

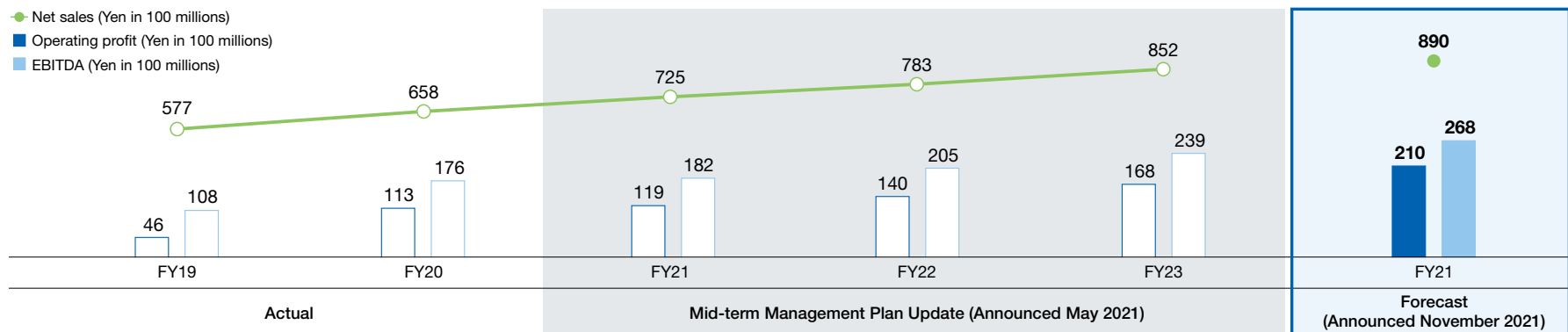
“Challenges for Evolution” Update

The Company formulated and announced the 5-year Mid-term Management Plan, “Challenges for Evolution,” in April 2019. This fiscal year, the third year of the plan, in light of the progress made in the Company’s performance and changes in the business and external environment, we have updated the plan, while maintaining the basic policies.

We will strive to further enhance its earning power as well as to lay the foundations for the next Mid-term Management Plan, with the aim of sustainable growth and enhancement of corporate value.

“Accelerating Toward Evolution”

1 Review of fiscal 2021 earnings forecast due to changes in the business environment



Based on the three basic policies, “accelerate business growth in new domains,” “qualitatively change businesses in the existing domains,” and “strengthen the management base” set in the Mid-term Management Plan “Challenges for Evolution” announced in 2019, we have steadily implemented measures to enhance corporate value. In the process, the individual initiatives have achieved results, and we achieved the initial targets for fiscal 2023, the final year of the Mid-term Management Plan, ahead of the initial plan. For this reason, in May 2021, we updated the Mid-term Management Plan and decided to make a transition to a new growth stage to introduce EBITDA and ROIC as a new corporate management indicators. After

announcing the updated Mid-term Management Plan, recognition and demand for our differentiating technology products continued to grow. Therefore, we upwardly revised our fiscal 2021 earnings forecast again in November 2021.

We will continue to maximize our “earning power” through resolving social issues to achieve the enhancement of sustainable corporate value.

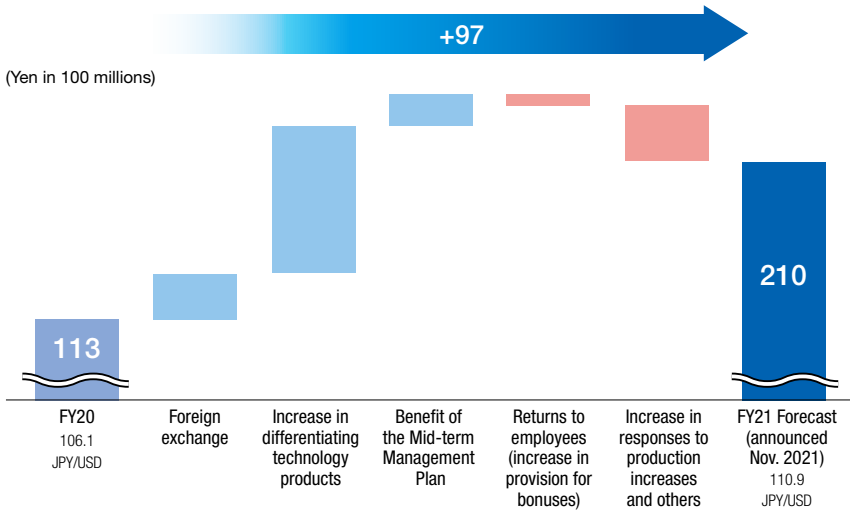
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2 Measures to accelerate growth

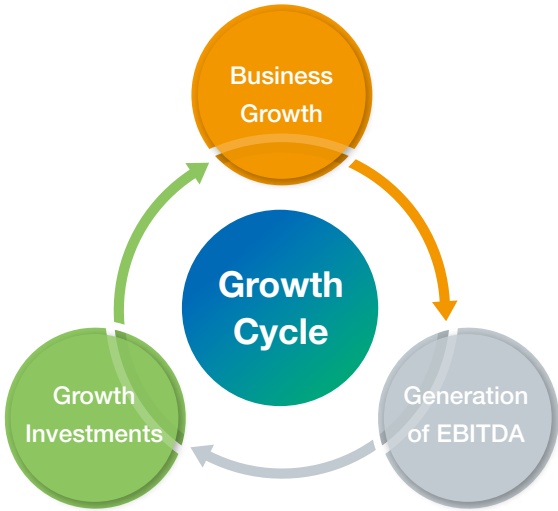
We will continue to move forward the Mid-term Management Plan with “accelerate business growth in new domains,” “qualitatively change businesses in the existing domains,” and “strengthen management base” as the three basic policies.

- 1 Accelerate business growth in new domains
Promote full-scale growth of automotive business
- 2 Qualitatively change businesses in the existing domains
Improve our earning strength through investment in production increases and the launches of new products
- 3 Strengthen the management base
Take on challenge for change to build a new corporate image – a company thriving together with all of our stakeholders (ESG, DX, BCP)

Trends in operating profit (FY20 → FY21)



In terms of the factors behind the continuing increase in revenue and profits since fiscal 2020, while there were external impacts such as the sharp increase in demand for mobile IT equipment accompanying lifestyle changes brought about by COVID-19, more importantly, our own initiatives to expand our high value-added products have proved successful. Differentiating technology products that match technological trends in broader society have entered the reward-reaping stage, and this has driven the enhancement of our earning strength. With this enhancement of earning power, we have conducted returns to employees and shareholders, while at the same time making proper investments for our next growth, in an aim to evolve into a corporate structure that will achieve sustainable growth. This cycle toward growth is starting now, and “evolution” that we continued our challenges is about to begin at an accelerating pace.



In the three years from fiscal 2021 to fiscal 2023, while conducting the necessary investments to strive for business growth, we will strengthen our management base for the future and implement measures for evolution. In doing so, we have positioned those three years as a time to “build a base for sustainable growth and enhancement of corporate value.” Specifically, through vigorous investments in production increases of anti-reflection film and surface mounted type fuses, we will expand our supply capacity for differentiating technology products to meet the predicted increase in demand, in our efforts to realize steady business growth.

In addition, for the further enhancement of shareholder returns, we have decided to increase our cash dividends and acquire treasury stock.

“Accelerating Toward Evolution”

1 Conduct capital investments to expand production systems for anti-reflection film.

In November 2021, we decided to expand our production systems for anti-reflection film by introducing anti-reflection film manufacturing equipment at the Headquarters and Tochigi Technology Center, at a total investment of approximately 80 million yen. This equipment is ideal for the manufacture of anti-reflection film for automotive in-vehicle displays and next-generation mobile IT products. Once mass production starts, our production capacity for anti-reflection film will be approximately 1.5 times the current capacity.

Our anti-reflection film realizes excellent low-reflectance performance using sputtering technology* to form metal oxide film with nano-scale precision. The adoption of these films is spreading to in-vehicle displays and mobile IT products. In order to respond to these demands, we had planned to invest in production increases of anti-reflection film in fiscal 2023 and begin mass production in fiscal 2024, but having made steady progress in winning new orders, we anticipate that demand will exceed our initial plan. In light of this situation, we have decided to advance our plans by a year and bring the capital investment forward so we can start operating the equipment from April 2023.

The manufacturing equipment to be introduced is able to produce cutting-edge anti-reflection film of high quality with high efficiency. By introducing equipment that forms an anti-smudge layer on the top surface by the vacuum deposition method and designing equipment that is able to form the anti-reflection layer and anti-smudge layer consistently, more efficient manufacture of the “HD Series” of anti-reflection films will be possible. We will primarily pursue its adoption for in-vehicle displays, which demand high durability, and next-generation mobile IT products, with the aim of expanding our customer base.



*Sputtering technology: a technology that forms a film by crashing the target material into ionized argon gas and depositing the atoms that spring out onto the target substrate in a vacuum environment. It is also used in the manufacture of semiconductor chips.

2 Further enhancement of shareholder returns

With a recognition that increasing corporate value through investments for growth is the common interest of our shareholders, we have established a basic policy that we should first give priority to business investments leading to sustainable improvement of corporate value and then make shareholder returns in line with profit growth with the target total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill of approximately 40%. In fiscal 2021, in light of the revision of our full-year results forecasts and due to the improvement of our “earning power,” we have decided to increase our interim dividend and forecast year-end dividend by 1 yen per share each from 29 yen to 30 yen per share. This will bring the annual dividend to 60 yen per share.

Furthermore, in response to the recent changes in the management environment, to enhance corporate value through the execution of flexible capital policies, we decided to acquire treasury stock up to a limit of a total acquisition value of 30 million yen or 2.34% of issued shares. Together with the cash dividends described above, the total payout ratio before amortization of goodwill in fiscal 2021 is expected to be 46.3%.

Trends in annual dividends and total payout ratios

