

For the Fiscal Year Ended December 31, 2025

Annual Select[®] 2025

KOKEN LTD.

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Corporate Profile

Since our founding in 1943, we have consistently stood by our two company policies of “never follow other companies” and “conduct thorough research.” With the goal of becoming a manufacturer that is second to none in research and development, Koken has pursued research and development with the aim of developing “first-of-their-kind” and “truly useful” products. As a result, we have succeeded in developing a lot of original products in the field of respiratory protective equipment to contribute to improving the health of workers.

Koken started business with dust masks as its core product and has established its position as the top manufacturer in the field of respiratory protective equipment. However, our mission is not to sell masks, but rather to help protect the safety and health of people. Based on this idea, we have developed innovative technologies in the fields of cleanliness, health, and safety, which has allowed us to develop a wide range of products besides masks, such as environment-related equipment and facilities designed to improve air and work environments, and products that apply the technology of strongly acidic electrolyzed water and are totally different from conventional disinfectants. Our mission is to contribute to society based on our own technological innovation.

With the aim of transitioning to a new growth stage, we have adopted the management principles of “nurture people,” “nurture technology,” and “nurture new markets in the fields of cleanliness, health, and safety,” which can also be called Koken’s DNA, and will continually strive to realize our management principles. Please stay tuned for future development of Koken’s new technologies and products in these fields.

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I. President's Message

Greeting

Allow me to introduce myself. My name is Tsutomu Murakawa, and I am honored and grateful to have the opportunity to serve as President for KOKEN LTD.

Firstly, I would like to express my heartfelt gratitude for your continued support and patronage to the Company.

Since its foundation, KOKEN LTD. has grown in the safety business domain with a focus on the development of respirators for industrial use. Having launched the cleanliness business domain with a focus on the recently developed KOACH,-an open clean system, we are now ready to step up to a new growth stage.

To realize this new growth, we have set forth three management principles, which could also be described as the Company's DNA: "Nurture people," "Nurture technology" and "Nurture new markets in cleanliness, health and safety business domains."

For the next generation, we will establish the health business domain as the third main pillar of operations and make each of three main pillars of business stand on its own. Everybody from the management down to each employee in the Company is now striving to implement these initiatives to achieve a stable and strongly growing company in the future.

We look forward to your continued understanding and support in the future.



Announcement of Our Management Stance - Our Goal: Long-Term Sustainable Growth

At the KOKEN Group, we aim to achieve long-term sustainable growth based on our Management Principles through which we will contribute to society: (1) Nurture people, (2) Nurture technology and (3) Nurture new markets in cleanliness, health and safety business domains.

The current business environment surrounding our Group remains uncertain at home and abroad due to its fast and drastic change.

In these circumstances, while maintaining the unchanging long-term goal to nurture new markets in cleanliness, health, and safety business domains based on our own original technological innovations, we consider that (1) establishing specific targets and an action plan to achieve them every year and implementing them steadily and (2) achieving each year's targets by modifying the action plan quickly and flexibly to respond to ever-changing business environment are the best and surest ways to achieve long-term sustainable growth of our Group.

As mentioned above, to expand beyond the "safety" business and establish the "cleanliness" and the "health" business domains as the second and third pillars of operations, respectively, we are now striving to develop our own original products which have never before existed, and cultivate and expand new markets for them.

By taking such a management stance, our immediate highest priority is not achieving rapid profit growth and capital efficiency, but rather nurturing new businesses in the domains of "cleanliness" and "health" businesses, which may eventually result in an improved operating margin as well as increased net sales and operating income.

The Group's research and development base, the Advanced Technology Center, is a facility where technological development personnel gather, exchange knowledge, and make large contributions to increasing the Group's ability to develop technology. Going forward, focusing on enhancing its presence as a forum for promoting collaboration and joint research with various external organizations and companies, we aim to develop sustainably and to increase our corporate value.

We sincerely ask that our shareholders also look forward to our Group's continued growth from a longer-term perspective.

Operating Forecasts for the Next Fiscal Year Ending December 31, 2026

The future business environment surrounding the Group is expected to remain unpredictable, as there are various factors such as rising prices of goods, slowing overseas economies, and heightened geopolitical risks, while economic recovery is expected due to improvements in employment and income conditions. Under these circumstances, the Group will diligently strive to develop and cultivate markets using its comprehensive responsive abilities based on its technological capabilities while further evolving our efforts.

For the fiscal year ending December 31, 2026, we expect revenue to increase for the third consecutive year, driven not only by maintaining steady growth in the mask-related business but also by expanding sales of the “KOACH” open clean system. On the other hand, regarding profit, we anticipate that cost increases will continue. Although we will continue to strive to reduce costs through measures such as optimizing manufacturing and procurement systems and improving business processes, we forecast a decrease in profit.

For the operating forecasts, we forecast net sales of 12,200 million yen (up 2.9% year on year), operating income of 1,220 million yen (down 4.1% year on year), ordinary profit of 1,150 million yen (down 5.8% year on year), and net income attributable to owners of parent of 830 million yen (down 6.2% year on year).

(Mask-related business segment)

Regarding industrial masks, sales to the manufacturing industry are expected to remain at the same level as the previous fiscal year, while sales to the public-works projects are expected to increase mainly due to progress in infrastructure development.

For medical masks, we do not anticipate an increase in demand due to the spread of infection, and therefore expect a decrease in sales.

Sales of protective masks are expected to continue to increase in the next year, supported by factors such as an increase in defense costs.

Therefore, net sales for the mask-related business segment are expected to be 9,800 million yen (up 2.5% year on year).

(Environment-related business segment)

The semiconductor market is expected to continue growing and expanding. Since highly cleanliness is essential for achieving high-performance semiconductors, we anticipate that demand for the “KOACH” open clean system which can create an ISO Class 1 environment, the world’s highest level of air cleanliness, will continue to grow. Currently, we are steadily accumulating property listings and consultation requests.

Therefore, net sales for the environment-related business segment are expected to be 2,100 million yen (up 8.3% year on year).

(Other business segment)

Net sales for the other business segment are expected to be 300 million yen (down 15.1% year on year).

II. Summary of Selected Financial Data (Consolidated)

	59th term Fiscal year ended December 31, 2021	60th term Fiscal year ended December 31, 2022	61st term Fiscal year ended December 31, 2023	62nd term Fiscal year ended December 31, 2024	63rd term Fiscal year ended December 31, 2025
Net sales (Thousands of yen)	10,203,319	10,604,143	10,587,126	10,762,379	11,857,057
Ordinary profit (Thousands of yen)	922,359	1,160,218	979,024	1,002,939	1,220,861
Net income attributable to owners of parent (Thousands of yen)	862,372	833,112	701,125	722,061	885,292
Comprehensive income (Thousands of yen)	874,788	1,003,939	756,831	854,443	983,224
Net assets (Thousands of yen)	11,113,114	11,818,745	12,352,350	13,035,775	13,797,084
Total assets (Thousands of yen)	19,600,131	20,568,000	20,817,046	20,866,352	22,443,474
Net assets per share (Yen)	2,220.01	2,392.01	2,499.09	2,635.81	2,805.84
Net income per share (Yen)	172.27	167.85	141.89	146.05	179.82
Net income per share, fully diluted (Yen)	—	—	—	—	—
Equity / Assets (%)	56.7	57.5	59.3	62.5	61.5
ROE (%)	7.99	7.27	5.80	5.69	6.60
Price earnings ratio (Times)	10.53	10.05	11.30	10.48	10.32
Net cash provided by operating activities (Thousands of yen)	655,476	618,952	1,081,743	666,370	136,142
Net cash provided by (used in) investing activities (Thousands of yen)	147,583	(184,203)	(206,254)	(98,811)	(379,511)
Net cash provided by (used in) financing activities (Thousands of yen)	(176,251)	(291,979)	(307,818)	(1,053,160)	370,836
Cash and cash equivalents at end of term (Thousands of yen)	2,187,870	2,386,383	2,978,794	2,531,339	2,684,275
Employees	297	307	287	321	312
[Separately, average number of temporary employees] (Persons)	[172]	[168]	[167]	[171]	[165]

- Notes:
1. Net income per share, fully diluted is not presented because there are no potential shares.
 2. The Company introduced “Stock Benefit Trust (BBT)” and “Stock Benefit Trust (J-ESOP).” The shares of the Company remaining in “Stock Benefit Trust (BBT)” and “Stock Benefit Trust (J-ESOP),” which are recorded as treasury stock in shareholders’ equity are included in the treasury stock not included in the calculation of the total number of issued and outstanding shares at the end of the term and the average number of shares during the term when calculating net assets per share and net income per share.
 3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 60th fiscal year. Key management indicators after the 60th fiscal year are figures after the retrospective application of these accounting standards.

III. History

May, 1943	Koshinkai Kenkyujo was established.
February, 1952	Koshinkai Kenkyujo was converted to joint stock company.
December, 1963	Company's production and sales divisions spun off as independent operations; KOKEN LTD. was established and Hanno plant was established in Hanno City, Saitama Prefecture.
April, 1967	Hanno Laboratory was established in Hanno City, Saitama Prefecture.
December, 1968	Hoya plant was established in Hoya City (currently Nishitokyo City), Tokyo.
October, 1976	Ashio plant was established in Ashio-machi, Tochigi Prefecture.
January, 1977	Logistics center was established in Ninomiya-machi, Kanagawa Prefecture.
January, 1981	Koken Bosai System was established and sales of occupational safety and health-protection equipment and design and construction of fire-prevention equipment and workplace environment improvement equipment were transferred to this company.
December, 1984	Hoya plant was relocated to Tokorozawa City, Saitama Prefecture, and reestablished as Tokorozawa plant.
June, 1985	Koken completed the merger with Koshinkai Kenkyujo and Ninomiya Production Center.
December, 1986	Company's shares were registered with Japan Securities Dealers Association as OTC-traded stock issue.
July, 1987	Koken completed the merger with Koken Bosai System. Sayama Techno-Yard was established in Sayama City, Saitama Prefecture, and one portion of Hanno Techno-Yard was relocated to Sayama Techno-Yard. (Names of plants and factories were all changed to Techno-Yard.)
July, 1988	Second phase of Sayama Techno-Yard construction was completed, concluding relocation of Hanno Techno-Yard.
August, 1989	New head office building was constructed.
March, 1992	New research wing was constructed for Tokorozawa Laboratory.
December, 1997	Nakai Techno-Yard and Nakai Logistics Center were established in Nakai-machi, Kanagawa Prefecture. Ninomiya Techno-Yard and Ninomiya Logistics Center were integrated into newly established facilities of Nakai Techno-Yard and Nakai Logistics Center.
January, 1999	ISO 9001 certification was obtained by entire company (registered on inspection).
June, 1999	Gunma Techno-Yard was established in Kasakake-cho (currently Midori City), Gunma Prefecture.
January, 2002	ISO 14001 certification was obtained by Gunma Techno-Yard (registered on inspection).

June, 2003	ISO 14001 certification was obtained by Nakai Techno-Yard and Nakai Logistics Center (registered on inspection).
December, 2004	Registration for OTC trading with Japan Securities Dealers Association canceled; and shares were listed on the JASDAQ Securities Exchange.
May, 2005	ISO 14001 certification was obtained by Tokorozawa Techno-Yard (registered on inspection).
September, 2009	Saitama Logistics Center was established in Ranzan-machi, Saitama Prefecture. Nakai Logistics Center was integrated into newly established facilities of Saitama Logistics Center.
April, 2010	Company's shares were listed on JASDAQ-OSE integrated market after merger of JASDAQ Securities Exchange into Osaka Securities Exchange.
March, 2011	KOACH showroom was opened.
November, 2011	KOKEN Super Clean Technical Center was opened.
November, 2012	Overseas subsidiary SIAM KOKEN LTD. (currently consolidated subsidiary) was established in Chonburi Province, Thailand.
January, 2013	Ranzan Techno-Yard was established in Ranzan-machi, Saitama Prefecture.
July, 2013	Company's shares were listed on the JASDAQ Standard market following merger of the Osaka Securities Exchange with the Tokyo Stock Exchange.
June, 2015	Business operations were commenced at SIAM KOKEN LTD.
September, 2018	Advanced Technology Center was established in Hanno City, Saitama Prefecture.
April, 2022	Due to the revision concerning the market classification of the Tokyo Stock Exchange, the Company has transitioned from Tokyo Stock Exchange JASDAQ (Standard) to the Standard Market.
September, 2023	KOACH Kumamoto showroom was opened in Kumamoto-City, Kumamoto Prefecture.

IV. Business Overview

Clean Air Solutions

We manufacture and sell three types of clean zone creators as clean solutions.

Super Clean Zone Creator KOACH

Born from a completely new idea, **the super clean zone creator KOACH** helps realize quality improvement, yield improvement and cost reduction via high cleanliness and low power consumption.

The development engineers of KOACH received the Prime Minister's Award (top honor) in the 6th Monodzukuri Nippon Grand Awards in recognition of its unique features and substantial benefits and its installation is progressing across various industries, including semiconductors.



Push-Pull Ventilation System KOKENLAMINAR

There are environments in factories and medical facilities that contain dust and gases harmful to humans.

We provide **the push-pull ventilation system KOKENLAMINAR**, which removes these harmful substances from the environment, to protect the health of workers and to create environments where workers can work comfortably.



Air Ventilation System as Contamination Source Control LAMIKOACH

An air ventilation system as contamination source control LAMIKOACH, which is a combination of KOACH and KOKENLAMINAR, is used when there is a dust generating factor inside a clean room that is intended to maintain a high level of cleanliness.

This system reliably captures contaminants generated inside a clean room to prevent them from spreading out in the whole clean room.



Health Solutions

We are planning to expand business for the following products and devices as health solutions.

Antibacterial Agent IMADEZE®

This is a copper-based lactate antibacterial agent we developed using a proprietary method for causing “copper” and “lactic acid” to react with one another.

We are planning business development as we seek fields that can make good use of its characteristics such as its superior antibacterial, mildew-resistant, and antiviral properties, as well as its high bio-safety and processability properties.



Masks for Medical Facilities

In addition to pathogens (bacteria, viruses) that cause infectious diseases, there are chemical substances that are harmful to humans, such as disinfectants and sterilizing gases, in medical facilities.

We provide masks for medical facilities that protect the respiratory system from such pathogens and chemical substances.



Masks for General Consumers

In recent years, events such as COVID-19 and PM 2.5, for which even the general public requires high performance masks, have been occurring frequently.

As a mask manufacturer that has been manufacturing and selling industrial masks for many years, we have been selling masks for general consumers that can be used safely and securely by the general public.



Functional Water Production System

Functional water comes in various types, such as electrolyzed water, ozone water, hydrogen water, and magnetically treated water. We deal with electrolyzed water.

We sell electrolyzed water generators, endoscope washer/disinfector (medical equipment), blood stain washer kit and portable shower system for disinfection and decontamination that use electrolyzed water for washing and disinfecting.



Safety Solutions

We manufacture and sell the following masks and protective gear as safety solutions.

Industrial Masks

Improvement in working environment and the use of respiratory protective equipment (masks), as a measure to protect individual workers against exposure to hazardous substances are required to prevent the health hazards caused by toxic substances generated at factories and construction sites.

We manufacture and sell industrial masks such as dust masks and gas masks for a range of working environments with different types and concentrations of hazardous substances.



Equipment for Accident and Disaster Countermeasures

In addition to fires and natural disasters, which can occur at any time, in recent years, there has been a social situation that requires preparation for nuclear disasters, chemical disasters, CBRN terrorism incidents, etc. In such accidents and disasters, it is necessary to have equipment for accident and disaster countermeasures for different purposes, such as rescue teams heading to save lives, medical personnel treating victims, and local residents evacuating to safe places nearby.



Masks for Medical Facilities

In addition to pathogens (bacteria, viruses) that cause infectious diseases, there are chemical substances that are harmful to humans, such as disinfectants and sterilizing gases, in medical facilities.

We provide masks for medical facilities that protect the respiratory system from such pathogens and chemical substances.



Masks for General Consumers

In recent years, events such as COVID-19 and PM 2.5, for which even the general public requires high performance masks, have been occurring frequently.

As a mask manufacturer that has been manufacturing and selling industrial masks for many years, we have developed and been selling masks for general consumers that can be used safely and securely by the general public.



Protective Clothes, Ear Plugs, Face Shields, etc.

In addition to respiratory protective equipment (masks), we also supply protective clothes to prevent skin disorders during chemical handling activities, ear plugs to prevent noise related disorders, and face shields to protect eyes and faces from flying objects, etc.



V. Management Policy, Management Environment, Issues to be Addressed, Etc.

(1) Basic policy of management

Management principles

- 1) Nurture people
- 2) Nurture technology
- 3) Nurture new markets in the fields of cleanliness, health, and safety

With “cleanliness, health and safety” as our business domains, the Group’s basic policy of corporate management is to supply products based on highly original technology and to contribute to society.

Based on this policy, with research and development aimed at developing “first-of-their-kind” and “truly useful” products as the starting point, our goal is not to be a “large company” but instead to be a “strong company,” in other words a “technology-driven company,” with “the only one, and the number one” technologies and products unique to the world that only the Company can create, even if we expand our scale slowly. Rather than capturing the “needs” of the market and our customers quickly, we will identify and commercialize “wants” of which our customers are not yet aware ahead of competitors, constantly aiming to create new markets.

To realize this goal, we call on all our employees to engage in “imagination” and “creation,” forms of human dignity. As a result, in our efforts to “never follow other companies” and “conduct thorough research,” we will continuously pursue new technological innovation and creative product development.

(2) Corporate strategy and issues to be addressed

The Group is tackling respective corporate strategies and on-going issues based on management principles in order to realize further improvement of its corporate value and sustainable development and growth.

1) “Nurture people”

We believe that a business has a corporate value only when it can strike a balance between the sense of purpose of employees and the existence of a business. In other words, when the dignity of employees is recognized in the company’s business activities, they feel a sense of happiness and fulfillment. Based on this belief, the Group designed our original HR policy called “HOPES (High-ideal, Open-minded Personal affairs by various Evaluation System),” which we have operated for approximately 30 years to develop our human resources.

“HOPES” is a human resource system that accepts diversity and evaluates and manages each and every employee independently from three perspectives: professional skill, ability to attain business performance, and management ability. The system provides opportunities for advancement for employees regardless of age, gender, or the number of years of services, constantly putting motivated employees in positions suitable for them. Furthermore, the Group has been promoting systematic, effective skills development by implementing internal training programs to improve employee’s professional knowledge and skills according to job classification.

2) “Nurture technology”

Our philosophy of research and development, which has been carried down since the founding of the Group, is based on the concepts of “never follow other companies” and “conduct thorough research.” With the aim of thoroughly infusing this philosophy into each and every one of our technological development personnel, we have continued to operate mechanisms that are original to the Group. Such mechanisms include adopting a Meister system to evaluate improvement of technical expertise, holding monthly research presentations, which are attended by all technological development personnel and directors.

Our technological development personnel are assigned to Basic Research Laboratory, development divisions, other divisions, and Techno-Yards, where they each pursue free, independent technological development and focus on research and development with useful developmental applications for society.

Furthermore, the Group has established a matrix-based R&D structure that includes project teams to pursue development by development theme.

Through these initiatives, we have created successive products that are the only one, and the number one, and we own numerous intellectual property rights. Going forward, our most important theme is improving the quantity and quality and making better use of our intellectual property.

The technological development base, the Advanced Technology Center, is a place for technological

development personnel to gather and exchange knowledge to make large contributions to improving the Group's ability to "nurture technology." We will focus on enhancing the Center's presence as a hub to promote joint research and development with external organizations and companies.

3) "Nurture new markets in the fields of cleanliness, health, and safety"

The Group will create new markets and aim to grow sustainably as a company contributing to society by developing and selling "unique products" and "truly useful products," specializing in the three fields of "cleanliness, health, and safety," while evolving and developing the Group's original technologies.

<Cleanliness>

Against the background of the market's demand for higher quality due to technological progress, the existing technologies for clean devices are limited in response capabilities. Recently, an increasing number of customers request "ISO Class 1," the highest standard level of cleanliness, centered on the semiconductor field. The Group will contribute to solving various problems in the cleanliness market by disseminating KOACH, an open clean system, which can realize "ISO Class 1."

<Health>

The Group will further expand the market share of anti-infection "Hi-Luck 350" N95 masks that were highly evaluated primarily by medical institutions for their overwhelming anti-infection functions in the COVID-19 pandemic. Moreover, the Group will strive to expand sales of high performance anti-infection products including "Hi-Luck Utsusanzo" droplet spread prevention masks.

We will strive to diffuse the endoscope washer/disinfectant "Kagami-Naishi II G," which gives endoscopy labs more room for inspection, work, and space while also providing safe and secure inspections for patients.

<Safety>

For industrial sites with a high market share, the Group will continue focusing on the development of masks to be used securely and with peace of mind such as the BL series of Breath Response Powered Air-Purifying Respirators to protect workers and the Hi-Luck series disposable dust masks with excellent features.

In addition to natural disasters and fires, in recent years, there has been a social situation that requires preparation for nuclear accidents, chemical disasters, terrorism incidents, etc. Regarding personal protective equipment used during such disasters, we will work to expand the safety measures market by raising awareness about the importance of stockpiling and training in proper use.

(3) Management environment and priority issues to be addressed

1) Cultivation and expansion of cleanliness businesses

The Group promotes initiatives to grow and expand the environment-related businesses centered on KOACH, an open clean system.

Going forward, the Group will continue to actively invest in management resources to nurture these businesses as the second pillar following the mask-related businesses.

2) Response to the revisions of laws, regulations and rules made by the Ministry of Health, Labour and Welfare

In response to the revisions of laws, regulations and rules currently being made by the Ministry of Health, Labour and Welfare regarding worksites with dust, welding work, hazardous gas, etc., the Group will meet requests for safety measures from the market by continuing dissemination of information to business sites and education of workers, as well as developing and supplying highly safe and easy-to-use products as the leading manufacturer of industrial masks.

3) Response to rising prices of raw materials

As raw material costs and logistics prices have been rising sharply due to the rise of global inflation and heightened geopolitical risks, the Group's business performance may continue to be affected.

Under these circumstances, the Group continues taking cost-cutting measures including improvement in production efficiency by enhancing production technology and streamlining operations to minimize their impact.

(4) Target performance benchmarks

The Group values both solidity and growth, aiming for stable corporate earnings growth.

Even amid a challenging economic environment, the Group will always strive to improve productivity while responding flexibly to changes in the market and increasing our market share, and as a result, will work to expand our operating income and operating margin.

[Approach and initiatives for sustainability]

It is the business purpose of the Group to contribute to society through cleanliness, health and safety by realizing the three management principles of “nurture people,” “nurture technology,” and “nurture new markets in the fields of cleanliness, health, and safety,” which is consistent with the approach to sustainability. Accordingly, it is an important element of management strategy to deal with issues of sustainability, for whose solution and improvement the Group is taking various initiatives.

(1) Governance

The Group’s corporate governance structures are as described in “IX. Corporate Governance.” For the response to sustainability-related risks and opportunities, the Group also operates under these structures with the Board of Directors as the final decision-making body.

(2) Development of human resources and human resource utilization

Recognizing the need of diversified human resources and organizations, the Group calls on all its employees to engage in “imagination” and “creation,” forms of human dignity, to the maximum extent in all situations and opportunities.

(Human resource system)

The Group’s original HR policy called “HOPES (High-ideal, Open-minded Personal affairs by various Evaluation Systems)” is a human resource system that accepts diversity and evaluates and manages each and every employee independently from three perspectives: professional skill, ability to attain business performance, and management ability. The system provides opportunities for advancement for employees regardless of age, gender, or the number of years of service, constantly putting motivated employees in positions suitable for them. Furthermore, the Group has been engaged in creating workplaces where different generations can mutually play active roles, by aggressively recruiting employees with diversified experience, abilities and values, as well as placing senior generations in positions where they can utilize their abilities and careers.

(Training system)

The Group conducts education, training and human resource development for the purpose of nurturing human resources with appropriate knowledge, skills, planning ability and judgment as full-fledged employees who have learned the philosophy of the Group by highlighting the potential of each and every employee through the systematic learning of necessary knowledge and skills to help run the company.

- training of employees by grade
- training of employees by area of expertise

(Meister system)

In the business of the Company, we operate the Meister system linked to the personnel management system which treats employees according to their acquired expertise. Specifically, it is a system to give employees, who have completed unique internal training for each job and acquired prescribed external qualifications, a title for each stage and adds allowances to their salaries.

(Issues for human resource utilization, etc.)

It is an essential element for the growth of the company that each and every employee utilizes their abilities to expand their fields of activity, which the Group stipulates in “HOPES” to actively promote motivated human resources.

Under these circumstances, we recognize it is an issue in the Group that there are currently few female managers. Since this is partly due to the relatively low number of women hired, we have set a target of 30% or higher for the ratio of women hired. Moreover, we have been promoting the nurturing of next generation

leaders in consideration of women’s career development and life cycle, such as creating an environment where they can return to their job and play active roles again after experiencing childbirth or childcare leave. Furthermore, we are making efforts targeting the taking of paid leave of 60% or more, based on the idea that it is essential to develop and improve the workplace environment that contributes to the enhancement of employees’ motivation for work and the balancing of work life and family life. For the way of working, we will continue striving to create a vibrant workplace environment by testing and verifying flexible responses individually.

(3) Risk management

Based on the risk management system described in “IX. Corporate Governance,” the Group manages risks including matters concerning sustainability. Specifically, it is as described in “VI. Business and Other Risk.”

(4) Metrics and targets

For human resource management, the Company grasps and analyzes progress and achievements using the following metrics. The targets and results of such metrics are as follows. (Planning period: April 1, 2021-March 31, 2026)

1) Provide female workers with opportunities for working life

Target: 30% or more for the ratio of women in workers hired

Fiscal year	Result	Number of workers hired	Of which women workers
2023	16.7%	18	3
2024	34.8%	23	8
2025	20.8%	24	5

2) Develop an employment environment that contributes to the balancing of work life and family life

Target: 60% or more for the acquisition rate of paid leave

Fiscal year	Result	Yearly average number of paid leave per a worker
2023	65.3%	11.8 days
2024	70.2%	12.2 days
2025	69.9%	11.9 days

*Supplementary explanation

Part-timers are not included in the target employees for 1) and 2).

VI. Business and Other Risk

Of the items related to the business conditions, accounting conditions, and other conditions listed in the securities report, the main risk recognized by the management that could materially affect the financial condition, results of operation, and cash flow of the company submitting the securities report are described.

Based on a thorough recognition of the possibility of these risks occurring, the Group is working to avoid and limit their occurrence and to respond immediately if they occur.

Note that matters relating to the future contained in the text below were determined by the Group as of this document's submission date.

(1) Research and development

As a research and development oriented company, the Group has invested management resources with the objective of supplying highly innovative products related to "cleanliness, health, and safety" to the market, but all research and development do not necessarily lead to the development of new products or to growth in earnings, and thus the Group's business performance may be affected if it is forced to stop research and development due to any of a variety of circumstances.

The Group has a matrix-type R&D system, where technological development personnel, assigned to each of 1) fundamental research laboratories (R&D hubs pursuing technological innovation, 2) development divisions (design hubs to realize wants), 3) divisions (hubs to discovery customers' wants), and 4) Techno-Yards (manufacturing hubs that produce high-value-added products), organize a project team that spans multiple divisions and departments for each development theme. By establishing the system, we will continue to take measures to identify and minimize development risks in order to develop new products that combine novelty, marketability and profitability.

(2) Intellectual property

The Group has already taken necessary intellectual property protection procedures for product development based on its highly original technology, and holds a large number of intellectual property rights such as patents. There is, however, a limit to protecting our unique technology only by legal restrictions. If a third party manufactures or sells imitations or similar products using our intellectual property, we may not be able to make the expected profits. Furthermore, regardless of the Group's intentions, if the Group's products violate third parties' intellectual property rights, the Group could receive claims for compensation for damages. If such an event were to occur, it could affect the Group's business performance.

To avoid these risks, the Group will continue to manage our intellectual property rights carefully.

(3) Legal restrictions

The Group's business is related to various laws and regulations, such as the "Industrial Safety and Health Act," the "Pharmaceuticals and Medical Devices Act" and the "Product Liability Act."

Should an event occur where we were found not in compliance with these laws and regulations, this could place limits on the businesses the Group pursues, and lead to recalls of its products. Furthermore, if new laws and regulations are established or revised, this will give rise to new costs, like new capital expenditures, which could have an impact on the Group's business performance.

In addition to collecting information on the amendment and abolition of these laws and regulations, the Group is working to strengthen its compliance system and internal controls to comply with laws and regulations.

(4) Quality assurance and quality control

In addition to the assumption that they will be used in harsh environments, because the Group's products are required to be highly durable and reliable for the purpose of protecting the safety and health of their users, the Group is maintaining and strengthening a thorough quality assurance and management system. However, in the unlikely event that we receive indications of nonconformity via the Ministry of Health, Labour and Welfare's respiratory protective equipment test purchases for an unexpected reason, if product defect or failure occurs, etc., the Group's business performance could be affected by recall and repair expenses, and other such burdens.

In response to these risks, in the development phase, the Group uses validation sites at its Advanced Technology Center to perform reliability testing that replicates the actual environment in which the product will be used. To ensure the quality of the products developed through this reliability testing, the Group has established the Quality Assurance Office, which acts as an independent department focused on quality under the direct supervision of the president. The Group has also established a thorough quality assurance system by creating and maintaining a quality management system that is based on ISO 9001. Furthermore, the Quality Assurance Office assigns product inspectors to each Techno-Yard (manufacturing base) to monitor the manufacturing and inspection processes at these Techno-Yards. These Techno-Yards manufacture products according to the Japanese Industrial Standards, the national examination standards set by the Ministry of Health, Labour and Welfare, and the Group's own strict quality assurance and quality control standards.

(5) Impact on production by disasters, infectious diseases, etc.

The Techno-Yards, which represent the Group's manufacturing base, undergo surveys for earthquake risks, based on which they endeavor to build systems that enable production to resume without disruption even in the event of an earthquake. However, the occurrence of an event that interferes with the continuation of business activities, which, for example, suppresses production activities, etc. such as a large-scale earthquake with an epicenter in the vicinity of a base of operation, a typhoon or other natural disaster, other unexpected accident, the spread of an infectious disease, etc. could affect the Group's business performance.

(6) Environmental issues

The Group is implementing measures to clean up the soil and groundwater contamination caused by trichloroethylene, which has occurred to date at a total of two of the Group's old laboratories and Techno-Yards. However, it is difficult at present to predict when the cleanup process will be complete, and thus, if the decontamination measures take a long time, the costs related to the measures could have an impact on the Group's business performance. While ascertaining the decontamination standards established by laws and regulations and ordinances, we will continue our decontamination measures.

(7) Information security

The Group possesses a large amount of confidential information relating to business execution, such as information related to technology, sales and other business. As measures to prevent this information from being leaked, based on our basic rules for information systems management, the ICT management section, a dedicated division responsible for overall information and communication systems operation within the Administration Headquarters, plays a central role. The ICT management section implements measures on a facility and organizational level including concentrated network management (integrated threat management), security education and training such as targeted email training for all employees, and monitoring of the handling of information. We also implement third-party security checks (vulnerability diagnoses using simulated, external attacks).

Regarding the appropriate protection of personal information, the Group has built and properly operates a management system based on the Act on the Protection of Personal Information, personal information management regulations, and My Number information management regulations.

However, if an information security incident due to cyberattacks, etc. occurs, such incident could have an impact on the Group's business performance.

(8) Internal controls

The Group strives to enhance its internal control systems with respect to business effectiveness and efficiency, reliable financial reporting, compliance with laws and regulations, etc. related to business activities, and asset conservation. However, these internal control systems have their limits, to some degree and thus if events should occur that are outside the scope presumed by the created internal control systems, such events could have an impact on the Group's business performance.

To prevent these risks from occurring, we will continue our constant evaluations and reviews to strengthen our internal control systems.

(9) Overseas subsidiaries

SIAM KOKEN LTD., which was established in Thailand as a production subsidiary, continues to steadily

manufacture masks and contributes to the Group's profit growth. However, should unpredicted events occur due to political and social circumstances or legal restrictions in Thailand or due to trends in foreign exchange rates, etc., or otherwise if a natural disaster strikes or an infectious disease spreads, such events could have an impact on the Group's business performance.

SIAM KOKEN LTD. has exported all the disposable dust masks (including N95 masks) produced by SIAM KOKEN to Japan, but with the outbreak of COVID-19, the Thai government took measures to stop those exports (the measures were later lifted) in 2020. If similar export restrictions are again enacted due to the outbreak of an infectious disease, it could have an impact on the Group's business performance.

Furthermore, in response to increased demand for anti-infection masks and these risks in overseas production, the Group is currently working to increase our domestic production facilities for disposable dust masks and to expand our total production volume.

(10) Impact of international political uncertainty

If military conflicts in the world intensify, spread, or are prolonged, not only the risk of soaring prices of raw materials due to the surge in the oil prices, but also risks such as heightened geopolitical risks and the acceleration of global inflation will increase significantly, and may affect the Group's business performance more than before.

VII. Analysis Regarding Status of Financial Position, Operations, and Cash Flows by Management

The recognition, and analysis and discussion of the status of the Group's results of operations and others from a management's perspective are as follows.

1) Recognition, and analysis and discussion regarding status of financial condition, results of operations, and others

(Analysis of results of operations)

In the fiscal year under review, net sales were 11,857 million yen (an increase of 10.2% over the previous fiscal year), operating income was 1,271 million yen (an increase of 25.9% over the previous fiscal year), ordinary profit was 1,220 million yen (an increase of 21.7% over the previous fiscal year), and net income attributable to owners of parent was 885 million yen (an increase of 22.6% over the previous fiscal year).

a. Net sales

Net sales were 11,857 million yen (an increase of 10.2% over the previous fiscal year). For details on net sales, please refer to "XVI. Status of Business, [Overview of business performance, etc.], Business performance."

b. Cost of goods sold

Cost of goods sold was 6,474 million yen (an increase of 10.9% over the previous fiscal year). We tried to lower the cost-to-sales ratio by reducing expenses and improving manufacturing technology for the whole Group against the rise in raw material prices, logistics costs, etc. As a result, the cost-to-sales ratio was 54.6%, up 0.3 percentage points from 54.3% in the previous fiscal year.

c. Selling, general and administrative expenses

Selling, general and administrative expenses were 4,111 million yen, an increase of 5.1% from the previous fiscal year (3,912 million yen in the previous fiscal year), mainly due to an increase in salaries. The ratio of selling, general and administrative expenses to net sales was 34.7%, down 1.7 percentage points from 36.4% in the previous fiscal year.

d. Operating income

Operating income was 1,271 million yen, an increase of 261 million yen from the previous fiscal year. The operating income margin was 10.7%, up 1.3 percentage points from 9.4% in the previous fiscal year.

e. Nonoperating income and expenses

Nonoperating income was 25 million yen, a decrease of 32 million yen from the previous fiscal year. Nonoperating expenses were 75 million yen, an increase of 11 million yen from the previous fiscal year.

f. Ordinary profit

Ordinary profit was 1,220 million yen, an increase of 217 million yen from the previous fiscal year.

g. Extraordinary income and losses

No extraordinary income was recorded in the current fiscal year. Extraordinary losses were 0 million yen, due to loss on sale and retirement of fixed assets of less than one million yen as in the previous fiscal year.

As a result, net income attributable to owners of parent was 885 million yen, an increase of 163 million yen from the previous fiscal year.

(Analysis of financial condition)

a. Total assets

Total assets amounted to 22,443 million yen, an increase of 1,577 million yen compared to the end of the previous fiscal year.

b. Current assets

Current assets amounted to 11,529 million yen, an increase of 1,511 million yen compared to the end of the previous fiscal year. The major factor contributing to the result was an increase of 731 million yen in accounts receivable - trade and an increase of 420 million yen in electronically recorded monetary claims - operating.

c. Fixed assets

Fixed assets amounted to 10,913 million yen, an increase of 65 million yen compared to the end of the previous fiscal year. The major factor contributing to the result was a decrease of 162 million yen in buildings and structures, and an increase of 103 million yen in land.

d. Liabilities

Current liabilities amounted to 5,204 million yen, an increase of 1,077 million yen compared to the end of the previous fiscal year. The major factor contributing to the result was an increase of 1,095 million yen in short-term loans payable and a decrease of 220 million yen in current portion of long-term debt.

Long-term liabilities amounted to 3,441 million yen, a decrease of 261 million yen compared to the end of the previous fiscal year. The major factor contributing to the result was a decrease of 264 million yen in long-term debt.

e. Net assets

Net assets amounted to 13,797 million yen, an increase of 761 million yen compared to the end of the previous fiscal year. The major factor contributing to the result was an increase of 709 million yen in retained earnings.

As a result, shareholders' equity ratio was 61.5% compared to 62.5% as of the end of the previous fiscal year.

2) Analysis and considerations of status of cash flows and information on capital sources and liquidity of funds

a. Cash flow position

As stated in "XVI. Status of Business, [Overview of business performance, etc.], Cash flows."

b. Demand for funds

Main items of demand for working capital included purchases of raw materials and supplies, manufacturing and operating expenses, and payment of income taxes. Main items of fund demand for investment were capital expenditures in mechanical equipment, and tools, instruments and fixtures, etc.

c. Financial policy

The Group follows a basic policy of stably procuring the sources of funds that can respond to capital requirements to conduct flexible capital expenditures while securing the liquidity needed for regular business operations.

As for working capital and funds for capital expenditures, the Group uses its own funds and, as needed, raise funds by loans from financial institutions.

As of December 31, 2025, the balance of outstanding interest-bearing debt, including loans and lease obligations, was 5,791 million yen, and that of cash and cash equivalents was 2,684 million yen.

VIII. Research and Development

The Company is committed to research and development in its business domains of, “cleanliness, health, and safety.” It pursues development of original, creative technologies as well as developmental applications useful to society that employ them. A matrix-based R&D structure has been established that includes project teams for basic research on future technologies and project teams for application development. We have a research and development staff of 68, and our research and development expenses during the fiscal year under review amounted to 762 million yen. Since the Group’s research and development activities are common to all segments, we do not provide a breakdown by segment.

The main products developed and launched for the fiscal year under review are as follows.

(1) “KOACH Duet” open clean system

“KOACH Duet” is the world’s first cleanliness system to create both an ISO Class 1 environment, the world’s highest level of air cleanliness, and chemical-free operation.

The “KOACH” open clean system is a product that can create the world’s highest level of air cleanliness while remaining open. It is highly evaluated, particularly in the semiconductor market, due to its features of low power consumption and ability to be installed in a short lead time. In the semiconductor market, against the backdrop of rapidly advancing miniaturization, there is an increasing need not only for measures against nano-level fine dust but also for measures against molecular contaminants (gases).

In order to meet these needs, we have developed the “KOACH Duet,” which is capable of addressing molecular contaminants.

<<Features>>

- Creates a super clean zone meeting ISO Class 1, the world’s highest cleanliness standard (10 pieces or less of 0.1 μ m dust particles per cubic meter)
- Significantly reduces outgassing from the main unit and dust filters
- Achieves ultra-low concentration spaces (tens to hundreds of ng/m³ or less) for various molecular contaminants
- Chemical filters can be selected and combined based on the target gas
- Capable of responding to a wide range of gases, including acidic, alkaline, and organic gases, that may cause problems in cutting-edge semiconductor manufacturing sites

(2) Chemical Cartridge for Powered Air-Purifying Respirators (G-PAPR) “Model BGC-12 for organic gases”
Type Approval Number TP159

The “Model BGC-12 for organic gases” is a chemical cartridge designed for use with a full facepiece G-PAPR “Model BL-711HG” and a half facepiece G-PAPR “Model BL-351HGX.”

G-PAPR is effective for strengthening measures against exposure to hazardous substances in control class 3 work areas and for implementing measures against exposure to hazardous substances based on risk assessments, and it contributes to reducing the burden on workers and improving safety.

<<Features>>

- With toxin removal capacity of 145 minutes or more, it can be used for approximately three times longer than our conventional chemical cartridges for G-PAPR
- Widely applicable in various work environments where volatile organic solvents are used, such as solvent cleaning operations in factory facilities and application of welding materials or printing inks

IX. Corporate Governance

(1) Overview of corporate governance

1) Basic approach to corporate governance

In order to achieve sustainable growth and increase its medium to long-term corporate value, the Company has established a corporate governance system with clarified responsibility and is working on maintaining a sound corporate entity that can respond quickly to management environment changes while keeping transparency and fairness.

2) Description of the corporate governance system and reasons for adopting the system

a. Basic description of the Company's organization

- As a company with a Board of Corporate Auditors, the Company has appointed seven directors (of which, one is an outside director) and four corporate auditors (of which, two are outside corporate auditors). The Company has also introduced an executive officer system with the aim of strengthening functions and clarifying executive responsibilities by separating the Company's decision-making and business execution functions. Actual business execution is performed via a five headquarter system consisting of the Administration Headquarters, Marketing Headquarters, Sales Headquarters, Engineering Headquarters, and Manufacturing Headquarters. Each headquarters has an organizational structure where a chief of the headquarters apportions and enforces work responsibilities, and where check functions are in place for each of these responsibilities.

(Board of Directors)

- As the primary decision-making body of the Group, the Board of Directors consists of the chairman and six (6) other members, seven (7) in total, as follows, and meets once a month, in principle, in accordance with the regulations of the Board of Directors. It deliberates on important matters relevant to managing business execution, makes decisions in that regard, and oversees the execution of business. Furthermore, the system allows for meetings on an ad hoc basis to enable the Board to respond to issues quickly. The Company believes that attendance of corporate auditors including outside corporate auditors at every meeting of the Board of Directors helps ensure that, from the perspective of a highly independent third party, oversight and audit of decision making and business execution is carried out properly.

Chairmanship	Masakazu Sakai	Representative Director, Chairman
Members	Tsutomu Murakawa	Representative Director, President
	Nobuya Horiguchi	Representative Director, Executive Vice President
	Mitsuji Muramatsu	Senior Managing Director
	Hideaki Ibata	Senior Managing Director
	Toshiaki Nagasaka	Director
	Shinobu Sakurai	Outside Director

(Senior Management Meeting)

- Held once a month, Senior Management Meeting is chaired by the Representative Director, President and its membership consists of the officers, chief of the headquarters and department heads. The meetings are held with the aims of communicating intentions of management as deliberated and decided by the Board of Directors, having each division and each sales office give reports to gain an understanding of the status of work in each department and any problems therewith, and discussing and deciding on countermeasures.

(Board of Corporate Auditors)

- The Board of Corporate Auditors consists of four (4) people, a chairman and three (3) other members, and makes decisions on matters such as audit policy, audit plans, audit methodology, and assignment

of audit work.

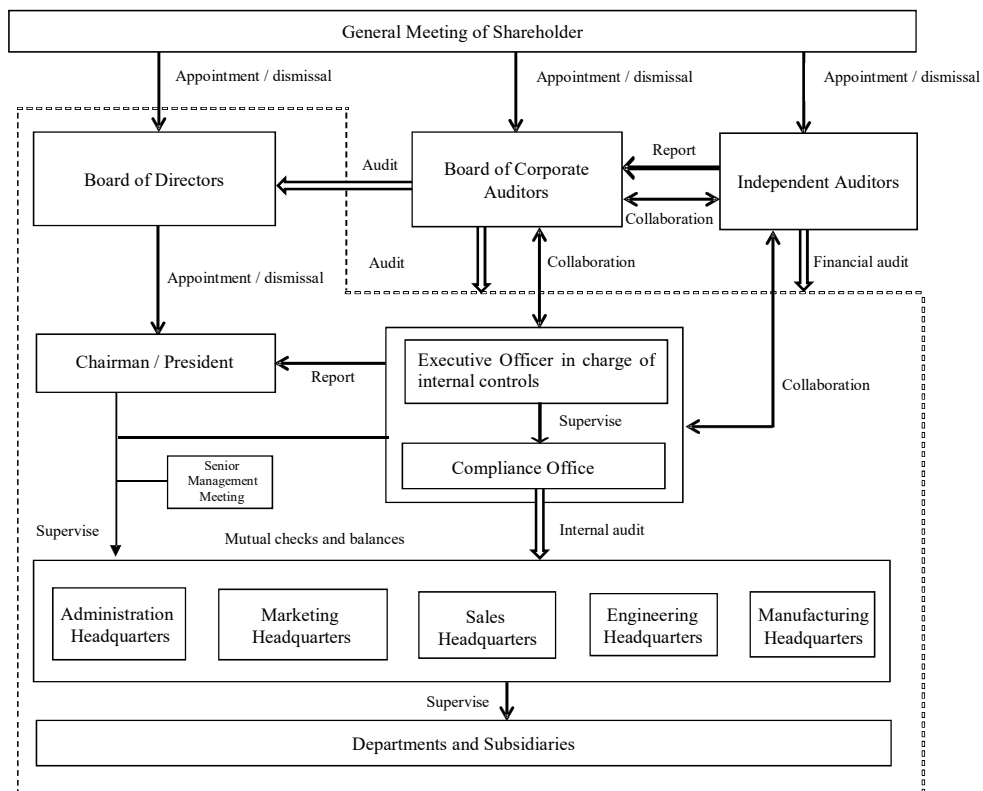
Chairmanship	Toshio Akiyama	Standing Corporate Auditor
Members	Fumikazu Tanaka	Standing Corporate Auditor
	Teruo Shinato	Outside Corporate Auditor
	Nikko Haku	Outside Corporate Auditor

b. Reasons for adopting the structures

The Company has appointed one outside director and two outside corporate auditors who supervise the execution of duties by directors from an objective point of view outside the Company. The outside director and outside corporate auditors each have high levels of expertise and precisely carry out managerial oversight from the perspective of such expertise. Neither the outside director nor outside corporate auditors pose cause for concern with respect to potential conflict of interest with general shareholders of the Company in terms of relationships with the Company, neither personal, capital, transactional nor interests otherwise. As such, the Company designates them as independent officers pursuant to rules of the Tokyo Stock Exchange, and has accordingly furnished notification thereof to the Tokyo Stock Exchange.

Through these corporate governance structures, we have determined that a system is in place that functions adequately in terms of management supervision functions.

A schematic diagram for describing the Company’s corporate governance structures is as follows.



3) Other matters relevant to corporate governance

a. Status of maintaining internal control systems

The Company builds systems for ensuring effectiveness and appropriateness of business affairs, premised on the following Basic Policy for Building Internal Control Systems, as approved by the Company’s Board of Directors.

- i) Systems for ensuring that directors and employees perform their professional duties in compliance with laws, regulations and the articles of incorporation

The Company and its subsidiaries deem that important professional duties of the respective department heads of each department and subsidiaries are to involve reviewing various regulations upon holding regular reviews to determine whether the various regulations conform to the actual circumstances of management, and are also to involve monitoring business execution and thorough implementation in compliance with laws, regulations and the various regulations. Furthermore, to execute business in accordance with the compliance regulations, the Company performs checks with respect to compliance with corresponding laws, regulations and various internal regulations, and also implements relevant education and training of officers and employees.

The Company and its subsidiaries adopt systems for promptly assessing and swiftly taking corrective action in addressing compliance infractions. Accordingly, the Company maintains and operates the KOKEN Compliance Help Line which acts as an in-house system for internal reporting.

As a member of society, the Company and its subsidiaries have no relationships with antisocial forces or other organizations that pose a threat to the order and safety of civil society, and all members of the Company and its subsidiaries will respond with a resolute and consistent attitude.

- ii) Systems for retaining and managing information pertaining to directors' performance of their professional duties

The Company and its subsidiaries retain and manage information in accordance with document management regulations and confidential information management regulations, and accordingly adopt systems for appropriately disclosing such information to parties who need it to perform professional duties.

The Company and its subsidiaries also strive to maintain and strengthen information management systems that are focused also on education and audit systems with respect to the aim of properly addressing risks of leaking confidential information, personal information, insider information and other such information.

- iii) Regulations and systems for managing risk of loss

The Company and its subsidiaries adopt systems whereby the Administration Headquarters, Marketing Headquarters, Sales Headquarters, Engineering Headquarters, Manufacturing Headquarters, and subsidiaries control the risks of each of their own departments while they simultaneously check each other. In regard to the status of business execution in that regard, the Company and its subsidiaries perform business audits in accordance with internal auditing regulations, and in particular perform product checks in accordance with quality assurance audits. Through these systems, such results are reported to the president, and remedial measures are taken as necessary.

Risk management for the Company and its subsidiaries as a whole falls under the supervision of the executive officer in charge of internal controls, who promotes the maintenance of necessary regulations and works to maintain risk management systems that are able to reduce assumed risks and respond to emergency situations.

- iv) Systems for ensuring that directors perform their professional duties effectively

The Company and its subsidiaries hold meetings of the Board of Directors once per month, in principle, to make decisions on important management issues and supervise execution of them.

The Company holds sessions of the Senior Management Meeting, which consists of directors, senior managers, and corporate auditors, once per month for purposes of communicating intentions of management, gaining an understanding of the status of work in each department and subsidiary and problems therewith, and discussing countermeasures.

In addition, continuous improvement in the execution of directors' duties is ensured under the annual budget system. This involves executing budgets in accordance with implementation plans that are based on business targets and quality targets formulated by each department and subsidiary; regularly reporting progress made in achieving targets and status thereof to the president; and, as necessary checking the effectiveness of plans, various internal regulations, and other such systems.

The Company has also introduced an executive officer system with the aim of strengthening functions and clarifying executive responsibilities by separating the Company's decision-making and business

execution functions.

- v) Systems for ensuring appropriateness of business affairs of the Group which consists of the Company and its subsidiaries

The Company and its subsidiaries share the “philosophy of the Company” as the philosophy of the Group as a whole, and efforts are made to build, and as necessary manage, compliance systems and risk management systems that are geared toward realizing this philosophy. The Company requests reports from subsidiaries regarding matters specified in the overseas subsidiary management regulations to ensure the appropriateness and efficiency of decision making and business execution by subsidiaries.

- vi) Systems involving employees who assist corporate auditors with their professional duties upon request made by a corporate auditor

The Company endeavors to assign employees to act as assistants to the Board of Corporate Auditors upon request made by a corporate auditor seeking assistance with audit affairs. Appointments of employees assigned such tasks are to be decided upon consultation between directors and corporate auditors.

- vii) Matters involving independence of employees described in the preceding item from directors, and matters that involve ensuring effectiveness of instruction furnished to such employees

The authority to supervise and instruct any such employee resides with the corporate auditors upon such employee having been assigned to act as an assistant to the Board of Corporate Auditors. In addition, the corporate auditors carry out personnel evaluations with respect to such employees and decisions on staff reassignments are made upon consultation between directors and corporate auditors.

- viii) Systems for enabling reporting to corporate auditors, and systems for ensuring that parties who have reported are not subject to disadvantageous treatment as a consequence of having furnished such report

At meetings of the Company’s Board of Directors and sessions of its Senior Management Meeting, directors and employees of the Company and its subsidiaries report to the corporate auditors with respect to status of business execution, issues constituting risk, and countermeasures in that regard. In addition to the aforementioned, the Company has also adopted a system that enables reporting to the corporate auditors upon having established a point of contact for reporting to and consultation with standing corporate auditors under its KOKEN Compliance Help Line internal reporting framework. The Company’s compliance regulations prohibit acts that subject a party who has furnished such reports to disadvantageous treatment as a consequence of having furnished such report.

- ix) Procedures for arranging upfront payment or reimbursement of expenses incurred by corporate auditors with respect to performance of their professional duties, and matters regarding policy that pertains to handling expenses and financial obligations otherwise incurred with respect to such performance of professional duties

When a corporate auditor makes a request seeking, for instance, upfront payment for expenses incurred by the corporate auditor to perform his or her professional duties, the Company is to promptly address the request unless it has been deemed that the upfront payment or expense is unnecessary with respect enabling the corporate auditor to perform his or her professional duties.

- x) Other systems for ensuring that corporate auditors perform audits effectively

The Board of Corporate Auditors regularly holds meetings to facilitate exchange of opinion between the representative directors and corporate auditors with the aim of ensuring that the corporate auditors perform audits effectively.

- b. General situation of the content of limited liability agreements

The Company has entered into agreements with Outside Director Shinobu Sakurai, Outside Corporate Auditor Teruo Shinato, and Outside Corporate Auditor Nikko Haku that limit their liability for damages as stipulated under Article 423, paragraph 1 of the Companies Act, pursuant to provisions of Article 427,

paragraph 1 of said act. Under these agreements, the maximum amount of liability for damages is the minimum liability amount stipulated in laws and regulations. Such limitations of liability are applicable only under circumstances whereby the professional duties which caused the liability were performed by the outside director or outside corporate auditor in good faith and without gross negligence.

c. Summary of the content of the officers, etc., indemnification insurance policy

We have concluded the officers, etc., indemnification insurance policy stipulated in Article 430-3, paragraph 1 of the Companies Act, to indemnify damages that may be incurred due to the responsibilities for the execution of duties by the insured or claims for pursuing such responsibilities.

Those insured by the officers, etc., indemnification insurance policy include the Company's directors, corporate auditors and executive officers, all of whose insurance premiums are paid by the Company; provided, however, that there are grounds for exemption that damages caused intentionally or by gross negligence shall not be indemnified.

d. Number of directors and term of office

The Articles of Incorporation stipulate that the Company may have no more than 15 directors, and that their terms of office are to extend up until the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years subsequent to a director's appointment; and that the term of office of a director who is appointed to fill a vacancy or due to an increase in the number of directors is to extend for the remainder of the term of office of the other incumbent directors.

e. Requirements for resolving the election of directors

The Company has stipulated in its articles of incorporation that resolutions for electing directors shall be attended by the shareholders holding at least 1/3 of the voting rights of the shareholders who can exercise their voting rights, and shall be resolved by a majority of said voting rights. The Company has also stipulated in its articles of incorporation that directors shall not be elected based on cumulative voting.

f. Institutions for determining interim dividends

The Company has stipulated in its articles of incorporation that interim dividends from retained earnings set forth in Article 454, paragraph 5 of the Companies Act may be executed by resolution of the Board of Directors without resolutions by the General Meeting of Shareholders, unless otherwise stipulated in laws and regulations. This is for the purpose of providing a flexible return of profits to shareholders by setting interim dividends from retained earnings under the authority of the Board of Directors.

g. Acquisition of treasury stock

The articles of incorporation stipulate that "the Company may acquire treasury stock through market transactions, etc. by resolution of the Board of Directors." This is aimed at acquiring treasury stock through market transaction, etc. in order to carry out agile capital policies that respond to changes in the business environment.

h. Requirements for special resolutions at General Meetings of Shareholders

The Company has stipulated in its Articles of Incorporation that "resolutions set forth in Article 309, paragraph 2 of the Companies Act shall be attended by at least 1/3 of the shareholders who can exercise their voting rights, and shall be resolved by at least 2/3 of said voting rights." This is for the purpose of conducting General Meetings of Shareholders smoothly by relaxing quorums needed for special resolutions at General Meetings of Shareholders.

i. Activity status of the Board of Directors

(Members and attendance for the fiscal year under review)

Name	Job title	Attendance in meetings
Masakazu Sakai	Representative Director, Chairman	6 of 10
Tsutomu Murakawa	Representative Director, President	10 of 10
Nobuya Horiguchi	Representative Director, Executive Vice President	10 of 10
Mitsuji Muramatsu	Senior Managing Director	10 of 10
Fumikazu Tanaka	Senior Managing Director	2 of 2
Hideaki Ibata	Managing Director	9 of 10
Toshiaki Nagasaka	Director	10 of 10
Hiroyuki Sakai	Director, Advisor	10 of 10
Shinobu Sakurai	Outside Director	10 of 10

- (Notes) 1. We have made five resolutions in writing which are deemed to have been made by the resolution of the Board of Directors in accordance with the provisions of Article 370 of the Companies Act and Article 30 of the Company's Articles of Incorporation.
2. Mr. Fumikazu Tanaka retired as Senior Managing Director at the conclusion of the Annual General Meeting of Shareholders held on March 27, 2025.
 3. Mr. Hideaki Ibata assumed office as Senior Managing Director at the conclusion of the Annual General Meeting of Shareholders held on March 26, 2026.
 4. Mr. Hiroyuki Sakai retired as Director, Advisor at the conclusion of the Annual General Meeting of Shareholders held on March 26, 2026.

(Specific matters considered)

- Important management issues including matters concerning the management plan, plan for funding, and capital investment
- Operating results and financial position
- Matters concerning internal control
- Matters concerning organizations and personnel affairs
- Establishment, revision and abolishment of important rules

j. Status of efforts to implement the Company's corporate governance of the past year

(i) Performance of professional duties by the directors and corporate auditors

During the fiscal year under review, meetings of the Board of Directors were held 10 times and sessions of the Senior Management Meeting were held 11 times. Also attended by corporate auditors, these meetings provided a forum for making decisions on important management issues and supervising business execution. Furthermore, in addition to holding meetings of the Board of Directors, based on Article 370 of the Companies Act and Article 30 of the Company's Articles of Incorporation, there were five written resolutions that are considered resolutions by the Board of Directors.

The corporate auditors held audit report meetings for the directors to facilitate exchange of opinions.

(ii) Compliance systems and risk management

In order to ensure compliance with corresponding laws, regulations, and various internal regulations, the Company performed internal audits for five business audits, 25 quality assurance audits, seven safety and health audits, and seven environmental audits in the current fiscal year. We are striving for compliance through internal education and training programs.

Under systems for managing risk of loss, the directors of each of the five headquarters of operating groups essentially conduct a meeting every day where they share information on risk.

The Company ensures that it is possible to adequately apply its various internal regulations by continually subjecting such regulations to revision and reviewing all the regulations once a year.

The Company strives to prevent leakage of confidential, personal, and insider information by maintaining and applying its document management regulations, confidential information management regulations, personal information management regulations, regulations on preventing insider trading, and My Number information management regulations.

The Company addresses risks of information leakage by regularly checking all personal computers

that are used for business.

The Company maintains and operates its KOKEN Compliance Help Line which serves as its internal reporting framework.

As countermeasures against antisocial forces, the Company checks the attributes of business partners as necessary, and introduces clauses for the exclusion of organized crime groups in documents such as contracts.

(2) Status of Officers

1) List of Officers

Men: 11, Women: 1 (Percentage of women among officers: 8.3%)

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Representative Director, Chairman	Masakazu Sakai	August 22, 1941	<p>Apr. 1964 Joined Renown Commerce Co., Ltd.</p> <p>Aug. 1967 Joined KOKEN LTD.</p> <p>Sept. 1967 Appointed as Director, General Manager of the Technology Department</p> <p>Jan. 1981 Appointed as Representative Director, President</p> <p>Mar. 2003 Appointed as Representative Director, President, Sakai Kosan Co., Ltd.</p> <p>Mar. 2003 Appointed as Representative Director, President, Sakai Tatemono Ltd. (current position)</p> <p>Mar. 2003 Appointed as Representative Director, Chairman (current position)</p> <p>May 2006 Chairman, Japan Safety Appliances Association</p> <p>Apr. 2015 Appointed as Councilor, Sakai CHS Foundation (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	591
Representative Director, President	Tsutomu Murakawa	January 8, 1966	<p>Apr. 1989 Joined KOKEN LTD.</p> <p>Sept. 1999 Head of the Quality Assurance Office</p> <p>Mar. 2002 Head of the Tokorozawa Techno-Yard</p> <p>Feb. 2007 Head of the Tokorozawa Techno-Yard and Overseas Division Manager</p> <p>Mar. 2008 Executive Officer, Head of the Tokorozawa Techno-Yard and Overseas Division Manager</p> <p>Jan. 2009 Executive Officer, Overseas Division Manager</p> <p>Mar. 2010 Appointed as Managing Director, in charge of the Engineering Headquarters, Overseas Division Manager</p> <p>Jul. 2013 Appointed as Senior Managing Director, in charge of the Engineering Headquarters, Overseas Division Manager</p> <p>Jan. 2014 Senior Managing Director, in charge of the Engineering Headquarters</p> <p>Mar. 2014 Appointed as Representative Director, President, in charge of the Engineering Headquarters (current position)</p> <p>Apr. 2015 Appointed as Director, Sakai CHS Foundation (current position)</p> <p>Mar. 2025 Representative Director, President (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	11

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Representative Director, Executive Vice President In charge of the Manufacturing Headquarters	Nobuya Horiguchi	August 28, 1958	Apr. 1982 Mar. 1998 Mar. 2008 Mar. 2010 Nov. 2012 Jul. 2013 Mar. 2014 Joined KOKEN LTD. Safety and Health Division Manager Executive Officer, Safety and Health Division Manager Appointed as Managing Director, in charge of the Manufacturing Headquarters Appointed as Representative Director, President, SIAM KOKEN LTD. (current position) Appointed as Senior Managing Director, in charge of the Manufacturing Headquarters Appointed as Representative Director, Executive Vice President, in charge of the Manufacturing Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	22
Senior Managing Director In charge of the Marketing Headquarters	Mitsuji Muramatsu	February 21, 1956	Apr. 1978 Apr. 2002 Feb. 2004 Feb. 2006 Mar. 2006 Mar. 2007 Mar. 2007 Mar. 2008 Mar. 2014 Mar. 2015 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Branch Manager of the Hongo Dori Branch, Mizuho Bank, Ltd. General Manager of the Osaka Public Affairs Department, Mizuho Bank, Ltd. Seconded to KOKEN LTD. Administration Headquarters Manager Joined KOKEN LTD. Appointed as Managing Director, Administration Headquarters Manager Managing Director, in charge of the Administration Headquarters Appointed as Senior Managing Director, in charge of the Administration Headquarters and in charge of the Marketing Headquarters Senior Managing Director, in charge of the Marketing Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	19
Senior Managing Director In charge of the Administration Headquarters	Hideaki Ibata	December 7, 1962	Apr. 1986 May 2006 Mar. 2010 Jun. 2011 Jun. 2014 Mar. 2015 Mar. 2026 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Branch Manager of the Ageo Branch, Mizuho Bank, Ltd. General Manager of the Branch Business Department No. 7, Mizuho Bank, Ltd. Branch Manager of the Tokyo-chuo Branch, Mizuho Bank, Ltd. Seconded to KOKEN LTD., Deputy Administration Headquarters Manager Appointed as Managing Director, in charge of the Administration Headquarters Appointed as Senior Managing Director, in charge of the Administration Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	3

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Director Director, Accounting Department	Toshiaki Nagasaka	October 16, 1959	<p>Apr. 1982 Joined KOKEN LTD.</p> <p>Mar. 2000 Head of the Tokorozawa Techno-Yard</p> <p>Mar. 2002 Head of the Sayama Techno-Yard</p> <p>Feb. 2007 Head of the Compliance Office</p> <p>Mar. 2008 Executive Officer, Head of the Compliance Office</p> <p>Nov. 2008 Executive Officer, Head of the Compliance Office and Head of the Safety & Environment Management Office</p> <p>Aug. 2009 Executive Officer, General Manager of the Accounting Department</p> <p>Mar. 2014 Appointed as Director, General Manager of the Accounting Department</p> <p>Nov. 2025 Director, in charge of internal controls (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	9
Director	Shinobu Sakurai	May 10, 1961	<p>Apr. 2004 Professor, Course of Nursing, Mie University Faculty of Medicine; Professor, Course of Nursing Graduate Major, Mie University Graduate School of Medicine</p> <p>Sept. 2011 Professor Emeritus, Mie University (current position); Professor, Department of Nursing, Juntendo University Faculty of Health Care and Nursing; Professor, Doctor's Course of Nursing, Juntendo University Graduate School of Health Care and Nursing (current position)</p> <p>Apr. 2014 Professor, Department of Health, Juntendo University Faculty of Health and Sports Science</p> <p>Mar. 2017 Appointed as Director (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 26, 2026	—

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Standing Corporate Auditor	Toshio Akiyama	April 2, 1949	<p>Apr. 1973 Joined KOKEN LTD.</p> <p>Aug. 1986 Special Procurement Division Manager</p> <p>Mar. 2000 Appointed as Director, Special Procurement Division Manager and Hygienic Equipment Division Manager</p> <p>Apr. 2001 Director, Hygienic Equipment Division Manager</p> <p>Mar. 2003 Director, Sales Headquarters Manager and General Manager of the Sales Management Department</p> <p>Feb. 2006 Director, Sales Headquarters Manager, General Manager of the Sales Management Department and Overseas Division Manager</p> <p>Feb. 2007 Director, Sales Headquarters Manager and General Manager of the Sales Management Department</p> <p>Mar. 2008 Appointed as Managing Director, in charge of the Sales Headquarters</p> <p>Mar. 2012 Managing Director, in charge of internal controls</p> <p>Mar. 2015 Appointed as Standing Corporate Auditor (current position)</p>	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	14
Standing Corporate Auditor	Fumikazu Tanaka	February 22, 1957	<p>Apr. 1981 Joined KOKEN LTD.</p> <p>Oct. 1996 Life Safety Division Manager</p> <p>Oct. 2003 General Manager of the Western Japan Block</p> <p>Mar. 2008 Executive Officer, General Manager of the Western Japan Block</p> <p>Apr. 2008 Executive Officer, General Manager of the Sales Management Department and General Manager of the Eastern Japan 2nd Block</p> <p>Apr. 2011 Executive Officer, Deputy Sales Headquarters Manager and General Manager of the Sales Management Department</p> <p>Mar. 2012 Appointed as Managing Director, in charge of the Sales Headquarters</p> <p>Mar. 2014 Appointed as Senior Managing Director, in charge of the Sales Headquarters</p> <p>Mar. 2025 Appointed as Standing Corporate Auditor (current position)</p>	4 years from the Annual General Meeting of Shareholder held on March 27, 2025	10

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Corporate Auditor	Teruo Shinato	February 24, 1955	Apr. 1978	Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	1
			Jan. 1990	Seconded to the Tokyo International Financial Futures Exchange (currently Tokyo Financial Exchange Inc.), Manager of the Planning Section		
			Apr. 1994	Deputy Branch Manager of the Paris Branch, The Fuji Bank, Ltd.		
			Jul. 2000	General Manager of the Sales Department, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2002	General Manager in charge of the General Planning Department, Mizuho Trust & Banking Co., Ltd.		
			Apr. 2003	Professor, Asahi University Faculty of Business Administration		
			Apr. 2006	Professor, Nihon University Graduate School of Social and Cultural Studies		
			Apr. 2012	Professor and Dean, Nihon University Graduate School of Social and Cultural Studies		
			Mar. 2015	Appointed as Corporate Auditor (current position)		
			Apr. 2020	Professor, Nihon University Graduate School of Social and Cultural Studies		
			Apr. 2021	Specially Appointed Professor, Nihon University Graduate School of Social and Cultural Studies		
Corporate Auditor	Nikko Haku	March 7, 1977	Nov. 2002	Passed the Bar Examination	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	-
			Oct. 2004	Registered at the Daini Tokyo Bar Association;		
			Jan. 2011	Joined Sakura Kyodo Law Offices Partner, Sakura Kyodo Law Offices (current position)		
			Mar. 2015	Appointed as Corporate Auditor (current position)		
					Total	682

(Notes) 1. Director Shinobu Sakurai is an outside director.

2. Corporate Auditor Teruo Shinato and Corporate Auditor Nikko Haku are outside corporate auditors.

2) Status of outside officers

The Company has appointed one outside director (independent officer) and two outside corporate auditors (independent officers) who supervise the execution of duties from an objective point of view outside the Company.

The outside director and outside corporate auditors attend required meetings, such as those of the Board of Directors, speak actively mainly from the standpoint of their field of expertise, and conduct supervision and audits of the execution of duties by the directors.

Ms. Shinobu Sakurai was appointed as an outside director because she has abundant insight and experience as a professor at graduate schools and universities which engage in studies on public health nursing and community health nursing, and thus we are hopeful that her specialized insight will be leveraged in the enhancement of the Company's management structure. There are no personal, capital relationships, or any conflict of interest, between the Company and Ms. Sakurai. Furthermore, Ms. Sakurai has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

Mr. Teruo Shinato was appointed as an outside corporate auditor because, in view of his expertise as the former graduate school professor, we are hopeful that his specialized knowledge and rich experience will be reflected in the Company's audits. There are no personal, capital relationships, or any conflict of interest,

between the Company and Mr. Shinato. Furthermore, Mr. Shinato has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

Mr. Nikko Haku was appointed as an outside corporate auditor because he is familiar with corporate legal affairs as a lawyer, and thus we are hopeful that his high level of specialized knowledge and rich experience will be reflected in the Company's audits. Mr. Haku is a partner at Sakura Kyodo Law Offices, and while the Company has business relationships, such as the outsourcing of legal services, with other partners at this firm, it has never signed an advisory contract with the firm, and has had no business relationships with the firm in the fiscal year under review. Furthermore, Mr. Haku has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

We have not established criteria or policies with regard to how independent candidates must be in order to be appointed as outside director and outside corporate auditors. However, we do make reference to determining factors, etc., relating to the independence of independent officers as set forth in the "Handling Procedures Relating to Securities Listing Regulations" of Tokyo Stock Exchange, Inc. when making appointments.

3) Mutual cooperation between the activities of supervision or auditing performed by an outside director and outside corporate auditors and the operations of internal auditing, corporate-auditor auditing and financial auditing; and nature of relationship with internal control departments

The outside director supervises overall management, which at meetings of the Board of Directors involves furnishing their opinions from an objective and neutral viewpoints as outsiders, with respect to reporting on the status of each director's business execution.

The outside corporate auditors engage in discussions in meetings of the Board of Corporate Auditors upon having received reports on important matters regarding audits. They also attend the meetings of the Board of Directors and other necessary meetings, and perform audits with respect to the status of directors' business execution, as well as the appropriateness and legality of each task.

The outside director and outside corporate auditors request reports from internal audit departments and management departments as necessary, and otherwise strive to enhance cooperation by seeking opinions of the independent auditor. Results of internal audits, auditing by corporate auditors, and financial audits are reported to the outside director and outside corporate auditors through either the Board of Directors or the Board of Corporate Auditors.

(3) Status of audits

1) Status of auditing by corporate auditors

The Company has adopted a Board of Corporate Auditors system. The Board of Corporate Auditors consists of two standing corporate auditors and two outside corporate auditors. Each corporate auditor appointed has a personality and insights suitable to the position of corporate auditor, and maintains an ethical viewpoint.

The corporate auditors attend the meetings of the Board of Directors and other necessary meetings in accordance with matters stipulated by the Board of Corporate Auditors such as standards for auditing by corporate auditors, audit policy, audit plans, audit methodology, and assignment of audit work. They also perform audits of directors and their performance of professional duties, and also perform audits of each department in the Company. In addition, the corporate auditors hold audit report meetings for the directors to facilitate exchange of opinions. At regular meetings of the Board of Corporate Auditors, the corporate auditors check the status of audit work and share information through mutual reporting on the status of professional duties.

Name	Position in the Company	Attendance at Board of Corporate Auditors meetings
Toshio Akiyama	Standing Corporate Auditor	9 of 9 (100%)
Yoshihiro Ito	Standing Corporate Auditor	2 of 2 (100%)
Fumikazu Tanaka	Standing Corporate Auditor	7 of 7 (100%)
Teruo Shinato	Corporate Auditor	9 of 9 (100%)
Nikko Haku	Corporate Auditor	9 of 9 (100%)

(Notes) 1. Mr. Yoshihiro Ito retired as Corporate Auditor at the conclusion of the Annual General Meeting of Shareholders held on March 27, 2025.

2. Mr. Fumikazu Tanaka assumed office as Standing Corporate Auditor at the conclusion of the Annual

General Meeting of Shareholders held on March 27, 2025.

Specifically, the evaluation items at the Board of Corporate Auditors are the auditing policy, the auditing plan, the response to KAM (Key Audit Matters), the creation of an internal control system and oversight of its operations, the validity of the execution of duties by the directors, the auditing methodology of the corporate auditors, and the appropriateness of auditing results. Furthermore, the corporate auditors receive reports from the independent auditor on auditing plans, the implementation and results of audits, and other important auditing-related items, discuss those details, and evaluate the details of audits, working to strengthen cooperation.

Outside Corporate Auditor Teruo Shinato through his abundant knowledge and insight as a university professor and Outside Corporate Auditor Nikko Haku through his expertise as an attorney provide necessary comments and valuable advice at both meetings of the Board of Directors and meetings of the Board of Corporate Auditors, exercising their auditing functions from independent standpoints and appropriately executing their duties.

2) Status of internal audits

The Company's internal audits are conducted under the overall supervision of the executive officer in charge of internal controls, who is responsible for risk management. In accordance with internal auditing regulations and other relevant regulations, the person responsible for audits and individuals appointed by the representative director, president conduct audits of the status of business execution.

As a system is used whereby the audit results are approved by the person responsible for audits and then reported to the representative director, president, improvement measures are taken as needed, and follow-up audits are implemented for these improvements. In addition, the corporate auditors closely coordinate their exchange of information with the Board of Corporate Auditors and the independent auditor.

For internal audits related to quality (equivalent to Quality Management System ISO 9001 and JIS Q9001 internal audits), a quality assurance auditor (the head of the Quality Management Office is responsible for audits) performs audits based on the quality assurance audit regulations and reports results to the representative director, president. Note that, when nonconformity is discovered via audit, the person responsible for audits makes a request to the head of the audited department that all nonconformities be corrected, and confirms the effectiveness of measures taken.

Furthermore, the Company has built a quality and safety management system based on QMS Ordinance (Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Medical Devices and In-Vitro Diagnostics), System Ordinance (Ministerial Ordinances on Standards for Systems for Performing Business Relating to Manufacturing Control and Quality Control for Medical Devices and In- Vitro Diagnostics), and GVP Ordinance (Ministerial Ordinance on Good Vigilance Practice for Drugs, Quasi-Drugs, Cosmetics, Medical Devices, and Regenerative Medicine Products) in conjunction with the commencement of the manufacture and sale of medical equipment (endoscope washer/disinfector) for which it received a medical equipment manufacture and sales approval in accordance with the "Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices." The overall manufacturing and sales manager, who is the chief executive for manufacturing and sales, supervises and instructs the person responsible for domestic quality operations and the person responsible for safety management to perform quality and safety management. The person responsible for domestic quality operations and the person responsible for safety management, and related departments are in close cooperation and collaboration with one another. We will further strengthen this quality and safety management system and we will continue to manufacture and sell high quality and highly safe medical equipment.

The Company has established safety and health management regulations for the purpose of ensuring the safety and health of our employees and forming a comfortable work environment based on the Industrial Safety and Health Act. These regulations apply to the management of work environment, operations, and health of all employees. The staff and head of the Safety & Environment Management Office perform regular and ad hoc safety and health audits of all business offices based on these regulations, and report audit results to the representative director, president. Note that, when nonconformity is discovered via audit, the head of the Safety & Environment Management Office makes a request to the audited business office supervisor that all nonconformities be corrected, and confirms the effectiveness of measures taken.

Matters concerning internal audit are not directly reported to the Board of Corporate Auditors, they are reported to the representative director, president as well as directors and corporate auditors at the Board of Directors meeting. Moreover, among the audits, while quality assurance audits and safety and health audits are not directly reported to the Board of Directors or the Board of Corporate Auditors, they are reported at the sessions of the Senior Management Meeting, which consists of directors, senior managers and corporate auditors, and is held regularly.

3) Status of financial audits

(i) Name of audit firm

A&A Partners

(ii) Continuous service period

19 years

(iii) Certified public accountants who executed audit work

Designated partner, engagement partner: Hisayuki Kima, Certified Public Accountant

Designated partner, engagement partner: Hiromi Ito, Certified Public Accountant

(iv) Number of assistants engaged in auditing work

Certified public accountants: 8

Others: 8

(v) Independent auditor selection policy and reasons for such selection

The Company has deemed A&A Partners to be qualified to serve as its independent auditor, having made the decision to select the independent auditor upon performing a review which was conducted on the basis of independent auditor assessment conducted by the Board of Corporate Auditors. That assessment considered factors such as the independent auditor's system for performing audits and quality control system based on independent auditor assessment conducted by the Board of Corporate Auditors encompassing factors such as the audit firm's profile and audit performance. The assessment also considered factors such as the independent auditor's expertise and independence, its comprehension of the Company's business affairs, suitability of audit efficiency, and auditing costs. In the event that the independent auditor has been impeded from performing its professional duties, or if otherwise deemed necessary, the Board of Corporate Auditors will determine the content of a proposal regarding the prospect of the independent auditor's dismissal or non-reappointment, for submission to the general meeting of shareholders. In addition, the Board of Corporate Auditors will dismiss the independent auditor, per unanimous consent of the corporate auditors, if it determines that any of the provisions stipulated in the items of paragraph 1, Article 340 of the Companies Act apply to the independent auditor. In such cases, a corporate auditor selected by the Board of Corporate Auditors will report on the dismissal of the independent auditor and reasons thereof at the first meeting of the general meeting of shareholders convened subsequent to the dismissal.

(vi) Independent auditor assessment conducted by the corporate auditors and Board of Corporate Auditors

The corporate auditors and Board of Corporate Auditors perform their assessment based on the aforementioned independent auditor selection policy. In addition, the Board of Corporate Auditors engages in discussion to determine the adequacy of audits. It is accordingly subject to debriefings regarding activities of the independent auditor by departments responsible for internal controls pertaining to financial reporting. It is also subject to debriefings regarding financial audits performed on a quarterly basis based on audit plans of the independent auditor, and performs on-site observation of financial audits on an ad hoc basis. As a result of such activities, the Board of Corporate Auditors deems that A&A Partners is qualified as an audit firm.

4) Description of audit compensation, etc.

(i) Compensation for the certified public accountants, etc. conducting the audit

Classification	Previous fiscal year		Current fiscal year	
	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)
Submitting company	25,725	–	26,656	–
Consolidated subsidiaries	–	–	–	–
Total	25,725	–	26,656	–

(Note) There was no non-audit work provided to the Company and consolidated subsidiaries.

(ii) Compensation for organizations belonging to the same network as the certified public accountants, etc. conducting the audit (excluding compensation described under (i), above)

(Previous fiscal year)

No items to report.

(Current fiscal year)

No items to report.

(iii) Description of other important compensation based on audit certification work

(Previous fiscal year)

No items to report.

(Current fiscal year)

No items to report.

(iv) Methods for determining audit compensation

Whereas the company doesn't stipulate specific details in its policy for determining audit compensation for the certified public accountants, etc. conducting the audit, the Company's representative directors make such decisions upon gaining consent of the Board of Corporate Auditors, taking into account factors such as the size of the Company, the nature of the work, and the number of auditing days.

(v) Reasons for the Board of Corporate Auditors consenting to the independent auditor compensation, etc.

The Board of Corporate Auditors furnished its consent with respect to the independent auditor compensation, etc., upon having performed requisite verification as to the suitability of factors such as specifics of the independent auditor's audit plan, its performance of professional duties regarding financial audit, and the basis for calculation of compensation quotations.

(4) Officer compensation, etc.

1) Matters pertaining to policies on determining amounts of officer compensation, etc. and methods for calculating said amounts

As a compensation system linked to shareholder returns to ensure that incentives to increase corporate value sustainably function, the Company has a basic policy to ensure appropriate compensation levels in determining individual director compensation based on the director's professional responsibilities.

Compensation for directors consists of "base compensation (fixed compensation)," a fixed amount serving as the basic compensation, "performance-based compensation (bonus)" calculated based on each business period's results, "stock compensation," and "retirement benefits." Regarding the compensation amounts for individual directors, Representative Director, Chairman Masakazu Sakai, Representative Director, President Tsutomu Murakawa, and Representative Director, Executive Vice President Nobuya Horiguchi are delegated authority for the specific details per resolution of the Board of Directors, and within the scope of that authority, they assess and distribute bonuses based on the amount of the individual director's base compensation and the individual director's level of contribution in their work responsibilities. The Company has delegated the authority to the representative directors because they are fitted for making assessment of the performance of each independent director's division in charge while considering the Company's overall performance, etc. Furthermore, regarding stock compensation, the number of allotted shares is determined for each director at meetings of the Board of Directors. Moreover, each type of compensation is distributed

within the scope of resolutions at the General Meeting of Shareholders.

Base compensation serves as monthly monetary compensation (fixed compensation) and is determined based on a comprehensive consideration of position, work responsibilities, the Company's business performance, levels of employee compensation, and levels at other companies, within the scope of the compensation limits determined at the General Meeting of Shareholders.

Performance-based compensation, a form of monetary compensation (bonus) that reflects our key performance indicators (KPI) to increase awareness of enhancing business performance each fiscal year, is determined based on the percentage of total compensation paid as fixed compensation, and calculated by multiplying consolidated operating income, which serves as the Group's target performance benchmark, by a certain percentage, in addition to the individual director's contribution levels to management, and is paid during a set period. The Company opted to use consolidated operating income as a benchmark pertaining to performance-based compensation upon having comprehensively considered factors including the notion that consolidated operating income accurately reflects corporate performance and the notion that consolidated operating income serves as an objective benchmark with respect to gauging success in achieving management goals. During the fiscal year under review, consolidated operating income amounted to 1,271 million yen, which was 71 million yen higher than the initial target of 1,200 million yen. The results for the previous fiscal year was 1,009 million yen.

Although the Company does not stipulate policy on the ratios of payment with respect to the mix of performance-based compensation and non-performance-based compensation, in the fiscal year ended December 31, 2025, the average percentage for all directors of performance-based compensation making up total compensation was 20.3%.

Stock compensation further clarifies the link between director compensation and the Company's share price, and accordingly constitutes the Company's system of compensation provided to raise awareness regarding contributions in the form of continually improving financial results and achieving greater corporate value, by emphasizing the shared interests of directors and shareholders in terms of the notion that both parties not only benefit from a rising share price but also incur risks of a falling share price. Within the scope decided at the 53rd Annual General Meeting of Shareholders held on March 29, 2016, points are awarded each fiscal year based on our officer stock benefit regulations. Moreover, upon the director's retirement, each one point is exchanged for one share of the Company's common stock, and the shares are awarded to the director.

Retirement benefits are paid during a set period based on standards stipulated in the officer retirement benefit internal regulations after the amounts are approved by a resolution at the General meeting of Shareholders. From the standpoint of ensuring independence, compensation for corporate auditors is composed only of fixed compensation and retirement benefits. The Board of Corporate Auditors determines amounts of corporate auditor compensation, through consultation with the corporate auditors, in accordance with a corporate auditor's professional duties and responsibilities, and depending on whether the corporate auditor serves on a full-time or part-time basis.

2) Total amount of compensation, etc. by each officer classification, total amount of compensation, etc. by type, and the number of officers to be paid

Officer classification	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by type (Thousands of yen)					Number of officers to be paid (persons)
		Base compensation (Fixed compensation)	Performance-based compensation (Bonus)	Stock compensation	Retirement benefits	Of the left items, non-monetary compensation, etc.	
Director (excluding outside director)	249,326	146,700	50,900	3,726	48,000	3,726	8
Corporate auditor (excluding outside corporate auditor)	25,600	22,500	–	–	3,100	–	3
Outside officer	24,150	19,350	1,500	–	3,300	–	3
Total	299,076	188,550	52,400	3,726	54,400	3,726	14

(Notes) 1. Performance-based compensation (bonus) is treated as expenses processed as provision for

directors' and corporate auditors' bonuses in the fiscal year under review. The bonuses were approved at the Annual General Meeting of Shareholders held on March 26, 2026.

2. Stock compensation is treated as an expense processed as provision for directors' stock benefits for six directors in the fiscal year under review.
3. Retirement benefits are treated as expenses processed as provision for directors' and corporate auditors' retirement benefits in the fiscal year under review.
4. The total amount of non-monetary compensation, etc. to directors (excluding an outside director) was 3,726 thousand yen.

3) Total amount of compensation, etc. for each officer of the submitting company, etc.

None is listed because no officer received compensation totaling 100 million yen or more.

4) Important matters among employee salaries for officers serving concurrently as employees

No items to report.

(5) Status of shareholding

1) Standards and approach for classification of investment shares

The Company classifies shares that it holds for the purpose of generating profit from share price volatility and stock dividends as investment shares held for the purpose of net investment, and otherwise classifies shares that it holds for other purposes as investment shares held for purposes other than net investment.

2) Investment shares held for purposes other than net investment

(i) Policy for holding, method for verifying the rationale of holdings, and verification by the Board of Directors, etc. to determine whether to keep holding individual issues

The Company maintains cross-shareholdings only when it deems that doing so will increase its medium- to long-term corporate value from the perspective of enabling the company to uphold and strengthen consistent and long-term business relationships with its business partners and other parties. Moreover, the Company scrutinizes and verifies purposes and rationale of individual cross-shareholdings, and accordingly maintains a policy of selling shares, in principle, with respect to which the Board of Directors has deemed there to be insufficient significance in holding for such purposes.

(ii) Number of issues and their balance sheet values

	Number of issues (stock listings)	Total amount shown on the balance sheet (Thousands of yen)
Unlisted stocks	2	696
Other than unlisted stocks	5	250,796

(Issues for which the number of shareholdings increased during the fiscal year under review)

No items to report.

(Issues for which the number of shareholdings decreased during the fiscal year under review)

No items to report.

(iii) Information regarding the number of shares and their balance sheet values, etc. by individual issue with respect to specified investment shares and deemed shareholdings

Issues	Current fiscal year	Previous fiscal year	Holding purpose, summary of business alliance, etc., quantitative effect of holdings, and reasons for increasing number of shareholdings	Holdings of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount shown on the balance sheet (Thousands of yen)	Amount shown on the balance sheet (Thousands of yen)		
Resona Holdings, Inc.	76,835	76,835	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* ¹	No* ²
	114,714	87,976		
Mizuho Financial Group, Inc.	19,149	19,149	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* ¹	No* ³
	109,149	74,164		
NIPPON KANRYU INDUSTRY CO., LTD.	15,000	15,000	(Holding purpose) Held with the aim of strengthening business relationships in the mask-related business. (Quantitative effect of holdings)* ¹	No
	14,085	14,160		
Mitsubishi UFJ Financial Group, Inc.	4,240	4,240	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* ¹	No* ⁴
	10,570	7,827		
Nomura Holdings, Inc.	1,750	1,750	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* ¹	No* ⁵
	2,276	1,631		

Notes (1) The quantitative holding effect is not stated given the relationship with the counterparty. However, as stated in “(2) (i)” above, the Company scrutinizes the rationale of individual cross-shareholdings, and verifies the purpose of all currently held cross-shareholdings is in line with the Company's holding policy.

- (2) Resona Holdings, Inc. doesn't hold shares of the Company, however, Resona Bank, Limited holds shares of the Company.
- (3) Mizuho Financial Group, Inc. doesn't hold shares of the Company, however, Mizuho Bank, Ltd. holds shares of the Company.
- (4) Mitsubishi UFJ Financial Group, Inc. doesn't hold shares of the Company, however, Mitsubishi UFJ Trust and Banking Corporation holds shares of the Company.
- (5) Nomura Holdings, Inc. doesn't hold shares of the Company, however, Nomura Securities Co., Ltd. holds shares of the Company.

3) Investment shares held for the purpose of net investment
No items to report.

4) Investment shares with respect to which the holding purpose has changed during the current fiscal year from that of holdings for the purpose of net investment to that of holdings for purposes other than net investment
No items to report.

5) Investment shares with respect to which the holding purpose has changed during the current fiscal year from that of holdings for purposes other than net investment to that of holdings for the purpose of net investment
No items to report.

X. Status of Affiliates

Name	Address	Capital stock	Main business	Percentage of voting rights held (held by others) (%)	Relationship
(Consolidated subsidiary) SIAM KOKEN LTD.	Chonburi Province, Thailand	THB 150,000,000	Mask-related business	100.0	Manufacture of the Company's products Interlocking officers

- (Notes) 1. Segment name is noted in the "Main business" column.
2. Falls under specified subsidiaries.

XI. Status of Employees

(1) Status of consolidated companies

As of December 31, 2025, the Group (the Company and its consolidated subsidiaries) had 312 (165) employees.

Since employees are engaged in more than one business, the number of employees is not described in conjunction with segments.

(Note) The number of employees indicates the number of working employees, and the annual average number of temporary employees is noted in parentheses.

(2) Status of submitting companies

Number of employees (persons)	Average age (age)	Average years of service (years)	Average annual salary (yen)
251 (165)	40.9	15.0	7,576,626

- (Notes) 1. The number of employees indicates the number of working employees, and the annual average number of temporary employees is noted in parentheses.
2. The average annual salary is gross with tax, and includes surplus wages and bonuses.
3. Since employees are engaged in more than one business, the number of employees is not described in conjunction with segments.

(3) Status of labor unions

There are no labor unions.

(4) Ratio of female workers among managers, rate of childcare leave taken by male workers and difference in wages between male and female workers

1) The Company

The fiscal year under review				
Ratio of female workers among managers (%) (Note) 1.	Rate of childcare leave taken by male workers (%) (Note) 2.	Difference in wages between male and female workers (%) (Note) 1. 3.		
		All workers	Of which regular workers	Of which non-regular workers
6.3	75.0	40.4	78.6	80.6

- (Notes) 1. It is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. The taking rate for childcare leave, etc., in Article 71-4, item (i) 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 of 1991) is calculated 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 of 1991).

3. While the Company has no different treatment according to gender under the wage system based on the principle of equal pay for equal work, there are differences between male and female workers due to the following reasons:
 - The difference between male and female regular workers reflects the difference in distribution of job categories and the ratio of managers.
 - The difference between male and female non-regular workers reflects the diversified working hours and the number of contract days of female part-timers.
 - It appears as the difference between male and female workers because about 80% of female workers are part-timers.

2) Consolidated subsidiaries

Consolidated subsidiaries are omitted because they are not subject to the disclosure requirements based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and 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 of 1991).

XII. Stock Option System

No items to report.

XIII. Stock Ownership System for Officers and Employees

1) Introduction of Stock Benefit Trust (BBT) for directors

On June 1, 2016, the Company introduced “Stock Benefit Trust (BBT)” (hereinafter referred to as the “BBT system”) as a stock compensation system for directors based on a resolution at the General Meeting of Shareholders held on March 29, 2016.

1. Overview of the BBT system

“Officer stock benefit regulations” were established upon the introduction of the BBT system. The Company entrusted money to a trust bank for the pre-acquisition of shares to be provided in the future based on the established officer stock benefit regulations, and the trust bank used the entrusted money to acquire the Company’s stock.

The BBT system awards points to directors targeted for benefits based on the officer stock benefit regulations, and shares are granted to directors based on the points they have been awarded.

2. The total number of shares to be granted to directors

27,530 shares

3. Scope of persons eligible to receive beneficiary and other rights under the BBT system

Persons who have retired as directors and satisfy the beneficiary requirements set forth in the officer stock benefit regulations.

2) Introduction of Stock Benefit Trust (J-ESOP) for employees

On June 1, 2016, in an effort to raise employee motivation and morale with respect to stock price and performance improvements, the Company introduced the “Stock Benefit Trust (J-ESOP)” incentive plan (hereinafter referred to as the “J-ESOP system”) whereby shares of its own stock are granted to the Company’s executive officers and to the Company’s employees who meet certain requirements (hereinafter referred to as the “Employees, etc.”).

1. Overview of the J-ESOP system

“Stock benefit regulations” were established upon the introduction of the J-ESOP system. The Company entrusted money to a trust bank for the pre-acquisition of shares to be provided in the future based on the established stock benefit regulations, and the trust bank used the entrusted money to acquire the Company’s stock.

The J-ESOP system awards points to Employees, etc. based on the stock benefit regulations, and shares are granted to Employees, etc. based on the points they have been awarded.

2. The total number of shares to be granted to Employees, etc.

85,070 shares

3. Scope of persons eligible to receive beneficiary and other rights under the J-ESOP system

Persons who are retired Employees, etc. and satisfy the beneficiary requirement set forth in the stock benefit regulations.

XIV. Capital Expenditures

[Overview of capital expenditures, etc.]

A total of 362 million yen of capital expenditures (including intangible fixed assets) were made in the Group (the Company and its consolidated subsidiaries) in the fiscal year under review in order to develop highly competitive new products that meet market requirements, and to prepare an efficient mass production system for these new products.

Moreover, the main capital expenditures made in the fiscal year under review are as follows.

Techno-Yard manufacturing equipment	134 million yen
Acquisition of land adjacent to Techno-Yard	94 million yen
Dies for occupational safety and health protection equipment, etc.	50 million yen
Demonstration units for sales promotion	17 million yen
Software (HR and payroll system)	14 million yen

Note that except for disposal in conjunction with regular updates to existing facilities, the Group did not dispose of important facilities, etc.

XV. Dividend Policy

The Company has consistently viewed the return of profits to shareholders as one of the important management issues, and thus follows a basic policy of maintaining and improving stable dividends.

The Company has stipulated in its articles of incorporation that “interim dividends may be executed as set forth in Article 454, paragraph 5 of the Companies Act.” Year-end dividends are determined by the Annual General Meeting of Shareholders, and interim dividends are determined by the Board of Directors’ meeting.

As a result of a comprehensive consideration of business performance in the fiscal year under review, future business development trends, and changes in earnings and the financial condition based on the policy described above, with regard to dividends for the fiscal year under review, the Company has decided to pay a year-end dividend of 50 yen per share, consisting of an ordinary dividend of 35 yen per share plus a special dividend of 15 yen per share at the Annual General Meeting of Shareholders held on March 26, 2026.

Aiming for further strengthening our management base, we will effectively utilize retained earnings for research and development and capital expenditures in new technology and products with an eye to ensuring the Group’s on-going development in the future.

Dividends from retained earnings in the fiscal year under review are as follows.

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
March 26, 2026 Resolution at the Annual General Meeting of Shareholders	251	50

XVI. Status of Business

[Overview of business performance, etc.]

Business performance

In the fiscal year under review (January to December 2025), the Japanese economy showed signs of a gradual recovery, driven by improvements in the employment and income environment, etc. However, rising costs due to soaring prices of various goods persisted, and the outlook remained uncertain due to factors such as changes in U.S. trade policy and instability in international relations.

In this business environment, the mask-related business maintained stable performance similar to the previous fiscal year, and strong sales in the environment-related business significantly contributed to overall performance. As a result, net sales for the whole business in the fiscal year under review were 11,857 million yen (up 10.2% from the previous fiscal year), achieving a record high for the second consecutive fiscal year. Operating income was 1,271 million yen (up 25.9%), ordinary profit was 1,220 million yen (up 21.7%), and net income attributable to owners of parent was 885 million yen (up 22.6%), with each of these profit figures reaching a record high, as a result of increased revenue and company-wide operational efficiency improvement and improvements in production technology to lower the cost of sales ratio against the rise in raw material prices and logistic costs.

Summary of business performance by segment is as follows.

(Mask-related business segment)

Sales of industrial masks increased slightly in the manufacturing industry compared to the previous fiscal year, despite concerns over the impact of U.S. trade policies. Sales for public works projects remained steady due to increased construction work of aging infrastructure nationwide.

Although sales of medical masks decreased due to a lack of increased demand resulting from new infectious disease outbreaks, etc., stable orders from medical institutions continued, and sales remained at approximately three times the pre-COVID-19 pandemic levels.

Moreover, sales of protective masks for the Japan Self-Defense Forces exceeded the results of the previous fiscal year for three consecutive periods.

As a result, net sales for the overall business segment amounted to 9,564 million yen (up 2.7% from the previous fiscal year).

(Environment-related business segment)

Sales of the KOACH open clean system increased significantly, particularly in the domestic semiconductor market, and significantly exceeded the previous fiscal year to reach a record high.

While we have been focusing on proposal-based development sales in the semiconductor market, our relationships with sales agents have strengthened, the use of our showrooms nationwide has expanded further, and the number of units sold of the “Floor KOACH,” a large-scale model, has increased significantly. In addition, we have achieved stable growth in the number of units sold of small- and medium-scale models.

As a result, net sales for the overall business segment grew significantly to 1,939 million yen (up 82.3% from the previous fiscal year).

(Other businesses segments)

Net sales for the overall business segments amounted to 353 million yen (down 8.0% from the previous fiscal year).

XVII. Segment Information

a. Production performance

Production performance by segment for the current fiscal year is as follows.

Segment name	Current fiscal year (January 1, 2025 through December 31, 2025)	Compared to the previous fiscal year (%)
Mask-related business (Thousands of yen)	9,756,435	103.5
Environment-related businesses (Thousands of yen)	999,927	98.3
Other businesses (Thousands of yen)	343,376	95.9
Total (Thousands of yen)	11,099,738	102.8

(Note) Amounts are based on sales price.

b. Orders received

The Group engages in make-to-stock production and so there are no items to report.

c. Sales performance

Sales performance by segment for the current fiscal year is as follows.

Segment name	Current fiscal year (January 1, 2025 through December 31, 2025)	Compared to the previous fiscal year (%)
Mask-related business (Thousands of yen)	9,564,301	102.7
Environment-related businesses (Thousands of yen)	1,939,382	182.3
Other businesses (Thousands of yen)	353,372	92.0
Total (Thousands of yen)	11,857,057	110.2

(Note) The sales performance by major transaction partners and the ratio of sales performance to total sales performance for the last two fiscal years are as follows.

Transaction partner	Previous fiscal year		Current fiscal year	
	Amount (Thousands of yen)	Ratio (%)	Amount (Thousands of yen)	Ratio (%)
Japanese Ministry of Defense	1,179,925	11.0	1,584,958	13.4
MIDORI ANZEN YOUHIN CO., LTD.	1,152,007	10.7	1,140,108	9.6

XVIII. Financial Instruments

1. Matters concerning the status of financial instruments

(1) Policy with regard to financial instruments

The Group is procuring funds needed, taking into consideration the market environment and long-term and short-term balances. Furthermore, the Group's policy is to operate funds using highly safe short-term deposits, etc., and not to conduct speculative transactions. The Group also has a policy of using derivative transactions to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, and not for conducting speculative transactions.

(2) Description and risks of financial instruments, and the risk management system for said financial instruments

Notes and accounts receivable - trade and electronically recorded monetary claims - operating, which are operating receivables, are exposed to customer credit risk. However, we manage such risk by managing due dates and balances for each customer.

Investments in securities are exposed to the risk of fluctuations in market prices. However, we manage such risk by keeping track of the fair value of listed stocks, etc. on a quarterly basis, and by regularly monitoring our financial situation and other factors with respect to unlisted stocks, etc.

Most accounts payable - trade and accounts payable - other, which are operating obligations, are due within two months, and thus are exposed to liquidity risk. However, we manage liquidity risk by maintaining liquidity on hand at a certain level.

Short-term loans payable, current portion of long-term debt, long-term debt, and lease obligations related to finance lease transactions are mainly for the purpose of financing working capital and capital expenditures, and thus are exposed to liquidity risk. However, we manage liquidity risk by maintaining liquidity on hand at a certain level. Furthermore, since loans are exposed to interest rate fluctuation risk, we consider the use of derivative transactions (interest rate swaps), and implement them when necessary, as hedging instruments. For foreign currency-denominated receivables and obligations and forecasted transactions denominated in foreign currencies, which are based on transactions with subsidiaries and are also exposed to foreign exchange fluctuation risk, we consider the use of derivative transactions (foreign exchange contracts), and implement them when necessary, as hedging instruments of such transactions.

The Accounting Department obtains approval to execute and manage derivative transactions from responsible authorities in accordance with accounting regulations, etc. In addition, we limit derivative transaction contract holders to major financial institutions with high credit ratings only, and thus we believe that there is almost no so-called credit risk that arises from contractual default by counterparties. Please note that, in accordance with internal regulations, etc., our policy is to not engage in derivative transactions other than those for the purpose of hedging risk.

XIX. Fixed Assets

1. Status of major facilities

(1) Submitting company

The Company has Techno-Yards (manufacturing bases) in five locations in Japan.

The Advanced Technology Center serves as the Company's research facility.

The Company also possesses sales offices in 15 locations and the Saitama Logistics Center, all located in Japan.

The main facilities among the facilities described above are as follows.

As of December 31, 2025

Business office name (location)	Segment name	Description of facility	Book value						Number of employees (persons)
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Others (Thousands of yen)	Total (Thousands of yen)	
Head office (Chiyoda-ku, Tokyo)	Mask-related business, environment- related businesses and other businesses	Company management work	126,508	2,664	1,636,000 (283.91 m ²)	13,762	8,342	1,787,277	84
Sayama Techno- Yard (Sayama City, Saitama Prefecture)		Production facility	142,591	135,983	891,373 (12,354.44 m ²)	–	17,217	1,187,166	18
Gunma Techno-Yard (Midori City, Gunma Prefecture)		Production facility	238,601	166,484	405,140 (9,256.83 m ²)	–	21,155	831,382	18
Tokorozawa Techno-Yard (Tokorozawa City, Saitama Prefecture)		Production facility	39,188	2,828	177,214 (1,915.55 m ²)	–	13,528	232,760	12
Nakai Techno-Yard (Nakai-machi, Kanagawa Prefecture)		Production facility	42,320	68,420	325,449 (1,434.94 m ²)	–	2,041	438,231	7
Ranzan Techno- Yard (Ranzan-machi, Saitama Prefecture)		Production facility	12,333	3,832	–	–	7,438	23,604	10
Advanced Technology Center (Hanno City, Saitama Prefecture)		Research facility	1,743,998	25	1,170,335 (46,778.06 m ²)	41,440	40,232	2,996,033	33
Saitama Logistics Center (Ranzan-machi, Saitama Prefecture)		Logistics facility	36,082	0	1,242,116 (21,336.07 m ²)	–	637	1,278,835	4

(Notes) 1. "Others" in the book values includes tools, instruments, and equipment, and does not include construction in process accounts.

2. Since the Ranzan Techno-Yard is located on the same site as the Saitama Logistics Center, all the land of that site is shown under the Saitama Logistics Center.

3. Since the Ranzan Techno-Yard is located on the same building as the Saitama Logistics Center, monetary amounts are classified in accordance with the area used by each facility and are shown for each facility separately.

(2) Overseas subsidiaries

As of December 31, 2025

Company name	Business office name (location)	Segment name	Description of facility	Book value						Number of employees (persons)
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Others (Thousands of yen)	Total (Thousands of yen)	
SIAM KOKEN LTD.	Chonburi Province, Thailand	Mask-related business	Production facility	170,261	17,498	100,828 (13,430.40 m ²)	–	6,145	294,734	61

(Note) “Others” in the book values includes tools, instruments, and equipment, and does not include construction in process accounts.

2. Plans for the new establishment and disposal of facilities

The Group’s capital expenditures are formulated after comprehensively considering economic trends, investment efficiency, etc.

As of the end of the fiscal year under review, there are no plans for newly establishing or disposing of important facilities.

XX. Loans

[Schedule of loans, etc.]

Classification	Balance at beginning of current term (Thousands of yen)	Balance at end of current term (Thousands of yen)	Average interest rate (%)	Repayment deadline
Short-term loans payable	805,000	1,900,000	1.52	–
Current portion of long-term debt	1,674,000	1,454,000	1.01	–
Current portion of lease obligations	8,672	5,535	–	–
Long-term debt (excluding those to be repaid within one year)	2,686,000	2,422,000	1.21	2027 through 2030
Lease obligations (excluding those to be repaid within one year)	10,913	9,706	–	2027 through 2030
Total	5,184,586	5,791,241	–	–

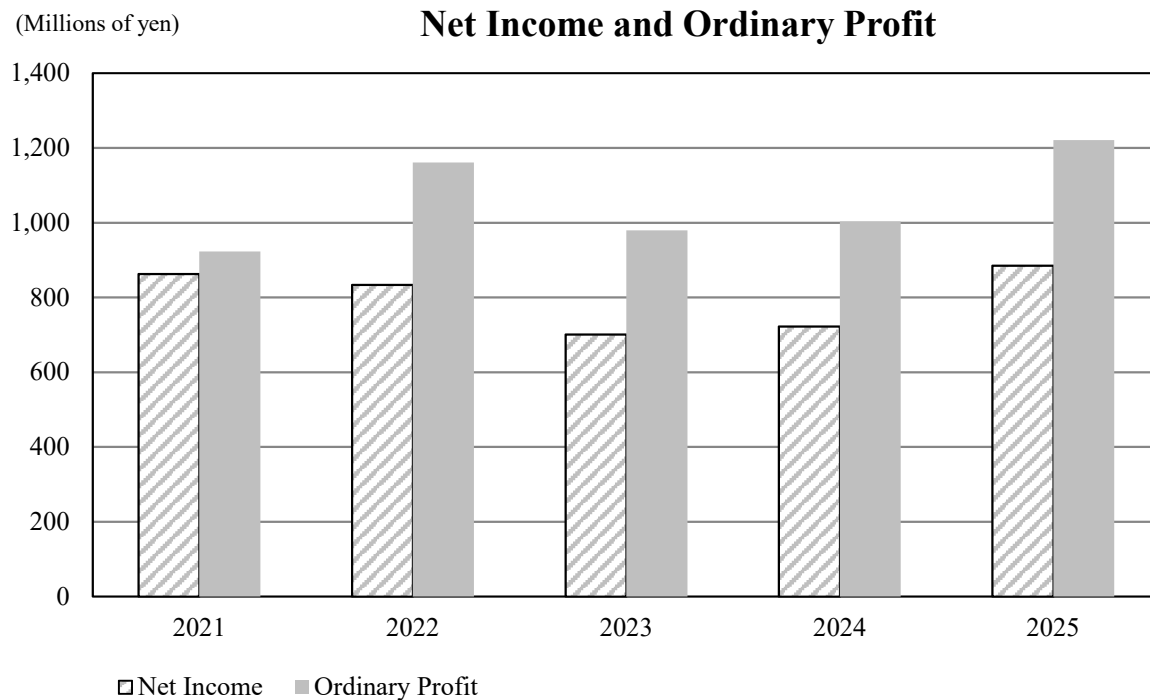
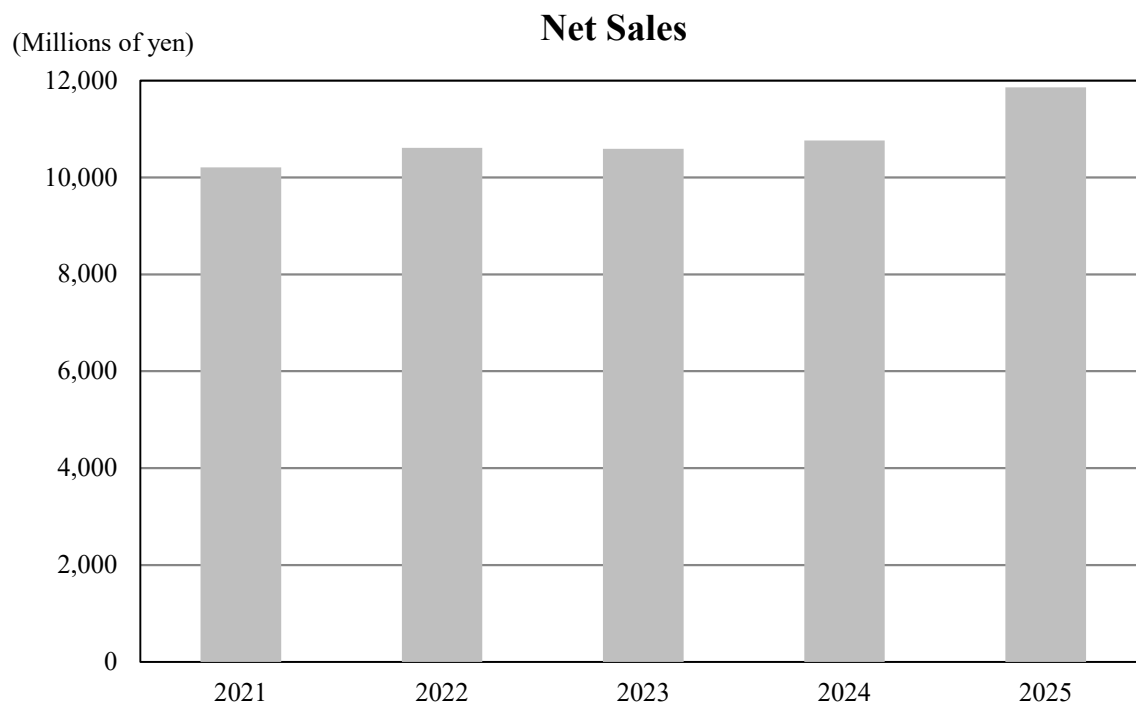
- (Notes) 1. The weighted average interest rate on the year-end balance of loans is stated for the average interest rate.
2. The average interest rate is omitted for lease obligations because the lease obligations recorded in the consolidated balance sheet is the amount before deducting the interest equivalent amount included in the lease payments.
3. The scheduled repayment amounts for long-term debt and lease obligations (excluding those to be repaid within one year) are as follows.

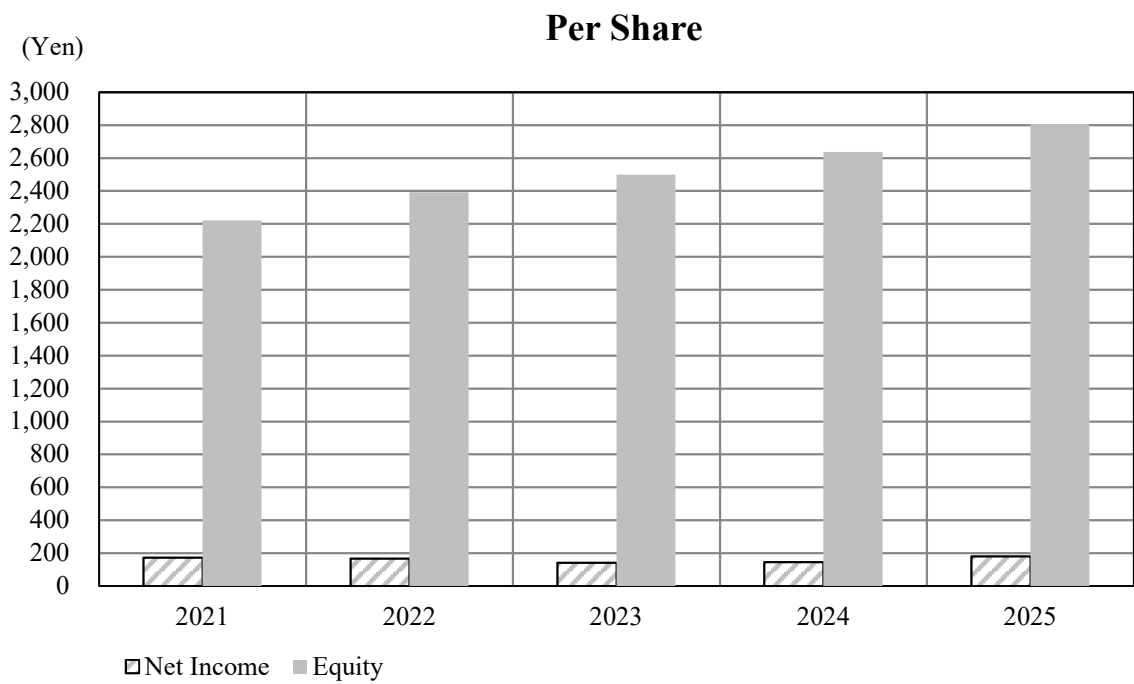
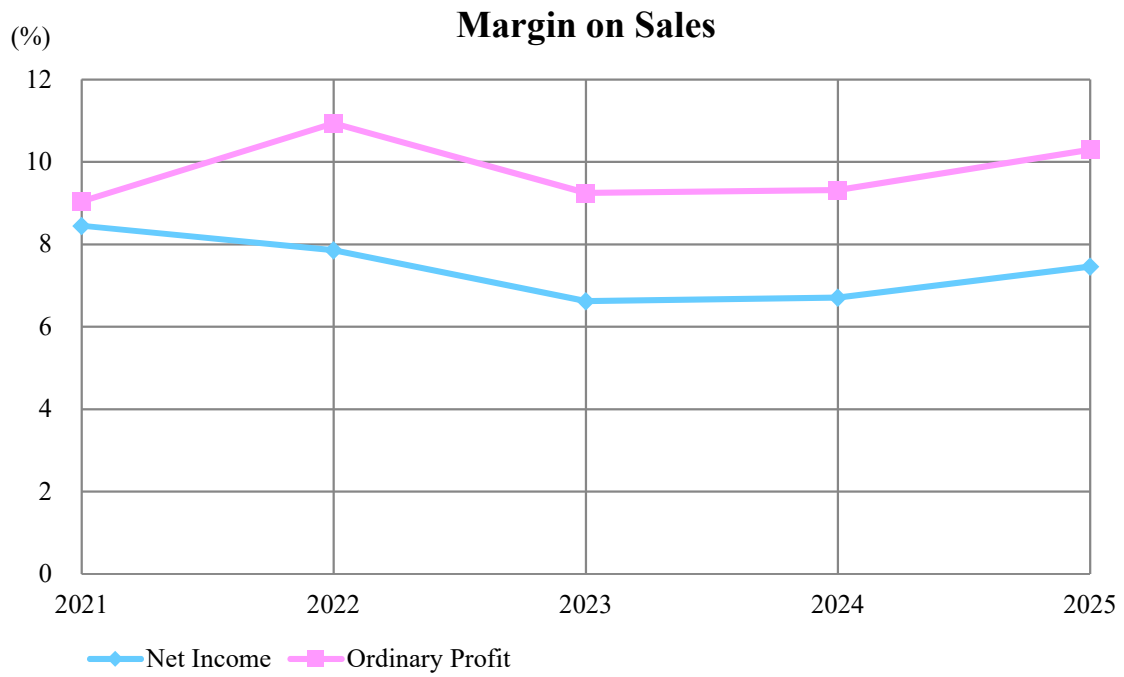
	More than one year to two years (Thousands of yen)	More than two years to three years (Thousands of yen)	More than three years to four years (Thousands of yen)	More than four years to five years (Thousands of yen)	More than five years (Thousands of yen)
Long-term debt	1,174,000	828,000	350,000	70,000	–
Lease obligations	4,062	3,753	1,717	173	–

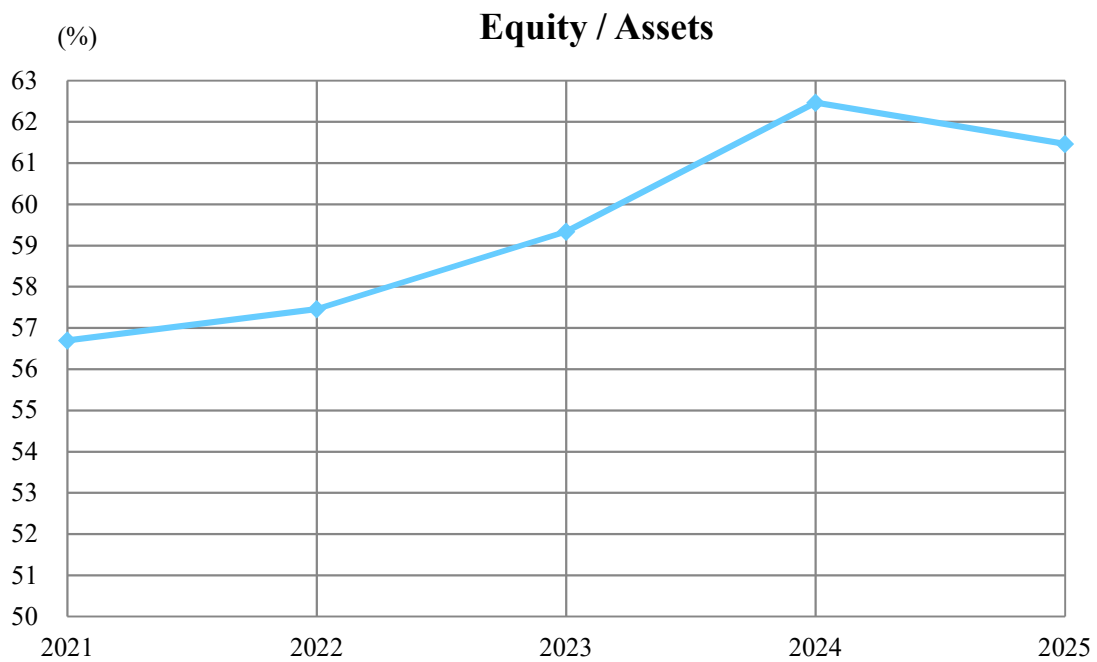
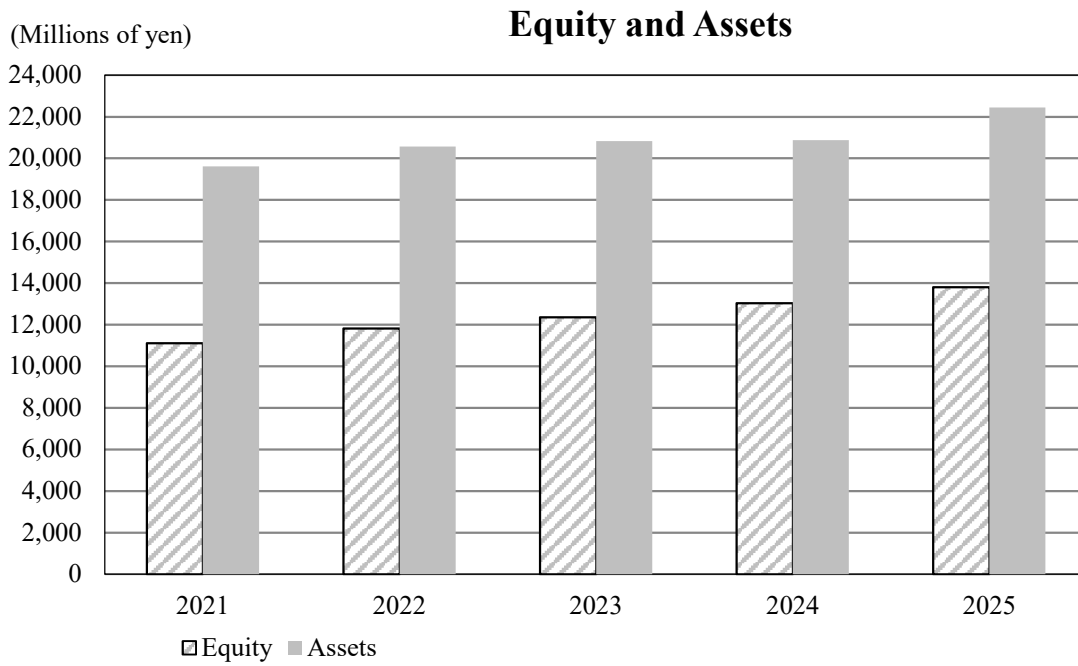
[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations at the beginning and the end of the fiscal year under review was 1/100 or less of the total of liabilities and net assets at the beginning and the end of the fiscal year under review, said obligations are omitted in accordance with the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements.

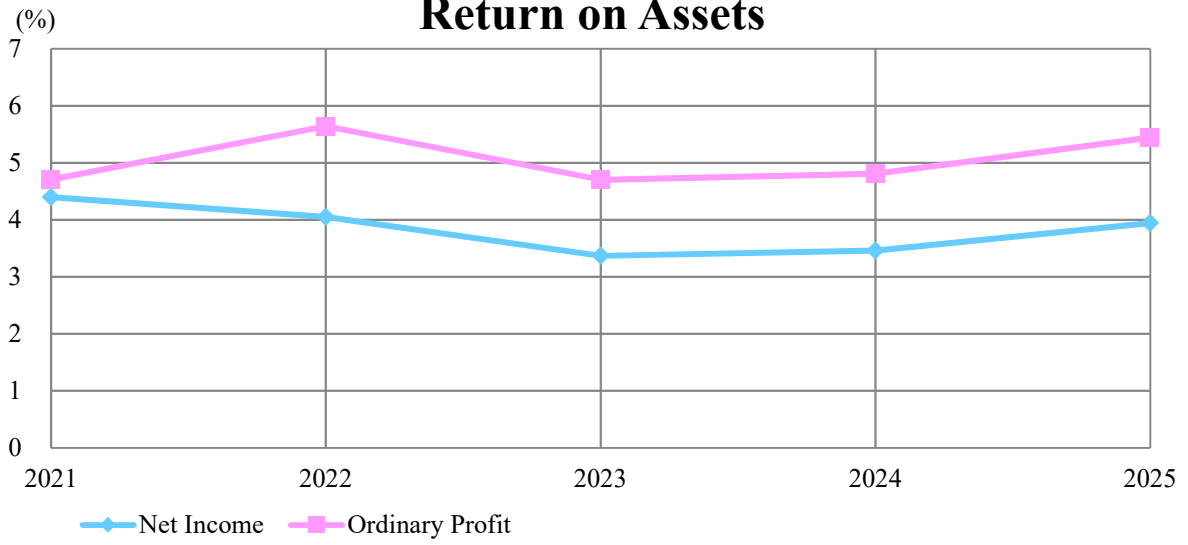
XXI. Summary of Selected Financial Data (Graphs)



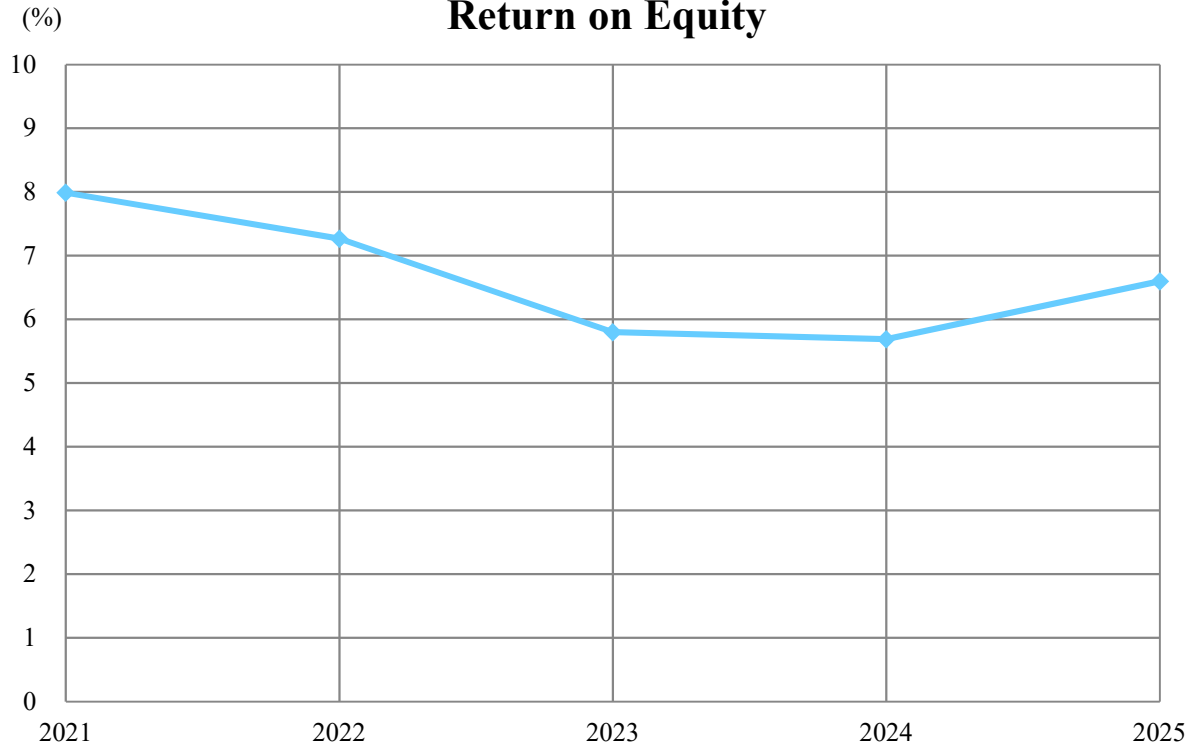




Return on Assets



Return on Equity



XXII. Consolidated Financial Statements

(1) Consolidated financial statements

1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	2,531,339	2,684,275
Notes receivable - trade	263,678	55,303
Electronically recorded monetary claims - operating	1,747,132	2,167,941
Accounts receivable - trade	2,836,386	3,568,120
Merchandise and finished goods	811,206	852,569
Work in process	560,842	680,461
Raw materials and supplies	1,049,210	1,263,713
Others	218,202	257,204
Total current assets	10,017,998	11,529,589
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,910,044	6,940,506
Accumulated depreciation	(4,173,264)	(4,365,726)
Buildings and structures, net	2,736,779	2,574,779
Machinery, equipment and vehicles	5,304,792	5,469,403
Accumulated depreciation	(4,972,117)	(5,071,665)
Machinery, equipment and vehicles, net	332,675	397,738
Land	5,933,803	6,037,326
Lease assets	140,176	118,284
Accumulated depreciation	(84,992)	(71,101)
Lease assets, net	55,184	47,182
Construction in progress	77,705	52,682
Others	2,442,754	2,475,164
Accumulated depreciation	(2,301,091)	(2,343,796)
Others, net	141,663	131,368
Total tangible fixed assets	9,277,811	9,241,077
Intangible fixed assets		
Software	23,860	21,492
Software in progress	-	15,620
Lease assets	11,743	8,020
Others	20,687	19,037
Total intangible fixed assets	56,291	64,171
Investments and other assets		
Investments in securities	186,454	251,492
Deferred tax assets	458,959	469,234
Directors' retirement benefit insurance premiums	770,050	771,941
Others	102,785	119,966
Allowance for doubtful accounts	(4,000)	(4,000)
Total investments and other assets	1,514,250	1,608,635
Total fixed assets	10,848,353	10,913,884
Total assets	20,866,352	22,443,474

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	341,013	375,914
Short-term loans payable	805,000	1,900,000
Current portion of long-term debt	1,674,000	1,454,000
Lease obligations	8,672	5,535
Accounts payable - other	185,424	199,106
Accrued expenses	231,146	250,433
Income taxes payable	201,797	246,145
Provision for bonuses	380,000	470,000
Provision for directors' and corporate auditors' bonuses	47,000	53,000
Others	253,565	250,805
Total current liabilities	4,127,620	5,204,940
Long-term liabilities		
Long-term debt	2,686,000	2,422,000
Provision for directors' and corporate auditors' retirement benefits	833,900	827,900
Provision for stock benefits	110,273	121,360
Provision for directors' stock benefits	41,235	39,553
Asset retirement obligations	17,272	17,545
Lease obligations	10,913	9,706
Others	3,362	3,383
Total long-term liabilities	3,702,956	3,441,449
Total liabilities	7,830,577	8,646,389
Net assets		
Shareholders' equity		
Common stock	674,265	674,265
Capital surplus	549,779	549,779
Retained earnings	11,723,059	12,432,303
Treasury stock	(274,054)	(319,920)
Total shareholders' equity	12,673,050	13,336,427
Other comprehensive income		
Valuation difference on available-for-sale securities	97,953	141,689
Deferred gains or losses on hedges	3,266	6,326
Foreign currency translation adjustment	261,505	312,641
Total other comprehensive income	362,724	460,656
Total net assets	13,035,775	13,797,084
Total liabilities and net assets	20,866,352	22,443,474

2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	10,762,379	11,857,057
Cost of goods sold	5,840,206	6,474,105
Gross profit on sales	4,922,172	5,382,952
Selling, general and administrative expenses	3,912,402	4,111,337
Operating income	1,009,770	1,271,614
Nonoperating income		
Interest income	968	3,024
Dividend income	4,571	5,681
Commissions received	11,434	9,647
Temporary assigned personnel payments received	1,786	1,652
Insurance return	31,621	–
Others	7,165	5,235
Total nonoperating income	57,546	25,242
Nonoperating expenses		
Interest expenses	47,455	59,729
Foreign exchange losses	1,408	2,551
Others	15,513	13,714
Total nonoperating expenses	64,377	75,995
Ordinary profit	1,002,939	1,220,861
Extraordinary losses		
Loss on sale and retirement of fixed assets	41	75
Total extraordinary losses	41	75
Net income before taxes and other adjustments	1,002,897	1,220,786
Corporate, inhabitant and enterprise taxes	297,681	368,541
Deferred taxes	(16,845)	(33,047)
Total income taxes	280,836	335,494
Net income	722,061	885,292
Net income attributable to owners of parent	722,061	885,292

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net income	722,061	885,292
Other comprehensive income		
Valuation difference on available-for-sale securities	48,647	43,736
Deferred gains or losses on hedges	8,700	3,060
Foreign currency translation adjustment	75,033	51,135
Total other comprehensive income	132,381	97,932
Comprehensive income	854,443	983,224
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	854,443	983,224
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in net assets

Fiscal year ended December 31, 2024 (January 1, 2024 through December 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	674,265	549,779	11,177,045	(279,082)	12,122,007
Changes in items during the term					
Dividends from retained earnings			(176,047)		(176,047)
Net income attributable to owners of parent			722,061		722,061
Disposal of treasury stock for stock benefit trust				5,028	5,028
Other changes in non-shareholders' equity items during the term (net)					–
Total changes during the term	–	–	546,013	5,028	551,042
Balance at end of current term	674,265	549,779	11,723,059	(274,054)	12,673,050

	Other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other comprehensive income	
Balance at beginning of current term	49,305	(5,434)	186,471	230,343	12,352,350
Changes in items during the term					
Dividends from retained earnings				–	(176,047)
Net income attributable to owners of parent				–	722,061
Disposal of treasury stock for stock benefit trust				–	5,028
Other changes in non-shareholders' equity items during the term (net)	48,647	8,700	75,033	132,381	132,381
Total changes during the term	48,647	8,700	75,033	132,381	683,424
Balance at end of current term	97,953	3,266	261,505	362,724	13,035,775

Fiscal year ended December 31, 2025 (January 1, 2025 through December 31, 2025)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	674,265	549,779	11,723,059	(274,054)	12,673,050
Changes in items during the term					
Dividends from retained earnings			(176,047)		(176,047)
Net income attributable to owners of parent			885,292		885,292
Purchase of treasury stock for stock benefit trust				(53,093)	(53,093)
Disposal of treasury stock for stock benefit trust				7,336	7,336
Purchase of treasury stock				(109)	(109)
Other changes in non-shareholders' equity items during the term (net)					-
Total changes during the term	-	-	709,244	(45,866)	663,377
Balance at end of current term	674,265	549,779	12,432,303	(319,920)	13,336,427

	Other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other comprehensive income	
Balance at beginning of current term	97,953	3,266	261,505	362,724	13,035,775
Changes in items during the term					
Dividends from retained earnings				-	(176,047)
Net income attributable to owners of parent				-	885,292
Purchase of treasury stock for stock benefit trust				-	(53,093)
Disposal of treasury stock for stock benefit trust				-	7,336
Purchase of treasury stock				-	(109)
Other changes in non-shareholders' equity items during the term (net)	43,736	3,060	51,135	97,932	97,932
Total changes during the term	43,736	3,060	51,135	97,932	761,309
Balance at end of current term	141,689	6,326	312,641	460,656	13,797,084

4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Cash flows from operating activities		
Net income before taxes and other adjustments	1,002,897	1,220,786
Depreciation	441,230	416,520
Insurance return	(31,621)	–
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	37,200	(6,000)
Increase (decrease) in provision for bonuses	3,000	90,000
Increase (decrease) in provision for directors' and corporate auditors' bonuses	(1,000)	6,000
Increase (decrease) in provision for stock benefits	7,780	11,087
Increase (decrease) in provision for directors' stock benefits	4,218	(1,681)
Interest income	(968)	(3,024)
Dividend income	(4,571)	(5,681)
Interest expenses	47,455	59,729
Decrease (increase) in notes and accounts receivable	(563,372)	(944,167)
Decrease (increase) in inventory	(99,053)	(366,171)
Increase (decrease) in notes and accounts payable	66,464	35,494
Others	(14,770)	2,987
Subtotal	894,889	515,878
Interest and dividend income	5,538	8,705
Interest expenses	(48,661)	(61,340)
Income taxes and others	(185,395)	(327,101)
Net cash provided by operating activities	666,370	136,142
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(220,994)	(368,298)
Proceeds from maturity of insurance funds	135,047	–
Others	(12,863)	(11,213)
Net cash provided by (used in) investing activities	(98,811)	(379,511)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(620,000)	1,095,000
Proceeds from long-term debt	1,400,000	1,400,000
Payments of long-term debt	(1,604,000)	(1,884,000)
Purchase of treasury stock	–	(53,203)
Dividends	(174,610)	(177,422)
Others	(54,549)	(9,537)
Net cash provided by (used in) financing activities	(1,053,160)	370,836
Effect of exchange rate fluctuations on cash and cash equivalents	38,145	25,469
Increase (decrease) in cash and cash equivalents	(447,455)	152,936
Cash and cash equivalents at beginning of term	2,978,794	2,531,339
Cash and cash equivalents at end of term	2,531,339	2,684,275

XXIII. Corporate Data

Basic Information (As of December 31, 2025)

Trade name:	KOKEN LTD.
Established:	May 1943
Listed market:	Standard Market of Tokyo Stock Exchange (Securities Code: 7963)
Listed:	December 2004
Fiscal year:	From January 1 to December 31
Capital stock:	674 million yen
Number of employees:	312 persons (Consolidated)
Head office:	7, Yonbancho, Chiyoda-ku, Tokyo
Telephone:	+81(3)(5276)(1911)
Consolidated subsidiaries:	SIAM KOKEN LTD.

Directors and Corporate Auditors (As of March 26, 2026)

Representative Director, Chairman	Masakazu Sakai
Representative Director, President	Tsutomu Murakawa
Representative Director, Executive Vice President	Nobuya Horiguchi
Senior Managing Director	Mitsuji Muramatsu
Senior Managing Director	Hideaki Ibata
Director	Toshiaki Nagasaka
Director*	Shinobu Sakurai
Standing Corporate Auditor	Toshio Akiyama
Standing Corporate Auditor	Fumikazu Tanaka
Corporate Auditor**	Teruo Shinato
Corporate Auditor**	Nikko Haku

* Outside Director ** Outside Corporate Auditor

Stock Status (As of December 31, 2025)

Total number of authorized shares:	20,000,000 shares
Total number of issued shares:	5,104,003 shares
Number of shareholders:	2,056

Major shareholders (Top 10)

Name	Number of shares held (Thousands)	Shareholding ratio (%)
Sakai CHS Foundation	600	11.93
Masakazu Sakai	591	11.75
Hiroyuki Sakai	559	11.12
Resona Bank, Limited	244	4.86
Kaori Sakai	229	4.56
Rie Sakai	229	4.56
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	227	4.53
Miho Kuboi	226	4.49
Haruna Yamanaka	226	4.49
JPMorgan Securities Japan Co., Ltd.	117	2.33