

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 [Under IFRS]

May 12, 2025

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, Head of Global Corporate Communication Phone: +81-285-39-7950
Date of the annual general meeting of shareholders June 24, 2025
Scheduled date to commence dividend payments June 25, 2025
Annual Securities Report (Yukashoken Hokokusho) filing date June 23, 2025
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: 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, 2025 (April 1, 2024 - March 31, 2025)

(1) Consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Business profit		EBITDA		Operating profit		Profit before tax	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	110,390	4.9	38,068	11.7	44,708	13.5	39,735	24.6	39,359	27.4
March 31, 2024	105,198	-	34,086	-	39,386	-	31,884	-	30,891	-

	Profit		Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2025	27,737	23.1	27,737	22.9	26,373	9.2	162.04	155.02
March 31, 2024	22,527	-	22,575	-	24,156	-	129.76	123.49

	Profit to equity attributable to owners of parent		Profit before tax to total assets		Operating profit to net sales
Fiscal year ended		%		%	%
March 31, 2025		30.6		26.9	36.0
March 31, 2024		29.5		23.1	30.3

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

For the fiscal year ended March 31, 2025: 296 million yen

For the fiscal year ended March 31, 2024: 4 million yen

Notes: 1. For details of business profit and EBITDA, please refer to “* Proper use of earnings forecast, and other special notes, (Business profit and EBITDA).”

2. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2025	151,821	95,915	95,915	63.2	570.77
March 31, 2024	140,373	85,122	85,122	60.6	496.30

Note: Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, equity attributable to owners of parent per share was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2025	40,433	(22,316)	(21,286)	34,979
March 31, 2024	28,398	(11,269)	(10,734)	35,328

2. Cash dividends

	Annual dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Dividends to equity attributable to owners of parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2024	-	35.00	-	65.00	100.00	6,022	25.7	7.5
Fiscal year ended March 31, 2025	-	78.00	-	32.00	-	10,292	35.8	10.9
Fiscal year ending March 31, 2026 (forecast)	-	29.00	-	29.00	58.00		48.2	

Notes: 1. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. The amount of the fiscal year-end dividend for the fiscal year ended March 31, 2025 is presented on a post-stock split basis and the total amount of annual dividends per share is not indicated. Without considering the stock split, the fiscal year-end dividend per share for the fiscal year ended March 31, 2025 would be 96.00 yen, and the total amount of annual dividend per share would be 174.00 yen.

2. The total amount of dividends includes dividends for the shares of the Company held by Trust E (272 million yen for the fiscal year ended March 31, 2024, and 435 million yen for the fiscal year ended March 31, 2025).

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2026 (April 1, 2025 - March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Business profit		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen		Yen
Fiscal year	103,500	(6.2)	29,000	(23.8)	28,000	(29.5)	28,300	(28.1)	20,500	(26.1)	120.25

Note: For the purpose of calculating the amount of basic earnings per share, the number of shares of the Company held by the Trust E as of the end of the fiscal year ended March 31, 2025 was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period.

[Notes]

(1) Significant changes in the scope of consolidation during the period: Yes

New: None

Excluded: 3 companies (Names) Dexerials Hong Kong Limited, Dexerials Korea Corporation, Dexerials Taiwan Corporation

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

(a) Total number of issued shares at end of the period (including treasury shares)

As of March 31, 2025: 176,418,500 shares

As of March 31, 2024: 180,576,600 shares

(b) Number of treasury shares at the end of the period

As of March 31, 2025: 8,375,061 shares

As of March 31, 2024: 9,063,933 shares

(c) Average number of shares outstanding during the period

Fiscal year ended March 31, 2025: 171,171,500 shares

Fiscal year ended March 31, 2024: 173,975,667 shares

Notes: 1. Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Accordingly, the number of issued shares (common shares) was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

2. The number of issued shares as of the end of the fiscal year ended March 31, 2025 decreased by 4,158,100 shares due to an increase of 96,000 shares upon the exercise of stock options and a decrease of 4,254,100 shares due to the cancellation of treasury shares during the period.

3. 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 (871,758 shares as of March 31, 2025 and 881,400 shares as of March 31, 2024) mainly for the purpose of allotting them as restricted shares.
4. As the Company has introduced an Employee Stock Ownership Plan (J-ESOP) and a Board Benefit Trust-Restricted Stock (BBT-RS), the number of shares of the Company held by Trust E is included in the number of treasury shares at the end of the period. In addition, the number of shares of the Company held by Trust E was included in the number of treasury shares to be deducted in the calculation of the average number of shares outstanding during the period.

(Reference) Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2025 (April 1, 2024 - March 31, 2025)

(1) Non-consolidated Operating Results

(Percentages indicate 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, 2025	104,394	11.5	34,877	17.2	43,304	59.9	34,747	79.1
March 31, 2024	93,645	(0.4)	29,753	4.4	27,083	2.4	19,401	6.2

	Basic earnings Per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	202.99	202.96
March 31, 2024	111.51	111.11

(2) Non-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, 2025	140,512	86,277	61.4	513.42
March 31, 2024	119,627	69,199	57.9	403.46

(Reference) Equity capital

Fiscal year ended March 31, 2025 86,277 million yen

Fiscal year ended March 31, 2024 69,199 million yen

* 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

(Application of International Financial Reporting Standards (IFRS))

The Group has adopted IFRS from the fiscal year ended March 31, 2025. The consolidated financial statements most recently prepared in accordance with Japanese GAAP are those for the fiscal year ended March 31, 2024, and the date of transition to IFRS is April 1, 2023. For differences between IFRS and Japanese GAAP with respect to consolidated financial figures, please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (First-time Adoption of IFRS)” on page 27 of the attached materials.

(Business profit and EBITDA)

Although business profit and EBITDA are not disclosures under IFRS, the Company believes that these disclosures provide useful information to investors. The details of business profit and EBITDA are as follows.

Business profit: A profit indicator that measures the Company's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales

EBITDA: A profit indicator that is determined by adding back depreciation, which is recorded as cost of sales and selling, general and administrative expenses, to business profit

(Method of obtaining supplementary materials on financial results)

Supplementary materials on financial results will be posted on our website at <https://www.dexerials.jp/en/ir/library/index.html>.

(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.	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	4
(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Year	4
2. Basic Policy Regarding Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Statement of Financial Position	6
(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	12
(5) Notes to Consolidated Financial Statements	13
(Notes on Going Concern Assumption)	13
(Reporting Entity)	13
(Significant Accounting Policies)	13
(Segment Information, etc.)	23
(Assets Held for Sale)	25
(Per Share Information)	25
(Subsequent Events)	26
(First-time Adoption of IFRS)	27
4. Others	41
(1) Appointment of Directors	41

1. Overview of Operating Results, etc.

The Group has adopted International Financial Reporting Standards (hereinafter, “IFRS”) from the fiscal year ended March 31, 2025. In addition, financial figures for the previous fiscal year have been reclassified to conform to IFRS for purposes of comparative analysis.

For differences between IFRS and Japanese GAAP with respect to financial figures, please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (First-time Adoption of IFRS)” on page 27 of the attached materials.

(1) Analysis of Operating Results

(Operating Results for the current fiscal year)

During the current fiscal year (from April 1, 2024, to March 31, 2025), the global economy remained resilient, particularly in the United States. However, concerns about economic downturns due to various policies, including reciprocal tariffs by the U.S. administration, the Russia-Ukraine situation, rising geopolitical risks such as Middle East conflicts, and continued volatility in foreign exchange rates have led to ongoing uncertainty.

In the major industries related to our products, smartphones and tablets remained steady, with a continued shift from LCD to OLED displays, particularly Chinese and Korean smartphones. Laptop PCs performed well due to replacement demand for products purchased on stay-at-home demand during the COVID-19 pandemic. Automotives saw an expansion of sales by Chinese manufacturers, but overall remained flat.

In this business environment, the Group worked on expanding a business portfolio that is less susceptible to changes in the business environment, based on the Mid-Term Management Plan. In growth domains, in addition to expanding sales of automotive products, the Group developed new customers in the photonics category for optical transceivers products used in data centers and began shipping products. In existing domains, the Group also worked on the development and proposal of products that anticipate technological advancements, expanding sales of high-value-added products such as Anti-reflection films and Particle-arrayed Anisotropic conductive films (ACF). Furthermore, the weak yen compared to the previous fiscal year had a positive impact on performance.

As a result, net sales for the current fiscal year were 110,390 million yen (4.9% increase year-on-year), business profit was 38,068 million yen (11.7% increase), operating profit was 39,735 million yen (24.6% increase) and profit attributable to owners of parent was 27,737 million yen (22.9% increase).

The performance of each segment and sales status by product category are as follows.

a. Optical Materials and Components Business

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Percentage change
Net sales	50,647	51,453	(1.6)%
Business profit	14,556	15,256	(4.6)%

(Note) Net sales include inter-segment transactions.

- Net sales were 50,647 million yen (1.6% decrease year-on-year), and business profit was 14,556 million yen (4.6% decrease).
- **In Optical films**, sales and profit decreased due to the discontinuation of Phosphor film business, despite strong performance in Anti-reflection films for laptop PC displays and an increase in the number of models adopting products for automotive displays.
- **In Optical resin materials**, sales increased but profit decreased. This was due to a decrease in the quantity of high-end smartphone sensor-related products with high profitability in Smart precision Adhesives (SA), despite the steady performance of Optical elastic resin (SVR).

b. Electronic Materials and Components Business

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Percentage change
Net sales	60,434	54,387	11.1%
Business profit	23,511	18,830	24.9%

(Note) Net sales include inter-segment transactions.

- Net sales were 60,434 million yen (11.1% increase year-on-year), and business profit was 23,511 million yen (24.9% increase).
- **In Adhesive materials**, sales remained flat as the quantity of general-purpose products for laptop PCs remained at the same level as

the previous fiscal year.

- **In Anisotropic conductive films (ACF)**, sales and profit increased due to continued expansion of Particle-arrayed ACFs, mainly for Chinese and Korean smartphones.
- **In Surface mounted type fuses**, sales and profit increased due to the completion of inventory adjustments by major customers for power tool products and the acquisition of new projects.
- **In Photonics**, sales and profit increased due to the start of shipments to new customers for optical transceiver products used in data centers, etc.

(Earnings forecast for the next fiscal year)

The consolidated financial forecast for the next fiscal year ending March 31, 2026 is as follows.

Consolidated earnings forecasts

	(Millions of yen)
	Fiscal year ending March 31, 2026 (Forecast)
Consolidated net sales	103,500
Business profit	29,000
Operating profit	28,000
Profit before tax	28,300
Profit attributable to owners of parent	20,500

(These forecasts are based on the assumed exchange rate of 135.0 yen/US\$.)

For the fiscal year ending March 31, 2026, the outlook for major industries related to the Group's products is facing increasing uncertainty due to geopolitical risks, including various policies of the U.S. administration.

Under such circumstances, we expect an increase in sales of Smart precision Adhesives (SA) and pre-cut Anisotropic conductive films (ACF), which are sensor-related products for high-end model smartphones in existing domains. In growth domains, the adoption of optical transceiver products for data centers and Anti-reflection films for automotive displays are expected to expand. The expansion in sales of these high-value-added products is expected to offset the sales decrease from the discontinuation of Phosphor film business, resulting in increased sales excluding the impact of currency fluctuations. Regarding business profit, it is expected to increase, excluding the impact of currency fluctuations, as the expansion of high value-added products is expected to outweigh the increase in capital investment and R&D expenses made in anticipation of future product demand. The assumed exchange rate for the next fiscal year is set at 135.0 yen/US\$, compared to the current period's actual rate of 152.6 yen/US\$.

<Forward-Looking Statements>

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

(i) Summary of assets, liabilities and equity

At the end of the current fiscal year, total assets increased by ¥11,447 million compared to the end of the previous fiscal year, reaching ¥151,821 million, despite a decrease in assets held for sale, due to increases in property, plant and equipment, investments accounted for using the equity method, and trade and other receivables.

Total liabilities increased by ¥654 million compared to the end of the previous fiscal year, reaching ¥55,905 million, as decreases in interest-bearing liabilities (non-current liabilities) were offset by increases in income taxes payable, other financial liabilities, and interest-bearing liabilities (current liabilities).

Total equity increased by ¥10,793 million compared to the end of the previous fiscal year, reaching ¥95,915 million, due to increases in retained earnings and capital surplus.

(ii) Summary of Cash flow

Cash flow from operating activities for the current fiscal year increased by ¥12,034 million compared to the previous fiscal year, as an increase in profit before tax offset the decrease due to income tax payments, resulting in an inflow of ¥40,433 million.

Cash flow from investing activities resulted in an outflow of ¥22,316 million, an increase of ¥11,047 million compared to the previous fiscal year, due to expenditures such as the acquisition of property, plant and equipment.

Cash flow from financing activities resulted in an outflow of ¥21,286 million, an increase of ¥10,551 million compared to the previous fiscal year, due to expenditures such as the acquisition of treasury stock and dividend payments.

As a result of the above, cash and cash equivalents decreased by ¥348 million compared to the end of the previous fiscal year, amounting to ¥34,979 million at the end of the current fiscal year.

(3) Basic policy on Profit Distribution and Dividends for the Current and Next Fiscal Year

We regard return of profits to shareholders as one of the most important management tasks, with the recognition that increasing corporate value through investments for growth is the common interests of our shareholders. With this recognition, 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.” Specifically, the details are as follows.

- We make shareholder returns with the target total payout ratio at 60% 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.
- 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.

For the fiscal year ended March 31, 2025, the year-end dividend per share has been set at 32.0 yen, as resolved at the Board of Directors meeting held on May 12, 2025. The annual dividend per share will be 58.0 yen (after considering the stock split). Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares. Without considering the stock split, the year-end dividend per share would be 96.0 yen, and the annual dividend per share would be 174.0 yen. (Previous fiscal year 100.0 yen)

For the next fiscal year ending March 31, 2026, we plan to set the interim dividend per share at 29.0 yen and the year-end dividend per share at 29.0 yen.

Additionally, the basic policy for surplus distribution is to conduct it twice a year, as interim and year-end dividends. The Company stipulates that dividends of surplus can be made by resolution of the Board of Directors based on Article 459, Paragraph 1 of the Companies Act, but the year-end dividend is planned to be resolved at the General Meeting of Shareholders.

(Reference) Total payout ratio for the fiscal year ended March 31, 2025: 73.2%

2. Basic Policy Regarding Selection of Accounting Standards

The Dexterity Group has voluntarily adopted International Financial Reporting Standards (IFRS) in place of the currently applied Japanese GAAP from the fiscal year ended 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 Statement of Financial Position

	(Millions of yen)		
	Date of transition (As of April 1, 2023)	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	29,454	35,328	34,979
Trade and other receivables	14,099	15,588	17,979
Inventories	11,281	9,916	8,739
Other financial assets	122	60	126
Other current assets	4,469	3,025	1,733
Subtotal	59,427	63,919	63,559
Assets held for sale	-	5,522	-
Total current assets	59,427	69,442	63,559
Non-current assets			
Property, plant and equipment	34,308	37,390	49,703
Goodwill	21,288	21,288	21,288
Intangible assets	5,973	5,807	7,161
Investments accounted for using equity method	121	140	4,089
Other financial assets	1,294	1,245	761
Deferred tax assets	4,164	4,861	5,020
Other non-current assets	218	197	237
Total non-current assets	67,368	70,931	88,262
Total assets	126,795	140,373	151,821

	(Millions of yen)		
	Date of transition (As of April 1, 2023)	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	11,259	13,378	12,279
Interest-bearing liabilities	9,546	7,444	8,965
Employee benefits accruals	4,222	4,138	4,067
Income taxes payable	4,706	4,378	7,631
Other financial liabilities	6,648	2,547	4,191
Other current liabilities	1,425	1,539	2,135
Subtotal	37,808	33,426	39,270
Liabilities directly associated with assets held for sale	-	266	-
Total current liabilities	37,808	33,692	39,270
Non-current liabilities			
Interest-bearing liabilities	12,032	15,754	12,113
Retirement benefit liability	4,346	4,059	3,791
Provisions	253	275	279
Deferred tax liabilities	1,276	1,444	392
Other financial liabilities	2,459	-	-
Other non-current liabilities	9	23	57
Total non-current liabilities	20,379	21,558	16,634
Total liabilities	58,187	55,251	55,905
Equity			
Share capital	16,194	16,251	16,262
Capital surplus	14,582	17,700	19,526
Retained earnings	52,895	54,777	64,442
Treasury shares	(15,908)	(5,085)	(4,727)
Other components of equity	(26)	1,478	412
Total equity attributable to owners of parent	67,737	85,122	95,915
Non-controlling interests	870	-	-
Total equity	68,608	85,122	95,915
Total liabilities and equity	126,795	140,373	151,821

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Profit or Loss)

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	105,198	110,390
Cost of sales	48,688	48,247
Gross profit	56,510	62,142
Selling, general and administrative expenses	22,423	24,074
Other income	346	2,568
Other expenses	2,548	901
Operating profit	31,884	39,735
Finance income	577	272
Finance costs	1,574	944
Share of profit of investments accounted for using equity method	4	296
Profit before tax	30,891	39,359
Income tax expense	8,363	11,621
Profit	22,527	27,737
Profit attributable to:		
Owners of parent	22,575	27,737
Non-controlling interests	(47)	-
Profit	22,527	27,737
Earnings per share		
Basic earnings per share (Yen)	129.76	162.04
Diluted earnings per share (Yen)	123.49	155.02

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Profit	22,527	27,737
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	110	(298)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	-	6
Share of other comprehensive income of investments accounted for using equity method	11	-
Total of items that will not be reclassified to profit or loss	122	(292)
Items that may be reclassified to profit or loss:		
Cash flow hedges	(213)	72
Hedging costs	161	16
Exchange differences on translation of foreign operations	1,557	(983)
Share of other comprehensive income of investments accounted for using equity method	-	(178)
Items that may be reclassified to profit or loss	1,506	(1,072)
Total other comprehensive income (after tax effect)	1,628	(1,364)
Comprehensive income	24,156	26,373
Comprehensive income attributable to:		
Owners of parent	24,202	26,373
Non-controlling interests	(45)	-
Comprehensive income	24,156	26,373

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Equity attributable to owners of parent				Other components of equity		
	Share capital	Capital Surplus	Retained earnings	Treasury shares	Net Change in Fair Value of Equity Instruments Designated as Measured at Fair Value through Other Comprehensive Income	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of April 1, 2023	16,194	14,582	52,895	(15,908)	-	-	153
Profit			22,575				
Other comprehensive income					11	110	(213)
Total comprehensive income	-	-	22,575	-	11	110	(213)
Issuance of new shares	56	56					
Acquisition of treasury shares				(6,000)			
Dividends			(4,062)				
Share-based payment transactions		2,236		55			
Changes in ownership interests in subsidiaries that do not result in a loss of control		825					
Cancellation of treasury shares			(16,768)	16,768			
Transfer from other components of equity to retained earnings			122		(11)	(110)	
Others			14				
Total transactions with owners	56	3,118	(20,693)	10,823	(11)	(110)	-
Balance as of March 31, 2024	16,251	17,700	54,777	(5,085)	-	0	(59)

	Equity attributable to owners of parent					
	Other components of equity					
	Hedging costs	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2023	(179)	-	(26)	67,737	870	68,608
Profit			-	22,575	(47)	22,527
Other comprehensive income	161	1,555	1,627	1,627	1	1,628
Total comprehensive income	161	1,555	1,627	24,202	(45)	24,156
Issuance of new shares			-	113		113
Acquisition of treasury shares			-	(6,000)		(6,000)
Dividends			-	(4,062)		(4,062)
Share-based payment transactions			-	2,291		2,291
Changes in ownership interests in subsidiaries that do not result in a loss of control			-	825	(825)	-
Cancellation of treasury shares			-	-		-
Transfer from other components of equity to retained earnings			(122)	-		-
Others			-	14		14
Total transactions with owners	-	-	(122)	(6,817)	(825)	(7,642)
Balance as of March 31, 2024	(17)	1,555	1,478	85,122	-	85,122

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Equity attributable to owners of parent				Other components of equity		
	Share capital	Capital Surplus	Retained earnings	Treasury shares	Net Change in Fair Value of Equity Instruments Designated as Measured at Fair Value through Other Comprehensive Income	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of April 1, 2024	16,251	17,700	54,777	(5,085)	-	0	(59)
Profit			27,737				
Other comprehensive income					6	(298)	72
Total comprehensive income	-	-	27,737	-	6	(298)	72
Issuance of new shares	10	10					
Acquisition of treasury shares		(27)		(10,000)			
Dividends			(8,195)				
Share-based payment transactions		1,842		780			
Changes in equity interest in subsidiaries with continuing control							
Cancellation of treasury shares			(9,577)	9,577			
Transfer from other components of equity to retained earnings			(298)			298	
Others			(0)				
Total transactions with owners	10	1,825	(18,072)	357	-	298	-
Balance as of March 31, 2025	16,262	19,526	64,442	(4,727)	6	0	12

	Equity attributable to owners of parent					
	Other components of equity					
	Hedging costs	Exchange differences on translation of foreign operations	Total	Total	Non-controlling Interests	Total equity
Balance as of April 1, 2024	(17)	1,555	1,478	85,122	-	85,122
Profit			-	27,737		27,737
Other comprehensive income	16	(1,161)	(1,364)	(1,364)		(1,364)
Total comprehensive income	16	(1,161)	(1,364)	26,373	-	26,373
Issuance of new shares			-	21		21
Purchase of treasury shares			-	(10,027)		(10,027)
Dividends			-	(8,195)		(8,195)
Share-based payment transactions			-	2,622		2,622
Changes in equity interest in subsidiaries with continuing control			-	-		-
Cancellation of treasury shares			-	-		-
Transfer from other components of equity to retained earnings			298	-		-
Others			-	(0)		(0)
Total transactions with owners	-	-	298	(15,579)	-	(15,579)
Balance as of March 31, 2025	(1)	394	412	95,915	-	95,915

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Previous fiscal year (from April 1, 2023 to March 31, 2024)	Current fiscal year (from April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Profit before tax	30,891	39,359
Depreciation and amortization	5,491	6,700
Impairment loss (or reversal)	7	111
Interest and dividends income	(273)	(272)
Interest expenses	88	136
Foreign exchange loss (gain)	(187)	(362)
Loss (gain) on sale of fixed assets	(14)	(12)
Loss on retirement of fixed assets	212	506
Share-based payment expenses	2,236	1,611
Increase or decrease in retirement benefit asset or liability	(124)	(702)
Decrease (increase) in trade and other receivables	(3,252)	4,118
Decrease (increase) in inventories	1,466	1,066
Increase (decrease) in trade and other payables	851	(1,870)
Others	(338)	(1,197)
Subtotal	37,057	49,190
Interest and dividends received	252	135
Interest paid	(81)	(135)
Income taxes paid	(8,828)	(8,756)
Net cash provided by (used in) operating activities	28,398	40,433
Cash flows from investing activities		
Purchase of investment securities	(50)	(385)
Purchase of property, plant and equipment	(10,478)	(14,073)
Purchase of intangible assets	(867)	(1,672)
Proceeds from sale of property, plant and equipment	23	17
Purchase of shares of subsidiaries and affiliates	-	(1,276)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(4,910)
Others	102	(16)
Net cash provided by (used in) investing activities	(11,269)	(22,316)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,000	-
Proceeds from increase in long-term borrowings	7,000	-
Repayments of long-term borrowings	(6,976)	(2,459)
Purchase of treasury shares	(6,000)	(10,000)
Dividends paid	(4,063)	(8,195)
Repayments of lease liabilities	(647)	(653)
Proceeds from exercise of employee share options	113	21
Purchase of shares of subsidiaries not affecting the scope of consolidation	(2,160)	-
Net cash provided by (used in) financing activities	(10,734)	(21,286)
Effect of exchange rate change on cash and cash equivalents	1,877	424
Net increase (decrease) in cash and cash equivalents	8,271	(2,745)
Cash and cash equivalents at beginning of period	29,454	35,328
Net increase (decrease) in cash and cash equivalents transfer from assets held for sale	-	2,396
Net increase (decrease) in cash and cash equivalents transfer to assets held for sale	(2,396)	-
Cash and cash equivalents at end of period	35,328	34,979

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Reporting Entity)

Dexerials Corporation (the “Company”) is a joint-stock company incorporated in Japan. The address of its registered head office is Shimotsuke City, Tochigi Prefecture. The Company’s consolidated financial statements comprise the financial statements of the Company and its consolidated subsidiaries (collectively, the “Group”) as well as its interests in associates.

The Group is principally engaged in the manufacturing and distribution of optical materials and electronic materials. It is divided into two reportable segments: Optical Materials and Components Business and Electronic Materials and Components Business.

(Significant Accounting Policies)

The Group applies the following accounting policies to all periods presented in the consolidated financial statements for the period under review (including the consolidated statement of financial position at the date of transition to IFRS), unless otherwise provided.

(1) Basis of consolidation

(i) Subsidiaries

A subsidiary refers to an entity controlled by the Group. The Group determines that it controls an entity when the Group has variable exposures, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Financial statements of a subsidiary are included in the consolidated financial statements from the date on which the Group obtains control of the subsidiary until the date on which it loses control of the subsidiary. If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary’s financial statements as necessary. The balances of receivables and payables and transactions between Group companies, and unrealized gains or losses arising from transactions between Group companies are eliminated in the preparation of the consolidated financial statements. Comprehensive income of a subsidiary is attributed to owners of the parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the Company makes a partial disposal of an interest in a subsidiary and continues controlling it, the disposal is accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration is directly recognized in equity as interests attributable to owners of the parent. If the Group loses control of a subsidiary, it recognizes gains or losses resulting from the loss of control in profit or loss.

(ii) Associates

An associate refers to an investee over which the Group has significant influence in terms of the finance and business policies but does not have control or joint control. If the Group holds 20% or more but no more than 50% of the voting rights of the entity, it is presumed that the Group has significant influence over the entity.

An investment in an associate is accounted for using the equity method from the date the investee is determined to be an associate until the date the investee is determined not to be an associate.

If any accounting policies adopted by an associate differ from those adopted by the Group, adjustments are made to the associate’s financial statements as necessary. When an entity ceases to be an associate and is no longer accounted for by the equity method, gains or losses resulting from the cessation of applying the equity method is recognized as profit or loss.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration of acquisition is measured as the aggregate of assets transferred in exchange for control of an acquiree, assumed liabilities and the acquisition-date fair value of equity interests issued by the Company. If the aggregate of the consideration transferred, the amount of any non-controlling interests in an acquiree, and the fair value of any equity interests in the acquiree previously held by the acquirer exceeds the net value of the identifiable assets and liabilities acquired, goodwill is measured as the excess.

The Company selects whether to measure non-controlling interests at fair value or at their proportionate share of the recognized amount of identifiable net assets for each business combination.

The Company accounts for acquisition-related costs incurred, including brokerage fees, legal fees, and due diligence costs, when they are incurred.

If initial accounting for the business combination was not completed by the end of the consolidated fiscal year in which a business combination occurred, items that were not completed are reported at their provisional amounts. If the Company obtained facts and circumstances that had existed at the acquisition date in the period that would have affected the measurement of the amount to be recognized had they been known at an initial acquisition date (the “measurement period”), the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect that information. When newly obtained information results in a new recognition of assets and liabilities, additional assets and liabilities are recognized. The maximum measurement period is one year. Additional acquisitions of non-controlling interests after control has been obtained are accounted for as equity transactions; therefore, goodwill is not recognized because of the transactions.

The identifiable assets and liabilities of the acquiree are measured at the acquisition-date fair value, except for the following:

- Deferred tax assets or deferred tax liabilities;
- Assets and liabilities related to employee benefit arrangements, initial;
- Share-based payment arrangement of the acquiree;
- Right-of-use assets and lease liabilities associated with leases in which the acquiree is the lessee
- Assets or a disposal group classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In the case of a business combination achieved in stages, the interest in the acquiree previously held by the Group is remeasured at fair value on the date that control is acquired, and gains or losses incurred is recognized in profit or loss.

The Group has adopted the exemption provisions of IFRS 1, and does not apply IFRS 3 *Business Combination* retrospectively to the business combinations that took place before the date of transition to IFRS (April 1, 2023). Consequently, the amount of goodwill arising from acquisitions before the date of transition is recorded based on the carrying amount as of the date of transition in accordance with the previous accounting standard (Japanese GAAP).

(3) Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group company using the exchange rates at the dates of the transactions.

Foreign currency monetary assets and liabilities at the closing date are translated into the functional currency at the exchange rate prevailing at the closing date. Foreign currency non-monetary assets and liabilities measured at fair value are translated into the functional currency at the exchange rate prevailing at the date of the fair value calculation.

Translation differences arising from translation or settlement are recognized in profit or loss. However, translation differences arising from cash flow hedges are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into the Japanese yen using the exchange rates at the closing date. Revenue and expenses of the foreign operations are translated into the Japanese yen using the average exchange rates during the period unless the exchange rates fluctuate significantly. Translation differences arising from translating the financial statements of the foreign operations are recognized in other comprehensive income, and are recognized in profit or loss in the period in which the foreign operations are disposed of.

The Group has elected the exemption provisions specified in IFRS 1, and the cumulative exchange differences recognized as of the date of transition to IFRS were transferred to “Retained earnings.”

(4) Financial Instruments

(i) Financial assets (excluding derivatives)

A. Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost. This classification is made at initial recognition. The Group also initially recognizes financial assets at the transaction date on which it becomes a party to the contract of the financial instrument.

All financial assets are measured at fair value plus transaction costs directly attributable to the acquisition, unless the assets are classified as those measured at fair value through profit or loss. However, trade receivables that do not contain a significant financing component are measured at their transaction price.

The Group classifies financial assets as those measured at amortized cost if both of the following conditions are met:

- the financial assets are held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as those measured at fair value.

B. Subsequent measurement

After initial recognition, financial assets are measured as follows in accordance with their classification.

(a) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method. Interest is recognized in profit or loss as part of finance income.

(b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss.

However, changes in the fair value of equity instruments designated as those measured at fair value through other comprehensive income are recognized in other comprehensive income. Dividends from those instruments are recognized in profit or loss as part of finance income.

C. Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

At the closing date of each reporting period, the Group assesses whether credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognizes 12-month expected credit losses as a loss allowance. Meanwhile, if the credit risk has increased significantly since initial recognition, the Group recognizes an amount equal to lifetime expected credit losses as a loss allowance. However, the Group always recognizes lifetime expected credit losses as a loss allowance on trade receivables and lease receivables that do not contain a significant financing component.

D. Derecognition of financial assets

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or the Group transfers substantially all the risks and rewards of ownership of the financial assets. If the Group has retained control of the financial assets transferred, it recognizes the assets and related liabilities to the extent of its continuing involvement in the financial assets.

(ii) Financial liabilities (excluding derivatives)

A. Initial recognition and measurement

The Group initially recognizes all financial liabilities at the date on which it becomes a party to the contract of the financial instrument and measures them at amortized cost. The Group also measures them at fair value less transaction costs directly attributable to their issuance upon initial recognition.

B. Subsequent measurement

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method with interest recognized in profit or loss as part of finance costs.

C. Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented net in the consolidated statement of financial position only when the Group has the legal right to offset the balances and has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivatives and hedge accounting

The Group uses derivatives, including foreign currency forward contracts and foreign exchange options, to hedge foreign currency risk. These derivatives are initially recognized at fair value when the contracts are entered into, and are subsequently measured at fair value. Changes in the fair value of the derivatives are recognized in profit or loss.

When applying the hedge accounting, the Group formally designates and documents, at the inception of a hedge, the hedging relationship to which it plans to apply hedging accounting and its risk management objective and strategy for undertaking the hedge. The documentation includes the specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the method of assessing the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Specifically, the Group determines that the hedge is effective if all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group assesses on an ongoing basis whether the hedging relationship is effective prospectively.

The Group has appropriately established the hedge ratio in light of an economic relationship between the hedged item and the hedging instrument and its risk management strategy.

The Group readjusts the hedge ratio to make the hedging relationship effective again if the hedging relationship is deemed to be no longer effective, but its risk management objective remains unchanged. If the risk management objective for the hedging relationship has changed, hedge accounting for the hedging relationship is discontinued.

The Group accounted for hedges meeting criteria for hedge as follows:

Cash flow hedges

The effective portion of gains or losses on the hedging instrument is recognized in other comprehensive income, and the ineffective portion of them is immediately recognized in profit or loss.

If the hedging instrument is a forward exchange contract, the forward exchange contract is classified into a forward element and a spot element, and only changes in the value of the spot element are designated as the hedging instrument. Changes in the fair value of the forward element are separately accounted for as hedging costs.

When a currency option is used as the hedging instrument, the Company classifies the currency option into intrinsic value and time value and designates only changes in the intrinsic value element as the hedging instrument. Changes in the fair value of the time value element are separately accounted for as hedging costs.

The amount recorded in other comprehensive income is transferred to profit or loss at the time when the transaction for a hedged item affects profit or loss.

When a hedging instrument expires, is sold, terminated or exercised, the hedge accounting is discontinued prospectively if the hedge does not qualify for the hedge accounting. If a forecast transaction or a firm commitment is no longer expected to occur, the cumulative gains or losses recognized in equity through other comprehensive income are transferred to profit or loss. If the hedged future cash flows are still expected to occur, the amount recognized in equity through other comprehensive income remains in equity until the future cash flows occur.

Derivatives that do not qualify for hedge accounting are recognized at fair value, with changes in fair value recognized in net income or loss.

(v) Liabilities arising from put options written on non-controlling interests

For written put options on shares of subsidiaries granted by the Group to owners of non-controlling interests, the Group recognizes a financial liability as an obligation to purchase the non-controlling interests, and accordingly, the put option to the non-controlling shareholders is recorded as "Other financial liabilities (non-current)" and "Capital surplus" is reduced. When the non-controlling shareholders exercise their rights, "Other financial liabilities (non-current)" and "Non-controlling interests" are reversed and the difference between the amount of the reversal and the amount paid is recorded in "Capital surplus."

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost includes purchase costs, processing costs, and all costs incurred until the inventories reach the current location and condition and is calculated based on the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs of sale.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and any accumulated impairment losses. The cost includes any costs directly attributable to the acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment other than land and construction in progress are depreciated using the straight-line method over their respective estimated useful lives. The estimated useful lives of major property, plant and equipment are as follows.

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 15 years

Estimated useful lives, residual values, and depreciation methods are reviewed at each financial year-end, and any changes are applied prospectively as changes in accounting estimates.

(8) Goodwill and intangible assets

(i) Goodwill

The Group initially measures goodwill as the fair value of the consideration for transfer, including the recognized amount of any non-controlling interests in the acquiree measured as of the acquisition date, less the net recognized amount of identifiable assets acquired and liabilities assumed as of the acquisition date (usually at fair value).

Goodwill is not amortized but is allocated to a cash-generating unit or group of cash-generating units and tested for impairment once a year or whenever an indication of impairment exists. Goodwill impairment losses are recognized in the consolidated statement of profit or loss and are not subsequently reversed. Goodwill is stated at cost, less any accumulated impairment losses in the consolidated statement of financial position.

(ii) Intangible assets

Intangible assets are measured using the cost model and stated at cost less any accumulated amortization and any accumulated impairment losses.

Separately acquired intangible assets are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination is measured at fair value at the date control is obtained.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Software: 5 years
- Patents: 8 to 15 years
- Identifiable intangible assets (Customer-related intangible assets) : 17 years

Estimated useful lives and depreciation methods are reviewed at each financial year-end, and any changes are applied prospectively as changes in accounting estimates.

(9) Leases

(i) As lessee

The Group assesses contracts to determine whether a contract is, or contains, a lease. If the contract is, or contains, a lease, a right-of-use asset and a lease liability are recognized at the commencement date of the lease. The lease liability is measured at the present value of total lease payments yet to be paid. The right-of-use asset is measured at cost, adjusted to the amount of the initial measurement of the lease liability for any lease payments made at or before the commencement date, etc., any initial direct costs incurred by the lessee, and the costs to be incurred as the obligation for restoration, etc. required by the terms and conditions of the lease.

Right-of-use assets are stated at cost, less any accumulated depreciation and any accumulated impairment losses and are included in property, plant and equipment in the consolidated statement of financial position. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful life and the lease term.

Lease liabilities are measured subsequently at an amount that reflects the interest expense on the lease liability, lease payments made and, if applicable, any reassessment of the lease liability or lease modifications. Lease liabilities are included in “Interest-bearing liabilities” in the consolidated statement of financial position.

Lease payments are allocated between finance costs and repayments of lease liabilities, with finance costs recognized in the consolidated statement of profit or loss. The lease term is the non-cancellable period of the lease plus the period covered by the extension option that the lessee is reasonably certain to exercise and the period covered by the termination option that the lessee is reasonably certain not to exercise.

However, for short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, the right-of-use assets and lease liabilities are not recognized, but the lease payments are recognized as expenses over the lease term on a systematic basis.

(ii) As lessor

The Group classifies leases as either finance leases or operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership

of an underlying asset.

In finance lease transactions, the underlying asset is derecognized and net investment in the lease is recognized as a receivable. In operating lease transactions, the underlying asset continues to be recognized and the lease payments to be received are recognized as revenue on a straight-line basis over the lease term.

(10) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories and deferred tax assets, are reviewed at each balance sheet date for indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill is estimated annually and whenever an indication of impairment exists.

The recoverable amount of an asset or cash-generating unit is defined as the higher of its value in use and its fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks inherent in the asset.

Assets that are not tested individually in impairment testing are integrated into the smallest cash-generating unit that, through continued use, generates cash inflows that are largely independent of the cash inflows of other assets or asset groups. When testing goodwill for impairment, the cash-generating units to which goodwill is allocated are integrated so that impairment is tested to reflect the smallest unit to which the goodwill relates. Goodwill acquired through a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate independent cash inflows. When there is an indication that a corporate asset may be impaired, the impairment test is performed by determining the recoverable amount of the cash-generating unit to which the corporate asset belongs.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit are allocated first to reduce the carrying amount of goodwill allocated to that unit and then allocated to reduce the carrying amounts of other assets within the cash-generating unit in proportion to their carrying amounts.

No impairment losses related to goodwill are reversed. For assets other than goodwill, impairment losses recognized in prior periods are assessed at each balance sheet date to determine whether there is any indication that the impairment loss will decrease or disappear. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount determined or the carrying amount (net of depreciation or amortization) that would have been determined if no impairment loss had been recognized in prior periods.

(11) Employee benefits

(i) Post-employment benefit plans

A. Defined contribution pension plans

The Company and certain consolidated subsidiaries have defined contribution pension plans. A defined contribution pension plan is a post-employment benefit plan under which the employer makes a fixed amount of contribution to another independent entity and has no legal or constructive obligation to pay more than the amount contributed. Contribution obligations for defined contribution pension plans are recognized in profit or loss as employee benefit expenses in the period in which the employees render the related services.

B. Defined benefit pension plans

The present value of defined benefit plan obligations and service cost are calculated for each plan using the projected unit credit method.

The discount rate is based on the market yield of high-quality corporate bonds at the end of the period corresponding to the discount period, which is established based on the period up to the expected date of benefit payments each year in the future.

The liability or asset for a defined benefit pension plan is calculated as the present value of the defined benefit pension plan obligation less the fair value of plan assets. The remeasurement amount arising from a defined benefit pension plan consists of actuarial gains and losses, return on plan assets (excluding interest), and changes in the effect of the asset ceiling. It is recognized in other comprehensive income in a lump sum for the period in which they arise and immediately reclassified from "Other

components of equity” to “Retained earnings.” Past service cost is recognized in profit or loss in the period in which it is incurred.

(ii) Other employee benefit plans

Short-term employee benefits are not discounted, but are charged to expense when the related services are rendered. Bonuses are recognized as a liability at the amount estimated to be payable under the plan when the Group has a legal or constructive obligation to pay as a result of services provided by the employee in the past and when a reliable estimate of the obligation can be made.

The liability for long-term employee benefits other than post-employment benefit plans is recorded at the present value of the estimated future benefits earned by employees for services rendered in prior and current years.

Paid leave is recognized as a liability at the time the employee provides service that increases the right to future paid leave.

(12) Share-based payment

(i) Stock options

The Company has adopted a stock option plan as an equity-settled, share-based compensation plan. Stock options are estimated based on their fair value at the grant date and recognized as an expense in the consolidated statement of profit or loss over the vesting period, considering the number of stock options expected to ultimately vest, and the same amount is recognized as an increase in equity in the consolidated statement of financial position. The fair value of options granted is determined, considering the terms and conditions of the options. The terms and conditions are periodically reviewed and the estimate of the number of units to vest is revised.

The Group has adopted the exemption of IFRS 1 and has not applied IFRS 2 *Share-based Payment* retrospectively to stock options that vested prior to the date of transition to IFRS.

(ii) Stock benefit trusts

The Group has established two stock benefit trusts: an Employee Stock Ownership Plan (“J-ESOP”) for employees and a Board Benefit Trust-Restricted Stock (BBT-RS) for directors and executive officers (excluding directors who are Audit and Supervisory Committee members and outside directors). The Company’s shares held by each trust are deducted at cost from equity. As these share-based payment plans fall into equity-settled, share-based payments, the services received and the corresponding increase in equity are measured at the fair value of the equity instrument at the grant date, expensed over the vesting period, and the same amount is recognized as an increase in capital surplus. The fair value of the Company’s shares granted is determined by adjusting the market price of the shares to take into account the contractual conditions under which the shares were granted. The terms and conditions are periodically reviewed and the estimate of the number of units to vest is revised.

Since the Group meets the requirements for control over the trust, the trust is included in the scope of consolidation and deposits held by the trust are recorded as “Cash and cash equivalents.”

(13) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the estimated future cash flows are discounted to the present value using a pre-tax interest rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount over time is recognized as finance costs.

(14) Revenue

By applying the following steps, the Group recognizes revenue, except for interest income and other income under IFRS 9 *Financial Instruments*, when it determines, based on the terms and conditions of the contract with the customer, that the customer has obtained control over products or others sold by the Group and that the performance obligation has been satisfied.

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

(15) Finance income and finance costs

Finance income consists primarily of interest income, dividend income, foreign exchange gains, and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized using the effective interest method.

Finance costs consist primarily of interest expenses, foreign exchange losses, and changes in the fair value of financial liabilities measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method.

(16) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to assets are recognized by deducting the grants from the cost of the assets, whereas government grants related to expenses are recognized as income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

(17) Income taxes

Income tax expense consists of current tax expense and deferred tax expense, both of which are recognized in profit or loss, except when they arise from items recognized directly in equity or other comprehensive income, or from business combinations.

Current tax expense is measured by the amount expected to be paid to, or refunded from, the tax authorities based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax expense is recognized for temporary differences, which are differences between the tax base of an asset or liability and its carrying amount at the balance sheet date. A deferred tax asset is recognized for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized, whereas a deferred tax liability is generally recognized for all taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset and a liability arising from a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable income (tax loss); and at the time of the transaction, does not give rise to equal taxable and deductible temporary difference;
- Deductible temporary differences associated with investments in subsidiaries and associates, for which it is not probable that the temporary differences will reverse in the foreseeable future, or for which it is not probable that the future taxable profit from the investments will be available against which the temporary difference can be utilized;
- Taxable temporary differences associated with investments in subsidiaries and associates, for which it is probable that the Group is able to control the timing of the reversal of temporary differences; and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit or part of all of those deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates expected to apply in the period in which the deferred tax assets are expected to be recovered or the deferred tax liabilities are expected to be settled based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on the same taxable entity.

(18) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to owners of parent by the weighted average number of common shares issued adjusted for treasury shares during the period. Diluted earnings per share is calculated after adjusting for the effect of all dilutive potential shares.

(19) Segment information

An operating segment is a component of business activities from which revenues are earned and expenses are incurred including transactions with other operating segments. The business results of all operating segments, for which discrete financial information is available, are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to each segment and assess its performance.

(20) Assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered primarily through sale transactions rather than through continuing use, and if it is highly probable that they will be sold within one year, they are available for immediate sale in their present condition, and the Group's management is committed to a plan to sell them.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortized after they are classified as held for sale.

(21) Equity

(i) Common shares

The common shares issued by the Company are credited to share capital and capital surplus at the issue price.

(ii) Treasury shares

Treasury shares are carried at cost with the consideration paid, including direct transaction costs net of tax effects, being deducted from equity. No gain or loss is recognized on repurchase, sale, or retirement of treasury shares. The difference between the carrying amount and the consideration upon sale is recognized as equity.

(Segment Information, etc.)

I Previous Fiscal Year (from April 1, 2023, to March 31, 2024)

Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable Segments			Adjustments	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 and transfers	478	165	643	(643)	-
Total	51,453	54,387	105,841	(643)	105,198
Business Profit (Note)	15,256	18,830	34,086	-	34,086
Other income					346
Other expenses					(2,548)
Operating profit					31,884
Finance income					577
Finance costs					(1,574)
Share of profit of investments accounted for using equity method					4
Profit before tax					30,891
Other Items					
Depreciation and Amortization	2,418	3,072	5,491	-	5,491

(Note) Business profit is a profit indicator that measures the Group's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales.

(Reference) Net sales by region

Japan 22,292 million yen, China 31,974 million yen, South Korea 19,420 million yen, Taiwan 18,722 million yen,

Others 12,787 million yen

II Current Fiscal Year (from April 1, 2024, to March 31, 2025)

Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable Segments			Adjustments	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	50,039	60,350	110,390	-	110,390
Intersegment sales and transfers	608	83	692	(692)	-
Total	50,647	60,434	111,082	(692)	110,390
Business Profit (Note)	14,556	23,511	38,068	-	38,068
Other income					2,568
Other expenses					(901)
Operating profit					39,735
Finance income					272
Finance costs					(944)
Share of profit of investments accounted for using equity method					296
Profit before tax					39,359
Other Items					
Depreciation and Amortization	3,431	3,269	6,700	-	6,700

(Note) Business profit is a profit indicator that measures the Group's recurring operating results, which are determined by deducting cost of sales and selling, general and administrative expenses from net sales.

(Reference) Net sales by region

Japan 36,828 million yen, China 28,915 million yen, South Korea 14,141 million yen, Taiwan 17,579 million yen,

Others 12,925 million yen

(Assets Held for Sale)

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current Fiscal Year (As of March 31, 2025)
Assets held for sale		
Cash and cash equivalents	2,396	–
Trade and other receivables	2,869	–
Other current assets	187	–
Other financial liabilities (non-current)	–	–
Other	68	–
Total	5,522	–
Liabilities directly associated with assets held for sale		
Trade and other payables	5	–
Income taxes payable	177	–
Other	82	–
Total	266	–

(1) Previous fiscal year (As of March 31, 2024)

In accordance with the resolution by the Board of Directors dated February 5, 2024, the Company decided to enter into a share transfer agreement and a shareholders agreement to make Dexerials Hong Kong Limited a joint venture, and entered into such agreements with Restar Holdings Corporation (currently Restar Corporation). As a result of the share transfer under these agreements on July 1, 2024, Dexerials Hong Kong Limited was excluded from our consolidated subsidiaries and became our associate accounted for using the equity method. In addition, effective the same date, the said company was renamed RESTAR DEXERIALS HONG KONG LIMITED.

At the end of the previous fiscal year, other capital components related to assets held for sale amounted to 475 million yen.

Since the fair value (expected sale price) after deducting selling costs exceeds the book value, the assets and liabilities are measured at book value.

(2) Current fiscal year (March 31, 2025)

Not applicable.

(Per Share Information)

Effective October 1, 2024, the Company conducted a 3-for-1 split of common shares.

Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2024.

(1) Basis for calculating basic earnings per share

	Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
Profit attributable to owners of parent (Millions of yen)	22,575	27,737
Profit not attributable to ordinary shareholders of parent (Millions of yen)	–	–
Used for calculating basic earnings per share Profit for the period (Millions of yen)	22,575	27,737
Weighted average number of common shares (Thousand shares)	173,975	171,171
Basic earnings per share (Yen)	129.76	162.04

(Note) Shares of the Company held by Trust E are included in treasury shares deducted from the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings per share (8,200 thousand shares in the previous fiscal year, 7,726 thousand shares in the current fiscal year).

(2) Basis for calculating diluted earnings per share

	Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
Used for calculating basic earnings per share		
Profit for the period (Millions of yen)	22,575	27,737
Profit adjustment amount (Millions of yen)	-	-
Profit for the period used for calculating diluted earnings per share (Millions of yen)	22,575	27,737
Weighted average number of common shares (Thousand shares)	173,975	171,171
Increase in common shares		
Stock compensation (Thousand shares)	8,200	7,726
Stock options (Thousand shares)	625	29
Weighted average number of common shares after dilution (Thousand shares)	182,802	178,927
Diluted earnings per share (Yen)	123.49	155.02

(Subsequent Events)

(Additional contribution to Board Benefit Trust-Restricted Stock (BBT-RS))

The Company resolved at the Board of Directors' meeting held on May 12, 2025 to make an additional cash contribution to the Board Benefit Trust-Restricted Stock (BBT-RS) (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 of Partial Revision of Performance-Linked Stock Compensation Plan for Directors of Dexerials Corporation" dated May 10, 2021, "Notice Regarding Partial Revision to Performance-Linked Stock Compensation Plan for Directors of Dexerials Corporation" dated May 13, 2024, and "Notice of Resolution at the 12th Annual General Meeting of Shareholders" dated June 25, 2024.

(1) Reason for Additional Contribution

The Company has decided to make an additional cash contribution to the Trust (hereinafter "Additional Money in Trust") as funds for the acquisition by the Trust of shares that are considered necessary for granting shares to continue the System.

(2) Outline of Additional Money in Trust

- (i) Date of contribution of Additional Money in Trust: May 26, 2025 (planned)
- (ii) Amount of Additional Money in Trust: ¥1,000 million (Note)
- (iii) Class of shares to be acquired: Common shares of the Company
- (iv) Maximum number of shares to be acquired: 700,000 shares
- (v) Share acquisition period: May 26, 2025 to June 6, 2025 (planned)
- (vi) Method of acquiring shares: Purchase from the stock exchange market

Note: A portion of Additional Money in Trust will be allocated to a cash reserve intended to cover necessary expenses such as trust fees.

(First-time Adoption of IFRS)

The Group has adopted IFRS from the fiscal year ended March 31, 2025. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the fiscal year ended March 31, 2024, and the date of transition to IFRS is April 1, 2023.

(1) Exemptions from IFRS 1

IFRS, in principle, requires an entity applying IFRS for the first time (hereinafter, the “first-time adopter”) to retrospectively apply the standards required by IFRS. However, IFRS 1 *First-time Adoption of International Financial Reporting Standards* (hereinafter, “IFRS 1”) specifies optional exemptions for certain requirement in IFRS. The effect of the application of such exemptions is adjusted in retained earnings or other components of equity at the date of transition to IFRS. The exemptions applied by the Group in transitioning from Japanese GAAP to IFRS are as follows.

(i) Business combinations

The first-time adopter may choose not to apply IFRS 3 *Business Combinations* (hereinafter, “IFRS 3”) retrospectively to business combinations that were entered into prior the date of transition to IFRS. Accordingly, the Group has applied this exemption and elected not to apply IFRS 3 retrospectively to business combinations that were entered into prior to the date of transition to IFRS. As a result, the amount of goodwill arising from business combinations prior to the date of transition to IFRS is based on the carrying amount as of the date of transition to IFRS in accordance with Japanese GAAP.

Goodwill was tested for impairment as of the date of transition to IFRS, regardless of whether there is any indication of impairment.

(ii) Translation differences of foreign operations

IFRS 1 permits the first-time adopter to elect to treat the cumulative translation differences for foreign operations as zero at the date of transition to IFRS. Accordingly, the Group has elected to treat the accumulated translation differences of foreign operations as zero as of the date of transition to IFRS.

(iii) Share-based compensation

IFRS 1 permits the first-time adopter to elect not to apply IFRS 2 *Share-Based Payment* (hereinafter, “IFRS 2”) for share-based payments granted on or after November 7, 2002 and vested prior to the later of the date of transition to IFRS or January 1, 2005. Accordingly, the Group has elected not to apply IFRS 2 for share-based payments that vested prior to the date of transition to IFRS.

(iv) Leases

IFRS 1 permits the first-time adopter to assess at the date of transition to IFRS whether a contract contains a lease. Accordingly, the Group has applied this exemption and determines whether a contract contains a lease based on the facts and circumstances that existed at the date of transition to IFRS.

The Group measured the lease liability as of the date of transition to IFRS, which is the present value of the remaining lease payments discounted at the lessee’s incremental borrowing rate as of the date of transition to IFRS. The carrying amount of right-of-use assets is measured on a lease-by-lease basis as if IFRS 16 *Leases* had been applied from the inception of each lease at an amount discounted at the lessee’s incremental borrowing rate as of the date of transition to IFRS.

(2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS concerning “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” “classification and measurement of financial instruments,” and others. The Group has applied IFRS prospectively from the date of transition to IFRS for these items.

(3) Reconciliations

Reconciliations required to be disclosed on first-time adoption of IFRS are as follows.

In these reconciliations, the amounts under “Reclassification” include those of items that do not affect retained earnings or comprehensive income, while the amounts under “Difference in recognition and measurement” include those of items that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2023 (date of transition)

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets:						Current assets
Cash and deposits	29,286	–	167	29,454	H	Cash and cash equivalents
Notes and accounts receivable - trade	13,126					
Electronically recorded monetary claims - operating	342					
Allowance for doubtful accounts	(2)					
Subtotal	13,466	474	158	14,099	A, I	Trade and other receivables
Merchandise and finished goods	4,111					
Work in process	2,883					
Raw materials and supplies	4,358					
Subtotal	11,352	–	(70)	11,281		Inventories
Other	5,133	(5,010)	–	122		Other financial assets
		4,585	(116)	4,469	H	Other current assets
Total current assets	59,238	49	138	59,427		Total current assets
Non-current assets:						Non-current assets
Property, plant and equipment:						
Buildings and structures	13,732					
Machinery, equipment and vehicles	7,167					
Land	2,524					
Construction in progress	6,646					
Other	2,214					
Subtotal	32,284	0	2,023	34,308	J, K, L	Property, plant and equipment
Intangible assets:						
Goodwill	21,444	–	(156)	21,288	M	Goodwill
Patent right	695					
Customer-related intangible assets	2,884					
Other	2,295					
Subtotal	5,875	–	97	5,973		Intangible assets
Investments and other assets:						
Shares of subsidiaries and associates	117	(10)	13	121		Investments accounted for using equity method
		1,703	(409)	1,294	E, N	Other financial assets
Deferred tax assets	2,389	–	1,775	4,164	O	Deferred tax assets
Retirement benefit asset	3,242					
Other	1,799					
Allowance for doubtful accounts	(13)					
Subtotal	5,028	(1,678)	(3,132)	218	P	Other non-current assets
Total non-current assets	67,141	15	211	67,368		Total non-current assets
Total assets	126,379	65	350	126,795		Total assets

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities
Current liabilities:						Current liabilities
Notes and accounts payable - trade	5,972					
Electronically recorded obligations - operating	2,569					
Subtotal	8,541	2,726	(8)	11,259	B	Trade and other payables
Short-term borrowings	2,000					
Current portion of long-term borrowings	6,560					
Subtotal	8,560	90	894	9,546	C, L	Interest-bearing liabilities
		6,647	0	6,648	F	Other financial liabilities
Income taxes payable	4,705	—	1	4,706		Income taxes payable
Provision for bonuses	2,558	(2,558)	—	—	D	
		2,558	1,664	4,222	D, Q, S	Employee benefits
Accounts payable - other	7,817	(7,817)	—	—		
Accrued expenses	856					
Other	2,034					
Subtotal	2,891	(1,198)	(266)	1,425	T	Other current liabilities
Total current liabilities	35,074	448	2,285	37,808		Total current liabilities
Non-current liabilities:						Non-current liabilities
Long-term borrowings	11,152	132	748	12,032	C, L	Interest-bearing liabilities
Retirement benefit liability	4,273	—	73	4,346	P	Retirement benefit liability
		256	(2)	253	D	Provisions
Deferred tax liabilities	1,323	—	(46)	1,276	O	Deferred tax liabilities
Other	780	(771)	0	9		Other non-current liabilities
		—	2,459	2,459	U	Other financial liabilities
Total non-current liabilities	17,530	(382)	3,231	20,379		Total non-current liabilities
Total liabilities	52,605	65	5,517	58,187		Total liabilities

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net assets						Equity
Shareholders' equity:						
Share capital	16,194	—	—	16,194	R, U	Share capital
Capital surplus	16,147	—	(1,565)	14,582	W	Capital surplus
Retained earnings	52,663	—	231	52,895		Retained earnings
Treasury shares	(15,908)	—	—	(15,908)		Treasury shares
Total shareholders' equity	69,097	—	(1,333)	67,763		
Accumulated other comprehensive income:						
Deferred gains or losses on hedges	(26)					
Foreign currency translation adjustment	3,278					
Remeasurements of defined benefit plans	547					
Subtotal	3,799	—	(3,825)	(26)	V	Other components of equity
				67,737		Equity attributable to owners of parent
Non-controlling interests	878	—	(7)	870		Non-controlling interests
Total net assets	73,774	—	(5,166)	68,608		Total equity
Total liabilities and net assets	126,379	65	350	126,795		Total liabilities and equity

Reconciliation of equity as of March 31, 2024 (end of the previous fiscal year)

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets:						Current assets
Cash and deposits	37,410	(2,396)	315	35,328	H	Cash and cash equivalents
Notes and accounts receivable - trade	17,436					
Electronically recorded monetary claims - operating	589					
Allowance for doubtful accounts	(7)					
Subtotal	18,019	(2,580)	149	15,588	A, I	Trade and other receivables
Merchandise and finished goods	3,691					
Work in process	2,688					
Raw materials and supplies	3,661					
Subtotal	10,040	(60)	(63)	9,916		Inventories
Other	3,593	(3,533)	—	60		Other financial assets
		3,279	(254)	3,025	H	Other current assets
		5,522	—	5,522	G	Assets held for sale
Total current assets	69,063	231	146	69,442		Total current assets
Non-current assets:						Non-current assets
Property, plant and equipment:						
Buildings and structures	13,969					
Machinery, equipment and vehicles	7,897					
Land	3,984					
Construction in progress	7,425					
Other	2,427					
Subtotal	35,703	(7)	1,694	37,390	J, K, L	Property, plant and equipment
Intangible assets:						
Goodwill	19,161	—	2,126	21,288	M	Goodwill
Patent right	538					
Customer-related intangible assets	2,704					
Other	2,435					
Subtotal	5,679	—	128	5,807		Intangible assets
Investments and other assets:						
Shares of subsidiaries and associates	140	(10)	9	140		Investments accounted for using equity method
		1,580	(334)	1,245	E, N	Other financial assets
Deferred tax assets	2,287	—	2,573	4,861	O	Deferred tax assets
Retirement benefit asset	4,287					
Other	1,707					
Allowance for doubtful accounts	(15)					
Subtotal	5,979	(1,570)	(4,211)	197	P	Other non-current assets
Total non-current assets	68,952	(7)	1,987	70,931		Total non-current assets
Total assets	138,016	223	2,133	140,373		Total assets

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities
Current liabilities:						Current liabilities
Notes and accounts payable - trade	8,658					
Electronically recorded obligations - operating	1,872					
Subtotal	10,531	2,868	(21)	13,378	B	Trade and other payables
Short-term borrowings	4,000					
Current portion of long-term borrowings	2,459					
Subtotal	6,459	85	898	7,444	C, L	Interest-bearing liabilities
		2,546	0	2,547	F	Other financial liabilities
Income taxes payable	4,555	(177)	0	4,378		Income taxes payable
Provision for bonuses	2,513	(2,513)	–		D	
		2,503	1,635	4,138	D, Q, S	Employee benefits
Accounts payable - other	4,387	(4,387)	–	–		
Accrued expenses	924					
Other	1,626					
Subtotal	2,550	(248)	(761)	1,539	T	Other current liabilities
		266	–	266	G	Liabilities directly associated with assets held for sale
Total current liabilities	30,996	943	1,752	33,692		Total current liabilities
Non-current liabilities:						Non-current liabilities
Long-term borrowings	15,276	124	354	15,754	C, L	Interest-bearing liabilities
Retirement benefit liability	4,081	0	(20)	4,059	P	Retirement benefit liability
		274	1	275	D	Provisions
Deferred tax liabilities	1,566	–	(122)	1,444	O	Deferred tax liabilities
Other	1,141	(1,117)	0	23		Other non-current liabilities
Total non-current liabilities	22,065	(720)	213	21,558		Total non-current liabilities
Total liabilities	53,062	223	1,965	55,251		Total liabilities

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net assets						Equity
Shareholders' equity:						
Share capital	16,251	—	—	16,251	R, U W	Share capital
Capital surplus	14,873	—	2,827	17,700		Capital surplus
Retained earnings	53,023	—	1,753	54,777		Retained earnings
Treasury shares	(5,085)	—	—	(5,085)		Treasury shares
Total shareholders' equity	79,063	—	4,580	83,644		
Accumulated other comprehensive income:						
Deferred gains or losses on hedges	(78)					
Foreign currency translation adjustment	4,827					
Remeasurements of defined benefit plans	1,141					
Subtotal	5,890	—	(4,412)	1,478	V	Other components of equity
				85,122		Equity attributable to owners of parent
Total net assets	84,953	—	168	85,122		Total equity
Total liabilities and net assets	138,016	223	2,133	140,373		Total liabilities and equity

Notes on reconciliation of equity

The major accounting differences associated with the transition from Japanese GAAP to IFRS are as follows:

(1) Reclassification

We have performed reconciliations to conform to IFRS. The major items of reconciliations are as follows.

A. Trade and other receivables

Accounts receivable-other, which was included in “Other (current assets)” under Japanese GAAP, has been reclassified to and presented as “Trade and other receivables” under IFRS.

B. Trade and other payables

Certain items of “Accounts payable - other,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Trade and other payables” under IFRS.

C. Interest-bearing liabilities

“Short-term borrowings” and “Current portion of long-term borrowings,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Interest-bearing liabilities (current liabilities)” under IFRS. “Long-term borrowings,” which was separately presented as non-current liabilities under Japanese GAAP, have been reclassified to and presented as “Interest-bearing liabilities (non-current liabilities)” under IFRS.

Lease obligations included in “Other (current liabilities)” or “Other (non-current liabilities)” under Japanese GAAP have been reclassified to and presented as “Interest-bearing liabilities (current liabilities)” or “Interest-bearing liabilities (non-current liabilities)” under IFRS, respectively.

D. Provisions

“Provision for bonuses,” which was separately presented as current liabilities under Japanese GAAP, has been included in “Employee benefits accruals” under IFRS. Asset retirement obligations, which were included in “Other (non-current liabilities)” under Japanese GAAP, have been reclassified to and presented as “Provisions” under IFRS.

E. Other financial assets

Investments in limited liability investment partnerships, which were included in “Other (investments and other assets)” under Japanese GAAP, have been reclassified to and presented as “Other financial assets (non-current assets)” under IFRS.

F. Other financial liabilities

Short-term derivative liabilities included in “Other (current liabilities)” under Japanese GAAP have been reclassified to and presented as “Other financial liabilities (current liabilities)” under IFRS.

Certain items of “Accounts payable - other,” which were separately presented as current liabilities under Japanese GAAP, have been reclassified to and presented as “Other financial liabilities (current liabilities)” under IFRS.

G. Assets held for sale and liabilities

Assets held for sale and liabilities directly associated with assets held for sale are separately presented under IFRS. For details, please refer to “Notes to Consolidated Financial Statements, (Assets Held for Sale).”

(2) Difference in recognition and measurement

H. Scope or consolidation

The Group excluded immaterial subsidiaries from the scope of consolidation and recorded them as “Shares of subsidiaries and associates” under Japanese GAAP. However, under IFRS, such subsidiaries are included in the scope of consolidation.

Under Japanese GAAP, the Employee Stock Ownership Plan (“J-ESOP”) and the Board Benefit Trust-Restricted Stock (BBT-RS) (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) were not included in the scope of consolidation. Deposits held by these trusts were recorded under “Other (current assets).” The net amount of dividends related to the Company’s shares held by the trusts, as well as any expenses related to the trusts, were recorded under “Other (current liabilities).” In contrast, under IFRS, these trusts are included in the scope of consolidation because the Group meets the requirements for control over them. Deposits held by the trusts are recorded as “Cash and cash equivalents,” and income and expenses related to the trusts are recorded under “Finance income” and “Finance costs,” respectively.

I. Sublease

Under Japanese GAAP, the company expensed the rent for the contracted leased company housing as rental expenses. Under IFRS, however, the head lease from an external party is recorded as a right-of-use asset. The lease to the employees is treated as a sublease transaction. In this case, sublease transactions are transferred from the right-of-use asset. The employee's share of the rent is recorded under "Trade and other receivables," while the company's share of the rent is recorded as an expense.

J. Government grants

Government grants related to assets were collectively recorded in extraordinary income as grant income under Japanese GAAP, whereas under IFRS, such grants are deducted from the cost of "Property, plant and equipment."

K. Low-value assets

According to the Group's policy, tools, furniture, and supplies with a low-value were expensed under Japanese GAAP. However, under IFRS, items expected to be useful for more than one year have been reclassified to "Property, plant and equipment."

L. Leases

Under Japanese GAAP, lessee leases were classified as either finance leases or operating leases, and operating leases were accounted for as ordinary rental transactions. Whereas under IFRS, basically all leases are accounted for as "Property, plant and equipment" and "Interest-bearing liabilities (current liabilities and non-current liabilities)," since there is no distinction between finance leases and operating leases for leases as lessee.

M. Impairment on non-financial assets

Under Japanese GAAP, goodwill and shared assets were, in principle, not allocated to each asset group but were grouped into larger units. When there was an indication of a possible impairment of a fixed asset, the carrying amount of the fixed asset was compared with its estimated undiscounted future cash flows, and only if the carrying amount of the fixed asset exceeded its estimated undiscounted future cash flows, an impairment loss was recognized in the amount by which the carrying amount of the fixed asset exceeded its recoverable amount. Under IFRS, however, goodwill is allocated to each cash-generating unit as the unit that is expected to benefit from the synergies of the business combination, and corporate assets are allocated, in principle, to each cash-generating unit, and when there is an indication that a fixed asset may be impaired, the amount by which the carrying amount of the fixed asset exceeds its recoverable amount (the higher of value in use and fair value less costs of disposal) is recognized as an impairment loss on the fixed asset.

Accordingly, goodwill and corporate assets allocated to cash-generating units that were discontinued by the date of transition to IFRS were subject to retrospectively recognizing impairment losses in full, which were transferred to "Retained earnings" as of the date of transition to IFRS.

In addition, under Japanese GAAP, goodwill was amortized on a straight-line basis over the period during which the reasonably estimated effect of goodwill is expected to be realized. Under IFRS, however, goodwill is not amortized after the date of transition to IFRS.

N. Investment in limited liability investment partnerships

Under Japanese GAAP, investments in limited liability investment partnerships (the "Partnerships") were carried at each period end at an amount equal to our share of the net gain or loss based on the Partnerships' results plus the acquisition cost. Under IFRS, however, investments in the Partnerships are valued as financial assets measured at fair value through profit or loss. Accordingly, the difference between the Japanese GAAP and the IFRS valuations as of the date of transition to IFRS has been transferred to "Retained earnings."

O. Deferred taxes

With the adoption of IFRS, the Company has reassessed the recoverability of all deferred tax assets. "Deferred tax assets" and "Deferred tax liabilities" are recognized for temporary differences arising from the transition from Japanese GAAP to IFRS.

P. Retirement benefits

Under Japanese GAAP, when a defined benefit plan was overfunded, the entire excess was recorded as an "Retirement benefit asset," whereas under IFRS, the amount that can be recorded is the asset ceiling, which is the present value of available future economic benefits in the form of a cash refund or a reduction in future contributions. Accordingly, "Retirement benefit asset"

has been fully reversed as of the date of transition to IFRS.

Under Japanese GAAP, actuarial gains and losses and past service costs were recognized as “Accumulated other comprehensive income” when incurred and expensed over a period of time calculated based on employees’ average remaining service period. Under IFRS, actuarial gains and losses are recognized as “Other components of equity” when incurred and immediately transferred to “Retained earnings,” and past service costs are recognized as profit or loss when incurred.

Q. Unused paid leave

Unused paid leave, which was not recognized as a liability under Japanese GAAP, is recognized as a liability and included in “Employee benefits accruals” under IFRS.

R. Share-based payment

Under Japanese GAAP, the amount of shares or other benefits expected to be paid was recorded as a liability for stock benefit trusts (“J-ESOP” and BBT-RS). Under IFRS, however, both J-ESOP and BBT-RS are classified as equity-settled share-based payment plans, and therefore, they are measured at their fair value on the grant date and recognized as equity.

Accordingly, as of the date of transition to IFRS, “Other (current liabilities)” or “Other (non-current liabilities)” related to share-based payment recorded under Japanese GAAP was reversed. The balance measured at fair value was then recorded in “Capital surplus,” and the difference was recorded in “Retained earnings.”

S. Long-term employee benefits

The Company and some of its consolidated subsidiaries have an accumulated leave system that allows employees to accumulate expired annual paid leave for specific purposes, such as injury, illness, or nursing care. This leave does not expire until their retirement. Such accrued paid leave was not recognized as a liability under Japanese GAAP. Under IFRS, however, since accumulated unused annual paid leave is classified as long-term employee benefits, it is recognized as a liability in “Employee benefits accruals.”

Under IFRS, however, accumulated unused annual paid leave is recognized as a liability and included in “Employee benefits accruals” by applying the provisions for defined benefit plans because such accumulated unused annual paid leave falls into long-term employee benefits under IFRS and the Company does not have the right as of the end of the reporting period to defer the settlement of the liability for at least 12 months after the end of the reporting period.

T. Levies

Under Japanese GAAP, property tax was recognized as “Other (current liabilities)” upon receipt of the payment and expensed pro rata over the months throughout the year. Under IFRS, however, the full amount is recognized as “Other current liabilities” and expensed in a lump sum on January 1, the date of imposition.

U. Liability for put option contracts to non-controlling interests

Under Japanese GAAP, no liability was recognized for written put options granted to owners of non-controlling interests. Under IFRS, however, a financial liability is recognized for these put options as an obligation to purchase non-controlling interests. Therefore, as of the date of transition to IFRS, the put option to the non-controlling shareholder is recorded as “Other financial liabilities (non-current liabilities)” and “Capital surplus” is concurrently reduced. When the non-controlling shareholders exercise their rights, “Other financial liabilities (non-current liabilities)” and “Non-controlling interests” are reversed and the difference between the amount of the reversal and the amount paid is recorded in “Capital surplus.”

V. Reclassification of cumulative translation differences for foreign subsidiaries

The Company elected to adopt the exemption provided in IFRS 1 and transferred all cumulative translation differences included in “Accumulated other comprehensive income” to “Retained earnings” at the date of transition to IFRS.

W. Adjustments to retained earnings

The effect of reconciliation from Japanese GAAP to IFRS on retained earnings (after tax effect adjustment) is as follows:

(Millions of yen)

	As of April 1, 2023 (Date of transition)	As of March 31, 2024
Transfer of cumulative translation differences for foreign operations	3,278	3,278
Post-employment benefits	(1,735)	(1,802)
Low-value assets	551	570
Share-based compensation	(168)	(1,476)
Unused paid leave	(970)	(962)
Amortization of goodwill	—	2,283
Other	(724)	(138)
Total	231	1,753

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2024

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net sales	105,198	—	0	105,198		Net sales
Cost of sales	47,930	—	758	48,688	C, D, E	Cost of sales
Gross profit	57,268	—	(757)	56,510		Gross profit
Selling, general and administrative expenses	23,846	(424)	(998)	22,423	B, C, D, E, F	Selling, general and administrative expenses
		369	(22)	346	A	Other income
		2,586	(37)	2,548	A	Other expenses
Operating profit	33,421	(1,791)	255	31,884		Operating profit
Non-operating income	521					
Interest income	273	(273)				
Share of profit of entities accounted for using equity method	11	(11)				
Compensation income	37	(37)				
Rental income	16	(16)				
Other	183	(183)				
Non-operating expenses	3,914					
Interest expenses	67	(67)				
Foreign exchange losses	3,357	(3,357)				
Loss on investments in investment partnerships	166	(166)				
Depreciation	191	(191)				
Other	131	(131)				
Ordinary profit	30,028					
Extraordinary income	131					
Gain on sale of non-current assets	18	(18)				
Gain on sale of shares of subsidiaries and associates	112	(112)				
Extraordinary losses	225					
Loss on sale of property, plant and equipment	2	(2)				
Loss on retirement of property, plant and equipment	215	(215)				
Impairment loss	7	(7)				
		273	304	577	A	Finance income
		1,553	20	1,574	A	Finance costs
		11	(6)	4	A	Share of profit of investments accounted for using equity method
Profit before income taxes	29,935	424	531	30,891		Profit before tax
Income taxes-current	8,635	424	(9)			
Income taxes-deferred	(35)	—	(651)			
		424	(661)	8,363	B, G	Income tax expense
Profit	21,334	—	1,193	22,527		Profit
Profit (loss) attributable to non-controlling interests	(47)	—	0	(47)		Non-controlling interests
Profit attributable to owners of parent	21,382	—	1,193	22,575		Profit (attributable to owners of parent)

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Profit	21,334	—	1,193	22,527	H	Profit
Other comprehensive income						Other comprehensive income, net of tax
						Items that will not be reclassified to profit or loss:
Remeasurements of defined benefit plans	593	—	(482)	110		Remeasurements of defined benefit plans
			11	11		Share of other comprehensive income of investments accounted for using equity method
				122		Total of items that will not be reclassified to profit or loss
						Items that may be reclassified to profit or loss:
Deferred gains or losses on hedges	(51)	—	(161)	(213)		Cash flow hedges
			161	161		Hedging costs
Foreign currency translation adjustment	1,548	—	8	1,557		Translation differences on foreign operations
				1,506		Total of items that may be reclassified to profit or loss
Total other comprehensive income	2,090	—	(462)	1,628		Total other comprehensive income, net of tax
Comprehensive income	23,425	—	731	24,156		Comprehensive income
Comprehensive income attributable to:						Comprehensive income attributable to:
Owners of parent	23,473	—	729	24,202		Owners of parent
Non-controlling interests	(47)	—	1	(45)		Non-controlling interests

Notes on reconciliation of profit and loss and comprehensive income

The major accounting differences associated with the transition from Japanese GAAP to IFRS are as follows:

(1) Reclassification

We have reclassified line items to conform to IFRS Standards. The major items that were reclassified are as follows:

A. Reclassification of line items

Among the items that were included in “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP, finance-related gains and losses have been included in “Finance income” and “Finance costs,” while the other items have been included in “Other income,” “Other expenses,” and “Share of profit of investments accounted for using equity method” under IFRS.

B. Income tax expense

Under Japanese GAAP, corporate enterprise tax (on value-added basis) was recorded in “Selling, general and administrative expenses” and corporate residents’ tax (on a per capita basis) was recorded in “Income taxes-current.” Under IFRS, size-based business tax (on value-added basis) has been recorded in “Income tax expense” and corporate residents’ tax (on a per capita basis) in “Selling, general and administrative expenses.”

(2) Difference in recognition and measurement

C. Unused paid leave

Unused paid leave, which was not recognized as a liability under Japanese GAAP, has been recorded in “Cost of sales” and “Selling, general and administrative expenses” under IFRS.

D. Share-based payment

Under Japanese GAAP, the amount of shares or other benefits expected to be paid was recorded as a liability for stock benefit trusts (“J-ESOP” and BBT-RS). Under IFRS, however, both J-ESOP and BBT-RS have been classified as equity-settled share-based payment plans, and therefore, they have been recognized as equity and measured at their fair value on the grant date.

Accordingly, the liability recorded under Japanese GAAP was reversed and the balance measured at fair value was recorded as “Capital surplus” and the difference was recorded in “Cost of sales” and “Selling, general and administrative expenses” for the current period.

E. Levies

Under Japanese GAAP, property tax was recognized as a liability upon receipt of the tax payment notification and the amount prorated for each month was recorded in “Cost of sales” or “Selling, general and administrative expenses” on a monthly basis. Under IFRS, however, the full amount in a lump sum has been recorded as a liability and “Cost of sales” and “Selling, general and administrative expenses” on January 1, the date of assessment.

F. Amortization of goodwill

Under Japanese GAAP, goodwill was amortized as “Selling, general and administrative expenses” on a straight-line basis over the period during which the reasonably estimated effect of goodwill is expected to be realized. Under IFRS, however, goodwill was not amortized after the date of transition to IFRS.

G. Income tax expense

The amounts of income tax expense have been adjusted due to temporary differences arising from the reconciliation of Japanese GAAP to IFRS. The tax effect of the elimination of unrealized gains and losses was calculated using the tax rate of the seller under Japanese GAAP, while the tax rate of the buyer has been used under IFRS.

H. Employee benefits

Under Japanese GAAP, actuarial gains and losses and past service costs were recognized as “Accumulated other comprehensive income” when incurred and expensed over a period of time calculated based on employees’ average remaining service period. Under IFRS, actuarial gains and losses are recognized as “Other components of equity” when incurred and immediately transferred to “Retained earnings,” and past service costs are recognized as profit or loss when incurred.

Adjustments to cash flow for the previous fiscal year (from April 1, 2023, to March 31, 2024)

Under Japanese standards, lease payments related to operating lease transactions are classified under cash flows from operating activities. However, under IFRS, the recognition of lease liabilities is required for all leases in principle, and expenditures for the repayment of lease liabilities are classified under cash flows from financing activities.

4. Others

(1) Appointment of Directors

At the Board of Directors meeting held on May 12, 2025, the Company resolved the following director candidates to be submitted to the annual General Meeting of Shareholders scheduled for June 2025. The selection of the Representative Director is scheduled to be formally decided by a resolution of the Board of Directors after the annual General Meeting of Shareholders.

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

	Name	Position
(Reappointment)	Yoshihisa Shinya	Representative Director and President
(New Appointment)	Katsushi Kitajo	Representative Director
(New Appointment)	Kazuo Hosoya	Outside Director
(Reappointment)	Satoshi Taguchi	Outside Director
(Reappointment)	Toshihiro Hagiwara	Outside Director

*Mr. Kazuo Hosoya, Mr. Satoshi Taguchi, and Mr. Toshihiro Hagiwara are not subject to any items that may cause a conflict of interest with general shareholders according to the independence criteria set by the Tokyo Stock Exchange and the Company. Therefore, if appointed as directors, they are expected to be designated as independent officers.

*Representative Director Toshiya Satake and Outside Director Takashi Yokokura will retire at the conclusion of the annual General Meeting of Shareholders scheduled for June 2025.

(ii) Directors serving as Audit and Supervisory Committee Members

	Name	Position
(Reappointment)	Tetsuyuki Kagaya	Outside Director
(Reappointment)	Masato Taniguchi	Director
(New Appointment)	Yoshiko Nakayama	Outside Director

*Mr. Tetsuyuki Kagaya and Ms. Yoshiko Nakayama are not subject to any items that may cause a conflict of interest with general shareholders according to the independence criteria set by the Tokyo Stock Exchange and the Company. Therefore, if appointed as directors, they are expected to be designated as independent officers.

*Outside Director and Audit and Supervisory Committee member Rika Sato will retire at the conclusion of the annual General Meeting of Shareholders scheduled for June 2025.

(iii) Substitute Directors serving as Audit and Supervisory Committee Members

	Name	Position
(New Appointment)	Nicholas J. Casson	Substitute Director serving as Audit and Supervisory Committee Member