

**Consolidated Financial Results**  
for the Fiscal Year Ended March 31, 2022  
[Under Japanese GAAP]

May 10, 2022

Company name: Dexerials Corporation      Listing: Tokyo Stock Exchange  
 Security code: 4980      URL: <https://www.dexerials.jp/en>  
 Representative: Yoshihisa Shinya, Representative Director and President  
 Contact: Shinji Tomita, General Manager, IR Department, Corporate Strategy Division  
 Phone: +81-285-39-7950  
 Date of annual general meeting of shareholders: June 17, 2022  
 Date of payment of year-end dividends: June 20, 2022  
 Annual Securities Report (*Yukashoken Hokokusho*) filing date: June 17, 2022  
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	95,712	45.4	26,642	135.0	25,023	130.8	16,669	212.8
March 31, 2021	65,830	14.1	11,339	145.6	10,844	146.8	5,329	94.9

Note: Comprehensive income

For the fiscal year ended March 31, 2022: ¥17,909 million [199.6%]

For the fiscal year ended March 31, 2021: ¥5,977 million [156.7%]

Note: EBITDA

For the fiscal year ended March 31, 2022: ¥32,478 million [84.6%]

For the fiscal year ended March 31, 2021: ¥17,590 million [63.1%]

Note: The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the fiscal year ended March 31, 2022.

	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, 2022	274.61	272.78	28.5	22.5	27.8
March 31, 2021	87.60	87.06	10.4	12.0	17.2

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

For the fiscal year ended March 31, 2022: ¥(431) million

For the fiscal year ended March 31, 2021: ¥(207) million

Note: For the purpose of calculating the amounts of 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
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	127,410	64,140	50.0	1,063.24
March 31, 2021	95,201	53,305	56.0	874.66

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

As of March 31, 2022: ¥63,735 million      As of March 31, 2021: ¥53,305 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, 2022	25,804	(12,434)	(5,783)	29,363
March 31, 2021	13,187	(2,471)	(4,259)	20,531

## 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, 2021	–	17.00	–	27.00	44.00	2,824	50.3	5.2
March 31, 2022	–	30.00	–	30.00	60.00	3,810	21.8	6.2
Fiscal year ending March 31, 2023 (forecast)	–	30.00	–	35.00	65.00		19.7	

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

For the fiscal year ended March 31, 2022: 42.3%

For the fiscal year ending March 31, 2023 (forecast): 44.7% (For more details, please see page 6 of the Attached Materials.)

- Notes: 1. For the forecast dividends for the fiscal year ending March 31, 2023, please refer to “Notice Regarding the Dividend Forecast (Commemorative Dividends for the 10th Anniversary) for the Fiscal Year Ending March 31, 2023” released on May 10, 2022.
2. The amounts of total dividends (annual) include the dividends (of ¥145 million for the fiscal year ended March 31, 2021 and ¥179 million for the fiscal year ended March 31, 2022) 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, 2021 and 2022, the number of shares of the Company held by the Trust was included in the number of treasury shares.

## 3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentage indicates year-on-year changes.)

Fiscal year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	110,000	14.9	31,000	16.4	29,600	18.3	20,000	20.0	329.48

Notes: 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, 2022 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.

For more information on the consolidated financial results for the fiscal year ended March 31, 2022, please refer to the supplementary briefing material on financial results, Annual Securities Report (available in Japanese only) to be filed on June 17, 2022, and other materials, which you can find on our website at <https://www.dexerials.jp/en/ir/library/index.html>.

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): 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: Yes
- (b) Changes in accounting policies due to reasons other than above (a): None
- (c) Changes in accounting estimates: Yes
- (d) Restatements of prior period financial statements: None

Note: For further details, please see “3. Consolidated Financial Statements and Notes, (5) Notes to consolidated financial statements (Changes in accounting policies) and (Changes in accounting estimates)” on page 16 of the Attached Materials.

- (3) Number of shares of common stock issued
- (a) Number of shares issued (including treasury shares)
- As of March 31, 2022: 64,493,400 shares
- As of March 31, 2021: 64,276,700 shares
- (b) Number of treasury shares
- As of March 31, 2022: 4,548,709 shares
- As of March 31, 2021: 3,332,948 shares
- (c) Average number of shares of common stock during the period
- Fiscal year ended March 31, 2022: 60,700,276 shares
- Fiscal year ended March 31, 2021: 60,838,156 shares

Notes: 1. As a result of the exercise of stock options during the fiscal year ended March 31, 2022, the number of shares issued as of March 31, 2022 has increased by 216,700 shares.

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, 2022 and 293,800 shares as of March 31, 2021) 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 account 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 3,682,050 shares for the fiscal year ended March 31, 2022 and an average of 3,250,499 shares for the fiscal year ended March 31, 2021) 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, 2022 (from April 1, 2021 to March 31, 2022)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	88,189	45.6	22,405	145.1	22,918	104.5	14,579	133.1
March 31, 2021	60,580	16.1	9,139	236.6	11,207	196.5	6,253	156.9

(2) Non-consolidated financial position

As of	Total assets	Net assets	Capital to asset ratio
	Millions of yen	Millions of yen	%
March 31, 2022	111,751	53,497	47.9
March 31, 2021	88,052	46,166	52.4

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

As of March 31, 2022: ¥53,497 million As of March 31, 2021: ¥46,166 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.

## Contents for Attached Materials

1. Overview of Operating Results, etc. ....	P. 2
(1) Analysis of operating results .....	P. 2
(2) Analysis of financial position .....	P. 5
(3) Basic policy for profit distribution and dividends for the current and next fiscal years .....	P. 6
(4) Management policy .....	P. 7
2. Basic Policy Regarding Selection of Accounting Standards .....	P. 8
3. Consolidated Financial Statements and Notes .....	P. 9
(1) Consolidated balance sheets .....	P. 9
(2) Consolidated statements of income and consolidated statements of comprehensive income .....	P. 11
Consolidated statements of income .....	P. 11
Consolidated statements of comprehensive income .....	P. 12
(3) Consolidated statements of changes in net assets .....	P. 13
(4) Consolidated statements of cash flows .....	P. 15
(5) Notes to consolidated financial statements .....	P. 16
(Going concern assumption) .....	P. 16
(Significant changes in shareholders' equity) .....	P. 16
(Changes in accounting policies) .....	P. 16
(Changes in accounting estimates) .....	P. 16
(Business combinations) .....	P. 17
(Supplemental information) .....	P. 19
(Segment information, etc.) .....	P. 20
(Per share information) .....	P. 22
(Significant subsequent events) .....	P. 23
4. Other .....	P. 25
(1) Appointment of directors .....	P. 25

## 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, 2021 to March 31, 2022), although the global economy showed signs of recovery in economic activity in major countries and regions, there are concerns about the possible returning economic stagnation due to the effects of the rapid spread of the novel coronavirus infection (COVID-19) caused by its new variants, as well as the rising prices of resources. In addition, the outlook is even more uncertain due to a shortage of semiconductors, supply chain disruptions, exchange rate fluctuations, and rising geopolitical risks such as the U.S.-China friction and the Russia-Ukraine conflict.

Among major industries served by the products of the Dexerials Group (hereinafter “the Group”), the consumer IT product market saw an increase in demand for high-end products of smartphones and laptop PCs.

In this business environment, the Group endeavored to prevent further spread of COVID-19, prioritizing health and safety of its stakeholders including employees and customers, as well as to stay in business and continued to meet its customers’ demand all through the year. Furthermore, the Group strove towards the accomplishment of the updated Mid-term Management Plan released on May 10, 2021. In a new domain, the Group made efforts to expand sales of its products in the automotive business. In the existing domain, the Group continued to review its business portfolio to achieve a qualitative change, and promoted efficiency improvements by strengthening businesses and reviewing production bases. Furthermore, efforts to develop and propose products that anticipate technological trends led to increased sales of high-value-added products.

Consequently, we achieved a year-on-year increase in profit thanks to an increase in sales of surface mounted type fuses as well as a strong sales performance of differentiating technology products such as optical films, anisotropic conductive films (ACF), and smart precision adhesives (SA).

As a result of the above, we reported net sales for the current fiscal year of ¥95,712 million (up 45.4% year-on-year) with operating profit of ¥26,642 million (up 135.0% year-on-year).

Ordinary profit was ¥25,023 million (up 130.8% year-on-year) primarily due to an increase in foreign exchange losses.

Profit before income taxes was ¥23,777 million (up 208.9% year-on-year) primarily due to the recognition of loss on retirement of property, plant and equipment as extraordinary losses. Consequently, profit attributable to owners of parent amounted to ¥16,669 million (up 212.8% 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, 2022	Fiscal year ended March 31, 2021	Year-on-year change
Net sales	49,159	28,572	72.1%
Operating profit	13,127	5,522	137.7%

(Note) Net sales include inter-segment transactions.

- The business segment reported net sales of ¥49,159 million (up 72.1% year-on-year) and operating profit of ¥13,127 million (up 137.7% year-on-year).
- **The Optical films product category** reported year-on-year increases in both sales and profit because of newly marketed phosphor films beginning to fully contribute to earnings in the first quarter of the current fiscal year on top of an increase in quantity of products sold for laptop PC displays and automotive displays in anti-reflection films.
- **The Optical resin materials product category** reported year-on-year increases in both sales and profit mainly due to expansion of the products for tablets and automobiles in optical elastic resins and an increase in quantity of the products sold for smartphones for major customers in smart precision adhesives (SA).
- **The Optical solutions product category** reported a year-on-year decrease in sales due to the termination of production of existing projects in the automotive display business using our products terminated and changes in certain commercial distributions.

## 2) Electronic Materials and Components business

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year % change
Net sales	47,195	37,395	26.2%
Operating profit	15,304	7,614	101.0%

(Note) Net sales include inter-segment transactions.

- The business segment reported net sales of ¥47,195 million (up 26.2% year-on-year) and operating profit of ¥15,304 million (up 101.0% year-on-year).
- **The Adhesive materials product category** reported year-on-year increases in both sales and profit mainly due to an increase in quantity of general-purpose items for automobiles and laptop PCs.
- **The Anisotropic conductive films (ACF) product category** reported year-on-year increases in both sales and profit primarily due to an increase in sales of particle-arrayed ACF for displays of high-end smartphone models and also due to customers' adoption of new products for sensor modules mainly for cameras and particle-arrayed ACF.
- **The Surface mounted type fuses product category** reported year-on-year increases in both sales and profit due to an increase in quantity of products for high current items such as power tools, E-Scooter (electric motorcycles), and cordless electric cleaners.
- **The Micro devices product category** reported a year-on-year increase in sales due to an increase in quantity of inorganic devices as a result of winning contracts with new customers on top of a recovery of demand for projectors. Meanwhile, efforts to reduce fixed costs contributed to improving profitability.

**(Earnings forecast for the next fiscal year)**

Consolidated earnings forecasts for the fiscal year ending March 31, 2023 are presented as follows.

**Consolidated earnings forecasts for the fiscal year ending March 31, 2023**

(Millions of yen)

	Fiscal year ended March 31, 2022 (Actual)	Fiscal year ending March 31, 2023 (Forecast)	Year-on-year change
Consolidated net sales	95,712	110,000	14.9%
Operating profit	26,642	31,000	16.4%
Ordinary profit	25,023	29,600	18.3%
Profit attributable to owners of parent	16,669	20,000	20.0%

(These forecasts are based on the assumed exchange rate of ¥118.0 per U.S. dollar.)

For the fiscal year ending March 31, 2023, we anticipate that the economy going forward will be increasingly uncertain with concerns including the impacts of trade friction between the U.S. and China and the Russia-Ukraine conflict, a surge in inflationary pressure all around the world, a rebound of infection cases at home and abroad, and possible stagnation of the economy due to the prolonged “zero corona policy” imposed by the Chinese government authority.

Under the said circumstances, we aim to achieve a year-on-year increase in both sales and profit for the fiscal year ending March 31, 2023 even after taking account of a risk of economic slowdown in the second half. To this end, we will focus on further expanding sales of anisotropic conductive films (ACF) and smart precision adhesives (SA) for smartphones, of which the high-end products account for a growing proportion. Furthermore, in surface mount type fuses, we respond to the growing demand for high current items such as E-Scooter (electric motorcycles) and electric tools through increased production capacity as well as expand sales of anti-reflection film and SVR, or optical elastic resin, for the automotive industry. Meanwhile, the assumed exchange rate for the next fiscal year is ¥118.0 per U.S. dollar, compared to the actual exchange rate of ¥112.4 per U.S. dollar for the current fiscal year.

We believe that the impact of the Russia-Ukraine conflict on our consolidated financial results for the fiscal year ending March 31, 2023 is minimal at this point. However, we will promptly make an announcement if any significant impact on our financial results is anticipated as the future situation changes.

**(Disclaimer with respect to earnings forecasts)**

The forward-looking statements including earnings forecast contained in this report are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of 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 ¥127,410 million, an increase of ¥32,209 million from the end of the previous fiscal year.

Current assets amounted to ¥65,086 million, an increase of ¥21,827 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥8,832 million in cash and deposits, ¥6,500 million in notes and accounts receivable - trade, ¥2,073 in raw materials and supplies, and ¥1,123 in merchandise and finished goods.

Non-current assets amounted to ¥62,324 million, an increase of ¥10,382 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥4,909 million in goodwill, ¥1,974 million in construction in progress, ¥862 million in deferred tax assets, and ¥857 million in buildings and structures, net.

#### **(Liabilities)**

Total liabilities at the end of the current fiscal year amounted to ¥63,270 million, an increase of ¥21,373 million from the end of the previous fiscal year.

Current liabilities amounted to ¥49,803 million, an increase of ¥24,251 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥6,500 million in short-term borrowings, ¥5,008 million in income taxes payable, ¥4,654 million in notes and accounts payable - trade, and ¥4,169 million in other.

Non-current liabilities amounted to ¥13,466 million, a decrease of ¥2,877 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥2,341 million in long-term borrowings and ¥621 million in other.

#### **(Net assets)**

Total net assets at the end of the current fiscal year amounted to ¥64,140 million, an increase of ¥10,835 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥13,016 million in retained earnings, ¥883 million in foreign currency translation adjustment, and ¥404 million in non-controlling interest, which were partially offset by an increase of ¥3,953 million in treasury shares.

### **2) Summary of cash flows**

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year increased ¥8,832 million from the end of the previous fiscal year to ¥29,363 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 ¥25,804 million (up 95.7% year-on-year), which mainly consisted of profit before income taxes of ¥23,777 million.

#### **(Cash flows from investing activities)**

Net cash used in investing activities was ¥12,434 million (up 403.1% year-on-year) due mainly to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥7,074 million and purchase of property, plant and equipment of ¥4,742 million.

#### **(Cash flows from financing activities)**

Net cash used in financing activities was ¥5,783 million (up 35.8% year-on-year) due mainly to repayments of long-term borrowings of ¥4,677 million and purchase of treasury shares of ¥4,000 million, which were partially offset by proceeds from short-term borrowings of ¥6,500 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 have 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%.

We determine the actual amount of dividends by comprehensively considering factors such as the amount of investments required for growth, the estimated free cash flow (See Note 2), the total payout ratio including share buyback and the importance of stable dividend distribution, while securing a sound financial base.

As for year-end dividends for the fiscal year ended March 31, 2022, the Board of Directors' meeting held on May 10, 2022 resolved to pay 30.0 yen per share. As a result, the total annual dividend will be 60.0 yen per share (compared to 44.0 yen per share for the previous fiscal year) with the interim dividend of 30.0 yen per share already paid.

Regarding the profit distribution for the next fiscal year ending March 31, 2023, we will follow the above basic policy and plan to pay the annual ordinary dividends of 60.0 yen per share (consisting of an interim dividend of 30.0 yen per share and a year-end dividend of 30.0 yen per share) plus 5.0 per share commemorative dividends to mark the 10th anniversary of the founding. For more information, please refer to "Notice Regarding the Dividend Forecast (Commemorative Dividends for the 10th Anniversary)" released on May 10, 2022.

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 Article 459, Section 1 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

	Total payout ratio	
	Before amortization of goodwill	After amortization of goodwill
Current fiscal year ended March 31, 2022 (actual)	42.3%	46.9%
Next fiscal year ending March 31, 2023 (forecast)	44.7%	50.2%

$$\begin{aligned} \text{(Note 1)} \quad & \text{Total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill} \\ & = \frac{\text{Total payout amount (=Annual total dividends paid + Annual total share buyback)}}{\text{Consolidated profit attributable to owners of parent + Amortization of goodwill}} \times 100 \end{aligned}$$

$$\text{(Note 2)} \quad \text{Free cash flow} = \text{Operating cash flow} + \text{Investing cash flow}$$

#### **(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.”

##### **2) Medium- to long-term corporate strategy**

Toward the corporate image to be built up over a long period, the Company has formulated the Mid-term Management Plan “Challenges for Evolution” covering the five-year period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024, which is positioned as a phase to ensure a sustainable growth through business expansion in new domains where social issues have surfaced. We are proud to acknowledge that, during the fiscal year ended March 31, 2022, we achieved the management targets for the last fiscal year of the updated Mid-term Management Plan released on May 10, 2021 two years earlier than expected.

Over the remaining two years of the plan as a preparatory period for the next Mid-term Business Plan, under the basic policy, we will further strengthen our management base and implement our growth strategies ahead of schedule to achieve sustainable growth and enhance corporate value.

###### a) Three basic policies

Based on the following three basic policies, we will continue to engage in initiatives to evolve into a company that grows sustainably through business expansion in new domains.

- (i) Accelerate growth in new domains
- (ii) Qualitatively change businesses in the existing domains
- (iii) Strengthen the management base

###### b) Performance indicators

The Company considers ROE (return on equity) as an indicator that relates to the sustainable growth of corporate value, and EBITDA as an indicator that measures the Company’s earning strength. Furthermore, starting from the fiscal year ended March 31, 2022, we have introduced ROIC as a new performance indicator.

(Note) EBITDA (Indicator to measure earning strength/cash generating ability) = Operating profit + Depreciation recorded as operating expenses + Amortization of goodwill

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

ROE (Indicator to measure capital efficiency) = Profit attributable to owners of parent / Capital 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 gives no assurance that such statements will prove to be correct. 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 continuing to work on various measures under the basic policy set forth in the current Mid-term Management Plan, while developing the necessary measures to achieve sustainable growth in the fiscal year ending March 31, 2025 and beyond. During the fiscal year ending March 31, 2023 in particular, we will focus on addressing the issues and initiatives described as follows.

#### *i) Accelerate growth in new domains*

On March 24, 2022, the Company made Kyoto Semiconductor Co., Ltd. a subsidiary. Since the initial announcement of the current Mid-term Business Plan in 2019, we have focused on growth in the automotive domain. As the next growth area, we will further expand the high-speed communications and sensing domains with Kyoto Semiconductor Co., Ltd. at the core. We will develop and provide new products and technologies, while creating synergies, with Kyoto Semiconductor Co., Ltd. to steadily expand our business performance and prepare for the creation of new products, thereby aiming for sustainable growth in the next Mid-term Business Plan and beyond.

#### *ii) Qualitatively change businesses in the existing domains*

As a result of our efforts to provide high value-added products that preempt the technological trends of the world, we expect that high value-added product business will continue to expand. Specifically, with a new line now in operation for surface mounted type fuses, a differentiating technology product, we aim to expand business for high current applications, where demand is particularly strong. We will also focus on expanding sales of smart precision adhesives (SA) and anisotropic conductive films (ACF) for high-end models of smartphones, which are expected to increase market share. In addition, we aim to increase sales of anti-reflection films by expanding its adoption for in-vehicle displays.

#### *iii) Strengthen management base*

In our efforts to enhance corporate value, we will not only grow our business through the expansion of differentiating technology products, but also strengthen our focus on non-financial capital and intangible assets that support sustainable growth, such as DX (Digital Transformation), environmental initiatives, and BCP (Business Continuity Plan).

As for engagement with employees and society, we will promote diversity in work style as well as develop various measures to coexist in harmony with society and local communities where our business bases are located, including Tochigi prefecture, where we relocated our head office in July 2021.

## **2. Basic Policy Regarding Selection of Accounting Standards**

With respect to applying International Financial Reporting Standards (IFRS), the Company is currently assessing differences between International Financial Reporting Standards (IFRS) and Japanese GAAP, as well as impacts of a change in accounting standards on the Company. As of the date of filing this report, we have not yet made any decision on this matter.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
<b>Assets</b>		
Current assets:		
Cash and deposits	20,531	29,363
Notes and accounts receivable - trade	12,639	19,140
Electronically recorded monetary claims - operating	157	289
Merchandise and finished goods	2,670	3,794
Work in process	2,468	3,565
Raw materials and supplies	2,392	4,465
Other	2,400	4,468
Allowance for doubtful accounts	(2)	(2)
Total current assets	43,259	65,086
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	30,163	32,288
Accumulated depreciation	(20,425)	(21,693)
Buildings and structures, net	9,738	10,595
Machinery, equipment and vehicles	36,219	38,755
Accumulated depreciation	(29,719)	(31,651)
Machinery, equipment and vehicles, net	6,500	7,103
Land	3,357	3,572
Construction in progress	1,646	3,620
Other	6,483	7,664
Accumulated depreciation	(5,089)	(5,915)
Other, net	1,393	1,749
Total property, plant and equipment	22,635	26,642
Intangible assets:		
Goodwill	20,683	25,592
Patent right	1,120	831
Other	1,251	1,541
Total intangible assets	23,055	27,966
Investments and other assets:		
Shares of subsidiaries and associates	591	160
Retirement benefit asset	2,868	3,250
Deferred tax assets	1,867	2,730
Other	935	1,586
Allowance for doubtful accounts	(11)	(12)
Total investments and other assets	6,252	7,716
Total non-current assets	51,942	62,324
Total assets	95,201	127,410

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	8,433	13,087
Electronically recorded obligations - operating	1,948	2,928
Short-term borrowings	–	6,500
Current portion of long-term borrowings	4,677	4,465
Accounts payable - other	3,595	5,935
Accrued expenses	711	877
Income taxes payable	1,813	6,822
Provision for bonuses	2,440	3,084
Other	1,932	6,102
Total current liabilities	25,552	49,803
Non-current liabilities:		
Long-term borrowings	10,808	8,467
Retirement benefit liability	4,375	4,385
Deferred tax liabilities	222	297
Other	937	316
Total non-current liabilities	16,344	13,466
Total liabilities	41,896	63,270
<b>Net assets</b>		
Shareholders' equity:		
Share capital	16,106	16,170
Capital surplus	16,106	16,170
Retained earnings	22,717	35,733
Treasury shares	(3,491)	(7,444)
Total shareholders' equity	51,439	60,629
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(587)	(359)
Foreign currency translation adjustment	1,807	2,691
Remeasurements of defined benefit plans	645	774
Total accumulated other comprehensive income	1,866	3,105
Non-controlling interests	–	404
Total net assets	53,305	64,140
Total liabilities and net assets	95,201	127,410

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

## Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	65,830	95,712
Cost of sales	37,475	50,525
Gross profit	28,354	45,186
Selling, general and administrative expenses	17,015	18,543
Operating profit	11,339	26,642
Non-operating income:		
Interest income	9	8
Rental income	90	67
Compensation income	–	36
Other	96	172
Total non-operating income	196	285
Non-operating expenses:		
Interest expenses	62	49
Foreign exchange losses	83	1,130
Share of loss of entities accounted for using equity method	207	431
Depreciation	221	160
Loss on investments in investment partnerships	83	43
Other	31	90
Total non-operating expenses	691	1,904
Ordinary profit	10,844	25,023
Extraordinary income:		
Gain on sale of non-current assets	0	51
Gain on change in equity	26	–
Gain on liquidation of subsidiaries	–	242
Insurance income	57	–
Total extraordinary income	85	293
Extraordinary losses:		
Loss on sale of property, plant and equipment	223	5
Loss on retirement of property, plant and equipment	89	825
Impairment loss	956	202
Restructuring expenses	1,809	–
Head office relocation expenses	–	155
Compensation for damage	154	349
Total extraordinary losses	3,232	1,539
Profit before income taxes	7,696	23,777
Income taxes - current	2,519	7,918
Income taxes - deferred	(152)	(809)
Total income taxes	2,367	7,108
Profit	5,329	16,669
Profit attributable to owners of parent	5,329	16,669

## Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit	5,329	16,669
Other comprehensive income:		
Deferred gains or losses on hedges	(742)	227
Foreign currency translation adjustment	648	883
Remeasurements of defined benefit plans	741	128
Total other comprehensive income	647	1,239
Comprehensive income	5,977	17,909
Comprehensive income attributable to:		
Owners of parent	5,977	17,909
Non-controlling interests	—	—

**(3) Consolidated statements of changes in net assets**

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance, April 1, 2020	16,021	16,021	19,562	(3,255)	48,349
Cumulative effects of changes in accounting policies					
Restated balance	16,021	16,021	19,562	(3,255)	48,349
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	85	85			170
Dividends of surplus			(2,174)		(2,174)
Profit attributable to owners of parent			5,329		5,329
Purchase of treasury shares				(331)	(331)
Disposal of treasury shares		(0)		96	95
Transfer of loss on disposal of treasury shares		0	(0)		-
Net change of items other than shareholders' equity					-
Total changes of items during period	85	85	3,155	(235)	3,089
Balance, March 31, 2021	16,106	16,106	22,717	(3,491)	51,439

	Accumulated Other Comprehensive Income				Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	
Balance, April 1, 2020	155	1,159	(96)	1,218	49,567
Cumulative effects of changes in accounting policies					
Restated balance	155	1,159	(96)	1,218	49,567
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					170
Dividends of surplus					(2,174)
Profit attributable to owners of parent					5,329
Purchase of treasury shares					(331)
Disposal of treasury shares					95
Transfer of loss on disposal of treasury shares					-
Net change of items other than shareholders' equity	(742)	648	741	647	647
Total changes of items during period	(742)	648	741	647	3,737
Balance, March 31, 2021	(587)	1,807	645	1,866	53,305



Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance, April 1, 2021	16,106	16,106	22,717	(3,491)	51,439
Cumulative effects of changes in accounting policies			(3)		(3)
Restated balance	16,106	16,106	22,714	(3,491)	51,435
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	64	64			128
Dividends of surplus			(3,650)		(3,650)
Profit attributable to owners of parent			16,669		16,669
Purchase of treasury shares				(4,000)	(4,000)
Disposal of treasury shares				46	46
Transfer of loss on disposal of treasury shares					-
Net change of items other than shareholders' equity					-
Total changes of items during period	64	64	13,019	(3,953)	9,193
Balance, March 31, 2022	16,170	16,170	35,733	(7,444)	60,629

	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, 2021	(587)	1,807	645	1,866		53,305
Cumulative effects of changes in accounting policies						(3)
Restated balance	(587)	1,807	645	1,866		53,302
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						128
Dividends of surplus						(3,650)
Profit attributable to owners of parent						16,669
Purchase of treasury shares						(4,000)
Disposal of treasury shares						46
Transfer of loss on disposal of treasury shares						-
Net change of items other than shareholders' equity	227	883	128	1,239	404	1,644
Total changes of items during period	227	883	128	1,239	404	10,838
Balance, March 31, 2022	(359)	2,691	774	3,105	404	64,140

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities:		
Profit before income taxes	7,696	23,777
Depreciation	4,674	4,207
Amortization of goodwill	1,798	1,788
Interest and dividend income	(9)	(8)
Interest expenses	62	49
Foreign exchange (gains) losses	282	(35)
(Gain) loss on sale of non-current assets	222	(45)
Loss on retirement of property, plant and equipment	89	825
Impairment loss	956	202
Restructuring expenses	1,809	–
(Gain) loss on investments in investment partnerships	83	43
Loss (gain) on liquidation of subsidiaries	–	(242)
(Gain) loss on change in equity	(26)	–
Insurance income	(57)	–
Compensation income	–	(36)
Loss on compensation for damage	154	349
Head office relocation expenses	–	155
Increase (decrease) in provision for bonuses	928	551
Changes in retirement benefit asset/liability	(1,080)	(188)
Share of loss (profit) of entities accounted for using equity method	207	431
(Increase) decrease in notes and accounts receivable - trade	(2,637)	(4,583)
(Increase) decrease in inventories	(1,771)	(3,318)
Increase (decrease) in notes and accounts payable - trade	2,984	3,440
(Increase) decrease in other receivables	(51)	17
Increase (decrease) in other payables	(1,516)	859
Increase (decrease) in income taxes payable (size-based business tax)	43	143
Other, net	478	1,005
Subtotal	15,320	29,390
Interest and dividends received	10	8
Interest paid	(62)	(48)
Proceeds from insurance income	57	–
Compensation for damage paid	(154)	(348)
Proceeds from compensation	159	–
Income taxes paid	(2,144)	(3,197)
Net cash provided by (used in) operating activities	13,187	25,804
Cash flows from investing activities:		
Purchase of investment securities	(200)	(158)
Purchase of property, plant and equipment	(2,383)	(4,742)
Purchase of intangible assets	(353)	(509)
Proceeds from sale of property, plant and equipment	497	53
Purchase of shares of subsidiaries and associates	(34)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(7,074)
Other, net	2	(3)
Net cash provided by (used in) investing activities	(2,471)	(12,434)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	–	6,500
Proceeds from long-term borrowings	6,000	–
Repayments of long-term borrowings	(7,847)	(4,677)
Purchase of treasury shares	(331)	(4,000)
Cash dividends paid	(2,174)	(3,650)
Repayments of lease obligations	(76)	(84)
Proceeds from exercise of stock options	170	128
Net cash provided by (used in) financing activities	(4,259)	(5,783)
Effect of exchange rate change on cash and cash equivalents	295	1,246
Net increase (decrease) in cash and cash equivalents	6,751	8,832
Cash and cash equivalents at beginning of period	13,779	20,531
Cash and cash equivalents at end of period	20,531	29,363

## (5) Notes to consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

*Repurchase of treasury shares*

The Company repurchased 922,800 shares of its own shares based on a resolution at the Board of Directors' meeting held on November 1, 2021 and 339,800 shares of its own stock based on a resolution of the Board of Directors' meeting held on February 28, 2022. As a result, treasury shares increased by ¥3,953 million during the current fiscal year.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") and others from the beginning of the current fiscal year, and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the promised goods or services has been transferred to the customer. However, in accordance with the alternative approach stipulated in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), for domestic sales of goods or products, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the goods or products is transferred to the customer is a normal period of time.

In accordance with the transitional approach stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized prior to the beginning of the current fiscal year in accordance with the previous accounting standard, applying the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition.

The effect of the adoption of this accounting standard and others on the consolidated financial statements is immaterial.

(Changes in accounting estimates)

(Change in estimate of asset retirement obligations)

In the current fiscal year, the Company changed its estimate of the asset retirement obligations that had been recorded as restoration obligations for the real estate lease contract of the former head office, specifically in terms of restoration costs and estimated period of use, in response to new information obtained about vacating the premises.

The change in estimate did not affect operating profit or ordinary profit for the current fiscal year, but reduced profit before income taxes by ¥28 million.

(Business combinations)

(Business combination through acquisition)

The Company resolved at the Board of Directors' meeting held on February 17, 2022 to acquire shares in Kyoto Semiconductor Co., Ltd. and thereby acquired the shares on March 24, 2022.

(1) Summary of business combination

1) Name of acquired company and its business outline

Name of acquired company: Kyoto Semiconductor Co., Ltd. ("Kyoto Semiconductor")

Business outline: Optical semiconductor business  
Development, manufacturing and sale of opto-semiconductor/composite semiconductor devices and modules

2) Primary reasons for business combination

We determined that an alliance with Kyoto Semiconductor would allow for the maximum use of management resources of both the Company and Kyoto Semiconductor, generate synergies in a wide range of fields beyond the semiconductor field, and ultimately drive business growth of the two companies. Specifically, we expected that the alliance would generate synergies through joint development and delivery of new products and technologies in markets with significant growth potential, such as high-speed telecommunication and sensing markets, and through the use of each other's sales channels for the expansion of customer bases.

3) Date of business combination

March 24, 2022 (deemed acquisition date: March 31, 2022)

4) Legal form of business combination

Acquisition of shares for cash

5) Name of the acquired company after business combination

No change to the company name

6) Percentage of voting rights acquired

81.1%

7) Basis for choosing the acquired company

Dexerials Corporation acquired the shares in exchange for cash consideration.

(2) Period of the acquired company's business performance included in the consolidated financial statements

As the deemed acquisition date is March 31, 2022, the business performance of the acquired company is not reflected in the consolidated statement of income, as the acquired company falls within the scope of consolidation only on consolidated balance sheets.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for the acquisition	Cash	¥8,557 million
Acquisition cost		¥8,557 million

(4) Details of major acquisition-related costs

Advisory and other fees: ¥204 million

(5) Goodwill resulted from the acquisition, its origin, and amortization method and period

1) Amount of goodwill

¥6,825 million

2) Cause for goodwill

Goodwill originates primarily from expected excess earning power from future business developments. The difference between the acquisition cost and the fair value of the net assets corresponding to the equity stake acquired on the date of the business combination is recognized as goodwill.

3) Amortization method and period

Goodwill is amortized using the straight-line method over 10 years.

(6) Allocation of acquisition costs

At the end of the current fiscal year, we had not completed the identification and measurement of the market value of the assets and liabilities identifiable as of the date of business combination, and thus, the allocation of acquisition costs was not yet complete. The acquisition costs therefore were provisionally accounted for based on reasonable information available at the time.

(7) Breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets	¥3,169 million
<u>Non-current assets</u>	<u>¥2,025 million</u>
Total assets	¥5,194 million

Current liabilities	¥1,699 million
<u>Non-current liabilities</u>	<u>¥1,421 million</u>
Total liabilities	¥3,120 million

(8) Estimated effect of business combination on consolidated statement of income and its calculation method based on the assumption that the business combination was completed at the beginning of the current fiscal year

Net sales:	¥3,982 million
Operating profit:	¥467 million
Ordinary profit:	¥486 million
Profit before income taxes:	¥296 million
Profit attributable to owners of parent:	¥171 million
Basic earnings per share:	¥1,160.63

(Method for calculating the estimated effect)

The estimated amount of the effect of the business combination is the difference between net sales and profit/loss calculated based on the assumption that the business combination was completed at the beginning of the current fiscal year and net sales and profit/loss on the statement of income of the acquired company.

(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.

The Company’s shares remaining in the trust are posted as treasury shares in the net assets section at the book value in the trust (excluding the amount of ancillary expenses). 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 are ¥3,103 million and 2,961 thousand shares and ¥3,065 million and 2,925 thousand shares, respectively.

(Board Benefit Trust (BBT))

The Company has introduced a Board Benefit Trust (BBT) as a performance-based stock compensation plan for directors and executive officers (excluding directors who are 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 the medium to long terms by sharing the benefits of rising stock price and the risks of falling stock prices.

The Company’s shares remaining in the trust are posted as treasury shares in the net assets section at the book value in the trust (excluding the amount of ancillary expenses). 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 are ¥62 million and 77 thousand shares and ¥54 million and 67 thousand shares, respectively.

(Segment information, etc.)

(Segment information)

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

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	28,546	37,284	65,830	–	65,830
Intersegment sales or transfers	26	110	137	(137)	–
Total	28,572	37,395	65,967	(137)	65,830
Segment profit	5,522	7,614	13,137	(1,798)	11,339
Segment assets	18,522	13,477	31,999	63,202	95,201
Other items					
Depreciation	2,480	2,193	4,674	1,798	6,472
Increase in property, plant and equipment and intangible assets	1,627	1,162	2,790	1,042	3,832

Note: The amount of adjustment for segment profit of ¥1,798 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region: Japan ¥22,704 million      China ¥20,696 million      South Korea ¥7,215 million  
Taiwan ¥7,205 million      Other ¥8,007 million

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	49,049	46,662	95,712	–	95,712
Intersegment sales or transfers	109	532	642	(642)	–
Total	49,159	47,195	96,354	(642)	95,712
Segment profit	13,127	15,304	28,431	(1,788)	26,642
Segment assets	25,921	27,349	53,271	74,139	127,410
Other items					
Depreciation	2,377	1,829	4,207	1,788	5,995
Increase in property, plant and equipment and intangible assets	1,429	9,555	10,985	1,089	12,075

Notes: 1. The amount of adjustment for segment profit of ¥1,788 million is the amount of amortization of goodwill that does not belong to any reportable segment.

2. Assets of Kyoto Semiconductor Co., Ltd., which became a consolidated subsidiary on March 24, 2022, are included in the assets of the "Electronic Materials and Components business."

(Reference) Net sales by region: Japan ¥25,577 million      China ¥24,809 million      South Korea ¥14,000 million  
Taiwan ¥20,771 million      Other ¥10,553 million

(Matters concerning changes in reportable segments, etc.)

(Changes in reportable segments)

The Group reviewed the reportable segment of some categories which constituted the Electronic Materials and Components business and reclassified these categories into the Optical Materials and Components business from the current fiscal year. For the segment information for the previous fiscal year, the information that was prepared based on the classification of reportable segments after the change above is disclosed.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in (Changes in accounting policies), the Company has applied the Accounting Standard for Revenue Recognition, etc. effective from the beginning of the current fiscal year and changed the accounting method for revenue recognition. Therefore, the method of measuring the profit or loss of reportable segments has also been changed in the same way.

The amount of impact of applying this accounting standard on the consolidated financial statements for the fiscal year under review is minor.



(Per share information)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	874.66 yen	1,063.24 yen
Basic earnings per share	87.60 yen	274.61 yen
Diluted earnings per share	87.06 yen	272.78 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 (3,039 thousand shares and 2,992 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 (3,097 thousand shares and 3,008 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent	5,329	16,669
Profit not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	5,329	16,669
Average number of shares of common stock during the fiscal year (shares)	60,838,156	60,700,276
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	–	–
Number of shares of common stock to be increased (share)	376,700	407,119
(Of which, number of subscription rights to shares) (share)	(376,700)	(407,119)
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	–	–

(Significant subsequent events)

(Decision regarding details of share buyback)

The Company resolved at the Board of Directors' meeting held on May 10, 2022 the details of the Company's share buy back in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act.

(1) Reasons for share buyback

The Company has decided, as part of its capital policy aligned with the current business environment, to improve its capital efficiency and enhance its corporate value through proactive and timely buyback of its own shares. In the share buyback, the Company has comprehensively taken into account investments for growth, its financial position, and its share price performance.

(2) Details of share buyback

- (i) Class of shares to buy back: Shares of the Company's common stock
- (ii) Total number of shares to buy back: Up to 1,800,000 shares  
(Ratio of shares to buy back to the number of outstanding shares (excluding treasury shares): 2.86%)
- (iii) Aggregate buyback amount: Up to ¥5,000 million
- (iv) Period of share buyback: From June 1, 2022 to March 31, 2023  
(excluding the period from five business days prior to the last day of each fiscal period (including quarters) to the end of the current fiscal period)
- (v) Method of share buyback: Purchase from the open market on the Tokyo Stock Exchange (through discretionary trading by a securities company)

(For reference) The number of treasury shares held as of March 31, 2022

- 1) Number of outstanding shares: 62,936,891 shares
- 2) Number of treasury shares: 1,556,509 shares

(Note) The treasury shares above do not include the 2,992,200 shares of the Company held by the Board Benefit Trust for directors and domestic employees.

(Additional contribution to Board Benefit Trust (BBT))

The Company resolved at the Board of Directors' meeting held on May 10, 2022 to make an additional cash contribution to the Board Benefit Trust (BBT) (hereinafter referred to as "the System" and the trust created under the trust agreement concluded with Mizuho Trust & Banking Co., Ltd. for the System hereinafter referred to as "the Trust"). For the overview of the System, please refer to "Notice Regarding the Introduction of Performance-linked Stock Compensation Plan" dated April 27, 2016," "Notice Regarding the Details of Introduction of Performance-Linked Stock Compensation Plan" dated July 28, 2016, and "Notice of Partial Revision of Performance-linked Stock Compensation Plan for Directors of Dexerials Corporation" dated May 10, 2021."

(1) Reason for the additional contribution

The Company has decided to make an additional cash contribution to BBT (hereinafter referred to as the "Additional Money in Trust") to fund the Trust to acquire shares that are considered necessary for granting shares to continue the Plan.

(2) Outline of Additional Money in Trust

- (i) Date of contribution of Additional Money in Trust: May 17, 2022 (planned)
- (ii) Amount of Additional Money in Trust: ¥1,000 million
- (iii) Type of shares to be acquired: Shares of common stock of the Company
- (iv) Maximum number of shares to be acquired: 300,000 shares
- (v) Share acquisition period: From May 17, 2022 to May 25, 2022 (planned)
- (vi) Method of acquiring shares: Acquisition from stock exchange

(Transfer of significant assets)

The Company entered into a real estate transaction agreement on February 28, 2022.

(1) Reason for the transfer

The Company has decided to transfer the following assets to effectively use management resources and optimize its holding of land and buildings.

(2) Details of the assets transferred

Location : Satsuki-cho, Kanuma-shi, Tochigi

Description of assets : Land, buildings, and facilities

Current status: Plant

Transfer price: ¥2,548 million

(3) Outline of the transferee

The transferee is a Japanese corporation. It does not have any capital, personal, or business relationship with the Company, and is not a related party of the Company.

(4) Schedule of the transfer

Date of agreement conclusion: February 28, 2022

Transfer date: April 1, 2022

(5) Impact of the transfer on the Company's business performance

The impact of the asset transfer on the consolidated financial statements is immaterial.

#### 4. Other

##### (1) Appointment of directors

###### 1) Election of four (4) Directors

At the Board of Directors' meeting held on May 10, 2022, the Company provisionally decided on the appointment of Directors. As the terms of office of all four incumbent Directors will expire at the conclusion of the Annual General Meeting of Shareholders to be held in June 2022, the Company intends to propose the reelection of the four Directors set forth below at the meeting. The appointment is subject to approval at the said meeting and the subsequent Board of Directors' meeting.

	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

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