an important person (Note 3), that person's spouse or family within the second degree of kinship

(Notes) 1: Where it reads "certain amount," this means "10 million yen a year."

2: Where it reads "business executive," this means "Director (excluding Outside Director), Executive Officer, Operating Officer, employees who execute the Company's business, Associate Director (excluding Outside Associate Director), and other similar managerial staff and employees, etc. who performs job duties."

3: Where it reads "important person," this means "Director, Executive Officer, Operating Officer, and other important employee."

- 3) Cooperation in supervision or auditing and internal audits by Outside Directors or the Audit Committee, Audit Committee audits, and accounting audits, and the relationship with the Internal Control Department

With regard to the internal audits of the Company, regular joint audit meetings are held with the cooperation of the Audit Committee and the Internal Audit Department at which reports are received from each department.

The Audit Committee collaborates with the Accounting Auditor by receiving an annual plan for audits and quarterly reviews and reports on the results of quarterly and year-end audits from the Accounting Auditor.

(3) Status of Audits

① Status of Audit Committee Audits

As of the filing date of this Report, the Audit Committee consists of four Directors (three of whom are Outside Directors) and monitors each internal control system and takes appropriate actions to ensure the appropriateness of operations of the Eiken Group, which consists of the Company and its subsidiaries. Audit Committee Members attend important meetings, including meetings of the Board of Directors, to monitor the state of business execution and provide opinions as necessary. Audit Committee Members also ensure the effectiveness of audits by receiving reports from each department at the meetings of the Joint Audit Conference (held four times in the fiscal year under review). Mr. Naoki Matsutake, an Audit Committee Member, is a certified public accountant and has considerable knowledge of finance and accounting. In addition, the Company has established an Audit Committee Secretariat to assist the Audit Committee in its duties, and has assigned two employees of the Internal Audit Department to be in charge of such work. The Audit Committee held eight meetings during the fiscal year under review, and the attendance of individual Audit Committee members was as follows.

Name	Number of meetings attended/ number of meetings held (Note 1)	Attendance rate (Note 1)
Shigeru Nomura (Note 2)	3 times / 3 times	100%
Kiyomi Nakamura	8 times / 8 times	100%
Akira Fuji Yoshi	8 times / 8 times	100%
Naoki Matsutake (Note 3)	5 times / 5 times	100%
Morifumi Wada	8 times / 8 times	100%

(Notes) 1. Based on the number of days held during the term of office in the current fiscal year.

2. Shigeru Nomura retired on June 27, 2023.

3. Naoki Matsutake appointed to the Audit Committee on June 27, 2023.

The Audit Committee principally considers the formulation of audit policies and plans, the status of execution of duties by Directors and Executive Officers, the status of development and operation of internal control systems, and the appropriateness of the Accounting Auditor's audit methods and audit results.

The Audit Committee collaborates with the Accounting Auditor by receiving annual plans for audits and quarterly reviews and reports on the results of quarterly and year-end audits from the Accounting Auditor, discussing key audit matters, and by being present at audits conducted by the Accounting Auditor as necessary.

② Status of Internal Audits

a. Regarding internal audits, as of the filing date of this Report, the Internal Audit Department, which consists of three members, is responsible for internal audits as an organization under the direct control of the President & CEO. Based on an annual plan, employees in charge of audits conduct internal audits of the Company's compliance with various standards, including internal audits of the status of internal controls relating to financial reporting, point out improvements in management efficiency and operations, and confirm the status of initiatives by the audited departments in response to requests for improvement.

In addition, internal environmental and quality audits in accordance with ISO standards are regularly conducted by internal auditors qualified by the Company.

b. Each department reports the results of internal audits by the Internal Audit Department and the results of internal environmental and quality audits in accordance with ISO standards to the Audit Committee at the meeting of the Joint Audit Conference, and information is also regularly shared with the Accounting Auditor.

④ Status of Accounting Audits

a. Name of the audit firm

Ernst & Young ShinNihon LLC

b. Continuous Audit Period

37 years

(Note) The Company has had an audit engagement contract with Ernst & Young ShinNihon LLC since 1988 (known as Showa Ota & Co at that time).

c. Engagement certified public accountants

Designated Engagement Partner Shigeru Sekiguchi

Designated Engagement Partner Saori Nakata

d. Other personnel engaged in assisting the accounting audit

The Company's accounting audit operations are assisted by 5 certified public accountants and 14 others.

e. Audit Firm Selection Policy and Reasons

The Company has confirmed each item in the “Report to Audit Committee Members on the Accounting Auditor’s Performance of Duties” and “Quality Control System” reported by the audit firm, and has determined that the accounting audit of the Company can be performed under appropriate quality control, and has decided to continue to employ (reappoint) the audit firm.

If the Audit Committee determines that the dismissal or non-reappointment of the Accounting Auditor is necessary, such as when there are impediments to the performance of the Accounting Auditor’s duties, the dismissal or non-reappointment of the Accounting Auditor shall be the purpose of a General Meeting of Shareholders. In addition, the Audit Committee shall dismiss the Accounting Auditor based on the consent of all Audit Committee Members if the Accounting Auditor is deemed to fall under any of the items in Article 340, Paragraph 1 of the Companies Act. In this case, the Audit Committee Member selected by the Audit Committee shall report the dismissal of the Accounting Auditor and the reasons for dismissal at the first General Meeting of Shareholders convened after dismissal.

f. Evaluation of the audit firm by the Audit Committee

The Audit Committee conducts periodic reviews of audit firms, confirms the results of external evaluations by the Financial Services Agency and the Japanese Institute of Certified Public Accountants, and formulates and confirms the “Checklist for Determining the Adequacy of Audit Firm’s Audit” in accordance with the “Practical Guidelines for Auditors Concerning the Evaluation of Accounting Auditors and the Formulation of Selection Standards” (Japan Audit & Supervisory Board Members Association). We have determined that the audit firm is appropriate as the accounting auditor of the Company.

(4) Details of audit compensation, etc.

a. Compensation for Auditing Certified Public Accountants, etc.

Category	Previous Consolidated Fiscal Year		Consolidated fiscal year	
	Compensation based on audit certification work (Millions of yen)	Compensation based on non-audit work (Millions of yen)	Compensation based on audit certification work (Millions of yen)	Compensation based on non-audit work (Millions of yen)
Reporting company	42	—	42	—
Consolidated Subsidiaries	—	—	—	—
Total	42	—	42	—

b. Compensation for organizations belonging to the same network (Ernst & Young) as auditing certified public accountants, etc. (excluding a.)

Category	Previous Consolidated Fiscal Year		Consolidated fiscal year	
	Compensation based on audit certification work (Millions of yen)	Compensation based on non-audit work (Millions of yen)	Compensation based on audit certification work (Millions of yen)	Compensation based on non-audit work (Millions of yen)
Reporting company	—	—	—	—
Consolidated Subsidiaries	—	2	—	1
Total	—	2	—	1

The content of non-audit work at consolidated subsidiaries is entrusted with tax-related advisory services, which are non-audit services (non-audit work) other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, and compensation is paid.

c. Details of compensation based on other important audit certification services

Not applicable.

d. Policy for Determining Audit Fees

Not applicable.

e. Reasons why the Audit Committee agreed to the Compensation of the Accounting Auditor

The Audit Committee gave its consent under Article 399, Paragraph 1 of the Companies Act to the fees, etc. for the Accounting Auditor proposed by the Board of Directors on the grounds that it confirmed the Accounting Auditor's audit team structure, audit plan, audit implementation status, audit remuneration estimates, etc. based on the Practical Guidelines for Cooperation with Accounting Auditors issued by the Japan Audit & Supervisory Board Members Association, and determined that the fees, etc. for the Accounting Auditor were appropriate based on the result of comparisons with previous fees, etc.

(4) Compensation of Officers, etc.

① Policy for determining the Compensation of Directors and Executive Officers by the Compensation Committee, and the details of such policy

The Company is a company with a Nominating Committee, etc., and remuneration for individual Directors and Executive Officers is determined by a resolution of the Compensation Committee, the majority of which are Outside Directors.

The amount of remuneration, etc. for the Company's officers for the fiscal year under review was thoroughly discussed and resolved by the Compensation Committee at a meeting held on June 20, 2023.

a) Basic Policy

The criteria for determining remuneration for Directors and Executive Officers takes into consideration their responsibilities according to their position and their executive duties, the Company's business performance, the business environment, and the world's standards, aiming to motivate them to improve the Group's business performance and to contribute to increasing shareholder value.

b) Specific Policies

Compensation for Directors and Executive Officers consists of fixed compensation, performance-linked compensation, and restricted stock compensation. The ratio of basic compensation, performance-linked compensation, and restricted stock compensation is 55%:30%:15% as a model case. However, the actual percentage of the payment may vary from person to person. In accordance with the resolution of the Compensation Committee held on May 23, 2024 to introduce a restricted stock compensation plan, the stock-based compensation system has been abolished. In addition, the compensation of outside directors, who are independent of business execution, is not linked to business performance and is only fixed compensation. Specifically, it is as follows.

a) Fixed Compensation

A certain amount of fixed remuneration is paid monthly based on each Director's or Executive Officer's position and duties

b) Performance-linked compensation

Performance-based remuneration is paid to full-time Directors and Executive Officers as an incentive to continuously improve performance each fiscal year, and the total amount is determined using the degree of achievement of consolidated net sales and consolidated operating profit targets for the current fiscal year and the degree of improvement from the previous fiscal year, as well as ROE, a management indicator valued by the Company, as evaluation indicators. Furthermore, performance-based remuneration for Executive Officers is paid by evaluating the degree of achievement of individual targets for the duties each Executive Officer is in charge of, in order to take into account as evaluation criteria the degree of achievement of strategic targets that cannot be measured by financial performance figures, such as efforts to rebuild the business foundation to achieve sustainable growth. The targets and results of the evaluation indicators for the fiscal years ended March 31, 2023 and 2024 are as follows.

Evaluation indicators	Fiscal Year Ended March 2023		Fiscal Year Ending March 2024	
	targets	results	targets	results
Consolidated net sales (Millions of yen)	40,000	43,271	42,000	40,052
Consolidated operating profit (Millions of yen)	4,540	7,457	5,380	3,377
ROE(%)	7.8	12.1	8.4	5.6

c) Restricted stock compensation

In order for directors and executive officers to work with a strong awareness of the sustainable improvement of shareholder value and corporate value over the medium to long term, we have clarified incentives and resolved to introduce a restricted stock compensation plan at the Compensation Committee meeting held on November 18, 2022, with the aim of sharing shareholder value with shareholders.

Eligible directors and executive officers shall pay all monetary claims paid by the Company under this plan as in-kind contributions, and shall be issued or disposed of in the Company's Common shares. The paid-up amount per share shall be determined by the Board of Directors on the basis of the closing price of the Company's common shares on the Tokyo Stock Exchange (or, if the transaction is not concluded on the same day, the closing price of the most recent trading day prior to the closing price) on the business day prior to the date of resolution of the Board of Directors, to the extent that the amount is not particularly favorable to the allottees who subscribe for the common shares. In addition, in issuing or disposing of the Company's common shares under the Plan, the Company and the Allotment Target Party shall enter into a Restricted Stock Allotment Agreement, which shall be as follows: (1) The Allotment directors and executive officers shall not transfer to a third party, establish a security interest, or otherwise dispose of the Company's common shares allotted under the Restricted Stock Allotment Agreement for a certain period of time specified in advance; (2) In the event of certain events, the Company may acquire the Common shares free of charge.

At the Compensation Committee meeting held on November 18, 2022, the Company resolved to introduce a restricted stock compensation plan and abolished the stock compensation-type stock option plan.

② Reasons why the Compensation Committee determined that the details of individual compensation, etc., of directors and executive officers were in line with the determination policy.

The Compensation Committee held a total of ten meetings during the fiscal year under review. At its May and June 2023 meetings, the Compensation Committee discussed the Company's performance for the previous fiscal year, the status of achievement of performance targets by each officer, the evaluation of Executive Officers by Outside Directors, and the Department Target Progress Management Sheets and Performance Evaluation Sheets submitted by executive departments from both quantitative and qualitative perspectives, with respect to Directors who concurrently serve as Executive Officers and Executive Officers. As a result of these discussions, the Compensation Committee believes that individual remuneration for the current fiscal year which was determined based on the Compensation Committee's review and agreement is appropriate as recognition of each officer's contribution to the business performance of the previous fiscal year and as an incentive for the efforts toward the Company's medium- to long-term growth. Accordingly, the Compensation Committee has judged that the remuneration is in line with this policy.

③ Total amount of compensation, etc. by officer category, total amount by type of compensation, etc., and number of eligible officers

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount by type of compensation, etc. (Millions of yen)				Number of eligible officers (persons)
		Fixed Compensation	Performance-based compensation	Stock-based compensation stock option	Restricted Stock-based compensation	
Director (Excluding Outside Directors)	58	39	13	2	2	3
Executive Officer	281	122	109	12	37	11
Outside Director	51	51	—	—	—	6

(Notes) 1. The amount of compensation, etc., for two directors who concurrently serve as executive officers is included in the amount of compensation, etc. for each after separating compensation, etc. as a director and compensation as an executive officer.

2. The amount paid by Executive Officers does not include the salary of employees of Executive Officers who also serve as employees.

3. With regard to stock-based compensation-type stock options, the system has been abolished except for those that have already been granted in accordance with the resolution of the Compensation Committee held on November 18, 2022 to

introduce a restricted stock compensation plan, and no new ones have been granted in the current fiscal year, but the amount of compensation recorded as expenses in the current fiscal year is stated for the amount granted in the previous fiscal year.

4. Of the above, stock-based compensation-type stock options and restricted stock compensation fall under the category of non-monetary compensation.

(5) Status of shareholdings

① Criteria for and approach to the classification of investment shares

With respect to the classification of investment shares held for the purpose of pure investment and investment shares held for purposes other than pure investment, the Company holds business partners' shares in the category of investment shares held for purposes other than pure investment only when it deems it reasonable to hold such shares in order to facilitate business activities, maintain business relationships, or form business and capital partnerships.

2 Investment shares held for purposes other than pure investment

- a. Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of holding individual shares by the Board of Directors, etc.

The Company's basic policy is to continue to hold these shares as long as the Company determines that such holdings will contribute to the development of its business. Each year, the Board of Directors verifies the significance of ownership by discussing whether the return (comprehensive judgment of significance in terms of management strategy and business relationships, in addition to quantitative factors such as dividends and business transactions) and risk of ownership are commensurate, taking into account the Company's capital cost. The Company will proceed to sell stocks that are deemed to have little significance to hold, taking into consideration stock price trends, etc. Regarding listed shares, as a result of reviews conducted at the meeting of the Board of Directors held on April 28, 2023, the Company decided on a policy of continuing to hold two stocks for FY2023.

- b. Number of issues and balance sheet

	Number of Stocks (Brand Name)	of the amount recorded on the balance sheet Total amount (Millions of yen)
Unlisted Shares	4	27
Shares other than unlisted stocks	2	69

(Stocks whose number of shares increased in the current fiscal year)

	Number of Stocks (Brand Name)	Acquisition of an increase in the number of shares Total value (Millions of yen)	Reasons for the increase in the number of shares
Unlisted Shares	—	—	—
Shares other than unlisted stocks	—	—	—

(Stocks whose number of shares decreased in the current fiscal year)

	Number of Stocks (Brand Name)	Sale of shares due to a decrease in the number of shares Total value (Millions of yen)
Unlisted Shares	—	—
Shares other than unlisted stocks	—	—

c. Information on number of shares, amounts in the balance sheet, etc., of specified investment shares and deemed investment shares by individual shares

Specified investment shares

Issuing company	Current fiscal year	Previous fiscal year	Outline of purpose of holding, business alliances, etc., quantitative holding effects and the reason for increasing the number of shares	Shareholdin g in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Amounts in the consolidated balance sheets (Millions of yen)	Amounts in the consolidated balance sheets (Millions of yen)		
FALCO HOLDINGS CO., LTD.	26,000	26,000	<ul style="list-style-type: none"> - The company is a supplier of the Company's products, and the Company holds its shares to facilitate business activities. - The Company holds its shares based on a comprehensive assessment of the importance of the shares in terms of management strategy, business relationships, etc. in addition to dividends, transaction value, etc., taking into account the Company's capital cost. Although the quantitative holding effects are not stated in consideration of the relationship with the company, the holding effect is comprehensively determined based on the above policy. 	None
	60	51		
H.U. Group Holdings, Inc.	3,643	3,643	<ul style="list-style-type: none"> - The company is a transaction partner of the Company's products, and the Company holds its shares to facilitate business activities. - The Company holds its shares based on a comprehensive assessment of the importance of the shares in terms of management strategy, business relationships, etc. in addition to dividends, transaction value, etc., taking into account the Company's capital cost. Although the quantitative holding effects are not stated in consideration of the relationship with the company, the holding effect is comprehensively determined based on the above policy. 	None
	8	9		

Deemed investment Shares

Not applicable.

③ Investment shares held for pure investment purposes

Not applicable.

V. Financial Statements

1. Consolidated Financial Statements and Methods of Preparation of Financial Statements

- (1) The Company's consolidated financial statements are prepared in accordance with the "Regulations on Terminology, Formats, and Preparation Methods for Consolidated Financial Statements" (Ordinance No. 51 of the Ministry of Finance No. 28 of 28).
- (2) The Company's financial statements are prepared in accordance with the "Regulations on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance No. 59 of the Ministry of Finance of Showa 38).

2. Audit Certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company has been audited by Ernst & Young ShinNihon LLC for its consolidated financial statements for the consolidated fiscal year (April 1, 2023 to March 31, 2024) and its financial statements for the 86th fiscal year (April 1, 2023 to March 31, 2024).

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company takes special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, in order to establish a system that enables us to appropriately grasp the contents of accounting standards, etc., we have joined the Financial Accounting Standards Organization to obtain information and participate in seminars sponsored by audit firms and various organizations.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

① Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	18,317	16,308
Notes and accounts receivable - trade, and contract assets	11,122	12,482
Investments in leases	337	337
Merchandise and finished goods	4,739	4,170
Work in process	1,940	2,035
Raw materials and supplies	1,733	1,892
Other	1,033	633
Allowance for doubtful accounts	(6)	(7)
Total current assets	39,217	37,851
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,367	25,811
Accumulated depreciation	(13,117)	(13,821)
Buildings and structures, net	12,249	11,989
Machinery, equipment and vehicles	7,155	7,638
Accumulated depreciation	(5,765)	(6,115)
Machinery, equipment and vehicles, net	1,390	1,522
Tools, furniture and fixtures	5,027	5,371
Accumulated depreciation	(3,950)	(4,374)
Tools, furniture and fixtures, net	1,076	996
Land	1,928	1,928
Leased assets	329	286
Accumulated depreciation	(154)	(133)
Leased assets, net	174	153
Construction in progress	382	414
Total property, plant and equipment	17,202	17,005
Intangible assets	1,054	792
Investments and other assets		
Investment securities	586	597
Long-term time deposits	4,900	1,900
Retirement benefit asset	1,448	1,821
Deferred tax assets	551	356
Other	1,349	1,349
Allowance for doubtful accounts	(34)	(23)
Total investments and other assets	8,802	6,001
Total non-current assets	27,058	23,799
Total assets	66,275	61,651

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,685	4,648
Electronically recorded obligations - operating	2,933	2,759
Lease liabilities	390	384
Income taxes payable	827	-
Provision for bonuses	766	674
Other	2,839	2,885
Total current liabilities	12,443	11,351
Non-current liabilities		
Bonds payable	3,000	3,000
Lease liabilities	919	951
Asset retirement obligations	34	35
Other	342	342
Total non-current liabilities	4,296	4,329
Total liabilities	16,740	15,680
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	8,076	7,892
Retained earnings	36,865	35,801
Treasury shares	(3,095)	(5,686)
Total shareholders' equity	48,743	44,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28	35
Foreign currency translation adjustment	268	353
Remeasurements of defined benefit plans	115	319
Total accumulated other comprehensive income	411	708
Share acquisition rights	380	358
Total net assets	49,535	45,971
Total liabilities and net assets	66,275	61,651

② Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	43,271	40,052
Cost of sales	22,765	23,328
Gross profit	20,506	16,723
Selling, general and administrative expenses	13,049	13,345
Operating profit	7,457	3,377
Non-operating income		
Interest income	15	8
Dividend income	3	4
Rental income	18	18
Compensation income for damage	38	-
Compensation income	8	5
Outsourcing service income	9	10
Subsidy income	10	155
Foreign exchange gains	14	50
Other	35	31
Total non-operating income	154	284
Non-operating expenses		
Interest expenses	16	17
Loss on redemption of investment securities	13	-
Compensation expenses	9	-
Commission for purchase of Treasury shares	-	70
Other	3	6
Total non-operating expenses	42	93
Ordinary profit	7,568	3,568
Extraordinary income		
Gain on sale of non-current assets	24	1
Gain on sale of investment securities	56	-
Total extraordinary income	81	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	57	66
Total extraordinary losses	57	66
Profit before income taxes	7,592	3,503
Income taxes - current	1,758	767
Income taxes - deferred	97	101
Total income taxes	1,856	869
Profit	5,736	2,634
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	5,736	2,634

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	5,736	2,634
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	7
Foreign currency translation adjustment	9	84
Remeasurements of defined benefit plans, net of tax	(144)	204
Total other comprehensive income	(140)	296
Comprehensive income	5,595	2,931
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,595	2,931
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,897	8,000	33,162	(3,126)	44,934
Changes during period					
Dividends of surplus			(2,033)		(2,033)
Profit attributable to owners of parent			5,736		5,736
Purchase of Treasury shares				(0)	(0)
Disposal of Treasury shares		75		30	105
Cancellation of Treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	75	3,703	30	3,808
Balance at end of period	6,897	8,076	36,865	(3,095)	48,743

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	33	258	259	551	316	45,803
Changes during period						
Dividends of surplus						(2,033)
Profit attributable to owners of parent						5,736
Purchase of Treasury shares						(0)
Disposal of Treasury shares						105
Cancellation of Treasury shares						-
Net changes in items other than shareholders' equity	(5)	9	(144)	(140)	63	(76)
Total changes during period	(5)	9	(144)	(140)	63	3,731
Balance at end of period	28	268	115	411	380	49,535

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,897	8,076	36,865	(3,095)	48,743
Changes during period					
Dividends of surplus			(1,927)		(1,927)
Profit attributable to owners of parent			2,634		2,634
Purchase of Treasury shares				(4,636)	(4,636)
Disposal of Treasury shares		58		32	91
Cancellation of Treasury shares		(242)	(1,771)	2,013	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(183)	(1,064)	(2,590)	(3,838)
Balance at end of period	6,897	7,892	35,801	(5,686)	44,904

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	28	268	115	411	380	49,535
Changes during period						
Dividends of surplus						(1,927)
Profit attributable to owners of parent						2,634
Purchase of Treasury shares						(4,636)
Disposal of Treasury shares						91
Cancellation of Treasury shares						-
Net changes in items other than shareholders' equity	7	84	204	296	(22)	274
Total changes during period	7	84	204	296	(22)	(3,564)
Balance at end of period	35	353	319	708	358	45,971

Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	7,592	3,503
Depreciation	2,125	2,326
Increase (decrease) in allowance for doubtful accounts	21	(9)
Increase (decrease) in provision for bonuses	(10)	(92)
Decrease (increase) in retirement benefit asset	(118)	(57)
Share-based payment expenses	63	15
Interest and dividend income	(18)	(12)
Interest expenses	16	17
Foreign exchange losses (gains)	0	0
Compensation income	(8)	(5)
Compensation expenses	9	-
Subsidy income	(10)	(155)
Loss (gain) on sale and retirement of property, plant and equipment	33	61
Loss (gain) on sale of investment securities	(56)	-
Decrease (increase) in trade receivables	835	(1,355)
Decrease (increase) in inventories	(180)	322
Decrease (increase) in other current assets	(533)	510
Decrease (increase) in other investments	2	(1)
Increase (decrease) in trade payables	161	(212)
Increase (decrease) in other current liabilities	(111)	343
Other, net	(28)	220
Subtotal	9,785	5,417
Interest and dividends received	23	12
Interest paid	(16)	(17)
Proceeds from insurance income	4	4
Income taxes paid	(2,224)	(1,610)
Income taxes refund	3	-
Net cash provided by (used in) operating activities	7,575	3,806
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,206)	(1,976)
Proceeds from sale of property, plant and equipment	27	8
Purchase of intangible assets	(72)	(114)
Payments for retirement of non-current assets	(17)	(63)
Proceeds from sale of investment securities	61	-
Proceeds from redemption of investment securities	3,000	-
Payments into time deposits	(5,253)	(2,341)
Proceeds from withdrawal of time deposits	5,224	2,279
Purchase of insurance funds	(100)	(31)
Proceeds from cancellation of insurance funds	100	31
Other payments	(79)	(6)
Net cash provided by (used in) investing activities	(316)	(2,216)

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from financing activities		
Purchase of Treasury shares	(0)	(4,707)
Dividends paid	(2,033)	(1,927)
Other, net	(62)	(59)
Net cash provided by (used in) financing activities	(2,095)	(6,694)
Effect of exchange rate change on cash and cash equivalents	0	6
Net increase (decrease) in cash and cash equivalents	5,164	(5,098)
Cash and cash equivalents at beginning of period	10,900	16,064
Cash and cash equivalents at end of period	16,064	10,966

Notes

(Material basis for the preparation of consolidated financial statements)

1. The scope of consolidation

(1) Number and name of consolidated subsidiaries: 2

EIKEN CHINA CO., LTD.

EIKEN MEDICAL AMERICA INC.

As EIKEN MEDICAL AMERICA INC. was newly established in the consolidated fiscal year under review, it is included in the scope of consolidation.

(2) Number and name of the principal non-consolidated subsidiary

Not applicable.

2. Equity method

Not applicable.

3. Accounting period of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal closing date of EIKEN CHINA CO., LTD. is December 31.

Consolidated financial statements are prepared by implementing closing (provisional closing) in accordance with reasonable procedures based on formal closing.

The fiscal closing date of the other consolidated subsidiary is in line with the consolidated fiscal closing date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

① Securities

a. Held-to-maturity debt securities

Stated at amortized cost (straight-line method)

b. Available-for-sale securities

Securities other than shares, etc., which do not have a market price

Market value method

(The valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

Shares, etc., which do not have a market price

Principally the cost method by the moving-average method

② Derivative financial instruments

Market value method

③ Inventories

Merchandise and finished goods, raw materials, and work in process

Cost method by the moving-average method (carrying amount on the consolidated balance sheet calculated by writing down values based on decreased profitability) is adopted.

Supplies

Cost method by the last purchase price method (carrying amount on the consolidated balance sheet calculated by writing down values based on decreased profitability) is adopted.

(2) Depreciation method of significant depreciable assets

① Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method, and overseas consolidated subsidiaries adopt the straight-line method.

However, the straight-line method is adopted for buildings purchased on or after April 1, 1998 (excluding facilities attached to buildings), and for facilities attached to buildings and structures purchased on or after April 1, 2016.

Major useful lives are as follows:

Buildings and structures: 7-40 years

Machinery, equipment, and vehicles: 4-10 years

Tools, furniture and fixtures 2-15 years

② Intangible assets (excluding leased assets)

Straight-line method

For internal use software, the straight-line method based on amortization over the internally estimated useful lives (5 years) is adopted.

③ Leased assets

Leased assets are depreciated over the lease terms as useful lives using the straight-line method without any residual value.

(3) Accounting standards for significant reserves and allowances

① Allowance for doubtful accounts

In order to prepare for possible credit losses on trade receivables, etc., the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables are recorded.

② Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount to be used in the future attributable to the consolidated fiscal year under review is recorded as provision for bonuses.

(4) Accounting method for retirement benefits

① Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to the periods up to the end of the consolidated fiscal year under review is based on the benefit formula basis.

② Accounting method for actuarial difference and past service cost

Past service cost is expensed using the straight-line method over a period of definite years (3 years) within the employees' average remaining service years at the time when it is incurred.

Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the corresponding employees (12 years) using the straight-line method, commencing with the consolidated fiscal year following the one in which they were incurred.

③ The accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost

For the accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost, after adjusting tax effect, they are recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Significant revenue and expense recognition standards

① Sales of merchandise and finished goods

Sales of merchandise and finished goods include the manufacture and sale of clinical diagnostic reagents and clinical diagnostic equipment. The Company principally recognizes revenue from sales of merchandise and finished goods when making delivery of the goods to a customer as it satisfies a performance obligation by transferring control of the goods to a customer based on receipt of the goods. For clinical diagnostic equipment which requires installation at the time of sale, the Company recognizes revenue at inspection of installed equipment as it satisfies a performance obligation by transferring control of the goods to a customer based on inspection by a customer.

② Royalty revenue

Royalty revenue includes upfront payment based on license agreement etc., milestone revenues, and running royalty calculated based on net sales etc. For upfront payment, the Company recognizes revenue at customers' receipt of the right which the Company promised to transfer to a customer based on the contract. For milestone revenues, the Company recognizes revenue at

achievement of the milestone defined in the contract. For running royalty calculated based on net sales etc., the Company recognizes revenue when sales or usage occur, or it satisfies a performance obligation for which sales-based or usage-based royalty is allocated, whichever is later.

(6) Translation of significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the spot exchange rate on the closing date and the translation difference is charged or credited to income. The assets, liabilities, income, and expenses of overseas subsidiaries and affiliates are translated into yen at the year-end spot exchange rate, and translation adjustments are included in foreign currency translation adjustments in net assets.

(7) Significant hedge accounting method

① Hedge accounting method

The appropriation procedure is adopted to foreign exchange fluctuation risk hedging that satisfies the relevant requirements.

② Hedging instruments and hedged items, hedging policy

The risks of foreign exchange fluctuation are hedged in accordance with the Company's rules.

Hedging instruments and hedged items where hedge accounting was applied for the consolidated fiscal year under review are as follows.

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency denominated accounts payable, foreign currency denominated accounts payable - other

③ Assessment of hedge effectiveness

For forward exchange contracts, hedged items with the same date and amount and denominated in the same currency are allocated to each account payable, accounts payable – other. Therefore, the correlation by foreign exchange fluctuation thereafter is ensured completely, and the assessment of hedge effectiveness is omitted.

(8) Funds covered by consolidated statements of cash flows

Funds (cash and cash equivalents) as used in the consolidated statements of cash flows comprises cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(Important Accounting Estimates)

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Valuation of inventories

① Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	Previous Consolidated Fiscal Year	Consolidated fiscal year
Merchandise and finished goods	4,673	4,739
Work in process	1,736	1,940
Raw materials and supplies	1,821	1,733

② Information on the contents of important accounting estimates related to the identified items

The Group calculates inventories by devaluation of inventories due to a decline in profitability, and if the net sale price at the end of the consolidated fiscal year is lower than the acquisition cost, the net sale price is used as the balance sheet value. In addition, we estimate the quantity that will be consumed or sold in the future based on the average consumption or sales volume of each item in the past, and for inventories that are not expected to be sold by the use-by or shipping deadlines, the book value is reduced to the expected disposal value as inventory assets such as backlog or expected disposal that are outside the business cycle process. In addition, if the turnover period exceeds a certain period, future consumption or sales forecasts are estimated separately, and if a decrease in profitability is recognized, the book value is reduced to the expected disposal value.

In addition, if the volume to be consumed or sold in the future or the forecast for future consumption or sales changes due to changes in the market environment, the amount of write-downs in the consolidated financial statements for the following consolidated fiscal year may be materially affected.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	Previous Consolidated Fiscal Year	Consolidated fiscal year
Merchandise and finished goods	4,739	4,170
Work in process	1,940	2,035
Raw materials and supplies	1,733	1,892

(2) Information on the contents of important accounting estimates related to the identified items

The Group calculates inventories by devaluation of inventories due to a decline in profitability, and if the net sale price at the end of the consolidated fiscal year is lower than the acquisition cost, the net sale price is used as the balance sheet value. In addition, we estimate the quantity that will be consumed or sold in the future based on the average consumption or sales volume of each item in the past, and for inventories that are not expected to be sold by the use-by or shipping deadlines, the book value is reduced to the expected disposal value as inventory assets such as backlog or expected disposal that are outside the business cycle process. In addition, if the turnover period exceeds a certain period, future consumption or sales forecasts are estimated separately, and if a decrease in profitability is recognized, the book value is reduced to the expected disposal value.

In addition, if the volume to be consumed or sold in the future or the forecast for future consumption or sales changes due to changes in the market environment, the amount of write-downs in the consolidated financial statements for the following consolidated fiscal year may be materially affected.

(Unapplied Accounting Standards, etc.)

- "Accounting Standards for Corporate Tax, Resident Tax, Business Tax, etc." (Corporate Accounting Standards No. 27, October 28, 2022)
- "Accounting Standards for Comprehensive Income" (Accounting Standards for Enterprises No. 25, October 28, 2022)
- "Guidelines for the Application of Accounting Standards for Tax Effect Accounting" (Guidelines for the Application of Corporate Accounting Standards No. 28, October 28, 2022)

(1) Overview

It stipulates the classification of corporate income when taxed on other comprehensive income and the treatment of tax effects related to the sale of shares of subsidiaries when the group corporate tax system is applied.

(2) Effective date

It is scheduled to be applied from the beginning of the fiscal year ending March 2025.

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

The amount of the impact of the application of the "Accounting Standards for Corporation, Inhabitant and Business Taxes" on consolidated financial statements, etc., is currently being assessed.

(Notes to Consolidated Balance Sheets)

*1. Receivables from contracts with customers in notes and accounts receivable - trade and contract assets are as follows.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Notes	497	802
Accounts receivable - trade	10,398	11,440

*2. Contract liabilities in other is as follows.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Contract liability	30	62

*3. Regarding accounting policies for notes maturing on the last day of the consolidated fiscal year, although the last day of the consolidated fiscal year under review was a holiday for financial institutions, the notes are treated as if the settlement was made on the maturity date.

Notes maturing on the last day of the consolidated fiscal year under review are as follows.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Notes	-	17

4. Overdraft contracts and commitment lines are concluded for efficient procurement of working capital. The balance of unexecuted loans based on these contracts is as follows.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Total of overdraft maximum amount and commitment lines	5,400	4,600
Outstanding borrowings	-	-
Difference	5,400	4,600

(Notes to Consolidated Statements of Income)

*1 Revenue generated from contracts with customers

Net sales are not divided into revenues generated from contracts with customers and other revenues. The amount of revenue generated from contracts with customers is described in the consolidated financial statements "Notes (Revenue Recognition Relationship) 1. Information on Revenue Arising from Contracts with Customers."

- *2. Ending inventory is the amount after being written down due to decreased profitability, and the following loss on valuation of inventory (the amount after offset of reversal with reversal method), is included in total cost of sales.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
	310	114

- *3. The main expense items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Salaries	2,268	2,526
Provision for bonuses	400	353
Retirement benefit expenses	76	112
Research and development expenses	4,065	3,939
Provision of allowance for doubtful accounts	21	(1)

- *4. Research and development expenses included in general and administrative expenses, and manufacturing costs incurred during the period are as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
	4,065	3,939

- *5 The details of gains on the sale of fixed assets are as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Machinery, equipment and vehicles	—	0
Tools, furniture and fixtures	0	0
Land	24	—
Total	24	1

*5. Description of loss on sale and retirement of non-current assets is as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Buildings and structures	0	15
Machinery, equipment and vehicles	9	1
Tools, furniture and fixtures	16	0
Software	-	3
Dismantlement cost	30	46
Total	57	66

(Notes to Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustment and tax effect relating to other comprehensive income

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Amount incurred during the period	(0)	11
Reclassification adjustment	(6)	-
Before tax effect adjustment	(7)	11
Tax effect	2	(3)
Valuation difference on available-for-sale securities	(5)	7
Foreign currency translation adjustment:		
Amount incurred during the period	9	84
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(182)	315
Reclassification adjustment	(25)	(20)
Before tax effect adjustment	(208)	294
Tax effect	63	(90)
Remeasurements of defined benefit plans, net of tax	(144)	204
Total other comprehensive income	(140)	296

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended March 31, 2023

1. Class and total number of issued shares and class and total number of Treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares	43,541,438	—	—	43,541,438
Total	43,541,438	—	—	43,541,438
Treasury shares				
Common shares (Notes 1,2)	6,576,861	44	64,280	6,512,625
Total	6,576,861	44	64,280	6,512,625

- (Notes) 1. The increase in treasury shares by 44 shares of common shares is due to the purchase of shares of less than one unit.
2. The decrease in treasury shares by 64,280 shares of common shares is due to the disposal of Treasury shares as restricted stock units.

2. Share acquisition rights and treasury share acquisition rights

Category	Description of Share acquisition rights	Class of shares for Share acquisition rights	Number of shares for Share acquisition rights (Share)				Balance at the end of the period (Millions of yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
The Company (Parent company)	Share acquisition rights as stock options	—	—	—	—	—	380
Total		—	—	—	—	—	380

3. Dividends

(1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2022 Board of Directors meeting	Common shares	1,145	31	March 31, 2022	June 6, 2022
October 27, 2022 Board of Directors meeting	Common shares	887	24	September 30, 2022	December 1, 2022

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

(Resolution)	Class of shares	Total cash dividends (Millions of yen)	Dividend source	Dividend per share (Yen)	Record date	Effective date
April 28, 2023 Board of Directors meeting	Common shares	999	Retained earnings	27	March 31, 2023	June 8, 2023

For the fiscal year ended March 31, 2024

1. Class and total number of issued shares and class and total number of Treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares (Note 1)	43,541,438	—	3,500,000	40,041,438
Total	43,541,438	—	3,500,000	40,041,438
Treasury shares				
Common shares (Notes 2,3)	6,512,625	2,500,000	3,569,117	5,443,508
Total	6,512,625	2,500,000	3,569,117	5,443,508

- (Notes)
1. The decrease in total number of issued shares by 3,500,000 shares of common shares is due to the cancellation of Treasury shares based on a resolution of the Board of Directors.
 2. The increase in treasury shares by 2,500,000 shares of common shares is due to the purchase of Treasury shares based on a resolution of the Board of Directors.
 3. The decrease in treasury shares by 3,569,117 shares of common shares is due to the 3,500,000 share decrease caused by the cancellation of Treasury shares based on a resolution of the Board of Directors, the 35,417 share decrease caused by the disposal of Treasury shares as restricted stock units, and the 33,700 share decrease caused by the exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Description of Share acquisition rights	Class of shares for Share acquisition rights	Number of shares for Share acquisition rights (Share)				Balance at the end of the period (Millions of yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
The Company (Parent company)	Share acquisition rights as stock options	—	—	—	—	—	358
Total		—	—	—	—	—	358

3. Dividends

(1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2023 Board of Directors meeting	Common shares	999	27	March 31, 2023	June 8, 2023
October 26, 2023 Board of Directors meeting	Common shares	927	25	September 30, 2023	December 1, 2023

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

(Resolution)	Class of shares	Total cash dividends (Millions of yen)	Dividend source	Dividend per share (Yen)	Record date	Effective date
May 9, 2024 Board of Directors meeting	Common shares	899	Retained earnings	26	March 31, 2024	June 7, 2024

(Notes to Consolidated Statements of Cash Flows)

*1. Relationship between cash and cash equivalents at end of year and account items listed in the consolidated balance sheets

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash and deposits	18,317	16,308
Time deposits with deposit terms of more than three months	(2,253)	(5,341)
Cash and cash equivalents	16,064	10,966

(Lease transactions)

(Lessee)

1. Finance lease transactions

Finance leases wherein ownership of the leased asset does not transfer to the lessee

1) Description of leased assets

Property, plant and equipment

Research and development facility, tools, furniture and fixtures, and machinery, equipment and vehicles

2) Depreciation method of leased assets

As described in “(2) Depreciation method of significant depreciable assets under 4. Accounting policies” of (Material basis for the preparation of consolidated financial statements).

2. Operating lease transactions

Future lease payments under non-cancelable operating lease transactions

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Within one year	238	252
Over one year	171	241
Total	410	494

(Lessor)

Finance lease transactions

(1) Description of investments in leases

1) Current assets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Lease receivables	356	359
Interest income equivalents	(18)	(21)
Investments in leases	337	337

2) Investments and other assets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Lease receivables	814	867
Interest income equivalents	(27)	(35)
Investments in leases	786	832

(2) Scheduled amount of debt recovery after the closing date for lease receivables associated with investments in leases

1) Current assets

(Millions of yen)

	As of March 31, 2023					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	356	—	—	—	—	—

(Millions of yen)

	As of March 31, 2024					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	359	—	—	—	—	—

2) Investments and other assets

(Millions of yen)

	As of March 31, 2023					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	—	283	242	168	77	41

(Millions of yen)

	As of March 31, 2024					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	—	318	241	151	78	77

(Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policy on Financial Instruments

The Group manages surplus funds through highly safe financial instruments, and basically procures working capital and capital expenditures through cash on hand (retained earnings such as profits) and accounts receivable trusts (securitization of receivables). Derivatives trading is used for the purpose of avoiding risks due to future exchange rate fluctuations and managing surplus funds, and it is our policy not to engage in speculative trading.

(2) Details of financial products, their risks, and risk management system

All bills receivable and accounts receivable, which are trade receivables, are due to be collected within one year. These are subject to the credit risk of our customers, but with regard to this risk, we manage the due date and balance management of each business partner in accordance with the Group's credit management regulations, and we have a system in place to grasp the credit status of our main business partners on a yearly basis.

Bonds held to maturity are subject to only high-rated bonds in accordance with internal rules that stipulate trading authority and transaction limits, so credit risk is minimal.

Securities and investment securities are mainly stocks and bonds, which are subject to the risk of fluctuations in market prices, and the Company has a system in place to regularly monitor market prices and the financial condition of issuers with respect to such risks.

Long-term deposits are highly secure because the principal amount is paid in full at maturity.

All bills and accounts payable, which are trade payables, and electronically recorded payables, are due within one year. These assets are subject to liquidity risk (the risk of not being able to make payments on the due date), and with regard to this risk, the Group has a system in place to manage liquidity risk by preparing a monthly cash flow plan and maintaining liquidity on hand.

Corporate bonds and lease obligations related to finance and lease transactions are mainly intended to procure funds necessary for capital investment and business investment.

The execution and management of derivatives transactions is carried out by the department in charge of funds with the approval of the person with the authority to approve derivatives transactions in accordance with internal rules that stipulate trading authority and transaction limits.

2. Fair value, etc. of financial instruments

The amount recorded on the consolidated balance sheet, the market value, and the difference between them are as follows.

Previous Consolidated Fiscal Year (March 31, 2023)

	Consolidated Balance Sheet Accounts (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Marketable securities and investment securities (*2)			
(1) Bonds held to maturity	500	478	(22)
(2) Other marketable securities	60	60	—
(2) Long-term deposits	4,900	4,900	0
(3) Bonds payable	(3,000)	(2,985)	(14)
(4) Lease obligation (*3)	(1,310)	(1,314)	3
(5) Derivatives trading (*4)	—	—	—

Account recorded as liabilities are shown in parentheses.

(*1) "Cash and deposits," "Notes receivable, accounts receivable and contract assets," "Notes payable and accounts payable," and "Electronically recorded liabilities" are omitted because they are cash and the market value approximates the book value because they are settled in a short period of time.

(*2) Stocks, etc. without a market value are not included in "(1) Securities and investment securities." The amount recorded on the consolidated balance sheet of the financial instruments is as follows.

Division	Previous consolidated fiscal year (Millions of yen)
Unlisted Shares	25

(*3) Lease obligations are the total of current liabilities (lease obligations) and fixed liabilities (lease obligations).

(*4) Derivatives transactions

Hedging of the risk of exchange rate fluctuations in derivatives transactions is included in the market value of accounts payable because it is processed as an integral part of accounts payable that is subject to hedge (see (*1) above).

Consolidated fiscal year under review (March 31, 2024)

	Consolidated Balance Sheet Accounts (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Marketable securities and investment securities (*2)			
(1) Bonds held to maturity	500	484	(16)
(2) Other marketable securities	69	69	—
(2) Long-term deposits	1,900	1,900	0
(3) Bonds payable	(3,000)	(2,997)	(2)
(4) Lease obligation (*3)	(1,335)	(1,340)	4
(5) Derivatives trading (*4)	—	—	—

Account recorded as liabilities are shown in parentheses.

(*1) "Cash and deposits," "Notes receivable, accounts receivable and contract assets," "Notes payable and accounts payable," and "Electronically recorded liabilities" are omitted because they are cash and the market value approximates the book value because they are settled in a short period of time.

(*2) Stocks, etc. without a market value are not included in "(1) Securities and investment securities." The amount recorded on the consolidated balance sheet of the financial instruments is as follows.

Division	Previous consolidated fiscal year (Millions of yen)
Unlisted Shares	27

(*3) Lease obligations are the total of current liabilities (lease obligations) and fixed liabilities (lease obligations).

(*4) Derivatives transactions

Hedging of the risk of exchange rate fluctuations in derivatives transactions is included in the market value of accounts payable because it is processed as an integral part of accounts payable that is subject to hedge (see (*1) above).

3. Scheduled amount of redemption of monetary claims and maturing securities after the consolidated settlement date

Previous Consolidated Fiscal Year (March 31, 2023)

	Under a year (Millions of yen)	Over 1 year, under 5 years (Millions of yen)	Over 5 years, under 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	18,317	—	—	—
Notes and accounts receivable - trade, and contract assets	11,122	—	—	—
Long-term time deposits	—	4,900	—	—
Securities and Investment securities				
Bonds Held to Maturity				
Bonds payable	—	—	200	—
Other	—	—	300	—
Total	29,439	4,900	500	—

Consolidated fiscal year under review (March 31, 2024)

	Under a year (Millions of yen)	Over 1 year, under 5 years (Millions of yen)	Over 5 years, under 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	16,308	—	—	—
Notes and accounts receivable - trade, and contract assets	12,482	—	—	—
Long-term time deposits	—	1,900	—	—
Securities and Investment securities				
Bonds Held to Maturity				
Bonds payable	—	—	200	—
Other	—	300	—	—
Total	28,790	2,200	200	—

4. Scheduled repayment of corporate bonds, long-term borrowings, lease obligations, and other interest-bearing debt after the consolidated closing date

Previous Consolidated Fiscal Year (March 31, 2023)

	Under a year (Millions of yen)	Over 1 year, under 2 years (Millions of yen)	Over 2 years, under 3 years (Millions of yen)	Over 3 years, under 4 years (Millions of yen)	Over 4 years, under 5 years (Millions of yen)	Over 5 years (Millions of yen)
Bonds payable	—	—	—	3,000	—	—
Lease obligation	390	307	260	175	81	94
Total	390	307	260	3,175	81	94

Consolidated fiscal year under review (March 31, 2024)

	Under a year (Millions of yen)	Over 1 year, under 2 years (Millions of yen)	Over 2 years, under 3 years (Millions of yen)	Over 3 years, under 4 years (Millions of yen)	Over 4 years, under 5 years (Millions of yen)	Over 5 years (Millions of yen)
Bonds payable	—	—	3,000	—	—	—
Lease obligation	384	338	254	154	79	124
Total	384	338	3,254	154	79	124

3. Breakdown of fair value by level within the fair value hierarchy

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

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

Previous Consolidated Fiscal Year (March 31, 2023)

division	Market price (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other Securities				
Shares	60	—	—	60
Total assets	60	—	—	60

Consolidated fiscal year under review (March 31, 2024)

division	Market price (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other Securities				
Shares	69	—	—	69
Total assets	69	—	—	69

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Previous Consolidated Fiscal Year (March 31, 2023)

	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Bonds Held to Maturity				
Bonds payable	—	478	—	478
Long-term time deposits	—	4,900	—	4,900
Total assets	—	5,378	—	5,378
Bonds payable	—	2,985	—	2,985
Lease obligation	—	1,314	—	1,314
Derivatives trading	—	—	—	—
Total liabilities	—	4,299	—	4,299

Consolidated fiscal year under review (March 31, 2024)

	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Bonds Held to Maturity				
Bonds payable	—	484	—	484
Long-term time deposits	—	1,900	—	1,900
Total assets	—	2,384	—	2,384
Bonds payable	—	2,997	—	2,997
Lease obligation	—	1,340	—	1,340
Derivatives trading	—	—	—	—
Total liabilities	—	4,337	—	4,337

(Note) Explanation of the valuation technique used to calculate the market value and the inputs related to the calculation of the market value

Securities and investment securities

Listed stocks and bonds are evaluated using market prices. Since listed stocks are traded in an active market, their market value is classified as a Level 1 market value. On the other hand, the corporate bonds held by the Company are classified as Level 2 market prices because they are not traded frequently in the market and are not recognized as market prices in active markets. For matters related to securities for each purpose of holding, please refer to the note "Securities Relations".

Long-term deposits

The market value of long-term deposits is calculated by discounting the total amount of principal and interest at the interest rate expected when a similar new deposit is made and is classified as the market value of Level 2.

Bonds payable

The market value of the bonds issued by the Company is calculated based on the present value obtained by discounting the total amount of principal and interest by the interest rate that takes into account the remaining maturity of the bonds and credit risk and is classified as the market value of Level 2.

Lease Obligations

These are calculated based on the present value of the total principal and interest discounted by the interest rate assumed in the case of a new similar lease transaction and are classified as Level 2 market value.

Derivatives Trading

Since hedging of exchange rate fluctuation risk through allocation treatment is treated as an integral part of accounts payable that is subject to hedging, the market value is included in the market value of the accounts payable. Accounts payable is omitted because the market value approximates the book value because it is settled in a short period of time.

(Securities)

1. Bonds held to maturity

Previous Consolidated Fiscal Year (March 31, 2023)

	Type	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
The market value exceeds the amount recorded on the consolidated balance sheet.	(1) National bonds • municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
The market value does not exceed the amount recorded on the consolidated balance sheet.	(1) National bonds • municipal bonds	—	—	—
	(2) Bonds payable	200	199	(1)
	(3) Other	300	279	(20)
	Subtotal	500	478	(22)
Total		500	478	(22)

Consolidated fiscal year under review (March 31, 2024)

	Type	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
The market value exceeds the amount recorded on the consolidated balance sheet.	(1) National bonds • municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
The market value does not exceed the amount recorded on the consolidated balance sheet.	(1) National bonds • municipal bonds	—	—	—
	(2) Bonds payable	200	199	(1)
	(3) Other	300	285	(14)
	Subtotal	500	484	(16)
Total		500	484	(16)

2. Other Securities

Previous Consolidated Fiscal Year (March 31, 2023)

	Type	Consolidated balance sheet amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
The amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Share	60	22	38
	(2) Bond			
	①National bonds • municipal bonds	—	—	—
	②Bonds payable	—	—	—
	③Other	—	—	—
	(3) Other	—	—	—
	Subtotal	60	22	38
The amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Share	—	—	—
	(2) Bond			
	①National bonds • municipal bonds	—	—	—
	②Bonds payable	—	—	—
	③Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		60	22	38

(Note) Unlisted shares without market prices (25 million yen recorded on the consolidated balance sheet) are not included in the "Other Securities" section of the table above.

Consolidated fiscal year under review (March 31, 2024)

	Type	Consolidated balance sheet amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
The amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Share	69	22	47
	(2) Bond			
	①National bonds • municipal bonds	—	—	—
	②Bonds payable	—	—	—
	③Other	—	—	—
	(3) Other	—	—	—
	Subtotal	69	22	47
The amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Share	—	—	—
	(2) Bond			
	①National bonds • municipal bonds	—	—	—
	②Bonds payable	—	—	—
	③Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		69	22	47

(Note) Unlisted shares without market prices (27 million yen recorded on the consolidated balance sheet) are not included in the "Other Securities" section of the table above.

3. Other securities sold

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Type	Sale price (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Share	61	56	—
(2) Bond			
①National bonds • municipal bonds	—	—	—
②Bonds payable	—	—	—
③Other	—	—	—
(3) Other	—	—	—
Total	61	56	—

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Not applicable.

(Derivatives Trading)

Derivatives trading to which hedge accounting is applied

Currency-related

Previous Consolidated Fiscal Year (March 31, 2023)

Hedge accounting method	Category of transaction	Major hedged items	Contract amount (Millions of yen)	Contract amount due after 1 year (Millions of yen)	Fair value (Millions of yen)
Assignment processing of foreign exchange contracts, etc.	Foreign Exchange Contract Transactions				
	Going long				
	US dollar	Accounts payable and payables	1	—	(0)
	Euro	Payables	1	—	0
	Chinese Yuan	Accounts payable and payables	50	—	(0)
	Pound	accounts payable	1	—	(0)
Total			54	—	(0)

Consolidated fiscal year under review (March 31, 2024)

Hedge accounting method	Category of transaction	Major hedged items	Contract amount (Millions of yen)	Contract amount due after 1 year (Millions of yen)	Fair value (Millions of yen)
Assignment processing of foreign exchange contracts, etc.	Foreign Exchange Contract Transactions				
	Going long				
	US dollar	Accounts payable and payables	5	—	(0)
	Chinese Yuan	accounts payable	66	—	0
Total			71	—	0

(Retirement benefits)

1. Outline of the retirement benefit system adopted

The Company has established a defined benefit corporate pension plan, a defined contribution corporate pension plan, a corporate pension fund system, and a lump-total retirement allowance plan to provide retirement benefits to employees. Upon the retirement of an employee, etc., an additional retirement allowance that is not subject to retirement benefit obligations based on actuarial calculations based on retirement benefit accounting may be paid.

In addition, the Tokyo Pharmaceutical Corporate Pension Fund, which is a comprehensive establishment of the Tokyo Pharmaceutical Industry Pension Fund, was established in April 1969 and is operated mainly by companies engaged in the manufacture and sale of pharmaceuticals, medical devices, and machinery located in Tokyo, but this fund system is not included in the following retirement benefit obligations and pension assets, and is accounted for in the same way as the defined contribution system.

2. Defined Benefit Plan

(1) Adjustment table of the balance at the beginning of the period and the balance at the end of the period of retirement benefit obligations

	(Millions of yen)	
	Previous Consolidated Fiscal Year (April 1, 2022) March 31, 2023)	Consolidated fiscal year (April 1, 2023) March 31, 2024)
Retirement benefit obligations at beginning of period	3,224	3,188
Service cost	206	207
Interest cost	18	18
Actuarial gains and losses incurred	1	0
Retirement benefits paid	(263)	(352)
Retirement benefit obligations at end of period	3,188	3,062

(2) Adjustment table of pension assets at the beginning and end of the period

	(Millions of yen)	
	Previous Consolidated Fiscal Year (April 1, 2022) March 31, 2023)	Consolidated fiscal year (April 1, 2023) March 31, 2024)
Retirement benefit obligations at beginning of period	4,737	4,636
Service cost	146	88
Interest cost	(180)	315
Actuarial gains and losses incurred	197	194
Retirement benefits paid	(263)	(352)
Retirement benefit obligations at end of period	4,636	4,884

- (3) Balance of retirement benefit obligations and pension assets at the end of the fiscal year and a reconciliation table of liabilities related to retirement benefits and assets related to retirement benefits recorded in the consolidated balance sheet

	(Millions of yen)	
	Previous Consolidated Fiscal Year (March 31, 2023)	Consolidated fiscal year (March 31, 2024)
Funded retirement benefit obligations	3,188	3,062
Plan assets	(4,636)	(4,884)
Retirement benefit obligations for	(1,448)	(1,821)
Unfunded retirement benefit plans	—	—
Net assets and liabilities reported on the consolidated balance sheets	(1,448)	(1,821)
Retirement benefit assets	(1,448)	(1,821)
Net assets and liabilities reported on the consolidated balance sheets	(1,448)	(1,821)

- (4) Amount of retirement benefit expenses and their breakdown items

	(Millions of yen)	
	Previous Consolidated Fiscal Year (April 1, 2022) March 31, 2023)	Consolidated fiscal year (April 1, 2023) March 31, 2024)
Service costs	206	207
Interest costs	18	18
Expected return on plan assets	(146)	(88)
Recognized actuarial loss (gain)	(25)	(20)
Retirement benefit expenses for defined benefit plans	52	116

- (5) Adjustment amount for retirement benefits

The breakdown of the items recorded in the adjustment amount for retirement benefits (before adjustment for tax effects) is as follows.

	(Millions of yen)	
	Previous Consolidated Fiscal Year (April 1, 2022) March 31, 2023)	Consolidated fiscal year (April 1, 2023) March 31, 2024)
Actuarial loss (gain)	208 ^{Million Yen}	(294) ^{Million Yen}
Total	208	(294)

(6) Cumulative amount of adjustment for retirement benefits

The breakdown of the items recorded in the cumulative amount of adjustments for retirement benefits (before adjustment for tax effects) is as follows.

	Previous Consolidated Fiscal Year (March 31, 2023)	Consolidated fiscal year (March 31, 2024)
Unrecognized Actuarial loss	(165)	(460)
Total	(165)	(460)

(7) Matters related to pension assets

(1) Main breakdown of pension assets

The ratio of each major category to total pension assets is as follows.

	Previous Consolidated Fiscal Year (March 31, 2023)	Consolidated fiscal year (March 31, 2024)
General account	25.31%	23.39%
National Bonds	23.76	23.68
National Shares	12.18	13.09
Foreign Bonds	9.95	10.05
Foreign hares	11.71	12.70
Other	17.09	17.09
Total	100.00	100.00

(2) How to set the long-term expected rate of return on investment

In order to determine the expected long-term return on pension assets, we consider the current and projected allocation of pension assets and the current and expected long-term rate of return from the various assets that make up the pension assets.

(8) Matters related to the basis of calculations in mathematical calculations

Calculation basis based on major mathematical calculations (expressed as a weighted average)

	Previous Consolidated Fiscal Year (March 31, 2023)	Consolidated fiscal year (March 31, 2024)
Discount rate	0.57%	0.57%
Long-term expected return on investment	3.09%	1.91%
Expected salary increase	5.6%	5.6%

3. Defined Contribution System

The Company's required contributions to the defined contribution system were 90 million yen for the previous consolidated fiscal year (April 1, 2022 to March 31, 2023) and 90 million yen for the current consolidated fiscal year (April 1, 2023 to March 31, 2024).

In addition, the amount of contributions required to the Tokyo Pharmaceutical Corporate Pension Fund under the multi-employer system, which is accounted for in the same way as the defined contribution system, was 7 million yen in the previous consolidated fiscal year (April 1, 2022 to March 31, 2023) and 6 million yen in the current consolidated fiscal year (April 1, 2023 to March 31, 2024).

The following are matters related to the multi-employer system, in which the required contribution amount is treated as retirement benefit expenses.

(1) Matters related to the accumulation status of the entire system

	(Millions of yen)	
	Previous Consolidated Fiscal Year (March 31, 2023)	Consolidated fiscal year (March 31, 2024)
Amount of pension assets	182,141	178,035
The amount of actuarial debt in the calculation of pension finances and The total of the amount with the amount of the minimum liability reserve	151,351	153,464
Deduction amount	30,789	24,570

(2) Percentage of the Company's premium contributions to the entire system

1.3% for the previous consolidated fiscal year (as of March 31, 2023)

1.5% for the current consolidated fiscal year (as of March 31, 2024)

(3) Supplementary explanation

The main factors for the deduction in (1) above are the outstanding amount of undepreciated past service liabilities in pension finances (6,169 million yen in the previous consolidated fiscal year, 6,167 million yen in the current consolidated fiscal year), surplus for the current fiscal year (11,809 million yen in the previous consolidated fiscal year, -6,221 million yen in the current consolidated fiscal year), and separate reserves (25,149 million yen in the previous consolidated fiscal year, 36,959 million yen in the current consolidated fiscal year).

The breakdown of the outstanding amount of undepreciated past service debt is the present value of special premium income, and the amortization method is the principal and interest equalization method, the employer's contribution rate is 0.3%, and the amortization remaining period is 5 years and 10 months as of March 31, 2023.

Please note that the ratio in (2) above does not match the actual burden ratio of the Company.

(Stock Options, etc.)

1. Amount of expenses recorded for stock options and title of account

(Millions of yen)

	Previous Consolidated Fiscal Year (April 1, 2022) March 31, 2023)	Consolidated fiscal year (April 1, 2023) March 31, 2024)
Stock-based compensation for general and administrative expenses	63	15

2. Details, size, and fluctuations of stock options

(1) Details of stock options

	2007 Stock Options	2008 Stock Options	2009 Stock Options
Categories and number of recipients	4 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers: 12	4 directors of the Company (including 3 who concurrently serve as executive officers) 13 Executive Officers of the Company	4 directors of the Company (including 2 who also serve as executive officers) Executive Officers: 12
Number of Stock Options Granted by Type of Stock (Note)	80,000 common shares	84,000 common shares	77,000 common shares
Date of Grant	July 9, 2007	July 8, 2008	July 9, 2009
Vesting conditions	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder does not meet the start date of exercise by July 9, 2026, the stock acquisition rights may be exercised from July 10, 2026 to July 9, 2027.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the exercise commencement date by July 8, 2027, the stock acquisition rights may be exercised from July 9, 2027 to July 8, 2028.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 9, 2028, the stock acquisition rights may be exercised from July 10, 2028 to July 9, 2029.
Eligible Work Period	There is no fixed period of work.	There is no fixed period of work.	There is no fixed period of work.
Exercise Period	July 10, 2007 To Jul 9, 2027	July 9, 2008 July 8, 2028	July 10, 2009 To Jul 9, 2029

(Note) The figures are converted into the number of shares. The number of shares after the split under the stock split dated April 1, 2018 (ratio of 2 shares to 1 common share) is described.

	2010 Stock Options	2011 Stock Options	2012 Stock Options
Categories and number of recipients	3 directors of the Company (including 2 who concurrently serve as executive officers) Executive Officers: 12	4 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers: 12	4 directors of the Company (including 3 who concurrently serve as executive officers) 13 Executive Officers of the Company
Number of Stock Options Granted by Type of Stock (Note)	73,000 common shares	75,000 common shares	78,000 common shares
Date of Grant	July 8, 2010	July 8, 2011	10 Jul 2012
Vesting conditions	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 8, 2029, the stock acquisition rights may be exercised from July 9, 2029 to July 8, 2030.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 8, 2030, the stock acquisition rights may be exercised from July 9, 2030 to July 8, 2031.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 9, 2031. The stock acquisition rights may be exercised from July 10, 2031 to July 9, 2032.
Eligible Work Period	There is no fixed period of work.	There is no fixed period of work.	There is no fixed period of work.
Exercise Period	From July 9, 2010 To July 8, 2030	From July 9, 2011 To July 8, 2031	From July 10, 2012 To July 9, 2032

(Note) The figures are converted into the number of shares. The number of shares after the split under the stock split dated April 1, 2018 (ratio of 2 shares to 1 common share) is described.

	2013 Stock Options	2014 Stock Options	2015 Stock Options
Categories and number of recipients	4 directors of the Company (including 3 who concurrently serve as executive officers) 13 Executive Officers of the Company	4 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers: 12	3 directors of the Company (including 3 who concurrently serve as executive officers) 13 Executive Officers of the Company
Number of Stock Options Granted by Type of Stock (Note)	78,000 common shares	78,400 common shares	77,000 common shares
Date of Grant	9 Jul 2013	8 Jul 2014	9 Jul 2015
Vesting conditions	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 9, 2032, the stock acquisition rights may be exercised from July 10, 2032 to July 9, 2033.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the exercise commencement date by July 8, 2033, the stock acquisition rights may be exercised from July 9, 2033 to July 8, 2034.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder does not meet the exercise commencement date by July 9, 2034, the stock acquisition rights may be exercised from July 10, 2034 to July 9, 2035.
Eligible Work Period	There is no fixed period of work.	There is no fixed period of work.	There is no fixed period of work.
Exercise Period	From July 10, 2013 To July 9, 2033	From July 9, 2014 To July 8, 2034	From July 10, 2015 To July 9, 2035

(Note) The figures are converted into the number of shares. The number of shares after the split under the stock split dated April 1, 2018 (ratio of 2 shares to 1 common share) is described.

	2016 Stock Options	2017 Stock Options	2018 Stock Options
Categories and number of recipients	Two directors of the Company (including one who concurrently serves as an executive officer) Executive Officers: 12	Two directors of the Company (including one who concurrently serves as an executive officer) 13 Executive Officers of the Company	3 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers of the Company: 11
Number of Stock Options Granted by Type of Stock (Note)	55,000 common shares	Common shares: 60,200 shares	Common shares: 34,400 shares
Date of Grant	8 Jul 2016	10 Jul 2017	12 Jul 2018
Vesting conditions	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder does not reach the start date of exercise by July 8, 2035, the stock acquisition rights may be exercised from July 9, 2035 to July 8, 2036.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 10, 2036, the stock acquisition rights may be exercised from July 11, 2036 to July 10, 2037.	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 12, 2037, the stock acquisition rights may be exercised from July 13, 2037 to July 12, 2038.
Eligible Work Period	There is no fixed period of work.	There is no fixed period of work.	There is no fixed period of work.
Exercise Period	From July 9, 2016 To July 8, 2036	From July 11, 2017 To July 10, 2037	From July 13, 2018 To July 12, 2038

(Note) The figures are converted into the number of shares. The number of shares after the split under the stock split dated April 1, 2018 (ratio of 2 shares to 1 common share) is described.

	2019 Stock Options	2020 Stock Options	2021 Stock Options
Categories and number of recipients	3 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers of the Company: 11	3 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers of the Company: 9	3 directors of the Company (including 3 who concurrently serve as executive officers) Executive Officers of the Company: 10
Number of Stock Options Granted by Type of Stock (Note)	Common shares: 35,000 shares	Common shares: 29,800 shares	Common shares: 40,900 shares
Date of Grant	11 Jul 2019	9 Jul 2020	July 8, 2021
Vesting conditions	<p>(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed.</p> <p>(2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 11, 2038, the stock acquisition rights may be exercised from July 12, 2038 to July 11, 2039.</p>	<p>(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed.</p> <p>(2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder does not reach the commencement date of exercise by July 9, 2039, the stock acquisition rights may be exercised from July 10, 2039 to July 9, 2040.</p>	<p>(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed.</p> <p>(2) Notwithstanding (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 8, 2040, the stock acquisition rights may be exercised from July 9, 2040 to July 8, 2041.</p>
Eligible Work Period	There is no fixed period of work.	There is no fixed period of work.	There is no fixed period of work.
Exercise Period	From July 12, 2019 To July 11, 2039	From July 10, 2020 To July 9, 2040	From July 9, 2021 To July 8, 2041

(Note) The figures are converted into the number of shares.

	2022 Stock Options
Categories and number of recipients	3 directors of the Company (including 2 who concurrently serve as executive officers) Executive Officers of the Company: 10
Number of Stock Options Granted by Type of Stock (Note)	Common shares: 40,400 shares
Date of Grant	July 7, 2022
Vesting conditions	(1) After one year has elapsed since the appointment of the Company's Directors (excluding Outside Directors) and Executive Officers (excluding death and retirement), Stock Acquisition Rights may be exercised only for the period from the day following the date on which all Directors and Executive Officers retire to the date on which 10 days have elapsed. (2) Notwithstanding paragraph (1) above, if the stock acquisition rights holder fails to reach the start date of exercise by July 7, 2041. The stock acquisition rights may be exercised from July 8, 2041 to July 7, 2042.
Eligible Work Period	There is no fixed period of work.
Exercise Period	From July 8, 2022 To July 7, 2042

(Note) The figures are converted into the number of shares.

(2) Changes in the scale of stock options

The number of stock options is calculated in terms of the number of shares in the current consolidated fiscal year (fiscal year ending March 2024).

① Amount of stock options

	2007 Stock option	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option
Before vested rights (shares)						
At the end of the previous fiscal year	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Forfeiture	—	—	—	—	—	—
Vested	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—
After vested rights (shares)						
At the end of the previous fiscal year	4,000	4,000	8,000	8,000	9,000	17,000
Vested	—	—	—	—	—	—
Exercise	—	—	—	—	—	4,000
Forfeited	—	—	—	—	—	—
Unexercised balance	4,000	4,000	8,000	8,000	9,000	13,000

	2013 Stock option	2014 Stock option	2015 Stock option	2016 Stock option	2017 Stock option	2018 Stock option
Before vested rights (shares)						
At the end of the previous fiscal year	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Forfeiture	—	—	—	—	—	—
Vested	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—
After vested rights (shares)						
At the end of the previous fiscal year	17,000	28,000	32,000	24,000	28,400	22,500
Vested	—	—	—	—	—	—
Exercise	4,000	4,000	4,000	3,000	3,000	2,400
Forfeited	—	—	—	—	—	—
Unexercised balance	13,000	24,000	28,000	21,000	25,400	20,100

(Note) The figures are converted into the number of shares. The number of shares after the split under the stock split dated April 1, 2018 (ratio of 2 shares to 1 common share) is described.

	2019 Stock option	2020 Stock option	2021 Stock option	2022 Stock option
Before vested rights (shares)				
At the end of the previous fiscal year	—	—	—	—
Granted	—	—	—	—
Forfeiture	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
After vested rights (shares)				
At the end of the previous fiscal year	22,800	25,600	40,900	40,400
Vested	—	—	—	—
Exercise	2,400	2,300	2,300	2,300
Forfeited	—	—	—	—
Unexercised balance	20,400	23,300	38,600	38,100

(Note) The figures are converted into the number of shares.

② Unit price information

	2007 Stock Options	2008 Stock Options	2009 Stock Options
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	—	—	—
Fair valuation unit price on the date of grant (yen)	440.5	369.5	336.0

	2010 Stock Options	2011 Stock Options	2012 Stock Options
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	—	—	1,562
Fair valuation unit price on the date of grant (yen)	346.0	410.5	422.0

	2013 Stock Options	2014 Stock Options	2015 Stock Options
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	1,562	1,562	1,562
Fair valuation unit price on the date of grant (yen)	718.0	702.0	965.5

	2016 Stock Options	2017 Stock Options	2018 Stock Options
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	1,562	1,562	1,562
Fair valuation unit price on the date of grant (yen)	950.0	1,488.0	2,081.0

	2019 Stock Options	2020 Stock Options	2021 Stock Options
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	1,562	1,562	1,562
Fair valuation unit price on the date of grant (yen)	1,542.0	1,309.0	1,719.0

	2022 Stock Options
Exercise price (yen)	1
Average stock price at the time of exercise (yen)	1,562
Fair valuation unit price on the date of grant (yen)	1,551.0

(Note) The prices are based on the stock split dated April 1, 2018 (ratio of 2 shares to 1 share of Common shares).

3. Estimation of the number of stock options vested

Basically, since it is difficult to make a reasonable estimate of the number of revocations in the future, we have adopted a method that reflects only the actual number of revocations.

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities by major causes

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Non-deductible accrued enterprise tax	70	15
Provision for bonuses	234	206
Research and Development expenses	320	273
Provision for share-based expenses	116	109
Social Insurance expenses for Provision for bonuses	39	36
Loss on valuation of inventories	195	230
Supplies inventory	2	2
Asset retirement obligations	10	10
Other	59	87
Subtotal of deferred tax assets	1,049	973
Valuation allowance	(12)	(15)
Total deferred tax assets	1,037	957
Deferred tax liabilities		
Retirement benefit asset	(443)	(557)
Reserve for tax purpose reduction entry	(25)	(24)
Valuation difference on available-for-sale securities	(12)	(15)
Other	(4)	(3)
Total deferred tax liabilities	(485)	(601)
Deferred tax assets, net	551	356

2. Significant differences between the statutory tax rate and the effective tax rate after the application of tax effect accounting, by major cause of such differences

	As of March 31, 2023	As of March 31, 2024
Effective statutory tax rate	30.62 %	30.62 %
Adjustments:		
Expenses not deductible for income tax purposes (e.g. Entertainment expenses)	0.16	0.42
fixed-rate municipal tax	0.36	0.79
Tax credits on experimentation and research expenses, etc.	(5.55)	(6.04)
Other	(1.14)	(0.97)
Actual effective tax rate after applying tax effect accounting	24.45	24.81

(Business Combinations)

Not applicable.

(Asset Retirement Obligations)

Due to lack of importance, the description has been omitted.

(Real Estate Related)

Due to lack of importance, the description has been omitted.

(Revenue Recognition)

1. Information that breaks down revenue generated from contracts with customers

Breakdown of earnings by key goods or services and by major regional markets is as follows.

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Japan	Overseas	Total
FIT reagents (OC)	6,198	4,989	11,188
Immunological and serological reagents s (excluding FIT reagents)	9,246	282	9,529
Urinalysis test strips	2,648	1,495	4,143
Microbiological reagents	3,899	39	3,938
Clinical chemistry reagents	590	—	590
Food and environment category, equipment	2,148	17	2,165
Molecular genetics (including Medical devices)	6,867	475	7,343
Medical devices (non-genetic) and others	2,548	1,497	4,045
Revenue from contracts with customer	34,147	8,797	42,944
Other	327	—	327
Total	34,474	8,797	43,271

(Notes) 1. Royalty income is included in reagents for fecal occult blood testing, urinalysis reagents, and gene-related products (including equipment).

2. Other income includes rental income based on Accounting Standards for Enterprises No. 13 "Accounting Standards for Lease Transactions."

	Japan	Overseas	Total
FIT reagents (OC)	6,343	5,972	12,315
Immunological and serological reagents s (excluding FIT reagents)	9,135	258	9,394
Urinalysis test strips	2,760	1,640	4,401
Microbiological reagents	4,260	51	4,312
Clinical chemistry reagents	575	—	575
Food and environment category, equipment	1,932	28	1,961
Molecular genetics (including Medical devices)	1,587	1,037	2,625
Medical devices (non-genetic) and others	3,054	1,125	4,180
Revenue from contracts with customer	29,651	10,115	39,767
Other	284	—	284
Total	29,936	10,115	40,052

(Notes) 1. Royalty income is included in reagents for fecal occult blood testing, urinalysis reagents, and gene-related products (including equipment).

2. Other income includes rental income based on Accounting Standards for Enterprises No. 13 "Accounting Standards for Lease Transactions."

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

(1) Sales of products and merchandise

The sale of products and commodities includes the manufacture and sale of testing reagents and testing equipment.

Based on the actual results of deliveries from wholesalers to hospitals, etc., the Company will discount a certain amount of the difference between the amount sold by the company to wholesalers and the amount sold by the wholesaler to hospitals, etc. after the fact from the sales amount to wholesalers. In addition, reimbursement will be made to the wholesaler in accordance with the predetermined items and calculation standards. Discounts and rebates are calculated using the mode method based on past performance. For contracts in which the transaction price includes a variable amount, such as a discount or rebate, the variable consideration is included in the transaction price only for the portion that is likely to not result in a significant reduction in revenue recorded up to the time of resolution when the uncertainty regarding the amount of variable consideration is resolved after the fact. The amount expected to be reimbursed to the customer is recognized as a refundable liability in addition to other current liabilities.

Consideration for transactions is received mainly within one year of meeting the performance obligation and does not include any material financial elements.

(2) Royalty income

Royalty income includes lump-total payments based on license agreements, milestone income, and running royalties calculated on the basis of sales.

As a general rule, lump-total payments and milestone income are calculated by receiving reports from customers on sales for the period subject to calculation and multiplying them by the rate stipulated in the contract.

Consideration for transactions is received mainly within one year of meeting the performance obligation and does not include any material financial elements.

The normal point in time when performance obligations are satisfied and the normal time at which revenue is recognized are as described in "(Important Matters Forming the Basis for Preparation of Consolidated Financial Statements) 4. Matters Related to Accounting Policy (5) Accounting Standards for Recording Significant Revenues and Expenses."

3. Information to understand the amount of earnings for the current fiscal year and the following fiscal year and thereafter

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Consolidated fiscal year under review (March 31, 2023)
Receivables arising from contracts with customers (opening balance)	11,724
Receivables arising from contracts with customers (balance at the end of the period)	10,895
Contract Liabilities (Beginning Balance)	118
Contract liabilities (balance at the end of the period)	30

Contractual liabilities are mainly advances from customers in the sale of products and goods to overseas customers, which are withdrawn upon recognition of revenues.

Of the amount of revenue recognized in the consolidated fiscal year under review, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was 118 million yen.

(2) Transaction price allocated to remaining performance obligations

Since the Group does not have any significant transactions with an expected contract period of more than one year, it applies practical expediency and omits the description of information on remaining performance obligations. In addition, there is no significant amount of consideration arising from the contract with the customer that is not included in the transaction price.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Consolidated fiscal year under review (March 31, 2024)
Receivables arising from contracts with customers (opening balance)	10,895
Receivables arising from contracts with customers (balance at the end of the period)	12,242
Contract Liabilities (Beginning Balance)	30
Contract liabilities (balance at the end of the period)	62

Contractual liabilities are mainly advances from customers in the sale of products and goods to overseas customers, which are withdrawn upon recognition of revenues.

Of the amount of revenue recognized in the consolidated fiscal year under review, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was 30 million yen.

(2) Transaction price allocated to remaining performance obligations

Since the Group does not have any significant transactions with an expected contract period of more than one year, it applies practical expediency and omits the description of information on remaining performance obligations. In addition, there is no significant amount of consideration arising from the contract with the customer that is not included in the transaction price.

(Segment information)

Segment information

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023) and current consolidated fiscal year (April 1, 2023 to March 31, 2024)

The Group is a single segment of the reagents business, so it is omitted.

Related information

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

1. Information for each product and service

(Millions of yen)

	FIT reagents (OC)	Urinalysis test strips	Immunological and serological reagents	Microbiological reagents	Food and environment category, equipment	Others	Total
Sales to external customers	3,938	4,143	20,717	590	2,165	11,716	43,271

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Overseas	Total
34,474	8,797	43,271

(Note) Sales are categorized by country or region based on the customer's destination.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Total
16,794	407	17,202

(3) Key customer-specific information

(Millions of yen)

Name or surname of the customer	sales
SUZUKEN CORPORATION	5,475
Alfresa Co., Ltd.	5,254
Toho Pharmaceutical Co., Ltd.	4,615

(Note) The Group is a single segment of the reagents business.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

1. Information for each product and service

(Millions of yen)

	FIT reagents (OC)	Urinalysis test strips	Immunological and serological reagents	Microbiologica l reagents	Food and environment category, equipment	Others	Total
Sales to external customers	4,312	4,401	21,710	575	1,961	7,090	40,052

2. Region-specific information

(1) Net sales

(Millions of yen)

Japan	Overseas	Total
29,936	10,115	40,052

(Note) Sales are categorized by country or region based on the customer's destination.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Total
16,627	378	17,005

(3) Key customer-specific information

(Millions of yen)

Name or surname of the customer	sales
SUZUKEN CORPORATION	4,891
Alfresa Co., Ltd.	4,476
Toho Pharmaceutical Co., Ltd.	4,328

(Note) The Group is a single segment of the reagents business.

Information on impairment losses on fixed assets by reported segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Not applicable.

Information on amortization of goodwill and undepreciated balances by reporting segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Not applicable.

Information on Negative Goodwill Accrual Gains by Reporting Segment

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Not applicable.

Related Party Information

Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

Not applicable.

(Information per share)

(Yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net assets per share	1,327.47	1,318.38
Basic earnings per share	155.17	71.69
Diluted earnings per share	153.86	71.10

(Note) The basis for calculating profit per share and profit per share adjusted for potential shares is as follows.

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,736	2,634
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (Millions of yen)	5,736	2,634
Average number of shares of common shares outstanding during each fiscal year (Thousand shares)	36,967	36,744
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of shares of common shares (Thousand shares)	314	306
(Bonds with share acquisition rights included in the above)	(314)	(306)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	

(Significant subsequent events)

(Retirement of Treasury shares)

At a meeting of the Board of Directors held on April 24, 2024, the Company resolved to retire treasury shares in accordance with Article 178 of the Companies Act, and the Company has retired treasury shares as follows.

1. Reason for the retirement of Treasury shares
To improve shareholder profits by reducing the total number of issued shares
2. Details of matters related to the retirement of Treasury shares
 - (1) Type of shares retired: common shares
 - (2) Number of shares retired: 1,500,000 shares
(Ratio to the total number of issued shares before retirement: 3.75%)
 - (3) Date of retirement: April 26, 2024

Consolidated Supplementary Schedules

Schedule of bonds payable

Company Name	brand	Date of issue	Beginning of the current fiscal year balance (Millions of yen)	End of the current fiscal year balance (Millions of yen)	Interest rate (%)	collateral	Redemption deadline
Eiken Chemical Co., Ltd.	1st Unsecured corporate bond	October 19, 2021	3,000	3,000	0.430	with out	October 19, 2026
Total	—	—	3,000	3,000	—	—	—

(Note) The estimated amount of redemption for the five years after the consolidated accounting date is as follows.

Due within 1 year (millions of yen)	Due after 1 year but within 2 years (millions of yen)	Due after 2 years but within 3 years (millions of yen)	Due after 3 years but within 4 years (millions of yen)	Due after 4 years but within 5 years (millions of yen)
—	—	3,000	—	—

Schedule of borrowings, etc.

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations (Note 2)	390	384	1.79	—
Long-term borrowings (excluding current portion)	—	—	—	—
Lease obligations (excluding current portion) (Note 2,3)	919	951	2.15	2025~2037
Other interest-bearing liabilities Guarantee deposits received (Note 1)	287	287	0.00	—
Total	1,598	1,623	—	—

(Notes) 1. The average interest rate on deposits is the weighted average interest rate on the average deposit balance during the period.

2. The average interest rate on lease obligations is the weighted average interest rate on the outstanding amount of lease obligations at the end of the fiscal year.

3. Lease debt (excluding those that are scheduled to be repaid within one year) The estimated repayment amount for the five years after the consolidated settlement date is as follows.

	Due after 1 year but within 2 years (millions of yen)	Due after 2 years but within 3 years (millions of yen)	Due after 3 years but within 4 years (millions of yen)	Due after 4 years but within 5 years (millions of yen)
Lease Obligations	338	254	154	79

Schedule of asset retirement obligations

The description is omitted because the amount of asset retirement obligations at the beginning of the current consolidated fiscal year and the end of the current consolidated fiscal year is less than one-hundredth of the total amount of liabilities and net assets at the beginning of the current consolidated fiscal year and the end of the current consolidated fiscal year.

(2) Others

① FY2024 quarterly information etc.

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Consolidated fiscal year
Net sales (Millions of yen)	9,864	20,264	30,493	40,052
Profit before income taxes (millions of yen)	1,037	2,172	3,432	3,503
Profit attributable to owners of parent (millions of yen)	770	1,618	2,571	2,634
Profit per share (yen)	20.82	43.69	69.37	71.69

(Accounting Period)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit per share (yen)	20.82	22.87	25.68	1.75

② Status after the closing date

There are no special notes.

③ Important litigation cases, etc.

Not applicable.

2. Non-consolidated Financial Statements

(1) Financial Statements

① Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	17,917	15,721
Notes receivable - trade	499	804
Accounts receivable - trade	10,619	11,675
Investments in leases	337	337
Merchandise and finished goods	4,728	4,172
Work in process	1,917	2,001
Raw materials and supplies	1,710	1,874
Prepaid expenses	327	310
Other	685	313
Allowance for doubtful accounts	(6)	(7)
Total current assets	38,736	37,204
Non-current assets		
Property, plant and equipment		
Buildings	22,710	23,178
Accumulated depreciation	(11,682)	(12,328)
Buildings, net	11,028	10,849
Structures	1,745	1,654
Accumulated depreciation	(845)	(812)
Structures, net	900	842
Machinery and equipment	6,728	7,201
Accumulated depreciation	(5,428)	(5,756)
Machinery and equipment, net	1,300	1,445
Vehicles	48	49
Accumulated depreciation	(38)	(41)
Vehicles, net	10	8
Tools, furniture and fixtures	5,003	5,342
Accumulated depreciation	(3,933)	(4,356)
Tools, furniture and fixtures, net	1,070	985
Land	1,928	1,928
Leased assets	325	281
Accumulated depreciation	(150)	(129)
Leased assets, net	174	152
Construction in progress	382	414
Total property, plant and equipment	16,794	16,627
Intangible assets		
Patent right	3	4
Software	848	572
Other	19	24
Total intangible assets	871	601

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Investments and other assets		
Investment securities	586	597
Shares of subsidiaries and associates	-	72
Investments in capital	0	0
Investments in capital of subsidiaries and associates	1,316	1,316
Distressed receivables	30	20
Long-term prepaid expenses	127	89
Long-term time deposits	4,900	1,900
Life insurance funds	168	170
Prepaid pension costs	1,282	1,360
Deferred tax assets	599	495
Investments in leases	786	832
Other	235	236
Allowance for doubtful accounts	(34)	(23)
Total investments and other assets	10,001	7,070
Total non-current assets	27,667	24,299
Total assets	66,404	61,503
Liabilities		
Current liabilities		
Accounts payable - trade	4,715	4,678
Electronically recorded obligations - operating	2,933	2,759
Lease liabilities	390	384
Accounts payable - other	1,397	1,503
Accrued expenses	227	285
Income taxes payable	827	-
Refund liabilities	411	373
Contract liabilities	24	54
Deposits received	67	126
Provision for bonuses	766	674
Other	676	505
Total current liabilities	12,439	11,345
Non-current liabilities		
Bonds payable	3,000	3,000
Lease liabilities	919	951
Asset retirement obligations	34	35
Other	342	342
Total non-current liabilities	4,296	4,329
Total liabilities	16,736	15,675

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus		
Legal capital surplus	7,892	7,892
Other capital surplus	183	-
Total capital surplus	8,076	7,892
Retained earnings		
Legal retained earnings	338	338
Other retained earnings		
Reserve for tax purpose reduction entry	58	54
General reserve	4,330	4,330
Retained earnings brought forward	32,654	31,608
Total retained earnings	37,381	36,331
Treasury shares	(3,095)	(5,686)
Total shareholders' equity	49,259	45,434
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	28	35
Total valuation and translation adjustments	28	35
Share acquisition rights	380	358
Total net assets	49,667	45,828
Total liabilities and net assets	66,404	61,503

② Non-consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales		
Net sales of finished goods	22,133	18,459
Net sales of goods	21,062	21,503
Total net sales	43,195	39,962
Cost of sales		
Beginning inventory of merchandise and finished goods	4,654	4,728
Cost of products manufactured	7,954	8,116
Cost of purchased goods	15,012	14,752
Ending inventory of merchandise and finished goods	4,728	4,172
Total cost of sales	22,892	23,425
Gross profit	20,303	16,536
Selling, general and administrative expenses	12,788	13,114
Operating profit	7,514	3,422
Non-operating income		
Interest income	9	0
Dividend income	3	4
Compensation income for damage	38	-
Compensation income	8	5
Outsourcing service income	9	10
Foreign exchange gains	26	45
Subsidy income	10	155
Other	35	30
Total non-operating income	141	253
Non-operating expenses		
Interest expenses	3	4
Interest expenses on bonds	12	12
Commission for purchase of Treasury shares	-	70
Commitment fees	2	3
Loss on redemption of investment securities	13	-
Compensation expenses	9	-
Other	0	3
Total non-operating expenses	42	93
Ordinary profit	7,613	3,581
Extraordinary income		
Gain on sale of non-current assets	24	0
Gain on sale of investment securities	56	-
Total extraordinary income	81	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	57	65
Total extraordinary losses	57	65
Profit before income taxes	7,637	3,516
Income taxes - current	1,758	767
Income taxes - deferred	97	100
Total income taxes	1,855	868
Profit	5,781	2,648

[Statement of manufacturing costs]

		Fiscal 2023 (from April 1, 2022 to March 31, 2023)		Fiscal 2024 (from April 1, 2023 to March 31, 2024)	
division	Note numb er	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I. Material Costs		3,771	45.0	3,591	43.3
II. Labor Costs	※ 1	2,049	24.5	2,127	25.6
III. Expenses	※ 2	2,552	30.5	2,583	31.1
Total manufacturing expenses for the current fiscal year		8,373	100.0	8,302	100.0
The work-in-progress at the beginning of the period		1,709		1,917	
Total		10,082		10,219	
Transfers to other accounts	※ 3	210		101	
Year-end work-in-process		1,917		2,001	
Cost of goods manufactured		7,954		8,116	

Cost accounting method

Cost accounting method is the continuous process cost system.

Note:

(Millions of yen)

Fiscal 2023 (from April 1, 2022 to March 31, 2023)		Fiscal 2024 (from April 1, 2023 to March 31, 2024)	
*1. The amount of provisions for labor expenses is as follows.		*1. The amount of provisions for labor expenses is as follows.	
Provision for bonuses	204	Provision for bonuses	179
Retirement benefit expenses	36	Retirement benefit expenses	52
*2. The main breakdown of expenses is as follows.		*2. The main breakdown of expenses is as follows.	
Power utilities expenses	209	Power utilities expenses	180
Depreciation	1,160	Depreciation	1,204
Supplies expenses	167	Supplies expenses	186
Outsourcing expenses	336	Outsourcing expenses	322
*3. Transfers to other accounts are mainly transferred to cost of sales, stocked goods, and sales expenses (free sample expenses).		*3. Transfers to other accounts are mainly transferred to cost of sales, stocked goods, and sales expenses (free sample expenses).	

Non-consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of period	6,897	7,892	108	338	66	4,330	28,898
Changes during period							
Reversal of reserve for tax purpose reduction entry					(7)		7
Dividends of surplus							(2,033)
Profit							5,781
Purchase of Treasury shares							
Disposal of Treasury shares			75				
Cancellation of Treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	-	-	75	-	(7)	-	3,756
Balance at end of period	6,897	7,892	183	338	58	4,330	32,654

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(3,126)	45,405	33	316	45,755
Changes during period					
Reversal of reserve for tax purpose reduction entry		-			-
Dividends of surplus		(2,033)			(2,033)
Profit		5,781			5,781
Purchase of Treasury shares	(0)	(0)			(0)
Disposal of Treasury shares	30	105			105
Cancellation of Treasury shares		-			-
Net changes in items other than shareholders' equity			(5)	63	58
Total changes during period	30	3,854	(5)	63	3,912
Balance at end of period	(3,095)	49,259	28	380	49,667

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of period	6,897	7,892	183	338	58	4,330	32,654
Changes during period							
Reversal of reserve for tax purpose reduction entry					(3)		3
Dividends of surplus							(1,927)
Profit							2,648
Purchase of Treasury shares							
Disposal of Treasury shares			58				
Cancellation of Treasury shares			(242)				(1,771)
Net changes in items other than shareholders' equity							
Total changes during period	-	-	(183)	-	(3)	-	(1,046)
Balance at end of period	6,897	7,892	-	338	54	4,330	31,608

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(3,095)	49,259	28	380	49,667
Changes during period					
Reversal of reserve for tax purpose reduction entry		-			-
Dividends of surplus		(1,927)			(1,927)
Profit		2,648			2,648
Purchase of Treasury shares	(4,636)	(4,636)			(4,636)
Disposal of Treasury shares	32	91			91
Cancellation of Treasury shares	2,013	-			-
Net changes in items other than shareholders' equity			7	(22)	(14)
Total changes during period	(2,590)	(3,824)	7	(22)	(3,839)
Balance at end of period	(5,686)	45,434	35	358	45,828

Notes

(Significant accounting policies)

1. Valuation standards and methods for Significant Securities

(1) Held-to-maturity debt securities

Stated at amortized cost (straight-line method)

(2) Shares of subsidiary

Cost method by the moving-average method

(3) Available-for-sale securities

Securities other than shares, etc., which do not have a market price

Market value method

(The valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

Shares, etc., which do not have a market price

Principally cost method by the moving-average method

2. Valuation standards and methods for derivative financial instruments

Market value method

3. Valuation standards and methods for inventories

(1) Merchandise and finished goods, raw materials, and work in process

Cost method by the moving-average method (carrying amount is written down due to decreased profitability) is adopted.

(2) Supplies

Cost method by the last purchase price method (carrying amount is written down due to decreased profitability) is adopted.

4. Depreciation method of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method

However, the straight-line method is adopted for buildings purchased on or after April 1, 1998 (excluding facilities attached to buildings), and for facilities attached to buildings and structures purchased on or after April 1, 2016.

Major useful lives are as follows:

Buildings	15-38 years
Structures	7-40 years
Machinery and equipment	8 years
Vehicles	4-6 years
Tools, furniture and fixtures	2-15 years

(2) Intangible assets (excluding leased assets)

Straight-line method

For internal use software, the straight-line method based on amortization over the internally estimated useful lives (5 years) is adopted.

(3) Leased assets

Leased assets are depreciated over the lease terms as useful lives using the straight-line method without any residual value.

5. Accounting standards for significant reserves and allowances

(1) Allowance for doubtful accounts

In order to prepare for possible credit losses on trade receivables, etc., the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables are recorded.

(2) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount to be used in the future attributable to the current fiscal year is recorded as provision for bonuses.

(3) Provision for retirement benefits

In order to prepare for employees' retirement benefits, provision for retirement benefits is recorded based on the retirement benefit obligations and estimated plan assets as of the current fiscal year-end.

1) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to the periods up to the end of the current fiscal year is based on the benefit formula basis.

2) Accounting method for actuarial difference and past service cost

Past service cost is expensed using the straight-line method over a period of definite years (3 years) within the employees' average remaining service years at the time when it is incurred.

Actuarial difference is expensed at the amount divided proportionally using the straight-line method over a period of definite years (12 years) within the employees' average remaining service years in each fiscal year when it is incurred, commencing from the fiscal year following the fiscal year in which the difference is incurred.

6. Revenue and expense recognition standards

(1) Sales of merchandise and finished goods

Sales of merchandise and finished goods include the manufacture and sale of clinical diagnostic reagents and clinical diagnostic equipment. The Company principally recognizes revenue from sales of merchandise and finished goods when making delivery of the goods to a customer as it satisfies a performance obligation by transferring control of the goods to a customer based on receipt of the goods. For clinical diagnostic equipment which requires installation at the time of sale, the Company recognizes revenue at inspection of installed equipment as it satisfies a performance obligation by transferring control of the goods to a customer based on inspection by a customer.

(2) Royalty revenue

Royalty revenue includes upfront payment based on license agreement etc., milestone revenues, and running royalty calculated based on net sales etc. For upfront payment, the Company recognizes revenue at customers' receipt of the right which the Company promised to transfer to a customer based on the contract. For milestone revenues, the Company recognizes revenue at achievement of the milestone which was defined in the contract. For running royalty calculated based on net sales etc., the Company recognizes revenue when sales or usage occur, or it satisfies a performance obligation which sales-based or usage-based royalty is allocated, whichever is later.

7. Translation of significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the spot exchange rate on the closing date and the translation difference is charged or credited to income.

8. Hedge accounting method

(1) Hedge accounting method

The appropriation procedure is adopted to foreign exchange fluctuation risk hedging that satisfy the relevant requirements.

(2) Hedging instruments and hedged items, hedging policy

The risks of foreign exchange fluctuation are hedged in accordance with the Company's rules.

Hedging instruments and hedged items where hedge accounting was applied for the consolidated fiscal year under review are as follows.

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency denominated accounts payable, foreign currency denominated accounts payable – other

(3) Assessment of hedge effectiveness

For forward exchange contracts, hedged items with the same date and amount and denominated in the same currency are allocated to each account payable, accounts payable – other. Therefore, the correlation by foreign exchange fluctuation thereafter is ensured completely, and the assessment of hedge effectiveness is omitted.

9. Accounting policies for retirement benefits

The accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost for retirement benefits differ from those of the consolidated financial statements.

(Important Accounting Estimates)

Valuation of inventories

(1) Amount recorded in the financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	4,728	4,172
Work in process	1,917	2,001
Raw materials and supplies	1,710	1,874

(2) Information on the contents of important accounting estimates related to the identified items

This is the same as stated in the Consolidated Financial Statements "Notes (Important Accounting Estimates)."

(Notes to Non-consolidated Balance Sheets)

- *1. Regarding accounting policies for notes maturing on the last day of the fiscal year, although the last day of the fiscal year under review was a holiday for financial institutions, the notes are treated as if the settlement was made on the maturity date.

Notes maturing on the last day of the fiscal year under review are as follows.

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024
Notes	-	17

2. Overdraft contract and commitment line are concluded for efficient procurement of working capital. Balance of unexecuted loans based on these contracts are as follows.

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024
Total of overdraft maximum amount and commitment lines	5,400	4,600
Outstanding borrowings	-	-
Difference	5,400	4,600

(Notes to Non-consolidated Statements of Income)

- *1. Approximate percentages of expenses belonging to selling expenses are 45% for the previous fiscal year, 45% for the fiscal year under review, and approximate percentages of expenses belonging to general and administrative expenses are 55% for the previous fiscal year, 55% for the fiscal year under review.

The main expense items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)		
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Salaries	2,203	2,464
Provision for bonuses	400	353
Retirement benefit expenses	76	112
Legal welfare expenses	581	567
Travel and transportation expenses	476	535
Packaging and transportation expenses	822	804
Research and development expenses	4,011	3,916
Depreciation	412	464
Provision of allowance for doubtful accounts	21	(1)

*2 The details of gains on the sale of fixed assets are as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Tools, furniture and fixtures	0	0
Land	24	—
Total	24	0

*2. Main losses on sales and retirement of non-current assets are as follows.

	(Millions of yen)	
	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Buildings	0	14
Structures	0	0
Machinery and equipment	9	0
Vehicles	0	0
Tools, furniture and fixtures	16	0
Software	-	3
Dismantlement cost	30	46
Total	57	65

(Securities)

The market value of subsidiary shares is not stated because they are shares that do not have a market price.

The balance sheet amount of subsidiary stocks, such as shares without market prices, is as follows.

division	Previous fiscal year (Millions of yen)	Current fiscal year (Millions of yen)
Subsidiary Shares	—	72
Total	—	72

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities by major causes

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Deferred tax assets		
Non-deductible accrued enterprise tax	70	15
Provision for bonuses	234	206
Research and Development expenses	320	273
Provision for share-based expenses	116	109
Social Insurance expenses for Provision for bonuses	39	36
Loss on valuation of inventories	195	230
Supplies inventory	2	2
Asset retirement obligations	10	10
Other	44	70
Subtotal of deferred tax assets	1,034	956
Deferred tax liabilities		
Retirement benefit asset	(392)	(416)
Reserve for tax purpose reduction entry	(25)	(24)
Valuation difference on available-for-sale securities	(12)	(15)
Other	(4)	(3)
Total deferred tax liabilities	(435)	(460)
Deferred tax assets, net	599	495

2. When there is a significant difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting, a breakdown of the major items that caused the difference.

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Effective statutory tax rate	30.62%	30.62 %
Adjustments:		
Expenses not deductible for income tax purposes (e.g. Entertainment expenses)	0.16	0.42
fixed-rate municipal tax	0.36	0.79
Tax credits on experimentation and research expenses, etc.	(5.52)	(6.02)
Other	(1.33)	(1.12)
Actual effective tax rate after applying tax effect accounting	24.29	24.68

(Business Combinations)

Not applicable.

(Revenue Recognition)

The information that forms the basis for understanding revenues arising from contracts with customers is the same as in the consolidated financial statements "Notes (Revenue Recognition Relations)," so the notes have been omitted.

(Significant subsequent events)

(Retirement of Treasury shares)

At a meeting of the Board of Directors held on April 24, 2024, the Company resolved to retire treasury shares in accordance with Article 178 of the Companies Act, and the Company has retired treasury shares as follows.

1. Reason for the retirement of Treasury shares
To improve shareholder profits by reducing the total number of issued shares
2. Details of matters related to the retirement of Treasury shares
 - (1) Type of shares retired: common shares
 - (2) Number of shares retired: 1,500,000 shares
(Ratio to the total number of issued shares before retirement: 3.75%)
 - (3) Date of retirement: April 26, 2024

(4) Supplementary Statements

Statement of Tangible and Intangible Fixed Assets

Class of assets	Balance at the beginning of the period (Millions of yen)	Balance at the beginning of the period (Millions of yen)	Decrease during the period (Millions of yen)	Balance at the end of the period (Millions of yen)	Accumulated depreciation and amortization (Millions of yen)	Amortization (Millions of yen)	Ner balance at the end of the period (Millions of yen)
Tangible Fixed Assets							
Building	22,710	543	75	23,178	12,328	708	10,849
Structures	1,745	45	136	1,654	812	102	842
Machinery and equipment	6,728	609	136	7,201	5,756	464	1,445
Vehicles	48	4	3	49	41	6	8
Tools, equipment, and fixtures	5,003	430	91	5,342	4,356	513	985
Land	1,928	—	—	1,928	—	—	1,928
Lease assets	325	38	81	281	129	59	152
Buildings in progress	382	346	314	414	—	—	414
Total	38,872	2,017	839	40,051	23,424	1,855	16,627
Intangible assets							
Trademark right	5	1	—	7	2	0	4
Software	1,768	89	125	1,732	1,159	362	572
Other	22	15	10	27	3	0	24
Total	1,795	107	136	1,766	1,165	363	601
long-term prepaid expense	199	6	49	157	67	44	89

Statement of Provisions

Item	Balance at beginning of period (Millions of yen)	Increase during the period (Millions of yen)	Decrease during the period (Purposed use) (Millions of yen)	Decrease during the period (Others) (Millions of yen)	Balance at end of Period (Millions of yen)
Allowance for doubtful accounts	40	0	10	—	31
Provision for bonuses	766	674	766	—	674

(2) Details of Major Assets and Liabilities

Since consolidated financial statements have been prepared, the description has been omitted.

(3) Other

① Status after the closing date

There are no special notes.

② Important litigation cases, etc.

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Reference date	March 31
Reference date of dividends of surplus	September 30 and March 31
Number of shares per trading unit	100 shares
Purchase or sale of shares of less than one unit Handling office	<p>(Special account) Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation 4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo</p> <p>(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo</p> <p>—</p> <p>No charge</p>
Transfer Agent	
Forwarding office	
Trade commissions	
Method of public notice	<p>The Company uses electronic methods for public notification. However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notification will be made through the Nikkei newspaper.</p> <p>The URL for public notification by the Company is as follows: https://www.eiken.co.jp/</p>
Shareholder benefits	Not applicable.

(Note) Based on the provisions of the Company's Articles of Incorporation, shareholders holding shares less than one unit cannot exercise their rights except the rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act, the rights to receive allotment of shares for subscription and allotment of share acquisition rights for subscription based on the number of shares held by the shareholder, and the rights to request sale of shares less than one unit.

VII. Reference Information About Reporting Company

1 Information about parent of reporting company

The Company does not have a parent company as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 Other reference information

The following documents have been submitted between the start of the current fiscal year and the date of submission of the annual securities report.

(1) Annual Securities Report, accompanying documents, and confirmation letter

Fiscal Year (85th) (April 1, 2022 to March 31, 2023) Submitted to the Director General of the Kanto Local Finance Bureau on June 28, 2023.

(2) Internal control report and accompanying documents

Submitted to the Director General of the Kanto Local Finance Bureau on June 28, 2023.

(3) Quarterly securities reports and confirmation letter

(First Quarter of the 86th Fiscal Period) (April 1, 2023 to June 30, 2023) Submitted to the Director of the Kanto Local Finance Bureau on August 9, 2023.

(2nd Quarter of the 86th Term) (July 1, 2023 to September 30, 2023) Submitted to the Director of the Kanto Local Finance Bureau on November 10, 2023.

(3rd Quarter of the 86th Term) (October 1, 2023 to December 31, 2023) Submitted to the Director General of the Kanto Local Finance Bureau on February 9, 2024.

(4) Extraordinary Report

Submitted to the Director General of the Kanto Local Finance Bureau on June 28, 2023. This is an extraordinary report based on Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Details, etc. (Results of the Exercise of Voting Rights at the General Meeting of Shareholders).

(5) Issuance registration form (ordinary corporate bonds) and its attachments

Submitted to the Director of the Kanto Local Finance Bureau on September 7, 2023.

(6) Report on the status of share purchases

Submitted to the Director of the Kanto Local Finance Bureau on February 13, 2024.

Submitted to the Director General of the Kanto Local Finance Bureau on March 11, 2024.

Submitted to the Director of the Kanto Local Finance Bureau on April 15, 2024.

Submitted to the Director of the Kanto Local Finance Bureau on May 15, 2024.

Part 2 Information about the Submitting Company's Credit Guarantee Company, etc.

Not applicable.