Consolidated Financial Results for the Fiscal Year Ended March 31, 2016
〔Under Japanese GAAP〕

May 17, 2016

Company name: Dexerials Corporation
Listing: Tokyo Stock Exchange
Security code: 4980
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Date of ordinary general meeting of shareholders: June 23, 2016
Date of payment of year-end dividends: June 24, 2016
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Preparation of supplementary results briefing material on financial results: Yes
Investors meeting presentation for financial results: Yes (for securities analysis and institutional investors)

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

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	62,654	(4.4)	8,306	(13.6)	8,163	(17.3)	4,587	(57.2)
March 31, 2015	65,508	3.5	9,611	24.2	9,870	36.9	10,721	33.3

Note: Comprehensive income
For the fiscal year ended March 31, 2016: ¥2,609 million [(81.7 %)]
For the fiscal year ended March 31, 2015: ¥14,224 million [84.9%]

	Basic earnings per share	Diluted earnings per share	Return on Capital	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	73.16	71.90	8.6	9.3	13.3
March 31, 2015	170.18	—	22.6	11.0	14.7

Reference: Share of profit or loss of entities accounted for using equity method
For the fiscal year ended March 31, 2016: —
For the fiscal year ended March 31, 2015: —

Notes: 1. The Company conducted a stock split of 100 shares for each 1 share of common stock with an effective date of May 27, 2015. The amounts of basic earnings per share for the fiscal year ended March 31, 2015 and 2016 were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2015.
2. 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 was included in the number of shares of treasury stock, which was to be deducted from the average number of shares during the fiscal year.

(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, 2016	87,316	52,062	59.6	868.96
March 31, 2015	88,979	54,421	61.2	863.82

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income) :
As of March 31, 2016: ¥52,062 million As of March 31, 2015: ¥54,421 million

Notes: 1. The amounts of net assets per share as of March 31, 2015 and 2016 were calculated based on the assumption that the stock split with an effective date of May 27, 2015 had been conducted at the beginning of the fiscal year ended March 31, 2015.
2. For the purpose of calculating net assets per share as of March 31, 2016, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the number of shares issued at the end of the fiscal year.

(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, 2016	12,115	(6,537)	(4,988)	16,259
March 31, 2015	13,338	(2,714)	(11,519)	16,456

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:	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
ended March 31, 2015	—	0.00	—	0.00	0.00	—	—	—
ended March 31, 2016	—	27.50	—	32.50	60.00	3,780	82.0	6.9
ending March 31, 2017 (forecast)	—	27.50	—	27.50	55.00		470.9	

Reference: Dividend payout ratio (consolidated) before amortization of goodwill:
Fiscal year ending March 31, 2017 (forecast): 131.8% (For more details, please see page 7 of the attached materials.)

Notes:
1. Breakdown of the year-end dividends for the fiscal year ended March 31, 2016:
   Ordinary dividend: ¥27.50 per share Commemorative dividend: ¥5.00 per share
2. The amount of total dividends (annual) includes the dividends (of ¥100 million for the fiscal year ended March 31, 2016) for the shares of the Company held by the Trust.
3. The annual dividends have been to reflect the stock split with an effective date of May 27, 2015.
4. For the purpose of calculating the dividend payout ratio and the dividend on equity for the fiscal years ended March 31, 2016 and 2017, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentage indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	26,500	(16.2)	1,000	(77.0)	1,000	(76.7)	(400)	—	(6.67)
Fiscal year	60,300	(3.8)	4,400	(47.0)	4,300	(47.3)	700	(84.7)	11.68

Note: For the purpose of calculating basic earnings per share for the first half and the fiscal year, the number of shares of the Company held by the Trust as at the end of the fiscal year ended March 31, 2016 was included in the number of shares of treasury stock, which was to be deducted from the average number of shares during the fiscal year.

[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 stock)
  As of March 31, 2016: 63,000,000 shares
  As of March 31, 2015: 63,000,000 shares
- (b) Number of shares of treasury stock
  As of March 31, 2016: 3,087,000 shares
  As of March 31, 2015: —
- (c) Average number of shares of common stock during the fiscal year
  Fiscal year ended March 31, 2016: 62,696,361 shares
  Fiscal year ended March 31, 2015: 63,000,000 shares

Notes:
1. The Company conducted a stock split of 100 shares for each 1 share of common stock with an effective date of May 27, 2015. The number of shares mentioned above was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2015.
2. With the introduction of an Employee Stock Ownership Plan ("J-ESOP"), 3,087,000 shares of the Company held by the Trust were included in the number of shares of treasury stock as of March 31, 2016, and 303,639 shares were included in the number of shares of treasury stock, which were to be deducted from the average number of shares during the fiscal year.

[Reference] Summary of financial information on a non-consolidated basis

1. Non-consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Operating results (Percentage indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	53,593	0.6	5,637	(32.4)	5,149	(42.6)	2,239	(76.3)
March 31, 2015	53,258	6.4	8,344	38.2	8,971	55.8	9,445	23.4

(2) Financial position

	Total assets	Net assets	Capital to asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2016	80,658	45,945	57.0
March 31, 2015	83,724	48,695	58.2

Note: Capital (Shareholders' equity + Accumulated other comprehensive income)
As of March 31, 2016: ¥45,945 million
As of March 31, 2015: ¥48,695 million

[Indication regarding execution of audit procedures]

This financial results report is not subject to the audit procedures required by the Financial Instruments and Exchange Act, and the audit procedures for the financial statements are in progress at the time of disclosure of this financial results report.

[Proper use of earnings forecasts, and other special notes]

(Disclaimer with respect to earnings and other 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.

Contents of Attached Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

(Operating results for the current fiscal year)

The world economy for the current fiscal year (from April 1, 2015 to March 31, 2016) continued to show a modest recovery on the whole, supported by a moderate recovery in the European and US economies despite some slowdown in China and emerging countries. The Japanese economy remained largely on the path to moderate recovery as private consumption stayed resilient. However, it had uncertainty going forward, given a current situation where business confidence has been somewhat dented by the rapid yen appreciation and the unstable movements in the financial market since the turn of the year.

In our mainstay industries in which the products of the Dexerials Group companies (hereinafter "the Group") are involved, we experienced quite a rapid change in the business environment surrounding us as the growth of demand for smartphones, tablet PCs and laptop PCs in the consumer IT products market slowed down much more than we had expected or the market even shrank particularly in and after the second half of the current fiscal year.

In such a business environment, the Group strived to achieve our corporate vision by focusing on promoting sales of newly developed products of optical elasticity resin (Hybrid SVR), as well as developing applications other than display for anisotropic conductive films during the current fiscal year. In the Optical solutions category, for which we converted our business model in the current fiscal year, we made our efforts to enhance value of our customers' products and at the same time make our products the industry standard. To this end, we have launched a business providing a panel laminating solutions to our display manufacturing customers so that they can gain hands on experience on our high-functional materials and services.

As a result of the above, we reported net sales for the current fiscal year of ¥62,654 million (down 4.4% year-on-year), with an operating income of ¥8,306 million (down 13.6% year-on-year) under such a tough business environment. Specifically, we have maintained the previous fiscal year's level of sales of optical elasticity resins thanks to further adoption of Hybrid SVR, as well as anisotropic conductive films thanks to further adoption of those for applications other than display panels. However, sales of the Adhesive materials and Li-ion battery secondary protection devices in the Electronic Materials and Components business segment were adversely affected by reduced quantity of orders from end-product manufacturers who suffered from a sluggish consumer IT products market.

Ordinary income was ¥8,163 million (down 17.3% year-on-year) due to incurrence of going public expenses that were partially offset by foreign exchange gains.

Profit before income taxes was ¥7,599 million (down 20.9% year-on-year) due to recognition of impairment loss on some of the manufacturing facilities.

Profit attributable to owners of parent decreased to ¥4,587 million (down 57.2% year-on-year) because, for the periods through the previous fiscal year, the tax loss carryforwards helped reduce the income tax burden.

While we announced the forecast net sales and operating income of ¥68,500 million and ¥9,000 million, respectively, in the full year earnings forecast released on January 28, 2016, the actual net sales and operating income have decreased by 8.5% and 7.7%, respectively, primarily due to substantially reduced order quantity during the fourth quarter from a newly acquired contract in the Optical solutions category, as well as the adverse movements in foreign exchange rate.

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

1) Optical Materials and Components

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Year-on-year change
Net sales	29,048	28,778	(0.9)%
Operating income	3,695	3,729	0.9%

(Note) Net sales include inter-segment transactions.

・The business segment reported net sales of ¥28,778 million (down 0.9% year-on-year) and operating income of ¥3,729 million (up 0.9% year-on-year).
・Sales of **Optical resin materials** were largely flat compared to those for the previous fiscal year due to an increase in sales of Hybrid SVR, which was mostly offset by a decrease in sales of conventional SVR products.
・Sales of **Optical films** fell short of those for the previous fiscal year due to the adverse effect of withdrawal from the business by some of our customers, which was partially offset by continued stable sales of anti-reflection films used for laptop PCs.
・Sales of **Optical solutions** were largely flat compared to those for the previous fiscal year due to the situation where an increase in sales from a panel laminating business for electronic book terminals was offset by a decrease in sales from other products in the second half due to a sluggish end-product market.

2) Electronic Materials and Components

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Year-on-year change
Net sales	36,618	34,061	(7.0)%
Operating income	7,715	6,376	(17.4)%

(Note) Net sales include inter-segment transactions.

・The business segment reported net sales of ¥34,061 million (down 7.0% year-on-year) and operating income of ¥6,376 million (down 17.4% year-on-year).
・Sales of **Adhesive materials** fell significantly short of those for the previous fiscal year due substantially to shrinking of demand and intensified price competition caused by deteriorated market environment for consumer IT products.
・Sales of **Anisotropic conductive films (ACF)** remained largely flat compared to those for the previous fiscal year due to an expanded adoption of the products for applications other than display panels, which was offset by a decrease in demand for display panels used for smartphones, tablet PCs, etc. due to slowdown of the end-product market.
・Sales of **Li-ion battery secondary protection devices** fell short of those for the previous fiscal year due to weakened demand from laptop PC manufacturers, who are main users of the devices, despite an increase in sales of products for large current applications.
・Sales of **Micro-devices** remained largely flat compared to those for the previous fiscal year due to continued solid sales of inorganic materials including inorganic polarizers and inorganic waveplates used for projectors.

(Earnings forecast for the next fiscal year)

Consolidated earnings forecasts for the fiscal year ending March 31, 2017 are presented as follows.

1) Consolidated earnings forecasts for the fiscal year ending March 31, 2017

(Millions of yen)

	Fiscal year ended March 31, 2016 (Actual)	Fiscal year ending March 31, 2017 (Forecast)	Year-on-year change
Consolidated net sales	62,654	60,300	(3.8)%
Operating income	8,306	4,400	(47.0)%
Ordinary income	8,163	4,300	(47.3)%
Profit attributable to owners of parent	4,587	700	(84.7)%

2) Consolidated earnings forecasts for the first half of the fiscal year ending March 31, 2017

(Millions of yen)

	First half of the fiscal year ended March 31, 2016 (Actual)	First half of the fiscal year ending March 31, 2017 (Forecast)	Year-on-year change
Consolidated net sales	31,617	26,500	(16.2)%
Operating income	4,352	1,000	(77.0)%
Ordinary income	4,297	1,000	(76.7)%
Profit attributable to owners of parent	2,699	(400)	—

(These forecasts are based on an exchange rate of 110 yen to the U.S. dollar.)

In our mainstay industries in which the Group's products are involved, we anticipate that the business environment surrounding us will remain challenging because a robust growth of the consumer IT products market is hard to predict.

In such a situation, the Group released on April 27, 2016 the Medium-term Management Plan "Change for Growth 2018," in which we committed ourselves to more aggressively engaging in the development of our products in the new domains including automotive, life science and environment, while at the same time securing revenues from the existing businesses.

Regarding the earnings forecasts for the next fiscal year, we expect net sales to decrease year-on-year as we have factored in the impact of a shift in focus of the Optical solutions business in the Optical Materials and Components segment to applications for in-vehicle display panels, the impact of a drop in selling price of the Anisotropic conductive films, the main products of the Electronic Materials and Components segment as well as the impact of a stronger yen.

In terms of profitability, we expect operating income to decrease year-on-year substantially as a result of assuming an exchange rate of 110 yen to the U.S. dollar (as compared to 120 yen to the U.S. dollar for the fiscal year ended March 31, 2016).

Furthermore, we expect to report extraordinary loss of approximately ¥2,500 million for the next fiscal year as we will incur expenses related to optimization of business structure as part of the endeavors of the Medium-term Management Plan to be described later in this report.

We will dedicate the next fiscal year as the year of preparation in the Medium-term Management Plan so that we can turn around the financial performance of the Group in and after the fiscal year ending March 31, 2018 by expanding businesses with the Optical films and other promising products and contribution of new products.

(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 ¥87,316 million, a decrease of ¥1,662 million from the end of the previous fiscal year.

Current assets amounted to ¥33,724 million, a decrease of ¥3,226 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases in notes and accounts receivable-trade and deferred tax assets by ¥1,673 million and ¥1,331 million, respectively.

Non-current assets amounted to ¥53,592 million, an increase of ¥1,564 million from the end of the previous fiscal year. This increase can mainly be explained by an increase of ¥3,622 million in property, plant and equipment as a result of acquisition of land and construction in progress, which was partially offset by a decrease of ¥2,180 million in intangible assets due primarily to amortization of goodwill.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to ¥35,254 million, an increase of ¥696 million from the end of the previous fiscal year.

Current liabilities amounted to ¥15,503 million, a decrease of ¥108 million from the end of the previous fiscal year. This decrease can mainly be explained by a decrease in accrued expenses by ¥337 million.

Non-current liabilities amounted to ¥19,751 million, an increase of ¥804 million from the end of the previous fiscal year. This increase can mainly be explained by an increase in liability for retirement benefits by ¥737 million.

(Net assets)

Total net assets at the end of the current fiscal year amounted to ¥52,062 million, a decrease of ¥2,358 million from the end of the previous fiscal year. This decrease can mainly be explained by an increase in retained earnings by ¥2,854 million as a result of recording profit attributable to owners of parent of ¥4,587 million, ¥1,723 million of which was distributed as dividends; a decrease in paid-in capital of ¥3,235 million by purchase of treasury stock; and decreases in remeasurements of defined benefit plan and foreign currency translation adjustment by ¥1,045 million and ¥910 million, respectively.

2) Summary of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year decreased ¥197 million from the end of the previous fiscal year to ¥16,259 million. This net decrease can be explained by cash inflow derived from profit before income taxes of ¥7,599 million, which was more than offset by cash outflow from purchase of property, plant and equipment, purchase of treasury stock, and payment of cash dividends. 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 ¥12,115 million (down 9.2% year-on-year), which mainly consisted of profit before income taxes of ¥7,599 million, depreciation of ¥2,977 million and amortization of goodwill of ¥1,799 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,537 million (up 140.8% year-on-year) due mainly to expenditure on purchase of property, plant and equipment of ¥5,998 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,988 million (down 56.7% year-on-year) due mainly to expenditure on purchase of treasury stock of ¥3,235 million and payment of cash dividends of ¥1,732 million.

(Reference) Trends in cash flow related indicators

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Capital to asset ratio (%)	45.1	61.2	59.6
Capital to asset ratio on a market value basis (%)	—	—	76.3
Interest-bearing debt to cash flow multiple (year)	2.6	1.2	1.3
Interest coverage ratio (time)	13.0	45.6	108.2

Capital to asset ratio = [Capital (Shareholders' equity + Accumulated other comprehensive income) / (Total assets)] x 100

Capital to asset ratio on a market value basis = [(Market capitalization) / (Total assets)] x 100

Interest-bearing debt to cash flow multiple = (Total interest-bearing debt) / (Operating cash flow)

Interest coverage ratio = (Operating cash flow) / (Interest expenses paid)

(Note 1) As the Company was founded on June 20, 2012 and started its operations from September 28, 2012, the indicators for the fiscal year ended March 31, 2013 are not presented due to lack of comparability with those for the following fiscal years.

(Note 2) All the indicators are calculated on a consolidated basis.

(Note 3) The amount of market capitalization is calculated based on the number of shares issued excluding shares of treasury stock (that include shares of the Company held by the Trust). The figures for the fiscal years ended March 31, 2014 and 2015 are not presented since the Company was not listed during the periods.

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

We believe that sustainable growth of business and strategic investments to achieve profitability, with our aim for enhancing corporate value, contribute to the common interests of our shareholders. We have thus established a basic policy that we should first secure the funds for the strategic investments to enhance the corporate value and then pursue the stable and consistent distribution of profit.

Along with the abovementioned policy, we intend to strive for investments to achieve growth for greater corporate value as well as return of profits to our shareholders. In order to put this policy into practice, we will first assess our earnings, investment plans and cash position in the future, and then return profits to shareholders. Specifically, we will target a total payout ratio to consolidated profit before amortization of goodwill (See Note 1) of approximately 40% by combining stable and continuous dividends with share repurchases to be decided in light of factors such as management circumstances and the market environment. In addition, in order to operate successfully in a competitive environment, our internal reserves will be applied towards research and development, capital expenditures and other strategic investments that contribute to the improvement of our future corporate value.

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 shareholders' meeting.

Regarding the profit distribution for the next fiscal year ending March 31, 2017, we will follow the basic policy (i.e., the policy of paying stable and continuous dividends with a targeted total payout ratio to consolidated profit attributable to owners of parent before amortization of goodwill of approximately 40% in consideration of our earnings and financial position in the future). Accordingly, we plan to pay our annual ordinary dividends of 55.0 yen per share (consisting of the interim dividend of 27.5 yen per share and the year-end dividend of 27.5 yen per share).

(Reference) Distribution of profit

	Total payout ratio	
	Before amortization of goodwill	After amortization of goodwill
Current fiscal year ended March 31, 2016 (actual)	58.9%	82.0%
Next fiscal year ending March 31, 2017 (forecast)	131.8%	470.9%

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

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

(Note 2) For the purpose of calculating the consolidated basic earnings per share used to calculate the dividend payout ratios for the current and next fiscal years, the number of shares of the Company held by the Trust as of March 31, 2016 was included in the number of shares of treasury stock, which was to be deducted from the calculation.

2. Management Policy

(1) Basic policy for corporate management

1) 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 contributes to the enhancement of the quality and richness of both life and our environment through providing high value-added products.

(2) Target performance indicator

We consider ROE (return on equity) as an indicator that relates to the sustainable growth of corporate value. Specifically, we aims to achieve an adjusted ROE of 15% as a medium to long-term target through balanced capital allocation among investment for business expansion, R&D activities as sources of future growth and profit distribution to our shareholders. Furthermore, we have introduced an equity spread (ES) with an assumption of 9% cost of equity as an indicator to enhance corporate value and will aim to maintain a positive ES over the medium to long-term.

(Note) 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%)

(3) Medium to long-term corporate strategy

We have formulated in the current fiscal year the Medium-term Management Plan "Change for Growth 2018," which covers the period from the fiscal year ending March 31, 2017 to the fiscal year ending March 31. 2019—a stage to establish a revenue and profit base required for "sustainable growth" toward realizing the desired corporate image. The plan is summarized as follows.

1. Three key strategies

We will focus on the following three strategies to establish a revenue and profit base required for sustainable growth.

1) Growth strategy, through which we will significantly shift our management resources to accelerate business growth in products with potential and in new domains.
2) Competitive strategy, through which we will maintain competitive advantage to continue to secure stable revenue in mainstay products.
3) Optimization of business structure, through which we will construct organizational structure to support both of the growth and competitive strategy.

2. Management targets

We aim to achieve net sales of ¥71,000 million with operating income of ¥10,000 million for the fiscal year ending March 31, 2019, the final fiscal year of the Plan, to set new records high (assuming an exchange rate of 110 yen to the U.S. dollar).

Business results in the fiscal year ending March 31, 2017 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 the fiscal year ending March 31, 2018 onward, business results are planned to recover due to factors such as expansion of products with potential, such as the Optical films, and contributions from new products, leading net sales and operating income during the final fiscal year to set new records high. 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.

For more details on the Medium-term Management Plan, please refer to *Notice of FY2016 – FY2018 Medium-term*

Management Plan "Change for Growth 2018" (hereinafter "this document") announced on April 27, 2016.

(Disclaimer)
The forward-looking statements contained in the description above concerning this document 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.

(4) Issues to be addressed by the Company

To achieve our corporate vision, the Group is making an across-the-board effort to implement the strategy along with the Medium-term Management Plan. In particular for the next fiscal year ending March 31, 2017, we will focus on addressing the issues and taking the measures that are described as follows.

1) Strengthening production capabilities for the Optical films
As part of the "Growth strategy," we will make investments to strengthen production capabilities for the Optical films, for which an expansion in demand is expected, so that the Optical film business can grow to be a third pillar for revenue.

2) Sustaining a stable revenue stream from mainstay products
As part of the "Competitive strategy," we will strive to sustain a stable revenue stream from the mainstay products by maintaining their competitive advantage. Specifically, we will aggressively develop market for products with differentiating technologies in a mainstay product line such as the Particle-arrayed ACF and Hybrid SVR. Furthermore, we have transformed our marketing structure to provide more effective solutions to our customers. We have also deployed a dedicated team to promote a business of the organic light emitting diode (OLED) display, an area of growth in the future.

3) Pushing for organizational reforms
We implemented organizational changes on April 1, 2016 in order to shift resources to new business areas, enable swift decision-making, and strengthen measures spanning categories. We will then concentrate business bases to add further efficiency to operations. Specifically, land and buildings purchased during the fiscal year ended March 31, 2016 in the city of Shimotsuke, Tochigi Prefecture (the "Tochigi Office") will be positioned as a central operational base going forward, and development and production functions, as well as a portion of the headquarters functions, which were previously spread across each business unit, are planned to be progressively concentrated in the Tochigi Office.

3. 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 Group. As of the date of filing this report, we have not yet made any decision on this matter.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Assets		
Current assets:		
Cash and deposits	16,456	16,259
Notes and accounts receivable - trade	11,951	10,278
Electronically recorded monetary claims - operating	—	39
Merchandise and finished goods	1,906	1,555
Work in process	1,495	1,551
Raw materials and supplies	1,298	1,114
Deferred tax assets	2,270	939
Other	1,588	2,000
Allowance for doubtful accounts	(16)	(13)
Total current assets	36,951	33,724
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	23,011	23,079
Accumulated depreciation	(17,504)	(17,713)
Buildings and structures, net	5,506	5,366
Machinery, equipment and vehicles	37,460	34,740
Accumulated depreciation	(32,860)	(30,313)
Machinery, equipment and vehicles, net	4,599	4,427
Land	2,432	3,620
Construction in progress	472	3,244
Other	868	842
Total property, plant and equipment	13,879	17,501
Intangible assets:		
Goodwill	31,488	29,679
Patent rights	3,498	3,083
Other	1,225	1,269
Total intangible assets	36,212	34,032
Investments and other assets:		
Deferred tax assets	1,601	1,649
Other	334	409
Total investments and other assets	1,935	2,058
Total non-current assets	52,028	53,592
Total assets	88,979	87,316

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,367	5,377
Electronically recorded obligations - operating	1,431	1,202
Current portion of long-term debt	3,000	3,000
Other payables	2,424	2,277
Accrued expenses	1,030	693
Provision for bonuses	1,718	1,578
Deferred tax liabilities	7	10
Other	631	1,362
Total current liabilities	15,611	15,503
Non-current liabilities:		
Long-term debt	12,500	12,500
Liability for retirement benefits	6,177	6,915
Deferred tax liabilities	21	36
Other	247	299
Total non-current liabilities	18,946	19,751
Total liabilities	34,558	35,254
Net assets		
Shareholders' equity :		
Common stock	15,747	15,747
Capital surplus	15,747	15,747
Retained earnings	18,632	21,487
Treasury stock	—	(3,235)
Total shareholders' equity	50,127	49,747
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	22	—
Foreign currency translation adjustment	2,915	2,005
Remeasurements of defined benefit plans	1,356	310
Total accumulated other comprehensive income	4,293	2,315
Total net assets	54,421	52,062
Total liabilities and net assets	88,979	87,316

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

Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net sales	65,508	62,654
Cost of sales	38,924	36,837
Gross profit	26,583	25,817
Selling, general and administrative expenses	16,971	17,510
Operating income	9,611	8,306
Non-operating income:		
Interest income	10	9
Foreign exchange gains	746	122
Other	110	71
Total non-operating income	867	202
Non-operating expenses:		
Interest expenses	292	112
Commission fee	88	10
Going public expenses	119	154
Other	108	67
Total non-operating expenses	608	344
Ordinary income	9,870	8,163
Extraordinary income:		
Gain on sale of non-current assets	49	0
Compensation income for relocation	2,696	—
Insurance income	114	—
Total extraordinary income	2,860	0
Extraordinary losses:		
Loss on retirement of property, plant and equipment	1,562	41
Loss on business reorganization	1,385	—
Impairment loss	33	523
Other	140	—
Total extraordinary losses	3,121	564
Profit before income taxes	9,609	7,599
Income taxes - current	844	1,203
Income taxes - deferred	(1,956)	1,809
Total income taxes	(1,112)	3,012
Profit	10,721	4,587
Profit attributable to owners of parent	10,721	4,587

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Profit	10,721	4,587
Other comprehensive income:		
Deferred gains or losses on hedges	22	(22)
Foreign currency translation adjustment	1,087	(910)
Remeasurements of defined benefit plans	2,392	(1,045)
Total other comprehensive income	3,502	(1,978)
Comprehensive income	14,224	2,609
Comprehensive income attributable to:		
Owners of parent	14,224	2,609
Non-controlling interests	—	—

(3) Consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity			
	Common stock	Capital surplus	Retained earnings	Total
Balance, April 1, 2014	15,747	15,747	8,334	39,829
Cumulative effects of changes in accounting policies			(423)	(423)
Restated balance	15,747	15,747	7,910	39,405
Changes of items during period				
Profit attributable to owners of parent			10,721	10,721
Net change of items other than shareholders' equity				
Total changes of items during period	—	—	10,721	10,721
Balance, March 31, 2015	15,747	15,747	18,632	50,127

	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, 2014	—	1,827	(1,036)	791	40,620
Cumulative effects of changes in accounting policies					(423)
Restated balance	—	1,827	(1,036)	791	40,196
Changes of items during period					
Profit attributable to owners of parent					10,721
Net change of items other than shareholders' equity	22	1,087	2,392	3,502	3,502
Total changes of items during period	22	1,087	2,392	3,502	14,224
Balance, March 31, 2015	22	2,915	1,356	4,293	54,421

Current fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance, April 1, 2015	15,747	15,747	18,632	—	50,127
Changes of items during period					
Dividends of surplus			(1,732)		(1,732)
Profit attributable to owners of parent			4,587		4,587
Purchase of treasury stock				(3,235)	(3,235)
Net change of items other than shareholders' equity					
Total changes of items during period	—	—	2,854	(3,235)	(380)
Balance, March 31, 2016	15,747	15,747	21,487	(3,235)	49,747

	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, 2015	22	2,915	1,356	4,293	54,421
Changes of items during period					
Dividends of surplus					(1,732)
Profit attributable to owners of parent					4,587
Purchase of treasury stock					(3,235)
Net change of items other than shareholders' equity	(22)	(910)	(1,045)	(1,978)	(1,978)
Total changes of items during period	(22)	(910)	(1,045)	(1,978)	(2,358)
Balance, March 31, 2016	—	2,005	310	2,315	52,062

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities:		
Profit before income taxes	9,609	7,599
Depreciation	3,219	2,977
Amortization of goodwill	1,798	1,799
Increase (decrease) in allowance for doubtful accounts	3	(1)
Increase (decrease) in provision for bonuses	92	(123)
Increase (decrease) in liability for retirement benefits	92	(819)
Interest and dividend income	(10)	(9)
Interest expenses	292	112
Foreign exchange (gains) losses	(542)	18
Compensation income for relocation	(2,696)	—
Insurance income	(114)	—
Loss on retirement of property, plant and equipment	1,562	41
Loss on business reorganization	1,385	—
Impairment loss	33	523
(Increase) decrease in notes and accounts receivable - trade	680	1,022
(Increase) decrease in inventories	(284)	400
(Increase) decrease in other receivables	(340)	(104)
Increase (decrease) in notes and accounts payable - trade	(1,632)	441
Increase (decrease) in other payables	(569)	(94)
Increase (decrease) in income taxes payable (size-based business tax)	(67)	98
Other, net	(1,070)	(713)
Subtotal	11,441	13,167
Interest and dividend income received	5	6
Interest expenses paid	(292)	(112)
Proceeds from insurance income	114	—
Proceeds from compensation income for relocation	2,696	—
Income taxes paid	(626)	(946)
Net cash provided by (used in) operating activities	13,338	12,115
Cash flows from investing activities:		
Purchase of investment securities	(10)	(55)
Purchase of property, plant and equipment	(2,664)	(5,998)
Purchase of intangible assets	(88)	(479)
Other, net	47	(4)
Net cash provided by (used in) investing activities	(2,714)	(6,537)
Cash flows from financing activities:		
Proceeds from long-term debt	—	3,000
Repayments of long-term debt	(11,500)	(3,000)
Purchase of treasury stock	—	(3,235)
Cash dividends paid	—	(1,732)
Repayments of lease obligations	(19)	(20)
Net cash provided by (used in) financing activities	(11,519)	(4,988)
Effect of exchange rate change on cash and cash equivalents	1,576	(786)
Net increase (decrease) in cash and cash equivalents	680	(197)
Cash and cash equivalents at beginning of period	15,776	16,456
Cash and cash equivalents at end of period	16,456	16,259

(5) Notes to consolidated financial statements

(Going concern assumption)
Not applicable.

(Supplemental information)
Introduction of Employee Stock Ownership Plan (J-ESOP)
The Company decided to introduce the J-ESOP (hereinafter “the Plan”) 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 (1) increasing linkage of their compensation to the stock price and financial results of the Company and (2) sharing economic benefits with shareholders.

1. Overview of the Plan
The Plan will distribute the Company’s stock to employees who meet the specified requirements in accordance with the Stock Distribution Rules that the Company has determined in advance. The Company will grant points to employees based on each individual’s contributions and other items. Once an employee has fulfilled the beneficiary requirements, the Company’s stock will be distributed based on the number of points held. Stock to be distributed to employees will be purchased using funds in the Trust established for this purpose and the Trust assets will be managed separately.

2. Shares of the Company remaining in the Trust
The shares of the Company remaining in the Trust are presented as shares of treasury stock 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 shares of treasury stock at the end of the current fiscal year is ¥3,235 million and 3,087 thousand shares, respectively.

(Segment information, etc.)

[Segment information]

Information on Amounts of Net Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable Segment			Adjustment	Consolidated (Note)
	Optical Materials and Components	Electronic Materials and Components	Total		
Net Sales					
Sales to external customers	29,048	36,459	65,508	—	65,508
Intersegment sales or transfers	—	158	158	(158)	—
Total	29,048	36,618	65,666	(158)	65,508
Segment income (loss)	3,695	7,715	11,410	(1,798)	9,611
Segment assets	15,996	16,966	32,962	56,015	88,979
Other items					
Depreciation	1,326	1,892	3,219	1,798	5,017
Increase in property, plant and equipment and intangible assets	1,283	1,201	2,484	443	2,928

Note: Segment income (loss) is reconciled with operating income (loss) on the consolidated financial statements.

Reference: Consolidated overseas net sales: ¥48,305 million

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment			Adjustment	Consolidated (Note)
	Optical Materials and Components	Electronic Materials and Components	Total		
Net Sales					
Sales to external customers	28,760	33,894	62,654	—	62,654
Intersegment sales or transfers	17	167	185	(185)	—
Total	28,778	34,061	62,840	(185)	62,654
Segment income (loss)	3,729	6,376	10,105	(1,799)	8,306
Segment assets	15,042	15,177	30,219	57,096	87,316
Other items					
Depreciation	1,048	1,928	2,977	1,799	4,776
Increase in property, plant and equipment and intangible assets	1,464	1,341	2,806	4,099	6,905

Note: Segment income (loss) is reconciled with operating income (loss) on the consolidated financial statements.

Reference: Consolidated overseas net sales: ¥45,945 million

(Per share information)

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Net assets per share	863.82 yen	868.96 yen
Basic earnings per share	170.18 yen	73.16 yen
Diluted earnings per share	—	71.90 yen

(Notes)
1. Although there are stock warrants outstanding at the end of the previous fiscal year, the amount of diluted earnings per share for the period is not presented since the Company's stock was not listed and therefore the average share price during the period was unknown.
2. The Company conducted a stock split of 100 shares for each 1 share of common stock with an effective date of May 27, 2015. Net assets per share and basic earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2015.
3. For the purpose of calculating net assets per share for the current fiscal year, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which were 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 was included in the number of shares of treasury stock, which were to be deducted from the average number of shares during the fiscal year.
4. The calculation basis for basic earnings per share and diluted earnings per share are shown as follows.

	Previous fiscal year (from April 1, 2014 to March 31, 2015)	Current fiscal year (from April 1, 2015 to March 31, 2016)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	10,721	4,587
Profit not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common shareholders of parent (millions of yen)	10,721	4,587
Average number of shares of common stock during the fiscal year (shares)	63,000,000	62,696,361
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	4,587
Number of shares of common stock to be increased (shares)	—	1,097,740
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	Three classes of stock warrants (number of stock warrants: 19,116)	—

(Significant subsequent events)

Not applicable.

5. Other Disclosures

(1) Changes in board directors (to be effected on June 23, 2016)

1) Change in representative board director

Not applicable.

2) Change in other board directors

- Candidate for new board director

  Director Satoshi Nagase (currently Advisor to the Company)

- Board director to be retired

  Director Akira Nozawa