

Materials for the 165th Ordinary General Meeting of Shareholders

(Matters not provided in paper form) II

- Statement of Changes in Shareholders' Equity (From April 1, 2025 to March 31, 2026)
- Notes to Non-consolidated Financial Statements

Koei Chemical Company, Limited

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Statement of Changes in Shareholders' Equity (From April 1, 2025 to March 31, 2026)

(Unit: Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Capital reserve	Total capital surplus	Legal retained earnings	Other retained earnings
					Reserve for advanced depreciation of non-current assets
Balance at beginning of current fiscal year	2,343,000	1,551,049	1,551,049	341,210	1,715,937
Changes during the fiscal year					
Dividends of surplus					
Reversal of reserve for advanced depreciation of non-current assets					-107,751
Net loss					
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	-	-	-	-	-107,751
Balance at end of current fiscal year	2,343,000	1,551,049	1,551,049	341,210	1,608,186

(Unit: Thousands of yen)

	Shareholders' equity					Total net assets
	Retained earnings			Treasury shares	Total shareholders' equity	
	Other retained earnings		Total retained earnings			
	General reserve	Retained earnings brought forward				
Balance at beginning of current fiscal year	10,402,000	5,277,321	17,736,469	-14,374	21,616,144	21,616,144
Changes during						

the fiscal year						
Dividends of surplus		-391,281	-391,281		-391,281	-391,281
Reversal of reserve for advanced depreciation of non-current assets		107,751	–		–	–
Net loss		-5,135,049	-5,135,049		-5,135,049	-5,135,049
Purchase of treasury shares						
Net changes in items other than shareholder s' equity						
Total changes during the fiscal year	–	-5,418,579	-5,526,330	–	-5,526,330	-5,526,330
Balance at end of current fiscal year	10,402,000	-141,258	12,210,138	-14,374	16,089,813	16,089,813

Notes to Non-consolidated Financial Statements

Notes on significant accounting policies

1. Valuation standards and methods for assets

(1) Securities

Other securities

Securities other than shares, etc. without a market price: Market value method based on market prices, etc. as of the fiscal year-end (valuation differences are recognized directly in net assets in their entirety, and cost of sales is calculated by the moving-average method)

Shares, etc. without a market price: Cost method by the moving-average method

(2) Derivatives: Market value method

(3) Inventories: Cost method by the gross average method (method of reducing book value due to a decline in profitability)

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment other than lease assets: Straight-line method

For property, plant and equipment acquired on or before March 31, 2007, the Company uses the method of evenly depreciating the assets over five years from the year following the year in which depreciation to the allowable limit has been completed.

(2) Intangible assets other than lease assets: Straight-line method

Software for internal use is amortized by the straight-line method based on the period of internal use (five years).

(3) Lease assets: For assets related to finance lease transactions that do not transfer ownership, the Company uses the straight-line method with the lease term as the useful life and a residual value of zero.

3. Basis for recording allowances and provisions

(1) Allowance for doubtful accounts The Company records an allowance for doubtful accounts to provide for losses from bad debts on trade receivables, loans, and other similar receivables. For general receivables, the allowance is recorded based on a reasonably estimated doubtful account ratio, and for specific receivables, such as doubtful receivables, the allowance is recorded based on an individual assessment of collectability.

(2) Provision for bonuses The Company records a provision for bonuses to provide for payment of bonuses to employees. The basis for its calculation is the estimated amount of

bonuses to be borne in the current fiscal year.

- (3) Provision for retirement benefits To provide for retirement benefits to employees, the Company records the amount deemed to have accrued as of the end of the current fiscal year based on the estimated amount of retirement benefit obligations at the end of the current fiscal year. In calculating retirement benefit obligations, the benefit formula basis is used as the method for attributing the estimated amount of retirement benefits to the period up to the end of the current fiscal year. Past service cost is expensed by the straight-line method over a certain number of years (five years) within the average remaining service period of employees at the time of its occurrence. Actuarial differences are expensed from the fiscal year following their occurrence, with each amount proportionately allocated by the straight-line method over a certain number of years (five years) within the average remaining service period of employees at the time of occurrence in each fiscal year.

4. Basis for recognizing revenue and expenses

Revenue from the sale of merchandise or finished goods mainly comprises sales through wholesale or manufacturing, etc., and the Company has a performance obligation to deliver merchandise or finished goods based on sales contracts with customers. The Company determines that this performance obligation is satisfied at the point in time when merchandise or finished goods are delivered and the customer obtains control of such merchandise or finished goods, and recognizes revenue at the time of delivery. Consideration received from customers is generally paid within three months from the time the performance obligation is satisfied, and the amount of consideration does not include any significant financing component.

If consideration under a contract with a customer includes variable consideration, the Company includes it in the transaction price only to the extent that it is highly probable that no significant reversal of the cumulative amount of revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of revenue including variable consideration, etc. in the transaction price is not material.

For transactions involving materials supplied for consideration, the Company recognizes only the amount equivalent to processing fees as revenue on a net basis.

5. Hedge accounting method

(1) Hedge accounting method

The Company applies deferred hedge accounting. The Company also applies appropriation treatment to foreign currency-denominated monetary receivables and payables, etc. that are covered by forward exchange contracts.

(2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated receivables

(3) Hedging policy

The Company hedges foreign exchange fluctuation risk in accordance with its management standards.

(4) Method for assessing hedge effectiveness

For forward exchange contracts, the Company omits assessment of effectiveness because it confirms the identity of material terms at the time of the transaction.

Notes on Balance Sheet

1. Accumulated depreciation of property, plant and equipment:	¥32,338,015,000
2. Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims:	¥1,022,849,000
Long-term monetary claims:	¥297,927,000
Short-term monetary obligations:	¥910,638,000

Notes on Statement of Income

1. Transactions with subsidiaries and associates

Net sales:	¥1,005,044,000
Cost of sales and general and administrative expenses:	¥2,904,587,000

2. Matters related to impairment losses

(1) Main details of impairment losses

In the Financial Statements for the current fiscal year, the Company recorded impairment losses as follows for non-current assets related to liquid-phase multipurpose plants (mainly used to manufacture custom synthesis products and functional products; the same applies hereinafter) with a balance sheet carrying amount of ¥3,925,705,000.

Location	Use	Type	Amount
Chiba Site (Sodegaura-shi, Chiba)	Liquid-phase multipurpose plants	Buildings, structures, machinery and equipment, construction in progress, etc.	¥6,395,208,000

(2) Background leading to the recognition of impairment losses

For the business related to liquid-phase multipurpose plants, demand for catalysts in the contract business for organometallic catalysts for the petrochemical industry, which was initially expected to grow steadily, has declined due to the oversupply of petrochemicals resulting from substantial increases in production capacity in China, and has yet to recover at this stage. Demand for products related to pharmaceuticals and agrochemicals for Europe has also decreased. In addition, increased uncertainty was identified with respect to the future demand that had been expected for some other contract products, including optical materials. Furthermore, in light of uncertainty in the future business environment, including prolonged geopolitical risks, particularly the possibility of unstable procurement and sharp price increases for raw materials and fuel caused by heightened tensions in the Middle East, the Company determined that there were indications of impairment for the asset group at the end of the current fiscal year and considered whether it was necessary to recognize impairment losses. As a result, because the total undiscounted future cash flows of the asset group were less than its carrying amount, the Company reduced the carrying amount to the recoverable amount and recorded the amount of the decrease as impairment losses under extraordinary losses.

(3) Method of grouping assets

As a general rule, the Company groups assets based on management accounting classifications for which income and expenses are continuously monitored.

(4) Method for calculating recoverable amount

The recoverable amount is measured based on value in use, calculated by discounting future cash flows at a discount rate of 8.8%, incorporating key assumptions such as increases in net sales of organometallic catalyst products and products related to pharmaceuticals and agrochemicals.

Notes on revenue recognition

1. Disaggregated information on revenue from contracts with customers

Pharmaceutical- and agrochemical-related chemicals:	¥6,290,267,000
Functional chemicals:	¥7,424,776,000
<u>Other fine products:</u>	<u>¥3,294,141,000</u>
<u>Revenue from contracts with customers:</u>	<u>¥17,009,185,000</u>
Net sales to external customers:	¥17,009,185,000

Pharmaceutical- and agrochemical-related chemicals: Pharmaceutical-related products, agrochemical-related products, etc.

Functional chemicals: IL products, electronic materials products, catalysts, optical materials

products, etc.

Other fine products: Industrial chemicals products, resin-related products, etc.

Japan:	¥8,004,589,000
Asia:	¥6,850,404,000
North America:	¥744,006,000
Europe:	¥1,408,442,000
Other:	¥1,742,000
<u>Revenue from contracts with customers:</u>	<u>¥17,009,185,000</u>
Net sales to external customers:	¥17,009,185,000

2. Basic information for understanding revenue

As stated in “Basis for recognizing revenue and expenses” under “Notes on significant accounting policies.”

3. Information for understanding the amount of revenue for the current fiscal year and subsequent fiscal years

(1) Balance of contract liabilities, etc.

Contract liabilities mainly relate to advances received from customers based on payment terms.

Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities at the beginning of the fiscal year was ¥328,000.

Revenue recognized in the current fiscal year from performance obligations satisfied, or partially satisfied, in prior periods, mainly due to changes in transaction prices, is not material.

(2) Transaction price allocated to remaining performance obligations

In disclosing the transaction price allocated to remaining performance obligations, the Company applies the practical expedient and does not include contracts with an initially expected contract period of one year or less in the scope of disclosure.

Notes on Statement of Changes in Shareholders' Equity

1. Type and total number of issued shares at the end of the current fiscal year

Common shares: 4,900,000 shares

Type and number of treasury shares at the end of the current fiscal year

Common shares: 8,980 shares

2. Matters related to dividends of surplus paid during the current fiscal year

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2025	Common shares	244,551	50.0	March 31, 2025	June 3, 2025
Board of Directors meeting held on October 29, 2025	Common shares	146,730	30.0	September 30, 2025	December 2, 2025

3. Matters related to dividends of surplus to be paid after the end of the current fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2026	Common shares	Retained earnings	244,551	50.0	March 31, 2026	June 9, 2026

Notes on financial instruments

1. Matters related to the status of financial instruments

The Company raises the long-term and short-term funds necessary to conduct its business through borrowings from banks and other financial institutions. Temporary surplus funds are managed only through financial instruments with fixed yields and an extremely low possibility of principal loss.

With regard to customer credit risk related to accounts receivable - trade, in accordance with internal rules on sales management, the sales department regularly checks the status of all customers, sales transaction volume, and receivable balances, reviews transaction policies, and seeks to identify and mitigate customer credit risk at an early stage due to deterioration in financial position or other factors. Foreign currency-denominated trade receivables arising from export transactions and other transactions are exposed to foreign exchange fluctuation risk. However, as a general rule, the Company hedges the net position after offsetting foreign currency-denominated trade payables by

using forward exchange contracts within a certain range, in accordance with internal rules on forward exchange contracts.

Investment securities consist of unlisted shares and shares of subsidiaries and associates, and have no market price. However, the Company regularly monitors the financial position of the issuers.

Guarantee deposits mainly consist of deposits based on continuous transaction agreements, and credit risk related to counterparties is managed in the same manner as accounts receivable - trade.

Accounts payable - trade, accounts payable - other, and deposits received are operating obligations with payment due within one year.

Short-term borrowings are mainly for raising short-term working capital, and long-term borrowings are mainly for raising funds for capital investment.

Forward exchange contracts are used only for the purpose of hedging foreign exchange fluctuation risk, and their limits are kept within the scope of actual demand. For the execution and management of forward exchange contracts, the Company has established internal rules on transaction authority and procedures, and manages risk by ensuring compliance with these rules and confirming the hedging effect of transactions. In using forward exchange contracts, the Company conducts transactions only with highly creditworthy domestic banks in order to reduce credit risk.

2. Matters related to fair value, etc. of financial instruments

The carrying amounts on the balance sheet, fair values, and differences between them as of March 31, 2026 are as follows. Investment securities consist of unlisted shares (carrying amount on the balance sheet: ¥96,000) and shares of subsidiaries and associates (carrying amount on the balance sheet: ¥10,000,000), and are not included in “2. Matters related to fair value, etc. of financial instruments” because they have no market price. Notes on cash are omitted. Notes on deposits, deposits paid, accounts receivable - trade, accounts payable - trade, short-term borrowings (excluding the current portion of long-term borrowings), accounts payable - other, deposits received, and accounts payable - facilities are also omitted because they are settled in a short period of time and their fair values approximate their book values.

(Unit: Thousands of yen)

Category	Carrying amount on balance sheet	Fair value	Difference
Guarantee deposits	297,927	279,346	-18,580
Total assets	297,927	279,346	-18,580
Long-term borrowings*	3,568,000	3,556,713	-11,286
Lease liabilities*	961,804	917,354	-44,449
Total liabilities	4,529,804	4,474,068	-55,736

* Long-term borrowings and lease liabilities include amounts due within one year.

3. Matters related to the breakdown of fair value of financial instruments by level

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

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

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

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

When multiple inputs that have a significant effect on the fair value measurement are used, the fair value is classified in the level with the lowest priority in fair value measurement among the levels to which those inputs belong.

(1) Financial assets and financial liabilities whose carrying amounts on the balance sheet are not stated at fair value

(Unit: Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	–	279,346	–	279,346
Total assets	–	279,346	–	279,346
Lease liabilities	–	917,354	–	–
Long-term borrowings	–	–	3,556,713	3,556,713
Total liabilities	–	917,354	3,556,713	4,474,068

Note: Explanation of valuation techniques and inputs used in fair value measurement

Guarantee deposits

The fair value of guarantee deposits is calculated based on present value, obtained by discounting future cash flows using the interest rate of highly secure bonds corresponding to the period until repayment, and is classified as Level 2 fair value.

Lease liabilities

The fair value of lease liabilities is calculated based on present value, obtained by discounting the total amount of principal and interest using the interest rate of highly secure bonds adjusted for credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest using the interest rate assumed to apply if similar new borrowings were made, and is classified as Level 3 fair value.

Notes on tax effect accounting

Breakdown of the main causes of deferred tax assets and deferred tax liabilities

Deferred tax assets

Impairment losses on liquid-phase multipurpose plants:	¥2,008,095,000
Excess provision for retirement benefits:	¥633,074,000
Other:	<u>¥143,527,000</u>
Subtotal:	<u>¥2,784,696,000</u>
Valuation allowance:	<u>¥-935,544,000</u>
Total deferred tax assets:	<u>¥1,849,152,000</u>

Deferred tax liabilities

Tax-purpose reduction entry for non-current assets:	<u>¥736,111,000</u>
Total deferred tax liabilities:	<u>¥736,111,000</u>

Net deferred tax assets: ¥1,113,041,000

Notes on transactions with related parties

1. Parent company and major corporate shareholders, etc.

(Unit: Thousands of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc. held in the Company	Relationship with related party	Transaction details	Transaction amount	Account	Balance at fiscal year-end
Parent company	Sumitomo Chemical Co., Ltd.	Direct: 55.91% Indirect: 0.04%	Sale of the Company's products, purchase of raw materials, etc., and lease of factory	Purchase of raw materials, etc.	2,808,233	Accounts payable - trade	878,070
				Sale of the Company's products	1,005,044	Accounts receivable - trade	1,006,533
				Collection of	45,834	Guarantee deposits	297,927

			land	guarantee deposits			
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Transaction terms and policy for determining transaction terms, etc.

1. For the purchase of raw materials, etc. and sale of products, transaction terms are determined through individual negotiations after considering market prices, etc.
2. Guarantee deposits are non-interest bearing.

2. Companies, etc. with the same parent company

(Unit: Thousands of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc. held in the Company	Relationship with related party	Transaction details	Transaction amount	Account	Balance at fiscal year-end
Company with the same parent company	Sumika Finance Co., Ltd.	—	Borrowing of funds	Borrowing of funds	800,000	Short-term borrowings	800,000

Transaction terms and policy for determining transaction terms, etc.

Interest rates on borrowings or deposits of funds are determined after considering market interest rates.

Notes on per share information

Net assets per share:	¥3,289.66
Net loss per share:	¥1,049.89