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May 15, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: Mipox Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 5381
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 Scheduled date of annual general meeting of shareholders: June 25, 2024
 Scheduled date to commence dividend payments: —
 Scheduled date to file annual securities report: June 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

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

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	9,354	(6.7)	(442)	—	(186)	—	(408)	—
March 31, 2023	10,029	(4.0)	212	(85.5)	426	(73.6)	45	(97.1)

(Note) Comprehensive income: For the fiscal year ended March 31, 2024: ¥(371) million [— %]
 For the fiscal year ended March 31, 2023: ¥120 million [(92.9%)]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	(28.70)	—	(5.3)	(1.2)	(4.7)
March 31, 2023	3.18	—	0.6	2.8	2.1

(Reference) Share of profit (loss) of entities accounted for using equity method :
 For the fiscal year ended March 31, 2024: ¥ —
 For the fiscal year ended March 31, 2023: ¥ —

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	15,977	7,484	46.8	525.59
March 31, 2023	16,195	7,997	49.4	561.67

(Reference) Equity: As of March 31, 2024: ¥7,484 million
As of March 31, 2023: ¥7,997 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	451	(633)	144	2,494
March 31, 2023	(423)	(1,068)	1,638	2,452

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	—	0.00	—	10.00	10.00	142	314.5	1.8
March 31, 2024	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	0.00	—	—	—		—	

(Note) The year-end dividend forecast for the fiscal year ending March 31, 2025 is undecided.

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	10,000	6.9	300	—	300	—	200	—	14.05

Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — (Company name: —)
Excluded: — (Company name: —)

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

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2024	14,451,920 shares
As of March 31, 2023	14,451,920 shares

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

As of March 31, 2024	212,732 shares
As of March 31, 2023	212,630 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	14,239,248 shares
Fiscal year ended March 31, 2023	14,239,299 shares

(Note) The number of treasury shares includes 23,300 shares held in the trust account for the fiscal year ended March 31, 2023 and 23,300 shares for the fiscal year ended March 31, 2024.

(Reference) Overview of non-consolidated financial results**1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	8,068	(4.0)	(993)	—	(503)	—	(705)	—
March 31, 2023	8,401	(12.0)	(402)	—	15	(99.2)	(151)	—

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	(49.57)	—
March 31, 2023	(10.62)	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	14,850	6,675	44.9	468.79
March 31, 2023	15,266	7,523	49.3	528.38

(Reference) Equity: As of March 31, 2024: ¥6,675 million
As of March 31, 2023: ¥7,523 million

- * Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.
- * Proper use of earnings forecasts, and other special matters
 - The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the company and certain assumptions deemed reasonable. Actual results may vary significantly due to various factors.

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1. Information on financial results

(1) Explanation of operating results

During the current fiscal year, Japan's economy has undergone significant changes such as the first inflationary trend in 40 years and the gradual withdrawal of large-scale monetary easing policies by the Bank of Japan, including the phasing out of negative interest rates. Additionally, global geopolitical risks have intensified, driven by the prolonged Russian invasion of Ukraine and ongoing conflicts in the Middle East, particularly around Israel. These factors have contributed to rising raw material and energy costs and a weaker yen, creating an increasingly uncertain global economic environment.

Amid these challenges, our Group has remained committed to its mission of "Changing the World through Coating, Cutting, and Polishing." Guided by our core management policies, we have focused on enhancing product business value through an engineering-driven approach, transitioning from OEM business model to an engineering services business, and building a resilient management foundation capable of adapting to rapid changes and market diversity. In our business environment, the first half of the fiscal year was marked by a decline in sales and profitability, reflecting continued downturns in key customer markets, including semiconductors, hard disks, and optical fiber, which had persisted since the second half of the previous fiscal year. However, in the latter half of the fiscal year, market conditions began to recover, with high-tech product sales trending upward, partly due to the completion of customer inventory adjustments. In the OEM Business, demand fluctuations in end-product markets, particularly electronics, remained significant. To mitigate the volatility of contract demand, we acquired Ookubo Ironwork, a company specializing in general polishing contract services.

As a result, our Group's performance for the fiscal year is as follows: Net sales of ¥9,354 million (down 6.7% year-on-year), an operating loss of ¥442 million (compared to an operating profit of ¥212 million in the previous year), an ordinary loss of ¥186 million (compared to an ordinary profit of ¥426 million in the previous year), and a net loss attributable to owners of parent of ¥408 million (compared to a net profit attributable to owners of parent of ¥45 million in the previous year).

The performance by segment is as follows:

- **Product Business**

Net sales in the product business totaled ¥7,618 million (down 4.2% year-on-year), with a segment loss of ¥75 million (compared to a segment profit of ¥753 million in the previous year). Sales of general polishing-related products remained stable; however, sales of high-tech-related products were weak in the first half of the fiscal year, particularly in optical fiber, hard disk, and semiconductor applications. Although a recovery trend emerged in the second half, the decline in sales during the first half had a lasting impact, resulting in a year-on-year decrease in both revenue and profitability.

- **OEM Business**

Net sales in the OEM business totaled ¥1,735 million (down 16.6% year-on-year), with a segment loss of ¥366 million (improved from a ¥540 million loss in the previous fiscal year). The downturn was primarily driven by weak global demand for electronics including PCs, tablets, and smartphones, impacting contract coating and slitting services. While contract polishing saw increased orders for advanced materials, overall sales were affected by lower-than-expected contract volumes at the start of the fiscal year. The acquisition of Ookubo Ironwork strengthened our contract polishing capabilities, particularly in the automotive, medical, and 3D printing sectors.

(2) Explanation of financial position

(Assets)

As of the end of the fiscal year, total assets decreased by ¥217 million compared to the previous fiscal year, amounting to ¥15,977 million. Key changes included an increase in accounts receivable by ¥654 million, an increase in electronic recorded claims of ¥134 million, a decrease in notes receivable by ¥110 million, a decrease in work in process by ¥357 million, and a decrease in other current assets by ¥561 million.

(Liabilities)

Total liabilities increased by ¥295 million from the previous fiscal year, reaching ¥8,493 million. Major contributing factors included an increase in the current portion of long-term borrowings by ¥333 million, an increase in long-term

borrowings by ¥288 million, and an increase in deferred tax liabilities by ¥168 million. Conversely, there was a decrease in notes payable and accounts payable by ¥113 million, a decrease in short-term borrowings by ¥219 million, and a decrease in other current liabilities by ¥211 million.

(Net assets)

Net assets declined by ¥513 million, totaling ¥7,484 million at the end of the fiscal year. The primary factors contributing to this decline were a net loss attributable to owners of parent of ¥408 million and a decrease in retained earnings due to dividend payments amounting to ¥142 million.

As a result, the equity ratio at the end of the fiscal year stood at 46.8%

(3) Explanation of cash flows

At the end of the fiscal year, cash and cash equivalents increased by ¥41 million, totaling ¥2,494 million.

The status of cash flows for the fiscal year is as follows:

(Cash flows from operating activities)

Cash flows from operating activities increased by ¥451 million (compared to a decrease of ¥423 million in the previous fiscal year). Key factors include a net loss before income taxes of ¥150 million, depreciation of ¥634 million, an increase in accounts receivable of ¥601 million, a decrease in Inventories of ¥512 million, a decrease in accounts receivable-other of ¥241 million, a decrease in trades payable of ¥146 million.

(Cash flows from investing activities)

Cash flows from investing activities decreased by ¥633 million (compared to a decrease of ¥1,068 million in the previous fiscal year). The primary components include capital expenditures of ¥604 million for the acquisition of property, plant, and equipment, partially offset by proceeds of ¥134 million from the sale of property, plant, and equipment.

(Cash flows from financing activities)

Cash flow from financing activities increased by ¥144 million (compared to ¥1,638 million in the previous fiscal year). Key changes include a net decrease in short-term borrowings of ¥220 million, proceeds from long-term borrowings of ¥1,844 million, repayments of long-term borrowings of ¥1,236 million, and dividend payments of ¥141 million.

(4) Future outlook

Despite ongoing economic instability, primarily driven by heightened geopolitical risks, signs of recovery are emerging in key customer markets for our product business, particularly in the high-tech sector, including semiconductors, hard disks, and optical fiber. This recovery is partly supported by the growing adoption of generative AI in both daily life and business applications. Meanwhile, our OEM business, which is heavily influenced by fluctuations in demand for end products—particularly in the electronics sector—remains difficult to predict. Additionally, the continued depreciation of the yen, along with rising raw material and energy costs, presents ongoing challenges. However, we are actively working to incorporate these cost increases into our product pricing. During the fiscal year, we relocated our headquarters and main office to the Kanuma facility, consolidating our manufacturing, sales, and development functions. This move is aimed at enhancing agility and operational flexibility. Given the rapidly evolving economic environment, we are optimizing the business portfolios below to mitigate risks associated with market fluctuations.

- High-tech product business and OEM services for high-tech industries (polishing, coating, and slitting): These markets exhibit high volatility but offer relatively high profit margins.
- General polishing-related product business and OEM services for general industries (polishing-related): These businesses are expected to maintain stable demand, although they typically yield lower profit margins.

For the fiscal year ending March 31, 2025, we forecast net sales of ¥10,000 million, an operating profit of ¥300

million, an ordinary profit of ¥300 million, and a net profit attributable to owners of parent of ¥200 million, driven by profitability improvements across the business portfolios listed above.

(Note) The sales and profit forecasts presented in this document are based on currently available information, including industry trends for each business segment within our Group, economic conditions in Japan and overseas, foreign exchange rate fluctuations, and other factors that may impact performance. Please be advised that the actual results may differ significantly from these forecasts.

2. Basic policies concerning selection of accounting standards

Our Group will continue to prepare consolidated financial statements in accordance with Japanese GAAP, ensuring consistency and comparability over time and across companies.

Regarding the adoption of IFRS, we will continue to monitor both domestic and international developments and will respond appropriately as necessary.

3. Consolidated financial statements and key notes

(1) Consolidated balance sheet

(Unit: thousands of yen)

	Previous consolidated fiscal year (as of March 31, 2023)	Current consolidated fiscal year (as of March 31, 2024)
Assets		
Current assets		
Cash and deposits	2,613,396	2,692,205
Notes receivable- trade	281,098	170,410
Accounts receivable - trade	1,837,842	2,492,203
Electronically recorded monetary claims operating	266,427	400,760
Merchandise and finished goods	786,882	746,988
Work in process	1,708,985	1,351,512
Raw materials and supplies	631,730	572,336
Other	908,918	347,085
Allowance for doubtful accounts	(2,895)	(80)
Total current assets	9,032,387	8,773,422
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,983,940	7,123,116
Machinery, equipment and vehicles	3,770,079	4,266,999
Tools, furniture and fixtures	435,865	512,259
Land	2,019,286	2,066,244
Leased assets	673,193	748,296
Construction in progress	115,500	53,922
Accumulated depreciation	(7,333,927)	(8,174,391)
Total property, plant and equipment	6,663,939	6,596,446
Intangible assets		
Goodwill	92,483	52,689
Software	23,127	37,645
Telephone subscription right	377	377
Total intangible assets	115,988	90,712
Investments and other assets		
Investment securities	55,000	55,000
Shares of subsidiaries and associates	38,102	38,102
Retirement benefit assets	213,148	276,176
Deferred tax assets	1,801	14,044
Other	74,909	133,489
Total investments and other assets	382,960	516,812
Total non-current assets	7,162,888	7,203,972
Total assets	16,195,275	15,977,394

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (as of March 31, 2023)	Current consolidated fiscal year (as of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	793,570	679,681
Short-term borrowings	1,869,000	1,649,960
Current portion of bonds payable	27,500	15,000
Current portion of long-term borrowings	1,033,679	1,367,172
Lease liabilities	69,008	75,113
Accounts payable - other	664,371	737,400
Income taxes payable	33,238	65,591
Advances received	36,564	48,081
Provision for bonuses	155,315	124,256
Provision for loss on liquidation of subsidiaries and associates	6,727	2,509
Other	376,628	165,606
Total current liabilities	5,065,604	4,930,373
Non-current liabilities		
Bonds payable	15,000	—
Long-term borrowings	2,852,326	3,141,020
Lease liabilities	148,387	119,293
Deferred tax liabilities	106,509	275,261
Net defined benefit liability	—	17,536
Other	9,696	9,891
Total non-current liabilities	3,131,920	3,563,003
Total liabilities	8,197,524	8,493,377
Net assets		
Shareholders' equity		
Share capital	3,379,569	3,379,569
Capital surplus	2,925,782	2,925,782
Retained earnings	1,536,725	985,440
Treasury shares	(104,230)	(104,280)
Total shareholders' equity	7,737,847	7,186,512
Accumulated other comprehensive income		
Foreign currency translation adjustment	259,903	297,505
Total accumulated other comprehensive income	259,903	297,505
Total net assets	7,997,750	7,484,017
Total liabilities and net assets	16,195,275	15,977,394

(2) Consolidated income statements & comprehensive income

(Unit: thousands of yen)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Net sales	10,029,181	9,354,195
Cost of sales	6,564,738	6,776,792
Gross profit	3,464,442	2,577,402
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	111,158	108,000
Salaries and bonuses	897,668	985,374
Provision for bonuses	47,892	51,850
Retirement benefit expenses	46,936	11,941
Packing and transportation costs	354,820	215,130
Depreciation	110,015	109,352
Research and development expenses	133,049	122,828
Provision of allowance for doubtful accounts	(64)	(158)
Other	1,549,983	1,415,354
Total selling, general and administrative expenses	3,251,460	3,019,672
Operating profit (loss)	212,982	(442,270)
Non-operating income		
Interest income	7,502	19,553
Dividend income	360	360
Rental income	165,612	182,014
Foreign exchange gains	204,786	133,957
Subsidy income	4,716	62,801
Other	21,833	5,321
Total non-operating income	404,810	404,008
Non-operating expenses		
Interest expenses	69,438	68,494
Commission expenses	65,198	9,987
Rental expenses	51,530	68,693
Guarantee commission	503	151
Other	4,789	483
Total non-operating expenses	191,459	147,809
Ordinary income	426,333	(186,071)

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Extraordinary income		
Gain on sales of non-current assets	11,047	77,535
Gain on liquidation of subsidiaries and associates	—	74,250
Reversal of provision for loss on liquidation of subsidiaries and associates	29,643	—
Total extraordinary income	40,691	151,785
Extraordinary losses		
Loss on sales of non-current assets	31,101	—
Loss on retirement of non-current assets	6,386	6,430
Impairment losses	—	109,312
Total extraordinary losses	37,488	115,743
Profit before income taxes	429,536	(150,029)
Income taxes – current	78,705	79,237
Income taxes – deferred	305,537	179,393
Total income taxes	384,242	258,630
Profit	45,293	(408,659)
Profit attributable to		
Profit attributable to owners of parent	45,293	(408,659)
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Foreign currency translation adjustment	75,119	37,601
Total other comprehensive income	75,119	37,601
Comprehensive income	120,413	(371,057)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	120,413	(371,057)
Comprehensive income attributable to non- controlling interests	—	—

(3) Consolidated statement of changes in equity

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

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,379,569	2,925,782	1,705,371	(104,219)	7,906,504
Changes during period					
Dividends of surplus			(213,939)		(213,939)
Profit attributable to owners of parent			45,293		45,293
Purchase of treasury shares				(11)	(11)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(168,645)	(11)	(168,656)
Balance at end of period	3,379,569	2,925,782	1,536,725	(104,230)	7,737,847

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	184,783	184,783	8,091,287
Changes during period			
Dividends of surplus			(213,939)
Profit attributable to owners of parent			45,293
Purchase of treasury shares			(11)
Net changes in items other than shareholders' equity	75,119	75,119	75,119
Total changes during period	75,119	75,119	(93,536)
Balance at end of period	259,903	259,903	7,997,750

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

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,379,569	2,925,782	1,536,725	(104,230)	7,737,847
Changes during period					
Dividends of surplus			(142,625)		(142,625)
Profit (loss) attributable to owners of parent			(408,659)		(408,659)
Purchase of treasury shares				(49)	(49)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(551,285)	(49)	(551,335)
Balance at end of period	3,379,569	2,925,782	985,440	(104,280)	7,186,512

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	259,903	259,903	7,997,750
Changes during period			
Dividends of surplus			(142,625)
Profit (loss) attributable to owners of parent			(408,659)
Purchase of treasury shares			(49)
Net changes in items other than shareholders' equity	37,601	37,601	37,601
Total changes during period	37,601	37,601	(513,733)
Balance at end of period	297,505	297,505	7,484,017

(4) Consolidated statement of cash flows

(Unit: thousands of yen)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	429,536	(150,029)
Depreciation	527,508	634,532
Amortization of goodwill	18,495	26,648
Impairment losses	—	109,312
Increase (decrease) in allowance for doubtful accounts	(64)	(3,318)
Increase (decrease) in provision for bonuses	(83,018)	(35,156)
Decrease (increase) in net defined benefit asset	11,332	(63,028)
Increase (decrease) in net defined benefit liabilities	—	407
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(87,775)	(4,465)
Interest and dividend income	(7,862)	(19,913)
Rental income	(165,612)	(182,014)
Interest expenses	69,438	68,494
Commission expenses	65,198	9,987
Subsidy income	(4,716)	(62,801)
Loss (gain) on sale of non-current assets	20,054	(77,535)
Loss on retirement of non-current assets	6,386	6,430
Loss (gain) on liquidation of subsidiaries and associates	—	(74,250)
Decrease (increase) in notes and account receivable trade	(39,354)	(601,800)
Decrease (increase) in inventories	(321,406)	512,583
Decrease (increase) in accounts receivable - other	(171,440)	241,588
Increase (decrease) in notes and account payable trade	(35,889)	(146,901)
Increase (decrease) in accounts payable - other	178,981	89,136
Increase (decrease) in advances received	(200,290)	8,627
Other, net	(263,935)	(86,625)
Subtotal	(54,436)	199,906
Interest and dividends received	7,862	19,913
Proceeds from rental income	180,032	183,558
Subsidies received	4,716	62,801
Interest expense paid	(66,468)	(69,110)
Commission expenses paid	(65,198)	(9,987)
Refunded (paid) income taxes	(429,624)	64,788
Net cash provided by (used in) operating activities	(423,115)	451,871

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Payments into time deposits	—	(35,175)
Purchase of property, plant and equipment	(984,043)	(604,683)
Proceeds from sale of property, plant and equipment	6,910	134,981
Payments for retirement of property, plant and equipment	—	(3,300)
Purchase of intangible assets	(16,651)	(22,659)
Purchase of shares of subsidiaries and associates	(38,102)	—
Payments for acquisition of businesses	(30,000)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(37,180)
Other, net	(6,802)	(65,744)
Net Cash provided by (used in) investing activities	(1,068,688)	(633,760)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,469,000	(220,700)
Proceeds from long-term borrowings	2,034,780	1,844,000
Repayments of long-term borrowings	(1,334,731)	(1,236,415)
Redemption of bonds	(100,000)	(27,500)
Purchase of treasury shares	(11)	(49)
Repayments of lease liabilities	(218,466)	(73,419)
Dividends paid	(212,449)	(141,490)
Net cash provided by (used in) financing activities	1,638,122	144,425
Effect of exchange rate change on cash and cash equivalents	71,932	78,535
Net increase (decrease) in cash and cash equivalents	218,251	41,072
Cash and cash equivalents at beginning of period	2,234,708	2,452,960
Cash and cash equivalents at end of period	2,452,960	2,494,032

(5) Notes on consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

(Change in presentation method)

(Related to the consolidated profit and loss and comprehensive income statement)

The “Subsidy income,” which was included under “Other” within “Non-operating income,” will be presented separately starting from the current fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified accordingly.

As a result, in the consolidated income statements and comprehensive income for the previous fiscal year, the amount previously reported as ¥26,550 thousand under “Other” within “Non-operating income” has been reclassified as ¥4,716 thousand under “Subsidy income” and ¥21,833 thousand under “Other.”

(Consolidated statement of cash flows)

Due to increased materiality, “Subsidy income” and “Subsidies received”, previously included under “Profit (loss) before income taxes” within “Cash flows from operating activities,” are now presented separately starting this fiscal year. Accordingly, the prior year’s consolidated financial statements have been reclassified.

As a result, in the previous fiscal year’s consolidated statement of cash flows, the “Cash flows from operating activities” subtotal, originally reported as a decrease of ¥49,719 thousand, has been reclassified as decreases of ¥4,716 thousand and ¥54,436 thousand under “Subsidy income” and “Subtotal,” respectively, and an increase of ¥4,716 thousand under “Subsidies received.”

(Additional information)

(Transactions involving the transfer of company shares to employees through trusts)

To enhance employee motivation and morale toward improving stock prices and business performance, as well as to align their economic interests with those of shareholders, the Company introduced a stock provision trust (J-ESOP) in March 2013. The purpose of this system is to enhance the Company’s long-term corporate value.

Under this system, shares of the Company are granted to employees who have acquired beneficiary rights, in accordance with pre-established stock grant regulations. Employees earn points based on the Company’s performance and individual achievements, and those who meet certain conditions acquire beneficiary rights, allowing them to receive Company shares equivalent to the awarded points. The shares granted to employees are acquired in advance using funds allocated to the trust, including those for future distributions, and are managed separately as trust assets.

Additionally, Company shares remaining in the trust are recorded as treasury shares under net assets at the book value of the trust, excluding incidental costs. The book value and number of treasury shares recorded in the trust were ¥8,686 thousand and 23,300 shares in the previous consolidated fiscal year, and ¥8,686 thousand and 23,300 shares in the current consolidated fiscal year.

(Consolidated income statements of and consolidated comprehensive income)

Impairment losses

For the previous consolidated fiscal year (from April 1, 2022 to March 31, 2023):

Not applicable.

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):

The Group has recorded an impairment loss on the following asset groups.

Location	Applications	Asset category	Impairment loss (thousands of yen)
Kure City, Hiroshima Prefecture	Development and production facilities	Buildings and structures	16,980
		Machinery, equipment, and transportation vehicles	46,946
		Tools, equipment, and fixtures	397
	—	Goodwill	44,987
Total			109,312

Our Group classifies business assets into groups primarily based on management accounting categories. Idle assets and assets scheduled for disposal are grouped separately on an individual basis.

• Development and production facilities and goodwill

Due to slower-than-expected progress compared to the initial business acquisition plan, the recoverability of development and production facilities and goodwill in Kure City, Hiroshima Prefecture, was assessed. As a result, the carrying amount was reduced to its recoverable amount, and an impairment loss was recorded as an extraordinary loss, amounting to ¥64,324 thousand for development and production facilities and ¥44,987 thousand for goodwill.

The recoverable amount was measured based on the net selling value, which was assessed as zero.

(Segment information, etc.)

Segment information

1. Reportable segment

Reportable segments for the Group are components of the Company for which separate financial information is available and which are regularly reviewed by the Board of Directors for resource allocation and performance evaluation. The Group has two reportable segments: Product Business and OEM Business.

The Product Business manufactures and sells polishing-related products, including films, precision cleaning agents, slurries, and polishing equipment.

The OEM Business provides contract processing services, such as coating, converting, and polishing, using customer-supplied materials and leveraging our equipment and expertise.

The Group develops comprehensive strategies and operates within these two segments, which form the basis of our reportable segments.

2. Method of calculation of the amounts of net sales, profit or loss, assets and others by reportable segment

The accounting principles applied to the reported business segments are largely consistent with those described in the “Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements.”

Segment profit is calculated based on operating profit.

3. Amounts of net sales, profit or loss, assets, liabilities, and others by reportable segment and breakdown of revenue

For the previous fiscal year (from April 1, 2022 to March 31, 2023):

(Unit: thousands of yen)

	Reportable segment			Consolidated amount
	Product Business	OEM Business	Total	
Net sales				
Japan	3,482,353	2,045,776	5,528,129	5,528,129
Asia	3,231,239	14,572	3,245,811	3,245,811
North America	1,009,042	15,693	1,024,736	1,024,736
Europe	214,695	4,600	219,295	219,295
Other regions	11,207	—	11,207	11,207
Revenue from contracts with customers	7,948,538	2,080,642	10,029,181	10,029,181
Sales to external customers	7,948,538	2,080,642	10,029,181	10,029,181
Intersegment sales or transfers	—	—	—	—
Total	7,948,538	2,080,642	10,029,181	10,029,181
Segment profit (loss)	753,042	(540,060)	212,982	212,982

(Notes)

1. The total amount of segment profit or loss corresponds to operating profit as reported in the consolidated income statements and comprehensive income.
2. Since the Company manufactures products for each segment using shared facilities, it is not practically feasible to classify assets, liabilities, and other financial items by segment. Additionally, as these classifications are not used by the Board of Directors for decision-making regarding resource allocation or performance evaluation, information on segment-specific assets, liabilities, and other items has been omitted.

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):

(Unit: thousands of yen)

	Reportable segment			Amount reported on consolidated financial statements
	Product Business	OEM Business	Total	
Net sales				
Japan	3,933,755	1,708,534	5,642,290	5,642,290
Asia	2,617,225	810	2,618,035	2,618,035
North America	933,442	23,686	957,129	957,129
Europe	125,804	2,759	128,564	128,564
Other regions	8,176	—	8,176	8,176
Revenue from contracts with customers	7,618,404	1,735,791	9,354,195	9,354,195
Sales to external customers	7,618,404	1,735,791	9,354,195	9,354,195
Intersegment sales or transfers	—	—	—	—
Total	7,618,404	1,735,791	9,354,195	9,354,195
Segment loss	(75,791)	(366,479)	(442,270)	(442,270)

(Notes)

1. The total amount of segment loss corresponds to operating profit as reported in the consolidated income statements and comprehensive income.
2. Since the Company manufactures products for each segment using shared facilities, it is not practically feasible to classify assets, liabilities, and other financial items by segment. Additionally, as these classifications are not used by the Board of Directors for decision-making regarding resource allocation or performance evaluation, information on segment-specific assets, liabilities, and other items has been omitted.

(Relevant information)

For the previous consolidated fiscal year (from April 1, 2022 to March 31, 2023):

1. Information by product and service

This section has been omitted as similar information is disclosed in the segment information.

2. Geographical information

(1) Net sales

(Unit: thousands of yen)

	Japan	Other	Total
Net sales	5,528,129	4,501,051	10,029,181

(Note) Net sales are classified by country or region based on the location of the customers.

(2) Property, plant and equipment

This information has been omitted as property, plant and equipment located in Japan account for more than 90% of the total property, plant and equipment reported in the consolidated balance sheet.

3. Information by major customers

(Unit: thousands of yen)

Name of customer	Net sales	Related segment
Dexerials Corporation	1,383,271	OEM

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):

1. Information by product and service

This information is omitted as it is disclosed in the segment information.

2. Information by region

(1) Net sales

(Unit: thousands of yen)

	Japan	Other	Total
Net sales	5,642,290	3,711,905	9,354,195

(Note) Net sales are classified by country or region based on the location of the customers.

(2) Property, plant and equipment

This information has been omitted as property, plant and equipment located in Japan account for more than 90% of the total property, plant and equipment reported in the consolidated balance sheet.

3. Information by major customers

No disclosure is provided as there are no customers accounting for 10% or more of net sales in the consolidated statement of income and comprehensive income.

(Information on impairment loss of non-current assets by reportable segment)

For the previous consolidated fiscal year (from April 1, 2022 to March 31, 2023):
Not applicable.

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):

(Unit: thousands of yen)

	Reportable segment			Corporate/Eliminations	Total
	Product Business	OEM Business	Total		
Impairment losses	109,312	—	109,312	—	109,312

(Information on amortization and unamortized balance of goodwill by reportable segment)

For the previous consolidated fiscal year (from April 1, 2022 to March 31, 2023):

(Unit: thousands of yen)

	Reportable segment			Corporate/Eliminations	Total
	Product Business	OEM Business	Total		
Amortization	18,495	—	18,495	—	18,495
Balance at end of period	92,483	—	92,483	—	92,483

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):

(Unit: thousands of yen)

	Reportable Segment			Corporate/Eliminations	Total
	Product Business	OEM Business	Total		
Amortization	23,995	2,653	26,648	—	26,648
Balance at end of period	23,500	29,189	52,689	—	52,689

(Note) An impairment loss of ¥44,987 thousand on goodwill has been recorded for the Product Business segment.

(Information on negative goodwill occurrences by reportable segment)

For the previous consolidated fiscal year (from April 1, 2022 to March 31, 2023):
Not applicable.

For the current consolidated fiscal year (from April 1, 2023 to March 31, 2024):
Not applicable.

(Per share information)

(Unit: yen)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	561.67	525.59
Basic earnings (loss) per share	3.18	(28.70)

(Notes)

1. Diluted earnings per share for the previous fiscal year have not been presented as there were no dilutive shares. Similarly, diluted earnings per share for the current fiscal year have not been presented, as there was a net loss per share and no dilutive shares.
2. The basis for calculating earnings (loss) per share is as follows.

Item	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Basic earnings (loss) per share for the period		
Earnings (loss) attributable to owners of parent (thousands of yen)	45,293	(408,659)
Amount not attributable to common stockholders (thousands of yen)	—	—
Earnings (loss) attributable to owners of parent related to common stock (thousands of yen)	45,293	(408,659)
Average number of shares of common shares outstanding during the period (shares)	14,239,299	14,239,248

3. Treasury shares held in the trust, recorded under shareholders' equity, are included in the number of treasury shares deducted from the weighted average number of shares outstanding for the calculation of earnings per share and are also included in the number of treasury shares deducted from the total number of shares outstanding for the calculation of net assets per share at the conclusion of the fiscal year.
The number of treasury shares deducted was 23,300 for the previous consolidated fiscal year and 23,300 for the current consolidated fiscal year. Therefore, when calculating the net assets per share, the number of treasury shares deducted for the previous consolidated fiscal year was 23,300 and 23,300 for the current consolidated fiscal year.

(Significant subsequent events)

Not applicable.