Dexerials

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 〔Under Japanese GAAP〕

May 10, 2021

Company name:	Dexerials Corporation	Listing:	Tokyo Stock Exchange
Security code:	4980	URL:	https://www.dexerials.jp/en
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Date of annual general meeting of shareholders:	June 18, 2021
Date of payment of year-end dividends:	June 21, 2021
Annual Securities Report (*Yukashoken Hokokusho*) filing date:	June 18, 2021
Preparation of supplementary briefing material on financial results:	Yes
Investors meeting presentation for financial results:	Yes (for securities analysts and institutional investors)

(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	65,830	14.1	11,339	145.6	10,844	146.8	5,329	94.9
March 31, 2020	57,710	(4.7)	4,617	24.0	4,393	12.6	2,734	19.7

Note: Comprehensive income
For the fiscal year ended March 31, 2021: ¥5,977 million [156.7%]
For the fiscal year ended March 31, 2020: ¥2,328 million [46.6%]

Note: EBITDA
For the fiscal year ended March 31, 2021: ¥17,590 million [63.1%]
For the fiscal year ended March 31, 2020: ¥10,786 million [11.4%]

	Basic earnings per share	Diluted earnings per share	Return on capital	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2021	87.60	87.06	10.4	12.0	17.2
March 31, 2020	45.05	44.83	5.5	5.1	8.0

Reference: Share of profit or loss of entities accounted for using equity method
For the fiscal year ended March 31, 2021: ¥(207) million
For the fiscal year ended March 31, 2020: ¥(261) million

Note: For the purpose of calculating the amounts of earnings per share, the number of shares of the Company held by the Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.

(2) Consolidated financial position

	Total assets	Net assets	Capital to asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2021	95,201	53,305	56.0	874.66
March 31, 2020	86,279	49,567	57.5	814.68

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income)
As of March 31, 2021: ¥53,305 million As of March 31, 2020: ¥49,567 million

Note: For the purpose of calculating the amounts of net assets per share, the number of shares of the Company held by the Trust was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the period.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	13,187	(2,471)	(4,259)	20,531
March 31, 2020	9,656	(3,891)	(3,600)	13,779

2. Dividends

	Cash dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2020	–	17.00	–	17.00	34.00	2,173	75.6	4.2
March 31, 2021	–	17.00	–	27.00	44.00	2,824	50.3	5.2
Fiscal year ending March 31, 2022 (forecast)	–	29.00	–	29.00	58.00		50.5	

Reference: Dividend payout ratio (consolidated) before amortization of goodwill
Fiscal year ending March 31, 2022 (forecast): 40.2% (For more details, please see page 6 of the Attached Materials.)

Notes: 1. For the year-end dividends for the fiscal year ended March 31, 2021, please refer to "Notice Regarding Distribution of Dividends from Surplus (Dividend Increase)" released on May 10, 2021.
2. The amounts of total dividends (annual) include the dividends (of ¥106 million for the fiscal year ended March 31, 2020 and ¥145 million for the fiscal year ended March 31, 2021) for the shares of the Company held by the Trust.
3. For the purpose of calculating the amounts of dividend on equity for the fiscal years ended March 31, 2020 and 2021, the number of shares of the Company held by the Trust was included in the number of treasury shares.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	72,500	10.1	11,900	4.9	11,800	8.8	7,000	31.3	115.05

Notes: For the purpose of calculating the amount of basic earnings per share, the number of shares of the Company held by the Trust as at the end of the fiscal year ended March 31, 2021 was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.

For more information on the consolidated financial results for the fiscal year ended March 31, 2021, please refer to the supplementary briefing material on financial results, Annual Securities Report (available in Japanese only) to be filed on June 18, 2021 and other materials, which you can find on our website at https://www.dexerials.jp/en/ir/library/index.html.

[Notes]

(1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements

(a) Changes in accounting policies due to application of new or revised accounting standards: None
(b) Changes in accounting policies due to reasons other than above (a): None
(c) Changes in accounting estimates: None
(d) Restatements of prior period financial statements: None

(3) Number of shares of common stock issued

(a) Number of shares issued (including treasury shares)
As of March 31, 2021: 64,276,700 shares
As of March 31, 2020: 63,973,800 shares

(b) Number of treasury shares
As of March 31, 2021: 3,332,948 shares
As of March 31, 2020: 3,131,103 shares

(c) Average number of shares of common stock during the period
Fiscal year ended March 31, 2021: 60,838,156 shares
Fiscal year ended March 31, 2020: 60,707,500 shares

Notes: 1. As a result of the exercise of stock options during the fiscal year ended March 31, 2021, the number of shares issued as of March 31, 2021 has increased by 302,900 shares.
2. As the Company has introduced a restricted stock compensation plan which allots shares with transfer restrictions, it repurchased treasury shares during the fiscal year ended March 31, 2021 (293,800 shares as of March 31, 2021) primarily for the purpose of allotting them as restricted shares.
3. As the Company has introduced an Employee Stock Ownership Plan ("J-ESOP") and a Board Benefit Trust (BBT), the number of shares of the Company held by the Trust was included in the number of treasury shares as of March 31, 2020 and 2021. In addition, the number of shares of the Company held by the Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period (3,250,499 shares as of March 31, 2021 and 3,168,980 shares as of March 31, 2020).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	60,580	16.1	9,139	236.6	11,207	196.5	6,253	156.9
March 31, 2020	52,181	(3.6)	2,715	32.1	3,780	11.1	2,434	13.5

(2) Non-consolidated financial position

	Total assets	Net assets	Capital to asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2021	88,052	46,166	52.4
March 31, 2020	80,563	42,895	53.2

Reference: Capital (Shareholders' equity + Valuation and translation adjustments)
As of March 31, 2021: ¥46,166 million As of March 31, 2020: ¥42,895 million

* This financial results report is not subject to audit procedures to be performed by certified public accountants or an audit firm.

* [Proper use of earning forecasts, and other special notes]
(Disclaimer with respect to earnings and other forecasts)
The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors.

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1. Overview of Operating Results, etc.

(1) Analysis of operating results

(Operating results for the current fiscal year)

During the current fiscal year (from April 1, 2020 to March 31, 2021), the global economy was hugely impacted by the worldwide expansion of the novel coronavirus (COVID-19) pandemic. China leads the other countries in bringing economic activity back to normal, whereas mainly Europe suffered hindered economic activity due to a rebound of infection cases. Japan has also been trying to bring economy back to normal, and yet continues to be concerned lately about the possible returning economic stagnation. In addition, with other geopolitical risks in the world still existing, including the conflict between the U.S. and China, and currency movement continuing to be unstable, the situation remains to be unpredictable.

Among major industries served by the products of the Dexerials Group (hereinafter "the Group"), specifically in the consumer IT product market, 5G smartphone market has expanded while the whole smartphone market continued to be sluggish. Demand for laptop PCs and tablets grew globally due to the behavioral changes in people's lives and accelerated digitalization, caused by COVID-19.

In this business environment, the Group endeavored to prevent further spread of infection, prioritizing health and safety of its stakeholders including employees and customers, as well as to stay in business and continued to meet its customers' demand all through the year. Furthermore, the Group strove towards the accomplishment of the Mid-term Management Plan. In a new domain, the Group made efforts to expand its products of the automotive business. In the existing domain, the Group strove to reinforce business portfolio by reappraising its businesses, and for businesses to be continued, implemented plans to strengthen competitiveness and to improve productivity of differentiating technology products, as well as to enhance efficiency for certain products by integrating their production globally.

As a result, sales of differentiating technology products such as optical films, anisotropic conductive films (ACF), and surface mounted type fuses increased year-on-year. Furthermore, productivity of optical film and anisotropic conductive film (ACF) improved.

Consequently, we reported net sales for the current fiscal year of ¥65,830 million (up 14.1% year-on-year) with operating profit of ¥11,339 million (up 145.6% year-on-year).

Ordinary profit was ¥10,844 million (up 146.8% year-on-year) primarily due to recognition of share of loss of entities accounted for using equity method of ¥207 million.

Profit before income taxes was ¥7,696 million (up 79.1% year-on-year) primarily due to recognition of impairment loss on certain businesses and restructuring expenses as extraordinary losses. Consequently, profit attributable to owners of parent amounted to ¥5,329 million (up 94.9% year-on-year).

Operating results by segment and sales by product category are presented as follows.

1) Optical Materials and Components business

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Year-on-year change
Net sales	28,165	23,624	19.2 %
Operating profit	6,278	1,832	242.7 %

(Note) Net sales include inter-segment transactions.

- The business segment reported net sales of ¥28,165 million (up 19.2% year-on-year) and operating profit of ¥6,278 million (up 242.7% year-on-year).
- **The Optical films product category** reported year-on-year increases in both sales and profit because of an increase in quantity of the products sold for laptop PC displays and in-vehicle displays on top of improved productivity.
- **The Optical resin materials product category** reported a year-on-year increase in sales and profit mainly due to expansion of the products for tablets in optical elastic resins and an increase in quantity of the products sold for smartphones for major customers in smart precision adhesives (SA).
- **The Optical solutions product category** reported a year-on-year decrease in sales, as the in-vehicle display business was negatively affected by the influence of the automotive market's slowdown, terminated production of existing projects, and

changes in certain commercial distributions.

2) Electronic Materials and Components business

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Year-on-year change
Net sales	37,801	34,226	10.4 %
Operating profit	6,858	4,583	49.6 %

(Note) Net sales include inter-segment transactions.

- The business segment reported net sales of ¥37,801 million (up 10.4% year-on-year) and operating profit of ¥6,858 million (up 49.6% year-on-year).
- **The Adhesive materials product category** reported a year-on-year increase in sales mainly due to an increase in quantity of general-purpose items against the backdrop of increased demand for laptop PCs, while profit decreased year-on-year as sales of thermal conductive sheets for smartphones declined.
- **The Anisotropic conductive films (ACF) product category** reported year-on-year increases in both sales and profit because of the increase of the products for laptop PCs, tablets, and TV sets as well as the expanding demand for particle-arrayed anisotropic conductive films (ACF) for smartphone applications especially with high-end models, on top of improved productivity.
- **The Surface mounted type fuses product category** reported year-on-year increases in both sales and profit due to the increase in quantity of the products for gardening equipment, power tools, and laptop PCs.
- **The Micro devices product category** reported year-on-year decreases in both sales and profit, which were affected by sluggish sales of projectors under the influence of COVID-19.

(Earnings forecast for the next fiscal year)

Consolidated earnings forecasts for the fiscal year ending March 31, 2022 are presented as follows.

Consolidated earnings forecasts for the fiscal year ending March 31, 2022

(Millions of yen)

	Fiscal year ended March 31, 2021 (Actual)	Fiscal year ending March 31, 2022 (Forecast)	Year-on-year change
Consolidated net sales	65,830	72,500	10.1%
Operating profit	11,339	11,900	4.9%
Ordinary profit	10,844	11,800	8.8%
Profit attributable to owners of parent	5,329	7,000	31.3%

(These forecasts are based on the assumed exchange rate of ¥105 per U.S. dollar.)

For the fiscal year ending March 31, 2022, we consider that, with the ongoing impact of COVID-19 extending to demand for final products, the economy will shift towards recovery driven by the revitalized Chinese economy and resumed domestic economic activity, although we also anticipate the economy would remain uncertain with concerns such as global shortage of semiconductor, the impact of trade friction between the U.S. and China, and a rebound of infection cases as well as prolonged epidemic inside and outside of the country. The assumed exchange rate for the next fiscal year is ¥105 per U.S. dollar, compared to the actual exchange rate of ¥106.1 per U.S. dollar for the current fiscal year.

Under the said circumstances, the Group aims to achieve the above earnings forecasts, in line with the policies of updated Mid-term Management Plan released on May 10, 2021. Specifically, in the existing domains, we will seek to grow business by making investments for increased production to meet growing demand for differentiating technology products as well as by promoting efficiency of production, while in the automotive businesses, prioritized as a new domain, we will strive to expand business by increasing the number of adoptions for anti-reflection films.

(Disclaimer with respect to earnings forecasts)

The forward-looking statements including earnings forecast contained in this report are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors.

(2) Analysis of financial position

1) Summary of assets, liabilities and net assets

(Assets)

Total assets at the end of the current fiscal year amounted to ¥95,201 million, an increase of ¥8,922 million from the end of the previous fiscal year.

Current assets amounted to ¥43,259 million, an increase of ¥11,792 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥6,751 million in cash and deposits, ¥3,021 million in notes and accounts receivable - trade, ¥749 in raw materials and supplies, and ¥672 in merchandise and finished goods.

Non-current assets amounted to ¥51,942 million, a decrease of ¥2,870 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥1,796 million in goodwill, ¥1,697 million in machinery, equipment and vehicles, net, and ¥902 million in buildings and structures, net, which were partially offset by an increase of ¥1,264 million in retirement benefit asset.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to ¥41,896 million, an increase of ¥5,184 million from the end of the previous fiscal year.

Current liabilities amounted to ¥25,552 million, an increase of ¥9,797 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥2,682 million in notes and accounts payable - trade, ¥1,830 million in current portion of long-term borrowings, ¥1,494 million in accounts payable - other, and ¥1,374 million in other.

Non-current liabilities amounted to ¥16,344 million, a decrease of ¥4,612 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥3,677 million in long-term borrowings and ¥884 million in retirement benefit liability.

(Net assets)

Total nets assets at the end of the current fiscal year amounted to ¥53,305 million, an increase of ¥3,737 million from the end of the previous fiscal year. This increase can mainly be explained by increases of ¥3,155 million in retained earnings, ¥741 million in remeasurements of defined benefit plans, and ¥648 million in foreign currency translation adjustment, which were partially offset by a decrease of ¥742 million in deferred gains or losses on hedges.

2) Summary of cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the current fiscal year increased ¥6,751 million from the end of the previous fiscal year to ¥20,531 million.

A summary of each category of cash flows and main causes of changes are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥13,187 million (up 36.6% year-on-year), which mainly consisted of profit before income taxes of ¥7,696 million and depreciation of ¥4,674 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,471 million (down 36.5% year-on-year) due mainly to purchase of property, plant and equipment of ¥2,383 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,259 million (up 18.3% year-on-year) due mainly to repayments of long-term borrowings of ¥7,847 million.

(3) Basic policy for profit distribution and dividends for the current and next fiscal years

We regard return of profits to shareholders as one of the most important management tasks. With a recognition that increasing corporate value through investments for growth is the common interests of our shareholders, we have established a basic policy that we should first give priority to business investments leading to sustainable corporate value improvement and then make shareholder returns in line with profit growth with the target total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill (See Note 1) of approximately 40%.

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

As for year-end dividends for the fiscal year ended March 31, 2021, the Board of Directors meeting held on May 10, 2021 resolved to pay 27.0 yen per share in addition to the interim dividend of 17.0 yen per share already paid, resulting in the total annual dividend of 44.0 yen per share (compared to 34.0 yen per share for the previous fiscal year). For more information, please refer to “Notice of Dividends from Surplus (Dividend Increase)” released on May 10, 2021.

Regarding the profit distribution for the next fiscal year ending March 31, 2022, we will follow the above basic policy and plan to pay the annual ordinary dividends of 58.0 yen per share (consisting of an interim dividend of 29.0 yen per share and a year-end dividend of 29.0 yen per share).

As a basic policy for dividend payment from surplus, we will pay dividends twice a year in the form of an interim dividend and a year-end dividend. While it is stipulated in accordance with Article 459, Section 1 of the Companies Act that the Company can pay dividends from retained earnings based on resolution of the Board of Directors, the Company plans to pay a year-end dividend based on a resolution of the general meeting of shareholders.

(Reference) Distribution of profit

	Total payout ratio	
	Before amortization of goodwill	After amortization of goodwill
Current fiscal year ended March 31, 2021 (actual)	42.2%	56.5%
Next fiscal year ending March 31, 2022 (forecast)	40.2%	50.5%

(Note 1) Total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill

$$= \frac{\text{Total payout amount (=Annual total dividends paid +Annual total share buyback)}}{\text{Consolidated profit attributable to owners of parent + Amortization of goodwill}} \times 100$$

(Note 2) Free cash flow = Operating cash flow + Investing cash flow

(4) Management policy

1) Basic policy for corporate management

Corporate philosophy

"Integrity: Have Integrity and Sincerity"

Under the corporate philosophy "Integrity: Have Integrity and Sincerity," the Company strives to address its customers' needs and challenges, generate value that exceeds their expectations, and resolve social issues through developing and providing innovative functional materials and technological solutions with a combination of outstanding and unique technologies. The Company believes that this will realize sustainable business growth and improvement in business results, thereby leading to the enhancement of corporate value as a result.

Corporate vision

"Value Matters—Unprecedented innovation, unprecedented value."

The Company fulfills its customers' needs and resolves their challenges, constantly aiming to generate values that exceed its customers' expectations with unique and innovative technologies to develop and provide sophisticated functional materials. The Company believes that this will realize business growth and improvement in business results, leading to the enhancement of corporate value as a result.

With this vision in mind, we aim to be a "company that achieves sustainable growth by addressing social issues through the delivery of high value-added products and technological solutions."

2) Medium to long-term corporate strategy

Toward the corporate image to be built up over a long period, the Company has formulated the Mid-term Management Plan "Challenges for Evolution" covering the five-year period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024, which is positioned as a phase to ensure a sustainable growth through business expansion in new domains where social issues have surfaced. We are proud to acknowledge that, during the fiscal year ended March 31, 2021, the second fiscal year of the Mid-term Management Plan, we achieved the operating profit target of ¥10.0 billion for the last fiscal year, one of the management targets of the Mid-term Management Plan, three years earlier than expected. Accordingly, the updated Mid-term Management Plan was released on May 10, 2021 to seek further growth.

The Company positions the renewed Mid-term Management Plan as a plan to "Build a base for sustainable growth and enhancement of corporate value through growth strategies and corporate reforms." The Company will strive to further enhance its earning power as well as to lay a foundation for the next Mid-term Management Plan, aiming to become a company that can achieve sustainable growth..

a) Three basic policies

Based ongoingly on the following three basic policies, we will launch updated initiatives respectively according to changes in the external environment to evolve into a company that grows sustainably through business expansion in new domains.

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

b) Management targets

The Company revises its performance plans from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 and revises its management targets for the final fiscal year ending March 31, 2024, up to net sales of ¥85.2 billion and an operating profit of ¥16.8 billion, respectively. In addition to ROE and EBITDA, we will introduce ROIC as a new performance index. We aim to achieve EBITDA of ¥23.9 billion, ROIC of approx.15.0%, and ROE of approx. 15.0% for the fiscal year ending March 31, 2024.

(Note) EBITDA = Operating profit + Depreciation recorded as operating expenses + Amortization of goodwill
ROIC = (Operating profit x (1 - Effective tax rate)) / (Net assets + Interest-bearing debts) x 100
ROE = Profit attributable to owners of parent / Net assets x 100

For more information, please refer to "Notice of Mid-Term Management Plan Update and New Management Targets" released on May 10, 2021.

(Disclaimer)
The forward-looking statements contained in the description above on the Mid-term Management Plan are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and no responsibility is borne as to the accuracy or completeness of the forward-looking statements. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors, and the Company gives no assurance that such statements will prove to be correct. Additionally, regardless of actual results, etc., from the date of the publishing of this document, the Company has no obligation to continuously update the content of this document, nor does it have such a policy.

The description above is only disclosed with the intent of providing reference information to investors in making decisions; please make final decisions regarding investments on your own. The Company shall not be held liable for any losses resulting from the use of any part of this document in reaching an investment decision.

3) Target performance indices

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

4) Issues to be addressed by the Company

The Company revised major initiatives in the Mid-term Management Plan Update released on May 10, 2021 in line with the ongoing basic policies. As for the fiscal year ending March 31, 2022, we will focus on addressing the issues and initiatives described as follows.

i) Accelerate growth in new domains: Promote full-scale growth of automotive business

In the automotive business, which is the prioritized field in new business domains, we will make efforts to grow our business by expanding anti-reflection film market. Furthermore, we will consistently advance global project that will start contributing to performance from the fourth quarter as well as proactive sales promotion activity through collaboration with business partners in Europe.

ii) Qualitatively change businesses in the existing domains: improve our earning strength through investment in production increases and the launches of new products

For anti-reflection films, we successfully received an order for laptop PC displays from new customers, by which we expect to expand business steadily along with products for in-vehicle displays. As for phosphor films, a new product already in mass production, we will promote sales to encourage a wider product adoption.
For surface mounted type fuses and anisotropic conductive films (ACF), which embody our differentiating technology, we will achieve growth of business by making investment for more production capacity to respond to the increased demand for those products as well as improving production efficiency.

iii) Strengthen management base: take on challenge for change to build a new corporate image—a company thriving together with all of our stakeholders

Pursuing to enhance corporate governance, we will make a transition to a company with an Audit and Supervisory Committee (See Note 1) to further separate execution and supervision and speed up decision making. Besides, we will move the head office to Tochigi (See Note 1) to integrate operation of management and sites. We will also make management more aware of enhancing corporate value and of share price by reflecting EBITDA and TSR in the calculation of remuneration of directors.

As for engagement with employees and society, in addition to introducing the remote work system in April 2021, we develop a new personnel system to further promote diversity in work style.

As part of our environmental initiatives, we are on our way to achieve CO2 emission reduction target for the fiscal year ending March 31, 2031 ahead of schedule. Accordingly, we have set a new target of zero CO2 emission for fiscal year ending March 31, 2031 from consuming electricity for business using renewable energy. In addition, we will strive to develop and provide materials to reduce the environmental impact at customers and in society.

As a measure to reinforce the BCP, or business continuity plan, we plan to introduce in-house power generation using renewable energy including solar energy and electricity storage facility in preparation for large scale power outage by natural disasters and other causes.

As for DX, or digital transformation, a dedicated organization will lead a company-wide initiative to achieve more agile management and bring change to customer value so that we can grow together with our customers.

(Note 1) Subject to approval at the 9th Annual General Meeting of Shareholders to be held on June 18, 2021.

2. Basic Policy Regarding Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Assets		
Current assets:		
Cash and deposits	13,779	20,531
Notes and accounts receivable - trade	9,617	12,639
Electronically recorded monetary claims - operating	77	157
Merchandise and finished goods	1,998	2,670
Work in process	2,035	2,468
Raw materials and supplies	1,642	2,392
Other	2,317	2,400
Allowance for doubtful accounts	(3)	(2)
Total current assets	31,466	43,259
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,813	30,163
Accumulated depreciation	(21,173)	(20,425)
Buildings and structures, net	10,640	9,738
Machinery, equipment and vehicles	39,575	36,219
Accumulated depreciation	(31,378)	(29,719)
Machinery, equipment and vehicles, net	8,197	6,500
Land	3,696	3,357
Construction in progress	1,118	1,646
Other	6,150	6,483
Accumulated depreciation	(4,848)	(5,089)
Other, net	1,302	1,393
Total property, plant and equipment	24,954	22,635
Intangible assets:		
Goodwill	22,479	20,683
Patent right	1,514	1,120
Other	1,080	1,251
Total intangible assets	25,075	23,055
Investments and other assets:		
Shares of subsidiaries and associates	738	591
Retirement benefit asset	1,604	2,868
Deferred tax assets	1,728	1,867
Other	722	935
Allowance for doubtful accounts	(10)	(11)
Total investments and other assets	4,782	6,252
Total non-current assets	54,813	51,942
Total assets	86,279	95,201

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,750	8,433
Electronically recorded obligations - operating	1,157	1,948
Current portion of long-term borrowings	2,847	4,677
Account payable - other	2,101	3,595
Accrued expenses	627	711
Income taxes payable	1,212	1,813
Provision for bonuses	1,500	2,440
Other	557	1,932
Total current liabilities	15,755	25,552
Non-current liabilities:		
Long-term borrowings	14,486	10,808
Retirement benefit liability	5,259	4,375
Deferred tax liabilities	238	222
Other	971	937
Total non-current liabilities	20,956	16,344
Total liabilities	36,711	41,896
Net assets		
Shareholders' equity:		
Share capital	16,021	16,106
Capital surplus	16,021	16,106
Retained earnings	19,562	22,717
Treasury shares	(3,255)	(3,491)
Total shareholders' equity	48,349	51,439
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	155	(587)
Foreign currency translation adjustment	1,159	1,807
Remeasurements of defined benefit plans	(96)	645
Total accumulated other comprehensive income	1,218	1,866
Total net assets	49,567	53,305
Total liabilities and net assets	86,279	95,201

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

Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales	57,710	65,830
Cost of sales	36,309	37,475
Gross profit	21,400	28,354
Selling, general and administrative expenses	16,783	17,015
Operating profit	4,617	11,339
Non-operating income:		
Interest income	51	9
Foreign exchange gains	174	–
Rental income	98	90
Other	110	96
Total non-operating income	434	196
Non-operating expenses:		
Interest expenses	81	62
Foreign exchange losses	–	83
Share of loss of entities accounted for using equity method	261	207
Depreciation	237	221
Loss on investments in investment partnerships	50	83
Other	28	31
Total non-operating expenses	657	691
Ordinary profit	4,393	10,844
Extraordinary income:		
Gain on sale of non-current assets	2	0
Gain on change in equity	–	26
Subsidy income	50	–
Insurance income	–	57
Compensation income	137	–
Settlement received	42	–
Total extraordinary income	231	85
Extraordinary losses:		
Loss on sale of property, plant and equipment	–	223
Loss on retirement of property, plant and equipment	24	89
Impairment loss	–	956
Loss on valuation of investment securities	199	–
Restructuring expenses	103	1,809
Compensation for damage	–	154
Total extraordinary losses	328	3,232
Profit before income taxes	4,297	7,696
Income taxes - current	1,719	2,519
Income taxes - deferred	(157)	(152)
Total income taxes	1,562	2,367
Profit	2,734	5,329
Profit attributable to owners of parent	2,734	5,329

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit	2,734	5,329
Other comprehensive income:		
Deferred gains or losses on hedges	124	(742)
Foreign currency translation adjustment	(517)	648
Remeasurements of defined benefit plans	(12)	741
Total other comprehensive income	(405)	647
Comprehensive income	2,328	5,977
Comprehensive income attributable to:		
Owners of parent	2,328	5,977
Non-controlling interests	–	–

(3) Consolidated statements of changes in net assets

Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance, April 1, 2019	15,977	15,977	18,807	(3,331)	47,431
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	43	43			86
Dividends of surplus			(1,979)		(1,979)
Profit attributable to owners of parent			2,734		2,734
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				76	76
Transfer of loss on disposal of treasury shares					
Net change of items other than shareholders' equity					
Total changes of items during period	43	43	755	76	918
Balance, March 31, 2020	16,021	16,021	19,562	(3,255)	48,349

	Accumulated Other Comprehensive Income				Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	
Balance, April 1, 2019	30	1,676	(83)	1,624	49,055
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					86
Dividends of surplus					(1,979)
Profit attributable to owners of parent					2,734
Purchase of treasury shares					(0)
Disposal of treasury shares					76
Transfer of loss on disposal of treasury shares					–
Net change of items other than shareholders' equity	124	(517)	(12)	(405)	(405)
Total changes of items during period	124	(517)	(12)	(405)	512
Balance, March 31, 2020	155	1,159	(96)	1,218	49,567

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

(Millions of yen)

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

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

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities:		
Profit before income taxes	4,297	7,696
Depreciation	4,607	4,674
Amortization of goodwill	1,798	1,798
Interest and dividend income	(51)	(9)
Interest expenses	81	62
Foreign exchange (gains) losses	(101)	282
(Gain) loss on sale of non-current assets	(2)	222
Loss on retirement of property, plant and equipment	24	89
Impairment loss	–	956
Restructuring expenses	103	1,809
(Gain) loss on investments in investment partnerships	50	83
Subsidy income	(50)	–
(Gain) loss on change in equity	–	(26)
Insurance income	–	(57)
Compensation income	(137)	–
Settlement received	(42)	–
Loss on compensation for damage	–	154
Increase (decrease) in provision for bonuses	314	928
Changes in retirement benefit asset/liability	(345)	(1,080)
Share of loss (profit) of entities accounted for using equity method	261	207
Loss (gain) on valuation of investment securities	199	–
(Increase) decrease in notes and accounts receivable - trade	554	(2,637)
(Increase) decrease in inventories	262	(1,771)
Increase (decrease) in notes and accounts payable - trade	(1,281)	2,984
(Increase) decrease in other receivables	(82)	(51)
Increase (decrease) in other payables	34	(1,516)
Increase (decrease) in income taxes payable (size-based business tax)	15	43
Other, net	260	478
Subtotal	10,772	15,320
Interest and dividends received	51	10
Interest paid	(84)	(62)
Subsidies received	50	–
Proceeds from insurance income	–	57
Settlement package received	30	–
Compensation for damage paid	–	(154)
Proceeds from compensation	–	159
Income taxes paid	(1,162)	(2,144)
Net cash provided by (used in) operating activities	9,656	13,187
Cash flows from investing activities:		
Purchase of investment securities	(150)	(200)
Purchase of property, plant and equipment	(2,801)	(2,383)
Purchase of intangible assets	(244)	(353)
Proceeds from sale of property, plant and equipment	–	497
Purchase of shares of subsidiaries and associates	(700)	(34)
Other, net	5	2
Net cash provided by (used in) investing activities	(3,891)	(2,471)
Cash flows from financing activities:		
Proceeds from long-term borrowings	2,000	6,000
Repayments of long-term borrowings	(3,666)	(7,847)
Purchase of treasury shares	(0)	(331)
Cash dividends paid	(1,979)	(2,174)
Repayments of lease obligations	(41)	(76)
Proceeds from exercise of stock options	86	170
Net cash provided by (used in) financing activities	(3,600)	(4,259)
Effect of exchange rate change on cash and cash equivalents	(211)	295
Net increase (decrease) in cash and cash equivalents	1,952	6,751
Cash and cash equivalents at beginning of period	11,826	13,779
Cash and cash equivalents at end of period	13,779	20,531

(5) Notes to consolidated financial statements

(Going concern assumption)
Not applicable.

(Significant changes in shareholders' equity)
Not applicable.

(Supplemental information)

(Employee Stock Ownership Plan ("J-ESOP"))
The Company has introduced an Employee Stock Ownership Plan ("J-ESOP") as an incentive program granting employees shares of common stock of the Company to incentivize them to improve its financial results and, thus, stock prices by increasing linkage of their compensation to the stock price and financial results of the Company and sharing economic benefits with shareholders.

The shares of the Company remaining in the Trust are presented as treasury shares in the net assets section at their carrying amount (excluding the amount of incidental expenses) in the Trust. The carrying amount and the number of treasury shares at the end of the previous fiscal year and at the end of the current fiscal year are ¥3,170 million for 3,025 thousand shares and ¥3,103 million for 2,961 thousand shares, respectively.

(Board Benefit Trust (BBT))
The Company has introduced a performance-linked stock compensation plan through a Board Benefit Trust (BBT). The plan more clearly links the compensation of directors and senior executive officers (excluding outside directors; the same applies hereinafter) to the Company's results of operations and its share value. Under the plan, directors experience both the benefit of high share prices and the risk of low share prices with the Company's shareholders. Such plan thus would lead directors and senior executive officers to continuously aim for better performances over a medium- to long-term period and more contributions to increasing corporate value.

The shares of the Company remaining in the Trust are presented as treasury shares in the net assets section at their carrying amount (excluding the amount of incidental expenses) in the Trust. The carrying amount and the number of treasury shares at the end of the previous fiscal year and at the end of the current fiscal year are ¥85 million for 105 thousand shares and ¥62 million for 77 thousand shares, respectively.

(Segment information)

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

Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	23,622	34,087	57,710	–	57,710
Intersegment sales or transfers	2	138	140	(140)	–
Total	23,624	34,226	57,851	(140)	57,710
Segment profit	1,832	4,583	6,415	(1,798)	4,617
Segment assets	15,563	13,733	29,296	56,982	86,279
Other items					
Depreciation	2,380	2,226	4,607	1,798	6,405
Increase in property, plant and equipment and intangible assets	1,044	1,416	2,460	569	3,029

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

Reference: Consolidated net sales from markets other than Japan: ¥37,257 million

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

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	28,139	37,690	65,830	–	65,830
Intersegment sales or transfers	26	110	137	(137)	–
Total	28,165	37,801	65,967	(137)	65,830
Segment profit	6,278	6,858	13,137	(1,798)	11,339
Segment assets	16,345	15,653	31,999	63,202	95,201
Other items					
Depreciation	2,421	2,253	4,674	1,798	6,472
Increase in property, plant and equipment and intangible assets	1,370	1,419	2,790	1,042	3,832

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

Reference: Consolidated net sales from markets other than Japan: ¥43,125 million

(Per share information)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Net assets per share	814.68 yen	874.66 yen
Basic earnings per share	45.05 yen	87.60 yen
Diluted earnings per share	44.83 yen	87.06 yen

(Notes) 1. For the purpose of calculating the amounts of "net assets per share," the number of shares of the Company held by the Trust (3,131 thousand shares and 3,039 thousand shares at the end of the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the fiscal year.

For the purpose of calculating "basic earnings per share" and "diluted earnings per share," the number of shares of the Company held by the Trust (3,168 thousand shares and 3,097 thousand shares for the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period.

2. The calculation basis for basic earnings per share and diluted earnings per share are shown as follows.

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	2,734	5,329
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to common shareholders of parent (millions of yen)	2,734	5,329
Average number of shares of common stock during the fiscal year (shares)	60,707,500	60,838,156
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (millions of yen)	–	–
Number of shares of common stock to be increased (share)	298,567	376,700
(Of which, number of subscription rights to shares) (share)	(298,567)	(376,700)
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	–	–

(Significant subsequent events)

Not applicable.

4. Other

(1) Transition to a company with an Audit and Supervisory Committee

The Company plans to make a transition to a company with an Audit and Supervisory Committee subject to approval at the 9th Annual General Meeting of Shareholders scheduled to be held on June 18, 2021. For more information, please refer to “Notice of Shift to a New Corporate Governance System” released on May 10, 2021.

(2) Change in directors

Regarding the candidates for Director, please refer to “Notice of Shift to a New Corporate Governance System” released on May 10, 2021.