April 27, 2016

Company Name:	Dexerials Corporation
Security Code:	4980
Listing:	First Section, Tokyo Stock Exchange
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Notice of FY2016 – FY2018 Medium-term Management Plan "Change for Growth 2018"

Dexerials Corporation (the "Company") hereby announced the three-year Medium-term Management Plan "Change for Growth 2018," with FY18 (fiscal year ending March 31, 2019) as the final fiscal year.

1. Corporate objective and positioning of the Medium-term Management Plan

(1) Corporate objective

- Corporate vision: "Value Matters: Unprecedented innovation, unprecedented value"
- Corporate objective: A company that contributes to the enhancement of the quality and richness of both life and our environment through providing high value-added products

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.

(2) Positioning of the Medium-term Management Plan

- A "Change for Growth" stage to establish a revenue and profit base required for "sustainable growth" toward realizing the desired corporate image

In FY15, the deceleration in demand for consumer IT products progressed at a faster pace than expected, and the Company's financial results were significantly affected. The Company aims to overcome such structural changes in the business environment, and establishes a revenue and profit base that can generate values exceeding its customers' expectations and improve corporate value toward the desired corporate image over the long term through implementing reforms to accelerate growth of products with potential and business expansion into new domains (automotive, communication & semiconductor, environment, and life science).

2. Summary of Medium-term Management Plan “Change for Growth 2018”

(1) Three key strategies

- Key strategies and main measures and targets to establish a revenue and profit base required for sustainable growth

1)	Growth strategy: Significantly shift management resources, accelerating business growth in products with potential and in new domains
	• By positioning Optical films as a third pillar for revenue where an expansion in demand is expected, implement investment for strengthening production capabilities aiming for net sales of ¥10.0 billion scale (twice the amount in FY15) during the final fiscal year. • Make a major shift in marketing resources toward accelerating business growth in new domains, and significantly increase the number of sales personnel. • Double the amount of strategic investment(Note 1): Set a cumulative amount of approximately ¥50.0 billion until the final fiscal year.
2)	Competitive strategy: By maintaining competitive advantage, continue to secure stable revenue in mainstay products
	• Actively introduce products with differentiating technologies in mainstay products such as Anisotropic conductive films (ACF) and Optical resin materials. • Provide effective solutions through a marketing structure by application. • Create a dedicated team for business toward organic light emitting diode (OLED) displays, an area where future growth is expected. • Composition of new products(Note 2) in net sales for the final fiscal year: Set target of 60%.
3)	Optimization of business structure: Construct organizational structure to support both of the growth and competitive strategy
	• Organizational reforms: To shift resources to new business areas, enable swift decision-making, and strengthen measures spanning categories, implemented organizational changes on April 1, 2016, and continue to concentrate business bases(Note 3) to add further efficiency to operations. • In accordance with the organizational reforms, implement an early retirement and job transfer support program including support for employees who are having difficulty to relocate to new business bases upon the concentration.

(Note 1) Total amount of R&D expenses, capital expenditures for production facilities, and funds for M&A investment

(Note 2) Ratio of product lines in sales that have been introduced to the market within the past three years; includes improved versions of existing products

(Note 3) Land and buildings purchased during FY15 in Shimotsuke-shi, Tochigi Prefecture (the “Tochigi Office”) will be positioned as the central base in the future, and development and production bases and a portion of headquarters functions that were previously spread across each business are planned to be progressively concentrated in the Tochigi Office.

(2) Management targets

- Net sales and operating income in the final fiscal year to set new records
  (assumed foreign exchange rate: US$1 = ¥110)
- Aim for adjusted ROE of 15% and a positive equity spread over the medium- to long-term (Note 4)

(Note 4) Adjusted ROE = {Ordinary income X (1 – Tax rate) + Amortization of goodwill} / Net assets X 100
Equity spread = Adjusted ROE – Cost of equity (assumed to be 9%)

Business results in FY16 are forecast to have both lower revenue and profits year-on-year due to the effects of factors such as the continued deceleration in demand for consumer IT products, a stronger yen, and expenses associated with establishing an optimized business structure. However, from FY17 onward, business results are planned to recover due to factors such as expansion of products with potential, such as Optical films, and contributions from new products, leading net sales and operating income during the final fiscal year to set new records. Additionally, by introducing an equity spread (ES) with an assumed Cost of equity of 9% as an index for enhancement of corporate value, the Company will aim to maintain a positive equity spread over the medium- to long-term. Furthermore, the Employee Stock Ownership Plan, which was implemented for employees with the intent of increasing motivation to improve the stock price, business results, and morale, will also be implemented for board directors, strengthening mechanisms for management with emphasis on shareholder value and stock price.

Concerning return of profits to shareholders, as was the case before, the Company will target a total payout ratio of 40% of adjusted profit attributable to owners of parent, with a policy of returning profits through a combination of stable and continuous dividends in consideration of business trends and financial conditions, while implementing share repurchases to be decided in light of factors such as management circumstances and the market environment.

(3) Numerical management targets and indices, etc.

(Billions of yen; Exchange rate assumptions: $1 = ¥110)

	FY15 Results	FY16 Forecasts	FY17 Plans	FY18 Plans
Net sales	62.7	60.3	65.0	71.0
Operating income	8.3	4.4	7.5	10.0
Profit attributable to owners of parent	4.5	0.7	4.7	7.0
Adjusted income / Management indices				
Operating income(Note 5)	10.1	6.2	9.3	11.8
Profit attributable to owners of parent(Note 6)	6.4	3.6	6.7	8.8
ROE	12.0%	7.1%	13.2%	16.6%
Equity spread	3.0%	(1.9) %	4.2%	7.6%
Policy for return of profits to shareholders	With a target of a total payout ratio of 40% of adjusted profit attributable to owners of parent, policy of combining stable and continuous dividends and implementing share repurchases to return profits			

(Note 5) Adjusted operating income = Operating income + Amortization of goodwill

(Note 6) Adjusted profit attributable to owners of parent = Ordinary income X (1- Tax rate) + Amortization of goodwill

- Amount of expenses and benefits associated with optimization of business structure

Expense amount (During the current Medium-term Management Plan)	• Estimated as approximately ¥5.7 billion (recording of operating expenses or extraordinary losses)
Benefit amount (During the current Medium-term Management Plan)	• Estimated as approximately ¥6.9 billion (operating income) • After the conclusion of the current plan, effect of approximately ¥1.4 billion per year in improved operating income

(Disclaimer)

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