

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Under Japanese GAAP]

May 13, 2024

Company name: Dexerials Corporation Listing: Tokyo Stock Exchange
Security code: 4980 URL: <https://www.dexerials.jp/en>
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Preparation of supplementary briefing material on financial results: Yes
Investors meeting presentation for financial results: Yes (for securities analysts and institutional investors)

Note: Amounts less than one million yen have been omitted.

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results (Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	105,198	(0.9)	33,421	3.5	30,028	(0.5)	21,382	3.4
March 31, 2023	106,167	10.9	32,288	21.2	30,174	20.6	20,685	24.1

Note: Comprehensive income

For the fiscal year ended March 31, 2024: ¥23,425 million [9.4%]

For the fiscal year ended March 31, 2023: ¥21,419 million [19.6%]

Note: EBITDA

For the fiscal year ended March 31, 2024: ¥40,024 million [2.4%]

For the fiscal year ended March 31, 2023: ¥39,101 million [20.4%]

	Basic earnings per share	Diluted earnings per share	Return on capital	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	368.71	367.38	27.1	22.7	31.8
March 31, 2023	350.62	348.78	30.3	23.7	30.4

Reference: Share of profit or loss of entities accounted for using equity method

For the fiscal year ended March 31, 2024: ¥11 million

For the fiscal year ended March 31, 2023: ¥16 million

Note: For the purpose of calculating the amounts of basic earnings per share and diluted earnings per share, the number of shares of the Company held by the Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.

(2) Consolidated financial position

	Total assets	Net assets	Capital to asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	138,016	84,953	61.6	1,485.96
March 31, 2023	126,379	73,774	57.7	1,257.14

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income)

As of March 31, 2024: ¥84,953 million As of March 31, 2023: ¥72,896 million

Note: For the purpose of calculating the amounts of net assets per share, the number of shares of the Company held by the Trust was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the period.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2024	27,457	(10,866)	(10,343)	37,410
March 31, 2023	21,339	(9,447)	(12,535)	29,286

2. Dividends

	Cash dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year- end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	—	30.00	—	35.00	65.00	3,993	18.5	5.6
March 31, 2024	—	35.00	—	65.00	100.00	6,022	27.1	7.3
Fiscal year ending March 31, 2025 (forecast)	—	78.00	—	26.00	—		39.3	

Reference: Total payout ratio (consolidated) before amortization of goodwill

For the fiscal year ended March 31, 2024: 50.8% (For more details, please see page 6 of the Attached Materials.)

- Notes:
1. Breakdown of fiscal year-end dividends for the fiscal year ended March 31, 2023: 30.00 yen for ordinary dividend and 5.00 yen for commemorative dividend
 2. The amounts of total dividends (annual) include the dividends (of ¥178 million for the fiscal year ended March 31, 2023 and ¥272 million for the fiscal year ended March 31, 2024) for the shares of the Company held by the Trust.
 3. For the purpose of calculating the amounts of dividend on equity for the fiscal years ended March 31, 2023 and 2024, the number of shares of the Company held by the Trust was included in the number of treasury shares.
 4. As stated in “3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025” below, dividend payout ratio for the fiscal year ending March 31, 2025 (forecast) was computed based on basic earnings per share calculated under International Financial Reporting Standards (IFRS).
 5. At the Board of Directors’ meeting held on May 13, 2024, the Company resolved to conduct a 3-for-1 stock split of common stock, effective on October 1, 2024. For dividends for the fiscal year ending March 31, 2025 (forecast), second quarter-end dividends per share represents the amount before the stock split, while the amount of fiscal year-end dividends per share reflects the stock split. Without reflecting the stock split, fiscal year-end dividends and annual dividends for the fiscal year ending March 31, 2025 (forecast) would be 78.0 yen per share and 156.0 yen per share, respectively.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentage indicates year-on-year changes.)

	Net sales		Business profit		Profit before income taxes		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	107,000	—	33,500	—	32,000	—	23,000	—	132.20

- Notes:
1. For the purpose of calculating the amount of basic earnings per share, the number of shares of the Company held by the Trust as of the end of the fiscal year ended March 31, 2024 was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.
 2. The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2025. As the forecast of consolidated financial results for the fiscal year ending March 31, 2025 was prepared under IFRS, year-on-year changes against the fiscal year ended March 31, 2024 are not presented.
 3. At the Board of Directors’ meeting held on May 13, 2024, the Company resolved to conduct a 3-for-1 stock split of common stock, effective on October 1, 2024. Basic earnings per share for the fiscal year ending March 31, 2025 was calculated on the assumption that the stock split had been conducted at the beginning of the fiscal year ending March 31, 2025. Without reflecting the stock split, the basic earnings per share would be 396.60 yen.

For more information on the consolidated financial results for the fiscal year ended March 31, 2024, please refer to the supplementary briefing material on financial results, Annual Securities Report (available in Japanese only) to be filed on June 25, 2024, and other materials, which you can find on our website at <https://www.dexerials.jp/en/ir/library/index.html>.

[Notes]

- (1) Significant changes in the scope of consolidation during the current period: None
- (2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - (a) Changes in accounting policies due to application of new or revised accounting standards: None
 - (b) Changes in accounting policies due to reasons other than above (a): None
 - (c) Changes in accounting estimates: None
 - (d) Restatements of prior period financial statements: None
- (3) Number of shares of common stock issued
 - (a) Number of shares issued (including treasury shares)

As of March 31, 2024:	60,192,200 shares
As of March 31, 2023:	64,575,000 shares
 - (b) Number of treasury shares

As of March 31, 2024:	3,021,311 shares
As of March 31, 2023:	6,589,029 shares
 - (c) Average number of shares of common stock during the period

Fiscal year ended March 31, 2024:	57,991,889 shares
Fiscal year ended March 31, 2023:	58,997,371 shares

Notes: 1. The number of shares issued as of March 31, 2024 has decreased by 4,382,800 shares as the number of shares issued increased by 185,100 shares upon the exercise of stock options but decreased by 4,567,900 shares upon the retirement of treasury shares during the fiscal year ended March 31, 2024.

2. As the Company has introduced a stock compensation plan which delivers shares with restrictions on transfer, the Company's shares are included in the number of treasury shares at the end of the period (293,800 shares as of March 31, 2024 and 293,800 shares as of March 31, 2023) mainly for the purpose of allotting them as restricted shares.

3. As the Company has introduced an Employee Stock Ownership Plan ("J-ESOP") and a Board Benefit Trust (BBT), the number of shares of the Company held by the Trust is included in the number of treasury shares as of the end of the period. In addition, the number of shares of the Company held by the Trust (an average of 3,618,809 shares for the fiscal year ended March 31, 2024 and an average of 5,533,989 shares for the fiscal year ended March 31, 2023) was included in the number of treasury shares to be deducted in the calculation of the average number of shares of common stock during the period.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	93,645	(0.4)	29,753	4.4	27,083	2.4	19,401	6.2
March 31, 2023	94,003	6.6	28,495	27.2	26,447	15.4	18,274	25.3

(2) Non-consolidated financial position

	Total assets	Net assets	Capital to asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	119,627	69,199	57.9
March 31, 2023	108,399	59,935	55.3

Reference: Capital (Shareholders' equity + Valuation and translation adjustments)

As of March 31, 2024: ¥69,199 million

As of March 31, 2023: ¥59,935 million

* This consolidated financial results report is not subject to audit procedures to be performed by certified public accountants or an audit firm.

* [Proper use of earnings forecast, and other special notes]
(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including results forecasts contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Accordingly, the Company does not intend to promise their achievement. Actual results may differ from these forecasts and forward-looking statements due to various factors.

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1. Overview of Operating Results, etc.

(1) Analysis of operating results

(Operating results for the current fiscal year)

During the current fiscal year (from April 1, 2023 to March 31, 2024), the global economy remained uncertain due primarily to the ever-rising geopolitical risks caused by the Russia-Ukraine and Middle East conflicts and continued global monetary tightening, despite showing signs of recovery, reflecting the resolution of supply chain issues mainly attributed to the shortage of semiconductor supply.

In the consumer IT product market, which involves products of the Dexerials Group (hereinafter “the Group”), although shipments of smartphones remained sluggish in the U.S. and Europe, those in China trended toward recovery. Meanwhile, sales of laptop PCs and tablets remained challenging due to the weak return of final demand, despite the completion of inventory adjustments, which had continued from the previous fiscal year.

In this business climate, the Group worked to shift to a business portfolio that is less susceptible to changes in its business environment, in accordance with the Mid-term Management Plan. In new domains, the Group made efforts to expand businesses other than consumer IT products, resulting in increased sales of products for automobiles. In the photonics domain, we developed new customers for and then commenced the shipments of products for optical transceivers, which enable next generation high-speed communications. Meanwhile, in the existing domains, the Group’s efforts to develop and propose products that anticipate technological evolution led to increased sales of high-value-added products such as smart precision adhesives (SA) and particle-arrayed anisotropic conductive films (ACF).

As a result of the above, we reported net sales for the current fiscal year of ¥105,198 million (down 0.9% year-on-year) with operating profit of ¥33,421 million (up 3.5% year-on-year).

Ordinary profit was ¥30,028 million (down 0.5% year-on-year) primarily due to an increase in foreign exchange losses.

Profit before income taxes was ¥29,935 million (up 1.0% year-on-year) primarily due to a decrease in the amount of loss on retirement of property, plant and equipment in extraordinary losses. Consequently, profit attributable to owners of parent amounted to ¥21,382 million (up 3.4% year-on-year).

Operating results by segment and sales by product category are presented as follows.

1) Optical Materials and Components business

	(Millions of yen)		
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Year-on-year change
Net sales	51,453	55,384	(7.1)%
Operating profit	16,040	17,969	(10.7)%

Note: Net sales include inter-segment transactions.

- The business segment reported net sales of ¥51,453 million (down 7.1% year-on-year) and operating profit of ¥16,040 million (down 10.7% year-on-year).
- **The Optical films product category** reported year-on-year decreases in both sales and profit because of decreased sales of phosphor films on top of a decline in products sold for laptop PC displays in anti-reflection films, despite an increase in sales of such films for automotive displays.
- **The Optical resin materials product category** reported year-on-year increases in both sales and profit mainly due to an increase in quantity of products sold for smartphones for major customers in smart precision adhesives (SA).

2) Electronic Materials and Components business

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Year-on-year change
Net sales	54,387	51,495	5.6%
Operating profit	19,167	16,106	19.0%

Note: Net sales include inter-segment transactions.

- The business segment reported net sales of ¥54,387 million (up 5.6% year-on-year) and operating profit of ¥19,167 million (up 19.0% year-on-year).
- **The Adhesive materials product category** reported results on par with the previous fiscal year in terms of both sales and profit as the quantity of products sold, such as general-purpose items for laptop PCs, remained flat year-on-year.
- **The Anisotropic conductive films (ACF) product category** reported year-on-year increases in both sales and profit primarily due to the robust performance of particle-arrayed ACF for displays of high-end smartphone models and also due to increased sales of pre-cut ACF for sensor modules mainly for cameras.
- **The Surface mounted type fuses product category** reported year-on-year decreases in both sales and profit due to a decline in quantity of products sold for power tools resulting from customers' inventory adjustments.
- **The Micro devices product category** reported year-on-year decreases in both sales and profit due to a decline in quantity of projectors sold resulting from a weak recovery of demand.
- **The Optical semiconductor product category** reported year-on-year decreases in both sales and profit due to slowdown of investments in plants and those by mobile network operators in China.

(Earnings forecast for the next fiscal year)

The forecast of consolidated financial results for the fiscal year ending March 31, 2025 are presented as follows.

Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (See Note)

(Millions of yen)

(IFRS)	Fiscal year ending March 31, 2025 (Forecast)
Consolidated net sales	107,000
Business profit	33,500
Profit before income taxes	32,000
Profit attributable to owners of parent	23,000

(These forecasts are based on the assumed exchange rate of ¥140.0 per U.S. dollar.)

For the fiscal year ending March 31, 2025, we anticipate that, among major industries served by the Group's products, demand for laptop PCs will pick up due partly to replacement demand, although demands for tablets, smartphones, and automobiles are projected to remain unchanged from the previous fiscal year in the face of the worldwide economic downturn and ongoing inflation.

Under the said circumstances, as to high-end smartphone models, sales of smart precision adhesives (SA) and pre-cut anisotropic conductive films (ACF) for their sensor modules and those of particle-arrayed ACF for their displays are projected to continue expanding. We also forecast growth in sales of anti-reflection films for automotive displays and laptop PCs. As a result, we expect to report a year-on-year increase in sales as a whole due to the projected increase in sales of these high value-added products, despite a decline in sales of products for high-end tablet and laptop PC models. In terms of profit, we forecast a year-on-year increase in profit, excluding the impact from fluctuations in foreign exchange rates and differences arising from adopting the new accounting standards, as growth in high value-added products is expected to absorb an increase in fixed costs. The assumed exchange rate for the next fiscal year is ¥140.0 per U.S. dollar, compared to the actual exchange rate of ¥144.6 per U.S. dollar for the current fiscal year.

Note: The Company will voluntarily adopt International Financial Reporting Standards (IFRS) in place of the currently applied Japanese GAAP from the first quarter of the fiscal year ending March 31, 2025. Accordingly, the forecast of consolidated financial results for the fiscal year ending March 31, 2025 was made under IFRS.

(Disclaimer with respect to earnings forecasts)

The forward-looking statements including results forecasts contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Accordingly, the Company does not intend to promise their achievement. Actual results may differ from these forecasts and forward-looking statements due to various factors.

(2) Analysis of financial position

1) Summary of assets, liabilities and net assets

(Assets)

Total assets at the end of the current fiscal year amounted to ¥138,016 million, an increase of ¥11,636 million from the end of the previous fiscal year.

Current assets amounted to ¥69,063 million, an increase of ¥9,825 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥8,123 million in cash and deposits and ¥4,309 million in notes and accounts receivable – trade, which were partially offset by decreases of ¥696 million in raw materials and supplies and ¥1,539 million in other (current assets).

Non-current assets amounted to ¥68,952 million, an increase of ¥1,811 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥1,460 million in land, ¥1,045 million in retirement benefit asset and ¥779 million in construction in progress, which were partially offset by a decrease of ¥2,283 million in goodwill.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to ¥53,062 million, an increase of ¥457 million from the end of the previous fiscal year.

Current liabilities amounted to ¥30,996 million, a decrease of ¥4,077 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥4,101 million in current portion of long-term borrowings and ¥3,430 million in accounts payable – other, which were partially offset by increases of ¥2,686 million in notes and accounts payable – trade and ¥2,000 million in short-term borrowings.

Non-current liabilities amounted to ¥22,065 million, an increase of ¥4,535 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥4,124 million in long-term borrowings and ¥360 million in other (non-current liabilities).

(Net assets)

Total net assets at the end of the current fiscal year amounted to ¥84,953 million, an increase of ¥11,178 million from the end of the previous fiscal year. This increase can mainly be explained by a decrease of ¥10,823 million in treasury shares and an increase of ¥1,548 million in foreign currency translation adjustment, which were partially offset by a decrease of ¥1,273 million in capital surplus.

2) Summary of cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the current fiscal year increased ¥8,123 million from the end of the previous fiscal year to ¥37,410 million.

A summary of each category of cash flows and main causes of changes are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥27,457 million (up 28.7% year-on-year). This is mainly because cash increased due to profit before income taxes of ¥29,935 million and depreciation of ¥4,510 million, which were partially offset by a decrease in cash due to income tax paid of ¥8,826 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,866 million (up 15.0% year-on-year). This is mainly because cash decreased due to purchase of property, plant and equipment of ¥10,086 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥10,343 million (down 17.5% year-on-year). This is mainly because cash decreased due to repayments of long-term borrowings of ¥6,976 million, purchase of treasury shares of ¥6,000 million, and cash dividends paid of ¥4,254 million, which were partially offset by an increase in cash due to proceeds from long-term borrowings of ¥7,000 million.

(3) Basic policy for profit distribution and dividends for the current and next fiscal years

We regard return of profits to shareholders as one of the most important management tasks. With a recognition that increasing corporate value through investments for growth is the common interests of our shareholders, we established a basic policy that we should first give priority to business investments leading to sustainable corporate value improvement and then make shareholder returns in line with profit growth with the target total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill (See Note 1) of approximately 40%.

With the implementation of the Mid-term Management Plan 2023 “Challenges for Evolution” ended in the fiscal year ended March 31, 2024, the Company achieved business results far surpassing the initial targets through the efforts to accelerate growth in new domains, qualitatively change business in the existing domains, and strengthen management base, which laid the foundation of our sustainable growth. This allowed the Company to generate stable cash flows, resulting in the total payout ratio of 51% during the period covered by the plan, while making investments for growth including the acquisition of shares in Kyoto Semiconductor Co., Ltd.

Under the Mid-term Management Plan 2028 “Achieving Evolution” starting from the fiscal year ending March 31, 2025, we aim to achieve sustainable growth and further enhance our corporate value by balancing investments for growth and shareholder returns. As such, the Company has decided to revise the current shareholder return policy to enhance shareholder returns.

(Revised shareholder return policy)

We aim to achieve both sustainable growth and high-level shareholder returns through proactive investments for growth and appropriate distribution of profits in accordance with the capital allocation and capital policy set forth in the Mid-term Management Plan 2028 “Achieving Evolution.”

- We make shareholder returns with the target total payout ratio at 60% of net income for the five-year cumulative period covered by the Mid-term Management Plan.
- As to cash dividends paid each fiscal year, we aim to achieve stable dividend payments over the long term with the target consolidated payout ratio of 40% at a minimum dividend on equity ratio (DOE) of 7% or higher (See Note 2).
- We make a share buyback in an agile manner by comprehensively taking into account such factors as the Company’s financial standing, stock price levels, and cash position. As a general rule, treasury shares purchased through share buybacks shall be retired, except for the case of purchase for paying incentives.

As for year-end dividends for the fiscal year ended March 31, 2024, the Company resolved, at the Board of Directors’ meeting held on May 13, 2024, to pay 65.0 yen per share. As a result, together with the interim dividend of 35.0 yen per share already paid, the total annual dividend will be 100.0 yen per share (compared to 65.0 yen per share for the previous fiscal year).

Regarding the profit distribution for the next fiscal year ending March 31, 2025, we will follow the revised shareholder return policy described above and plan to pay an interim dividend of 78.0 yen per share and a year-end dividend of 26.0 yen per share.

At the Board of Directors’ meeting held on May 13, 2024, the Company resolved to conduct a 3-for-1 stock split of common stock, effective on October 1, 2024. For the aforementioned profit distribution for the next fiscal year ending March 31, 2025, the amounts of dividends reflect the said stock split. Without reflecting the stock split, year-end dividends and annual dividends for the next fiscal year would be 78.0 yen per share and 156.0 yen per share, respectively.

As a basic policy for dividend payment from surplus, we will pay dividends twice a year in the form of an interim dividend and a year-end dividend. While it is stipulated in accordance with paragraph 1, Article 459 of the Companies Act that the Company can pay dividends from retained earnings based on resolution of the Board of Directors, the Company plans to pay a year-end dividend based on a resolution of the general meeting of shareholders.

(Reference) Distribution of profit for the current fiscal year (Note 3)

	Total payout ratio	
	Before amortization of goodwill	After amortization of goodwill
Current fiscal year ended March 31, 2024 (actual)	50.8%	56.2%

Note 1: Total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill

$$= \frac{\text{Total payout amount (=Annual total dividends paid + Annual total share buyback)}}{\text{Consolidated profit attributable to owners of parent + Amortization of goodwill}} \times 100$$

Note 2: Ratio of dividends to equity at previous fiscal year-end

$$= \frac{\text{Annual total dividends paid}}{\text{Net assets at previous fiscal year-end}} \times 100$$

Note 3: For the next fiscal year, we will make shareholder returns based on the revised shareholder return policy described above.

(4) Management policy

1) Basic policy for corporate management

Corporate philosophy

“Integrity: Have Integrity and Sincerity”

Under the corporate philosophy “Integrity: Have Integrity and Sincerity,” the Company strives to address its customers’ needs and challenges, generate value that exceeds their expectations, and resolve social issues through developing and providing innovative functional materials and technological solutions with a combination of outstanding and unique technologies. The Company believes that this will realize sustainable business growth and improvement in business results, thereby leading to the enhancement of corporate value as a result.

Corporate vision

“Value Matters. Unprecedented innovation, unprecedented value.”

The Company fulfills its customers’ needs and resolves their challenges, constantly aiming to generate values that exceed its customers’ expectations with unique and innovative technologies to develop and provide sophisticated functional materials. The Company believes that this will realize business growth and improvement in business results, leading to the enhancement of corporate value as a result.

With this vision in mind, we aim to be a “company that achieves sustainable growth by addressing social issues through the delivery of high value-added products and technological solutions.”

Purpose

“Empower Evolution. Connect People and Technology”

Dexerials defines its raison d’être, or purpose, as contributing to resolving social issues by providing technologies, materials, devices, and solutions essential to the evolution of digital technologies that enable the improvement of efficiency of society.

2) Medium to long-term corporate strategy

The various efforts made under the previous Mid-term Management Plan “Challenges for Evolution” allowed the Company to generate stable cash flows, resulting in posting record operating profit for the fourth consecutive fiscal year in the fiscal year ended March 31, 2024, the final fiscal year of the plan. We believe that this has laid the foundation of our sustainable growth. On the other hand, however, there is still some way to go before achieving the expansion of our business portfolio that we worked on under the plan. Moreover, in the increasingly complex business environment due partly to the growing geopolitical risks, we recognize that we need to keep evolving at a pace fast enough to stay ahead of changes.

In view of this situation, the Company has formulated the new Mid-term Management Plan 2028 “Achieving Evolution” (hereinafter the “Plan”) covering the five-year period from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029, which is positioned as a stage to achieve the evolution of the Company. We will further pursue the expansion of our business portfolio and establishment of management, and work on various initiatives in line with the three basic policies to build a management base resistant to changes.

On top of these, we will also work to maximize our corporate value by balancing sustainable growth and shareholder returns. Specifically, as to capital allocation during the period covered by the Plan, we will not only balance investments for sustainable growth and high-level shareholder returns, but also achieve the optimal capital structure through managing costs of capital according to nature of each investment under the Plan. In addition, we have introduced the dividend on equity ratio (DOE) as an indicator for the shareholder return policy with stable dividend payment and capital efficiency in mind.

Furthermore, as we consider ROE as an indicator for the sustainable growth of corporate value, we will strive to maintain a high-level ROE through business growth and higher capital efficiency. At the same time, we will seek to reduce the cost of shareholders’ equity by lowering the volatility of business performance through achieving sustainable growth through expansion of the business portfolio and initiatives, for example, to reduce foreign exchange sensitivity. In this way, we aim to maintain a positive equity spread and enhance it even more over the medium to long term.

a) Three basic policies

Based on the following three basic policies, we will engage in initiatives toward expanding our business portfolio and developing a management base resistant to environmental changes.

(i) Expanding businesses in the growth domains

We will take on challenges to generate new value by leveraging the strengths we have cultivated in the growth domains of “automotive” and “photonics,” where future growth is expected, to raise the sales composition of the growth domain businesses to 30% by fiscal 2028 from about 20% for fiscal 2023.

(ii) Qualitative strengthening businesses in the existing domains

In order to further strengthen the pillars of our earnings drivers, we will strive to deep dive into and qualitatively strengthen our existing businesses through the expansion of high value-added products.

(iii) Evolution of the management base

We anticipate that we will continue to face a rapidly changing and uncertain business environment. Based on this assumption, we will promote our initiatives to evolve into a company with a solid management base that is unaffected by environmental changes and supports the Company’s sustainable growth.

b) Performance indicators

The Company considers ROE (return on equity) as an indicator that relates to the sustainable growth of corporate value, EBITDA as an indicator that measures the Company’s earning strength, and ROIC (return on invested capital) as an indicator to measure investment efficiency.

Note: ROE (Indicator to measure capital efficiency) = Profit attributable to owners of parent / Capital x 100

EBITDA (Indicator to measure earning strength/cash generating ability) = Business profit + Depreciation recorded as operating expenses

ROIC (Indicator to measure investment efficiency) = (Business profit x (1 - Effective tax rate)) / (Capital + Interest-bearing debts) x 100

(Disclaimer)

The forward-looking statements contained in the description above on the Mid-term Management Plan are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and no responsibility is borne as to the accuracy or completeness of the forward-looking statements. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors, and the Company does not intend to promise the achievement of the plan in the future. Additionally, regardless of actual results, etc., from the date of the publishing of this document, the Company has no obligation to continuously update the content of this document, nor does it have such a policy.

The description above is only disclosed with the intent of providing reference information to investors in making decisions; please make final decisions regarding investments on your own. The Company shall not be held liable for any losses resulting from the use of any part of this document in reaching an investment decision.

3) Issues to be addressed by the Company

The Company seeks sustainable growth through working on various measures under the basic policies set forth in the Mid-term Management Plan 2028 “Achieving Evolution.” During the fiscal year ending March 31, 2025, which is the first year of the current Mid-term Management Plan, in particular, we will focus on addressing the issues and initiatives described as follows.

i) Expanding businesses in the growth domains

Leveraging our technologies and business models cultivated through our business for consumer IT products, we will support the evolution of digital technologies to promote value generation in the automotive and photonics domains where growth is expected. In the automotive domain, the number of displays mounted per vehicle is increasing and so is the size of in-vehicle displays in line with the evolution of advanced driver assistance systems (ADAS). Given this situation, the Company has launched a new production line to ramp up our production capacity to ensure to capture the demand expected to grow further going forward. In the photonics domain, an increase in data centers triggered by the spread of generative AI has resulted in a boost in demand for related devices. In response to this, the Company established Dexterity Photonics Solutions Corporation in April 2024 as a company that drives business development in the photonics domain. Through this subsidiary, the Company will accelerate the development of high-speed photodiodes (PD) for optical transceivers with the eyes focused on next-generation high-speed communication, while making investments to expand production to cater the current increasing demand.

ii) Qualitative strengthening businesses in the existing domains

We aim to maximize earnings from existing businesses by expanding high value-added products created with the development that anticipates technological trends, which is one of our strengths. We expect demand to increase further for particle-arrayed anisotropic conductive films (ACF), which has already become the de facto standard for flexible OLED displays of smartphones. In response to this, we aim to grow our business over medium to long term by making investments in production rump-up starting from the fiscal year ending March 31, 2025.

Meanwhile, we see a rise in the trend worldwide of mounting a secondary protection circuit on applications with lithium-ion battery cells. In light of such a situation, for high value-added surface mounted type fuses (SCPs) for high-current products, the Company will strive to grow the business by expanding our global customer base of products for power tools and electric motorcycles.

iii) Evolution of the management base

Based on the assumption that we will continue to face a rapidly changing business environment, we will work to build an organization base that enables sustainable growth.

- (a) As part of measures to strengthen our sales function, we will work to reinforce “Design-in” and “Spec-in” in overseas regions so as to further strengthen our business models. In addition, we will address strengthening our distribution function through strategic partnerships, while working on improving our responsiveness to foreign exchange fluctuations and reducing our working capital.
- (b) Through the strengthening of human capital and technologies, which are our most important management issues (materiality), we will make ongoing efforts to evolve into a company capable of differentiating itself from others with its technologies. We will strive to improve our abilities to acquire and retain technical and global human resources through the group-wide rollout of the job-type personnel system, while accelerating our research and development activities mainly in the photonics domain.
- (c) As part of measures to strengthen our production function, we will promote our strategy to maximize the value of our human capital by proceeding with the construction of a smart factory through DX (Digital Transformation) at Kanuma Plant No. 2, in which we decided to make an additional investment, based on the assumption that the population of working age will decrease in Japan in years to come. We will also seek to enhance a business continuity function at each business site.

2. Basic Policy Regarding Selection of Accounting Standards

The Dexcel Group will voluntarily adopt International Financial Reporting Standards (IFRS) in place of the currently applied Japanese GAAP from the fiscal year ending March 31, 2025. The Company has made this decision for the purpose, among others, of bringing further convenience to investors by providing internationally comparable financial information; facilitating communication of financial information with its customers, suppliers, and business partners by adopting internationally recognized accounting standards, amid an increase in cross-border transactions entered into by the Group; establishing a global management foundation by unifying accounting standards within the Group.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Assets		
Current assets:		
Cash and deposits	29,286	37,410
Notes and accounts receivable - trade	13,126	17,436
Electronically recorded monetary claims - operating	342	589
Merchandise and finished goods	4,111	3,691
Work in process	2,883	2,688
Raw materials and supplies	4,358	3,661
Other	5,133	3,593
Allowance for doubtful accounts	(2)	(7)
Total current assets	59,238	69,063
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	27,709	28,829
Accumulated depreciation	(13,976)	(14,860)
Buildings and structures, net	13,732	13,969
Machinery, equipment and vehicles	40,475	41,622
Accumulated depreciation	(33,308)	(33,724)
Machinery, equipment and vehicles, net	7,167	7,897
Land	2,524	3,984
Construction in progress	6,646	7,425
Other	8,672	9,410
Accumulated depreciation	(6,458)	(6,982)
Other, net	2,214	2,427
Total property, plant and equipment	32,284	35,703
Intangible assets:		
Goodwill	21,444	19,161
Patent right	695	538
Customer-related intangible assets	2,884	2,704
Other	2,295	2,435
Total intangible assets	27,320	24,840
Investments and other assets:		
Shares of subsidiaries and associates	117	140
Retirement benefit asset	3,242	4,287
Deferred tax assets	2,389	2,287
Other	1,799	1,707
Allowance for doubtful accounts	(13)	(15)
Total investments and other assets	7,535	8,407
Total non-current assets	67,141	68,952
Total assets	126,379	138,016

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,972	8,658
Electronically recorded obligations - operating	2,569	1,872
Short-term borrowings	2,000	4,000
Current portion of long-term borrowings	6,560	2,459
Accounts payable - other	7,817	4,387
Accrued expenses	856	924
Income taxes payable	4,705	4,555
Provision for bonuses	2,558	2,513
Other	2,034	1,626
Total current liabilities	35,074	30,996
Non-current liabilities:		
Long-term borrowings	11,152	15,276
Retirement benefit liability	4,273	4,081
Deferred tax liabilities	1,323	1,566
Other	780	1,141
Total non-current liabilities	17,530	22,065
Total liabilities	52,605	53,062
Net assets		
Shareholders' equity:		
Share capital	16,194	16,251
Capital surplus	16,147	14,873
Retained earnings	52,663	53,023
Treasury shares	(15,908)	(5,085)
Total shareholders' equity	69,097	79,063
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(26)	(78)
Foreign currency translation adjustment	3,278	4,827
Remeasurements of defined benefit plans	547	1,141
Total accumulated other comprehensive income	3,799	5,890
Non-controlling interests	878	—
Total net assets	73,774	84,953
Total liabilities and net assets	126,379	138,016

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	106,167	105,198
Cost of sales	51,996	47,930
Gross profit	54,170	57,268
Selling, general and administrative expenses	21,882	23,846
Operating profit	32,288	33,421
Non-operating income:		
Interest income	87	273
Share of profit of entities accounted for using equity method	16	11
Rental income	20	16
Compensation income	—	37
Other	235	183
Total non-operating income	359	521
Non-operating expenses:		
Interest expenses	73	67
Foreign exchange losses	2,019	3,357
Depreciation	85	191
Loss on investments in investment partnerships	61	166
Other	232	131
Total non-operating expenses	2,472	3,914
Ordinary profit	30,174	30,028
Extraordinary income:		
Gain on sale of non-current assets	14	18
Gain on sale of shares of subsidiaries and associates	—	112
Subsidy income	64	—
Total extraordinary income	78	131
Extraordinary losses:		
Loss on sale of property, plant and equipment	—	2
Loss on retirement of property, plant and equipment	508	215
Impairment loss	12	7
Loss on valuation of investment securities	59	—
Loss on tax purpose reduction entry of non-current assets	39	—
Total extraordinary losses	620	225
Profit before income taxes	29,632	29,935
Income taxes - current	8,590	8,635
Income taxes - deferred	321	(35)
Total income taxes	8,911	8,600
Profit	20,721	21,334
Profit (loss) attributable to non-controlling interests	35	(47)
Profit attributable to owners of parent	20,685	21,382

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit	20,721	21,334
Other comprehensive income:		
Deferred gains or losses on hedges	333	(51)
Foreign currency translation adjustment	591	1,548
Remeasurements of defined benefit plans	(227)	593
Total other comprehensive income	697	2,090
Comprehensive income	21,419	23,425
Comprehensive income attributable to:		
Owners of parent	21,379	23,473
Non-controlling interests	39	(47)

(3) Consolidated statements of changes in net assets

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

(Millions of yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, April 1, 2022	16,170	16,170	35,733	(7,444)	60,629
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	24	24			48
Dividends of surplus			(3,756)		(3,756)
Profit attributable to owners of parent			20,685		20,685
Purchase of treasury shares				(8,999)	(8,999)
Retirement of treasury shares					
Disposal of treasury shares				535	535
Capital increase of consolidated subsidiaries		(9)			(9)
Purchase of shares of consolidated subsidiaries		(38)			(38)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net change of items other than shareholders' equity					
Total changes of items during period	24	(23)	16,929	(8,463)	8,467
Balance, March 31, 2023	16,194	16,147	52,663	(15,908)	69,097

	Accumulated Other Comprehensive Income				Non-controlling interests	Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total		
Balance, April 1, 2022	(359)	2,691	774	3,105	840	64,576
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						48
Dividends of surplus						(3,756)
Profit attributable to owners of parent						20,685
Purchase of treasury shares						(8,999)
Retirement of treasury shares						
Disposal of treasury shares						535
Capital increase of consolidated subsidiaries						(9)
Purchase of shares of consolidated subsidiaries						(38)
Change in ownership interest of parent due to transactions with non-controlling interests						
Net change of items other than shareholders' equity	333	587	(227)	693	37	731
Total changes of items during period	333	587	(227)	693	37	9,198
Balance, March 31, 2023	(26)	3,278	547	3,799	878	73,774

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, April 1, 2023	16,194	16,147	52,663	(15,908)	69,097
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	56	56			113
Dividends of surplus			(4,254)		(4,254)
Profit attributable to owners of parent			21,382		21,382
Purchase of treasury shares				(6,000)	(6,000)
Retirement of treasury shares			(16,768)	16,768	
Disposal of treasury shares				55	55
Capital increase of consolidated subsidiaries					
Purchase of shares of consolidated subsidiaries					
Change in ownership interest of parent due to transactions with non-controlling interests		(1,330)			(1,330)
Net change of items other than shareholders' equity					
Total changes of items during period	56	(1,273)	359	10,823	9,965
Balance, March 31, 2024	16,251	14,873	53,023	(5,085)	79,063

	Accumulated Other Comprehensive Income				Non-controlling interests	Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total		
Balance, April 1, 2023	(26)	3,278	547	3,799	878	73,774
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						113
Dividends of surplus						(4,254)
Profit attributable to owners of parent						21,382
Purchase of treasury shares						(6,000)
Retirement of treasury shares						
Disposal of treasury shares						55
Capital increase of consolidated subsidiaries						
Purchase of shares of consolidated subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests						(1,330)
Net change of items other than shareholders' equity	(51)	1,548	593	2,091	(878)	1,212
Total changes of items during period	(51)	1,548	593	2,091	(878)	11,178
Balance, March 31, 2024	(78)	4,827	1,141	5,890		84,953

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities:		
Profit before income taxes	29,632	29,935
Depreciation	4,615	4,510
Amortization of goodwill	2,283	2,283
Interest and dividend income	(87)	(273)
Interest expenses	73	67
Foreign exchange (gains) losses	23	(187)
(Gain) loss on sale of non-current assets	(14)	(16)
Loss on retirement of property, plant and equipment	508	215
Loss on tax purpose reduction entry of non-current assets	39	—
Impairment loss	12	7
(Gain) loss on investments in investment partnerships	61	166
Loss (gain) on sales of shares of subsidiaries and associates	—	(112)
Subsidy income	(64)	—
Increase (decrease) in provision for bonuses	(537)	(66)
Changes in retirement benefit asset/liability	(430)	(383)
Share of loss (profit) of entities accounted for using equity method	(16)	(11)
Loss (gain) on valuation of investment securities	59	—
(Increase) decrease in notes and accounts receivable - trade	6,418	(3,540)
(Increase) decrease in inventories	775	1,431
Increase (decrease) in notes and accounts payable - trade	(8,139)	872
(Increase) decrease in other receivables	87	294
Increase (decrease) in other payables	(43)	(185)
Increase (decrease) in income taxes payable (size-based business tax)	(27)	(30)
Other, net	(3,237)	1,117
Subtotal	31,992	36,095
Interest and dividends received	76	252
Interest paid	(70)	(63)
Subsidies received	45	—
Income taxes paid	(10,705)	(8,826)
Net cash provided by (used in) operating activities	21,339	27,457
Cash flows from investing activities:		
Purchase of investment securities	(168)	(50)
Purchase of property, plant and equipment	(10,705)	(10,086)
Purchase of intangible assets	(1,087)	(854)
Proceeds from sale of property, plant and equipment	2,570	21
Purchase of shares of subsidiaries	(60)	—
Proceeds from sale of shares of subsidiaries and associates	—	101
Other, net	4	1
Net cash provided by (used in) investing activities	(9,447)	(10,866)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(4,500)	2,000
Proceeds from long-term borrowings	10,000	7,000
Repayments of long-term borrowings	(5,220)	(6,976)
Purchase of treasury shares	(8,999)	(6,000)
Cash dividends paid	(3,756)	(4,254)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,160)
Repayments of lease obligations	(119)	(64)
Proceeds from exercise of stock options	59	113
Net cash provided by (used in) financing activities	(12,535)	(10,343)
Effect of exchange rate change on cash and cash equivalents	566	1,875
Net increase (decrease) in cash and cash equivalents	(77)	8,123
Cash and cash equivalents at beginning of period	29,363	29,286
Cash and cash equivalents at end of period	29,286	37,410

(5) Notes to consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

(Repurchase and retirement of treasury shares)

At the Board of Directors' meeting held on May 10, 2023, the Company resolved matters pertaining to the retirement of its treasury shares pursuant to Article 178 of the Companies Act, and subsequently retired 3,550,600 treasury shares effective on May 24, 2023.

Meanwhile, at the Board of Directors' meeting held on February 5, 2024, the Company resolved matters pertaining to the repurchase of its treasury shares pursuant to Article 156 of the Companies Act, as applied by replacing terms pursuant to paragraph 3, Article 165 of the said Act. Furthermore, at the said Board of Directors' meeting, the Company resolved matters pertaining to the retirement of the treasury shares pursuant to Article 178 of the Companies Act, and subsequently retired 1,017,300 treasury shares effective on March 27, 2024 after the repurchase of 1,017,300 treasury shares.

As a result, the balance of treasury shares stood at ¥5,085 million at the end of the current fiscal year.

(Additional acquisition of shares in a subsidiary)

Effective on December 25, 2023, the Company additionally acquired shares in Kyoto Semiconductor Co., Ltd., a consolidated subsidiary of the Company, to make it wholly owned.

As a result, capital surplus decreased by ¥1,273 million during the current fiscal year to ¥14,873 million at the end of the current fiscal year.

(Changes in scope of consolidation or scope of application of the equity method)

(Significant changes in scope of application of the equity method))

During the current fiscal year, the Company sold all shares of ORTHOREBIRTH CO. LTD., a then equity method associate of the Company, to exclude it from the scope of application of the equity method.

(Supplemental information)

(Employee Stock Ownership Plan ("J-ESOP"))

The Company has introduced an Employee Stock Ownership Plan ("J-ESOP") as an incentive program to grant employees the Company's shares for the purpose of increasing their motivation and morale to improve the Company's stock price and business performance by more strongly linking their compensation to the Company's stock price and financial results and sharing economic benefits with shareholders.

Shares of the Company held by the J-ESOP trust are presented as treasury shares in the net assets section of the consolidated balance sheets. The book value and the number of the treasury shares at the end of the previous fiscal year and at the end of the current fiscal year were ¥2,544 million and 2,428 thousand shares and ¥2,540 million and 2,423 thousand shares, respectively.

(Board Benefit Trust (BBT))

The Company has introduced a Board Benefit Trust (BBT) as a performance-linked stock compensation plan for Directors and Executive Officers (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors; the same applies hereinafter) to more clearly link their compensation to the Company's financial results and stock value and increase their awareness of contributing to better business performance and enhancing corporate value continuously over medium to long term by sharing the benefits of rising stock prices and the risks of falling stock prices.

Shares of the Company held by BBT are presented as treasury shares in the net assets section of the consolidated balance sheets. The book value and the number of treasury shares at the end of the previous fiscal year and at the end of the current fiscal year are ¥1,038 million and 316 thousand shares and ¥988 million and 303 thousand shares, respectively.

(Business combinations)

(Transactions under common control)

Additional acquisition of shares in a subsidiary

1. Outline of the transaction
 - (1) Name of the company involved in the business combination and its line of business
Company name
Kyoto Semiconductor Co., Ltd.
Description of business
Research and development, manufacturing and sales of opto semiconductor devices including opto semiconductor elements and optical and opto sensors, optical communications-use devices, and other semiconductor-related products
 - (2) Date of the business combination
December 25, 2023 (deemed date of acquisition: December 31, 2023)
 - (3) Legal form of the business combination
Acquisition of shares from a non-controlling shareholder
 - (4) Name of the company after the business combination
Dexerials Photonics Solutions Corporation (The trade name was changed on April 1, 2024.)
 - (5) Other details on the outline of the transaction
The Company acquired all shares held by a non-controlling shareholder, resulting in Koyo Semiconductor Co., Ltd. being a wholly owned subsidiary of the Company.
2. Summary of accounting procedures implemented
The Company applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019) to account for the transaction, which was treated as a transaction with a non-controlling shareholder among transactions under common control.
3. Matters on additional acquisition of shares in a subsidiary
Consideration for acquisition: Cash and deposits of ¥2,160 million
Acquisition cost: ¥2160 million
4. Matters related to a change in the Company's equity share resulting from the transaction with a non-controlling shareholder
 - (1) Main factor of a change in capital surplus
Additional acquisition of shares in a subsidiary
 - (2) Amount of capital surplus reduced by the transaction with a non-controlling shareholder
¥1,330 million

(Segment information)

Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

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

(Millions of yen)

	Reportable Segment			Adjustment (Note 1)	Consolidated (Note 3)
	Optical Materials and Components	Electronic Materials and Components (Notes 2, 3)	Total		
Net sales					
Sales to external customers	54,967	51,199	106,167	(0)	106,167
Intersegment sales or transfers	416	296	712	(712)	–
Total	55,384	51,495	106,879	(712)	106,167
Segment profit	17,969	16,106	34,075	(1,787)	32,288
Segment assets	25,223	18,884	44,108	82,271	126,379
Other items					
Depreciation	2,211	2,404	4,615	–	4,615
Amortization of goodwill	–	496	496	1,787	2,283
Increase in property, plant and equipment and intangible assets	8,510	1,764	10,275	3,651	13,926

- Notes: 1. The amount of adjustment for segment profit of ¥1,787 million is the amount of amortization of goodwill that does not belong to any reportable segment.
2. The Group made Kyoto Semiconductor Co., Ltd. its consolidated subsidiary in March 2022. Accordingly, the company's optical semiconductor business was included in the Electronic Materials and Components segment.
3. Segment information for the current fiscal year includes amounts that reflect a significant revision to the initial allocations of the acquisition cost due to the determination of a provisional accounting process related to a business combination.

(Reference) Net sales by region: Japan ¥27,279 million China ¥27,520 million South Korea ¥17,873 million
Taiwan ¥22,735 million Other ¥10,757 million

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	50,975	54,222	105,198	–	105,198
Intersegment sales or transfers	478	165	643	(643)	–
Total	51,453	54,387	105,841	(643)	105,198
Segment profit	16,040	19,167	35,208	(1,787)	33,421
Segment assets	26,966	28,822	55,789	82,227	138,016
Other items					
Depreciation	1,943	2,567	4,510	–	4,510
Amortization of goodwill	–	496	496	1,787	2,283
Increase in property, plant and equipment and intangible assets	2,423	2,370	4,793	2,689	7,482

Note: The amount of adjustment for segment profit of ¥1,787 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region: Japan ¥22,292 million China ¥31,974 million South Korea ¥19,420 million
Taiwan ¥18,722 million Other ¥12,787 million

(Per share information)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	1,257.14 yen	1,485.96 yen
Basic earnings per share	350.62 yen	368.71 yen
Diluted earnings per share	348.78 yen	367.38 yen

Notes: 1. For the purpose of calculating the amounts of “net assets per share,” the number of shares of the Company held by the Trust Account E (2,744 thousand shares and 2,727 thousand shares at the end of the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the fiscal year.

For the purpose of calculating “basic earnings per share” and “diluted earnings per share,” the number of shares of the Company held by the Trust (2,864 thousand shares and 2,733 thousand shares for the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.

2. The calculation basis for basic earnings per share and diluted earnings per share are shown as follows.

(Millions of yen, unless otherwise indicated)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent	20,685	21,382
Profit not attributable to common shareholders	—	—
Profit attributable to common shareholders of parent	20,685	21,382
Average number of shares of common stock during the fiscal year (shares)	58,997,371	57,991,889
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	—	—
Number of shares of common stock to be increased (share)	311,312	208,576
[Of which, number of subscription rights to shares] (share)	[311,312]	[208,576]
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	—

(Significant subsequent events)

(Revision of retirement benefit plans)

The Company and some of its subsidiaries in Japan have revised their retirement benefit plans and transferred a part of their defined benefit corporate pension plans to defined contribution pension plans effective on April 1, 2024. For the accounting relating to this revision, the Company applied the Guidance on Accounting for Transfer between Retirement Benefit Plans (ASBJ Guidance No. 1, December 16, 2016) and the Practical Solution on Accounting for Transfer between Retirement Benefit Plans (PITF No. 2, February 7, 2007). As a result, the Company will recognize ¥899 million as extraordinary income associated with the transfer in the next fiscal year.

(Stock split and partial revision to the Articles of Incorporation in conjunction with the stock split)

At the Board of Directors' meeting held on May 13, 2024, the Company resolved to conduct a stock split and make a partial revision to its Articles of Incorporation in conjunction with the stock split.

(1) Purpose of the stock split

The purpose of the stock split is to lower the stock price per investment unit to create a more investor-friendly environment, thereby increasing the liquidity of the Company's stock and expanding its base of investors who sympathize with the Company's corporate philosophy and purpose and wish to support its sustainable growth.

(2) Outline of the stock split

1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Monday, September 30, 2024 will be split into three shares.

2) Number of shares to be increased by the stock split

Total number of shares issued prior to the stock split	60,192,200 shares
Number of shares to be increased by the stock split	120,384,400 shares
Total number of shares issued after the stock split	180,576,600 shares
Total number of shares authorized to be issued after the stock split	300,000,000 shares

Note: The total number of shares issued and the number of shares to be increased provided above are based on the total number of shares issued as of March 31, 2024. The numbers may vary depending on factors such as the exercise of share acquisition rights up until the record date of the stock split.

3) Schedule of the stock split

Date of public notice of record date	Friday, September 13, 2024 (planned)
Record date	Monday, September 30, 2024
Effective date	Tuesday, October 1, 2024

4) Impact on per share information

Per share information based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year is as follows:

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	419.04 yen	495.32 yen
Basic earnings per share	116.87 yen	122.90 yen
Diluted earnings per share	116.26 yen	122.46 yen
Annual dividends paid per share	21.66 yen	33.33 yen

(Reference) Pre-stock split per share information

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	1,257.14 yen	1,485.96 yen
Basic earnings per share	350.62 yen	368.71 yen
Diluted earnings per share	348.78 yen	367.38 yen
Annual dividends paid per share	65.00 yen	100.00 yen

(3) Partial revision to the Articles of Incorporation in conjunction with the stock split

1) Reason for the revision to the Articles of Incorporation

The total number of authorized shares described in Article 6 of the Company's Articles of Incorporation will be revised in conjunction with the stock split described above as provided for in paragraph 2, Article 184 of the Companies Act, effective on Tuesday, October 1, 2024.

2) Details of the revision to the Articles of Incorporation

The details of the revision are as follows.

(The underlining indicates a change.)

Current Articles of Incorporation	Proposed revision
Chapter 2. Stock Article 6. The total number of shares authorized to be issued by the Company shall be <u>100,000,000</u> shares.	Chapter 2. Stock Article 6. The total number of shares authorized to be issued by the Company shall be <u>300,000,000</u> shares.

3) Schedule of the revision to the Articles of Incorporation

Date of Board of Directors' resolution	Monday, May 13, 2024
Effective date	Tuesday, October 1, 2024

(4) Other

1) The stock split will not result in any change in the amount of share capital.

2) Adjustment to the per-share exercise price of share acquisition rights

Effective on or after October 1, 2024, the per-share exercise price of share acquisition rights issued by the Company will be adjusted in conjunction with the stock split as follows:

Name of share acquisition rights	Pre-adjusted exercise price	Adjusted exercise price
3rd Series Share Acquisition Rights	840 yen	280 yen

4. Other

(1) Appointment of directors

At the Board of Directors' meeting held on May 13, 2024, the Company resolved to propose the following candidates for Director at the Annual General Meeting of Shareholders to be held in June 2024. The appointment of Representative Directors will officially be made by the resolution at the Board of Directors' meeting to be held after the conclusion of the Annual General Meeting of Shareholders.

Directors (excluding Directors serving as Audit and Supervisory Committee Members)

	Name	Current position
(Reappointment)	Yoshihisa Shinya	Representative Director and President
(Reappointment)	Toshiya Satake	Representative Director
(Reappointment)	Takashi Yokokura	Outside Director
(Reappointment)	Satoshi Taguchi	Outside Director
(New appointment)	Toshihiro Hagiwara	Outside Director

* Mr. Takashi Yokokura, Mr. Satoshi Taguchi, and Mr. Toshihiro Hagiwara do not fall under any of the cases where they may have conflicts of interest with general shareholders, the criteria defined by the Tokyo Stock Exchange and the Company for determining independence. Accordingly, the Company intends to designate all of them as Independent Officers if they are elected and assume office as Directors.