Consolidated Financial Results for the Three Months Ended June 30, 2021
[Under Japanese GAAP]

July 29, 2021

Company name: Dexerials Corporation
Listing: Tokyo Stock Exchange
Security code: 4980
URL: https://www.dexerials.jp/en
Representative: Yoshihisa Shinya, Representative Director and President
Contact: Shinji Tomita, General Manager, IR Department, Corporate Strategy Division
Phone: +81-285-39-7950
Quarterly Securities Report (Shihanki Hokokusho) filing date: August 6, 2021
Scheduled date of dividend payment: –
Preparation of supplementary briefing material on quarterly financial results: Yes
Investors meeting presentation for quarterly 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 three months ended June 30, 2021 (from April 1, 2021 - June 30, 2021)

(1) Consolidated operating results (cumulative) (Percentage indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	20,347	47.0	4,907	290.6	4,513	263.6	2,965	281.7
June 30, 2020	13,839	(5.9)	1,256	31.1	1,241	36.5	776	37.9

Note: Comprehensive income For the three months ended June 30, 2021: ¥2,908 million [303.1%]
For the three months ended June 30, 2020: ¥721 million [223.8%]
Note: EBITDA For the three months ended June 30, 2021: ¥6,424 million [129.8%]
For the three months ended June 30, 2020: ¥2,796 million [12.6%]

Note: Starting from the beginning of the fiscal year ending March 31, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied.

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	48.63	48.28
June 30, 2020	12.76	12.71

(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
June 30, 2021	96,484	54,526	56.5	893.63
March 31, 2021	95,201	53,305	56.0	874.66

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income) As of June 30, 2021: ¥54,526 million
As of March 31, 2021: ¥53,305 million

2. Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended March 31, 2021	–	17.00	–	27.00	44.00
Ending March 31, 2022	–				
Fiscal year Ending March 31, 2022 (forecast)		29.00	–	29.00	58.00

Note: Revisions to earnings forecast published most recently: None

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

(Percentage indicates 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

Note: Revisions to dividend forecast published most recently: None

For more information on consolidated financial results, please refer to results briefing materials posted on our website (https://www.dexerials.jp/en/ir/library/earning.html) and other materials.

[Notes]

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

(2) Application of accounting methods used specifically for preparing the quarterly consolidated financial statements: None

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

(a) Changes in accounting policies due to the application of new or revised accounting standards:	Yes
(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

Note: For further details, Please see "1. Quarterly Consolidated Financial Statements and Notes, (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 6 of the attached materials.

(4) Number of shares of common stock issued

(a) Number of shares issued (including treasury stock)

As of June 30, 2021:	64,346,700 shares	As of March 31, 2021:	64,276,700 shares

(b) Number of shares of treasury stock

As of June 30, 2021:	3,330,586 shares	As of March 31, 2021:	3,332,948 shares

(c) Average number of shares of common stock during the period

As of June 30, 2021:	60,969,843 shares	As of June 30, 2020:	60,847,425 shares

Notes: 1. As a result of the exercise of stock options during the three months ended June 30, 2021, the number of shares issued has increased by 70,000 shares as of June 30, 2021.

2. As the Company has introduced a stock compensation plan which delivers shares with restrictions on transfer, the Company's shares are included in the number of treasury shares at the end of the period (293,800 shares as of June 30, 2021 and zero shares as of June 30, 2020) mainly 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 account is included in the number of treasury shares as of the end of the period. In addition, the number of shares of the Company held by the Trust (an average of 3,331,648 shares for the three months ended June 30, 2021 and an average of 3,128,133 shares for the three months ended June 30, 2020) was included in the number of treasury shares to be deducted in the calculation of the average number of shares of common stock during the period.

* This consolidated financial results report is not subject to a quarterly review by certified public accountants or an audit firm.

* [Proper use of earnings forecast, and other special notes]

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including results forecasts contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Accordingly, the Company does not intend to promise their achievement. Actual results may differ from these forecasts and forward-looking statements due to various factors.

Contents for Attached Materials

1. Quarterly Consolidated Financial Statements and Notes ..... P. 2
(1) Quarterly consolidated balance sheet ..... P. 2
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income ..... P. 4
Quarterly consolidated statement of income
For the three months ended June 30, 2021 ..... P. 4
Quarterly consolidated statement of comprehensive income
For the three months ended June 30, 2021 ..... P. 5
(3) Notes to quarterly consolidated financial statements ..... P. 6
(Going concern assumption) ..... P. 6
(Significant changes in shareholders' equity) ..... P. 6
(Changes in accounting policies) ..... P. 6
(Supplemental information) ..... P. 6
(Segment information) ..... P. 7

1. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current quarter (As of June 30, 2021)
Assets		
Current assets:		
Cash and deposits	20,531	21,121
Notes and accounts receivable - trade	12,639	14,672
Electronically recorded monetary claims - operating	157	152
Merchandise and finished goods	2,670	3,026
Work in process	2,468	3,034
Raw materials and supplies	2,392	2,754
Other	2,400	1,731
Allowance for doubtful accounts	(2)	(2)
Total current assets	43,259	46,490
Non-current assets:		
Property, plant and equipment		
Buildings and structures	30,163	30,203
Accumulated depreciation	(20,425)	(20,636)
Buildings and structures, net	9,738	9,566
Machinery, equipment and vehicles	36,219	36,571
Accumulated depreciation	(29,719)	(30,266)
Machinery, equipment and vehicles, net	6,500	6,304
Land	3,357	3,357
Construction in progress	1,646	1,342
Other	6,483	6,625
Accumulated depreciation	(5,089)	(5,164)
Other, net	1,393	1,460
Total property, plant and equipment	22,635	22,030
Intangible assets:		
Goodwill	20,683	20,108
Patent right	1,120	1,016
Other	1,251	1,234
Total intangible assets	23,055	22,359
Investments and other assets:		
Shares of subsidiaries and associates	591	553
Retirement benefit asset	2,868	2,920
Deferred tax assets	1,867	1,158
Other	935	983
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	6,252	5,604
Total non-current assets	51,942	49,994
Total assets	95,201	96,484

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current quarter (As of June 30, 2021)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	8,433	10,246
Electronically recorded obligations - operating	1,948	2,233
Current portion of long-term borrowings	4,677	4,677
Accounts payable - other	3,595	2,344
Accrued expenses	711	1,082
Income taxes payable	1,813	969
Provision for bonuses	2,440	947
Other	1,932	3,354
Total current liabilities	25,552	25,856
Non-current liabilities:		
Long-term borrowings	10,808	10,489
Retirement benefit liability	4,375	4,393
Deferred tax liabilities	222	206
Other	937	1,013
Total non-current liabilities	16,344	16,102
Total liabilities	41,896	41,958
Net assets		
Shareholders' equity:		
Share capital	16,106	16,126
Capital surplus	16,106	16,126
Retained earnings	22,717	23,952
Treasury shares	(3,491)	(3,488)
Total shareholders' equity	51,439	52,716
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(587)	(405)
Foreign currency translation adjustment	1,807	1,584
Remeasurements of defined benefit plans	645	631
Total accumulated other comprehensive income	1,866	1,809
Total net assets	53,305	54,526
Total liabilities and net assets	95,201	96,484

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Millions of yen)

	For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net sales	13,839	20,347
Cost of sales	8,621	11,193
Gross profit	5,217	9,154
Selling, general and administrative expenses	3,960	4,246
Operating profit	1,256	4,907
Non-operating income:		
Interest income	2	1
Foreign exchange gains	73	–
Rental income	20	11
Other	19	37
Total non-operating income	116	50
Non-operating expenses:		
Interest expenses	17	13
Foreign exchange losses	–	318
Share of loss of entities accounted for using equity method	51	38
Depreciation	60	42
Other	1	31
Total non-operating expenses	131	444
Ordinary profit	1,241	4,513
Extraordinary income:		
Gain on sale of non-current assets	–	0
Gain on change in equity	12	–
Gain on liquidation of subsidiaries	–	242
Total extraordinary income	12	242
Extraordinary losses:		
Loss on retirement of non-current assets	1	5
Compensation for damage	–	349
Total extraordinary losses	1	354
Profit before income taxes	1,251	4,401
Income taxes - current	160	767
Income taxes - deferred	314	669
Total income taxes	475	1,436
Profit	776	2,965
Profit attributable to owners of parent	776	2,965

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Profit	776	2,965
Other comprehensive income:		
Deferred gains or losses on hedges	(35)	181
Foreign currency translation adjustment	(18)	(223)
Remeasurements of defined benefit plans	(1)	(14)
Total other comprehensive income	(55)	(56)
Comprehensive income	721	2,908
Comprehensive income attributable to:		
Owners of parent	721	2,908
Non-controlling interests	–	–

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc., effective from the beginning of the first quarter under review, and when the control of the promised goods or services is transferred to the customer, the Company recognizes revenue as the amount expected to be received in exchange for the goods or services. However, the Company has applied the alternative treatment provided for in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) and, in the case of sale of merchandise or finished goods in Japan, the Company recognizes revenue at the time of shipping when it takes the usual period of time for control of the merchandise or finished goods to be transferred to the customer after shipping.

The application of the Revenue Recognition Accounting Standard, etc. follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact in case of retroactively applying the new accounting policy to before the beginning of the first quarter under review is added to or deducted from retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from this initial balance. However, as a result of applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy is not applied to contracts in which the amount of almost all revenues was recognized according to the previous treatment before the beginning of the first quarter under review.

The amount of impact of applying this accounting standard on quarterly consolidated financial statements for the first quarter under review is minor.

(Supplemental information)

(Employee Stock Ownership Plan ("J-ESOP"))

The Company has introduced an Employee Stock Ownership Plan ("J-ESOP") as an incentive program to grant employees the. Company's shares for the purpose of increasing their motivation and morale to improve the Company's stock price and business performance by more strongly linking their compensation to the Company's stock price and financial results and sharing economic benefits with shareholders.

The Company's shares remaining in the trust are posted as treasury shares in the net assets section at the book value in the trust. (excluding the amount of ancillary expenses). The book value and the number of the treasury shares at the end of the previous fiscal year and at the end of the first quarter of the current fiscal year are ¥3,103 million and 2,961 thousand shares and ¥3,101 million and 2,959 thousand shares, respectively.

(Board Benefit Trust (BBT))

The Company has introduced a Board Benefit Trust (BBT) as a performance-based stock compensation plan for directors and. executive officers or above (excluding directors who are Audit and Supervisory Committee members and outside directors; the same applies hereinafter) to more clearly link their compensation to the Company's financial results and stock value and increase their awareness of contributing to better business performance and enhancing corporate value continuously over the medium to long terms by sharing the benefits of rising stock price and the risks of falling stock prices.

The Company's shares remaining in the trust are posted as treasury shares in the net assets section at the book value in the trust. (excluding the amount of ancillary expenses). The book value and the number of the treasury shares at the end of the previous fiscal year and at the end of the first quarter of the current fiscal year are ¥62 million and 77 thousand shares and ¥62 million and 77 thousand shares, respectively.

(Segment information)

I. For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	5,685	8,154	13,839	–	13,839
Intersegment sales or transfers	0	19	19	(19)	–
Total	5,685	8,173	13,858	(19)	13,839
Segment profit	365	1,340	1,705	(449)	1,256

(Note) The amount of adjustment for segment profit of ¥449 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥4,471 million, China ¥4,860 million, South Korea ¥1,322 million, Taiwan ¥1,706 million and Other ¥1,478 million)

II. For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	9,778	10,569	20,347	–	20,347
Intersegment sales or transfers	26	60	87	(87)	–
Total	9,804	10,630	20,434	(87)	20,347
Segment profit	2,513	2,841	5,355	(447)	4,907

(Note) The amount of adjustment for segment profit of ¥447 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥5,973 million, China ¥6,142 million, South Korea ¥2,367 million, Taiwan ¥3,537 million and Other ¥2,327 million)

Matters concerning the change in reportable segments, etc.

(Reclassification of reportable segments)

The Group reviewed the reportable segment of some categories which constituted the Electronic Materials and Components business and reclassified these categories into the Optical Materials and Components business from the first quarter under review. For the segment information for the first quarter of the previous fiscal year, the information that was prepared based on the classification of reportable segments after the change above is disclosed.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in (Changes in accounting policies), the Company has applied the Accounting Standard for Revenue Recognition, etc. effective from the beginning of the first quarter under review and changed the accounting method for revenue recognition. Therefore, the method of measuring the profit or loss of reportable segments has also been changed in the same way.

The amount of impact of applying this accounting standard on the quarterly consolidated financial statements for the first quarter under review is minor.