

February 17, 2022

Company Name:	Dexerials Corporation
Security Code:	4980
Listing:	First Section, Tokyo Stock Exchange
Representative:	Yoshihisa Shinya, Representative Director and President
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Notice Concerning Acquisition of Shares of Kyoto Semiconductor Co., Ltd. (to Make It a Subsidiary)

Dexerials Corporation (“Dexerials”) hereby announces that it has resolved, at a meeting of the Board of Directors held on February 17, 2022, to acquire the shares of Kyoto Semiconductor Co., Ltd. (“Kyoto Semiconductor”) co-investing with Development Bank of Japan Inc. (“DBJ”) and make it a subsidiary (“the Transaction”) as follows.

In relation to the above, Dexerials signed share purchase agreement with iSigma Business Advancement Fund II Investment LLP (“the Seller”) today to acquire all the shares of Kyoto Semiconductor on March 24, 2022 (“the Closing Date”). At the same time, Dexerials also signed share purchase agreement and shareholders agreement with DBJ today to transfer a portion of the acquired shares to DBJ on the Closing Date.

After the Transaction, 81.1% of the shares of Kyoto Semiconductor will be held by Dexerials and 18.9% of the shares will be held by DBJ, and Kyoto Semiconductor will be a consolidated subsidiary of Dexerials.

1. Reason for acquisition of shares

Dexerials develops, manufactures, and sells state-of-the-art materials, technology and devices that are indispensable for electronics products and automobiles increasingly making use of electronic components. Building on fundamental technologies such as material and process technologies, Dexerials develops and offers high value-added products, by rapidly identifying changing market needs and challenges through approaching both direct customers who use the products of Dexerials and end users who manufacture the final products, based on a solution-oriented business model that anticipates technological trends and by providing solutions that match those trends. As society generally moves toward digitalization, Dexerials seeks to solve social issues based on digital technology, under its corporate vision: “Value Matters Unprecedented innovation, Unprecedented value.” Specifically, Dexerials aims to contribute to solving social issues and achieve sustained growth by offering cutting-edge technological solutions, materials and devices to society in new fields, leveraging its unique business models, technology, and other assets.

Meanwhile, Kyoto Semiconductor develops, manufactures, and sells optical semiconductor devices and modules using chemical compounds. Using its custom-built technologies, it offers a group of products in the optical transmission devices market for mobile telecommunications network base stations, data centers and other fields that are indispensable for digitalization in the future, as well as in the sensing devices market for a wide range of IoT fields such as factory automation and measuring equipment.

Both Kyoto Semiconductor and Dexerials have independently established since their founding sophisticated development and manufacturing technologies, know-how, customization capabilities, customer responsiveness and other elements that ensure their competitive superiority. At the same time, the two companies have a complementary relationship with each other in certain technological fields, as Kyoto Semiconductor has semiconductor design technology and Dexerials possesses microfabrication technology. The optimal use of the managerial resources of the two companies is expected to enable not only the joint development and the launch of new products and technologies in the high-speed communication and sensing fields where market growth is anticipated in the future, but also the creation of synergies across a range of areas not limited to semiconductors, such as the expansion of the customer base through the shared use of the sales channels of the two companies. Judging that collaboration with Kyoto Semiconductor will lead to the business growth of both companies, Dexerials decided to acquire shares of Kyoto Semiconductor’s stock to make it a subsidiary of Dexerials.

Dexerials, in the high-speed communications and sensing fields where market growth is anticipated in the future, will combine the technological capabilities of the two companies and providing new technologies and products, to contribute not only for business growth, but also to the digitization of society and the resolution of social issues.

2. Overview of the subsidiary (Kyoto Semiconductor Co., Ltd.) subject to change

(1)	Name	Kyoto Semiconductor Co., Ltd.		
(2)	Location	307-21, Nishiote-cho, Fushimi-ku, Kyoto		
(3)	Job title and name of representative	President and CEO, Tsuneo Takahashi		
(4)	Description of business	Research and Development, Manufacturing and sales of opto semiconductor devices including opto semiconductor elements and optical and opto sensors, optical communication-use devices, and other semiconductor-related products.		
(5)	Share capital	310 million JPY		
(6)	Date of establishment	May 24, 2016		
(7)	Major shareholders and ownership ratios	Seller 99.4% iSigma BAF Officers and Employee Fund No. 6 LLP 0.6% (Note)		
(8)	Relationship between the Company and said company	Capital relationship	Not applicable	
		Personnel relationship	Not applicable	
		Business relationship	Not applicable	
(9)	Consolidated operating results and consolidated financial positions of the subsidiary for the last three years			
	As of / Fiscal year ended	March 31, 2019	March 31, 2020	March 31, 2021
	Consolidated Net Assets	2,297 mil JPY	2,458 mil JPY	2,730 mil JPY
	Consolidated Total Assets	4,668 mil JPY	4,570 mil JPY	6,261 mil JPY
	Consolidated Net Assets per Share	13,163 JPY	14,086 JPY	15,645 JPY
	Consolidated Sales	3,444 mil JPY	3,191 mil JPY	3,492 mil JPY
	Consolidated Operating Profit	416 mil JPY	263 mil JPY	384 mil JPY
	Consolidated Ordinary Profit	-	-	-
	Profit Attributable to Owners of Parent	198 mil JPY	158 mil JPY	268 mil JPY
	Consolidated Earnings per Share	1,135 JPY	905 JPY	1,536 JPY
	Dividend per Share	-	-	-

(Note) The 0.6% of shares in Kyoto Semiconductor held by iSigma BAF Officers and Employee Fund No. 6 LLP will be acquired by the Seller by the Closing Date and then transferred to Dexerials on the Closing Date.

(Note) Since Kyoto Semiconductor prepares the consolidated financial statements based on IFRS, the figures corresponding to “consolidated ordinary profit” are not applicable. Therefore, “consolidated ordinary profit” is not included in the above columns.

3. Overview of the counterparty to the acquisition of shares

(1)	Name	iSigma Business Advancement Fund II Investment LLP
(2)	Location	1-5-1, Otemachi, Chiyoda-ku, Tokyo

(3)	Basis of establishment, etc.	An investment limited partnership under the Limited Partnership Act for Investment	
(4)	Purpose of formation	To maximize limited partners' assets through the improvement in the corporate value of the investee companies	
(5)	Date of formation	July 31, 2013	
(6)	Total amount of capital contribution	20.3 billion JPY	
(7)	Investors, investment ratio, and overview of investors	Domestic financial institutions etc. (Information not available due to non-disclosure matters)	
(8)	Overview of operating partners	Name	iSigma Partners Corporation
		Location	1-5-1, Otemachi, Chiyoda-ku, Tokyo
		Job title and name of representative	CEO & Representative Director, Akihiko Watanabe
		Description of business	Private equity investments, etc. and related services
		Share capital	150 million JPY
(9)	Relationship between the Company and the fund	Relationship between the Company and said fund	Not applicable
		Relationship between the Company and operating partners	Not applicable

4. Number of shares acquired, acquisition costs, and shareholding before and after acquisition

(1)	Number of shares held before the change	0 shares (Number of voting rights: 0 units) (Ratio of voting rights held: 0%)
(2)	Number of shares to be acquired	147,772 shares (Number of voting rights: 147,772 units)
(3)	Acquisition costs	Total amount of 8.8 billion JPY (Approximate amount) (Inclusive of advisory fees, etc.)
(4)	Number of shares held after the change	147,772 shares (Number of voting rights: 147,772 units) (Ratio of voting rights held: 81.1%)

(Note) While the number of the outstanding shares of Kyoto Semiconductor is 174,500 as of today, the exercise of the stock option (series 2, 3 and 4) issued by Kyoto Semiconductor (the "Stock Option") by the Closing Date is to be allowed. If all the Stock Option are exercised, the total number of the outstanding shares of Kyoto Semiconductor will increase to 182,284. All the shares issued upon the exercise of the Stock Option will be transferred to the Seller by the Closing Date and then will be transferred to Dexerials on the Closing Date.

(Note) On the Closing Date, Dexerials will acquire all the shares of Kyoto Semiconductor as of the Closing Date (as mentioned, inclusive of the shares issued upon the exercise of the Stock Option) from the Seller in accordance with share purchase agreement with the Seller and, immediately afterwards, will transfer a portion of the acquired shares (34,512 shares) to DBJ in accordance with share purchase agreement with DBJ. As such, "Number of shares to be acquired", "Acquisition costs" and "Number of shares held after the change" described above are based on the maximum number of shares to be held by Dexerials after all of these transactions are completed.

5. Timetable

(1)	Date of resolution at the meeting of the Board of Directors	February 17, 2022
(2)	Date of conclusion of the agreement	February 17, 2022
(3)	Closing Date	March 24, 2022 (scheduled)

6. Future outlook

The effect of the Transaction on consolidated operating results of Dexerials for the fiscal year ending March 31, 2022 is expected to be immaterial. In the event that any matters arise that require an announcement, such matters will be promptly disclosed.