

# Consolidated Financial Results for the Six Months Ended September 30, 2021 [Under Japanese GAAP]

November 1, 2021

Company name: Dexerials Corporation  
Security code: 4980  
Representative: Yoshihisa Shinya, Representative Director and President  
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Quarterly Securities Report (Shihanki Hokokusho) filing date: November 10, 2021  
Scheduled date of dividend payment: December 1, 2021  
Preparation of supplementary briefing material on quarterly financial results: Yes  
Investors meeting presentation for quarterly financial results: Yes (For securities analysts and institutional investors)

Listing: Tokyo Stock Exchange  
URL: <https://www.dexerials.jp/en>

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

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 - September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	44,562	44.9	12,296	164.3	11,478	144.4	7,700	262.5
September 30, 2020	30,744	2.7	4,653	64.6	4,697	61.4	2,123	2.8

Note: Comprehensive income For the six months ended September 30, 2021: ¥7,900 million [307.8%]  
For the six months ended September 30, 2020: ¥1,937 million [32.9%]

Note: EBITDA For the six months ended September 30, 2021: ¥15,336 million [98.1%]  
For the six months ended September 30, 2020: ¥7,742 million [31.5%]

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
Six months ended	Yen	Yen
September 30, 2021	126.19	125.33
September 30, 2020	34.89	34.72

(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
September 30, 2021	102,172	59,579	58.3	975.20
March 31, 2021	95,201	53,305	56.0	874.66

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income) As of September 30, 2021: ¥59,579 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
Fiscal year	—	30.00			
Ending March 31, 2022					
Fiscal year			—	30.00	60.00
Ending March 31, 2022 (forecast)					

Note: Revisions to dividend forecast published most recently: Yes

Regarding the revision of the dividend forecast, please refer to "Notice Regarding Distribution of Dividend from Surplus (Interim) and Revision of Year-End Dividend Forecast (Dividend Increase)" published on November 1, 2021.

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
Fiscal year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	89,000	35.2	21,000	85.2	19,800	82.6	13,000	143.9	213.68

Note: Revisions to earnings forecast published most recently: Yes

Regarding the revision of the earnings forecast, please refer to "Notice of Revised Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022" published on November 1, 2021.

For more information on consolidated financial results, please refer to results briefing materials posted on our website (<https://www.dexerials.jp/ir/library/index.html>) and a quarterly securities report to be filed on November 10, 2021 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, (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 7 of the attached materials.

- (4) Number of shares of common stock issued
  - (a) Number of shares issued (including treasury stock)
 

As of September 30, 2021:	64,384,000 shares	As of March 31, 2021:	64,276,700 shares
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  - (b) Number of shares of treasury stock
 

As of September 30, 2021:	3,289,509 shares	As of March 31, 2021:	3,332,948 shares
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  - (c) Average number of shares of common stock during the period
 

Six months ended September 30, 2021:	61,019,042 shares	Six months ended September 30, 2020:	60,869,149 shares
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Notes: 1. As a result of the exercise of stock options during the second quarter of the fiscal year ending March 31, 2022, the number of shares issued as of September 30, 2021 has increased by 107,300 shares.

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 September 30, 2021 and 158,800 shares as of September 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 3,315,362 shares for the six months ended September 30, 2021 and an average of 3,138,369 shares for the six months ended September 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.

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## 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 September 30, 2021)
<b>Assets</b>		
Current assets:		
Cash and deposits	20,531	19,714
Notes and accounts receivable - trade	12,639	18,431
Electronically recorded monetary claims - operating	157	147
Merchandise and finished goods	2,670	3,302
Work in process	2,468	2,664
Raw materials and supplies	2,392	3,807
Other	2,400	3,280
Allowance for doubtful accounts	(2)	(4)
Total current assets	43,259	51,341
Non-current assets:		
Property, plant and equipment		
Buildings and structures	30,163	30,407
Accumulated depreciation	(20,425)	(20,832)
Buildings and structures, net	9,738	9,574
Machinery, equipment and vehicles	36,219	37,279
Accumulated depreciation	(29,719)	(30,724)
Machinery, equipment and vehicles, net	6,500	6,554
Land	3,357	3,357
Construction in progress	1,646	1,963
Other	6,483	6,729
Accumulated depreciation	(5,089)	(5,191)
Other, net	1,393	1,537
Total property, plant and equipment	22,635	22,986
Intangible assets:		
Goodwill	20,683	19,661
Patent right	1,120	912
Other	1,251	1,325
Total intangible assets	23,055	21,899
Investments and other assets:		
Shares of subsidiaries and associates	591	504
Retirement benefit asset	2,868	2,975
Deferred tax assets	1,867	1,429
Other	935	1,045
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	6,252	5,943
Total non-current assets	51,942	50,830
Total assets	95,201	102,172

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current quarter (As of September 30, 2021)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	8,433	12,119
Electronically recorded obligations - operating	1,948	2,295
Current portion of long-term borrowings	4,677	3,761
Accounts payable - other	3,595	2,652
Accrued expenses	711	770
Income taxes payable	1,813	3,332
Provision for bonuses	2,440	1,689
Other	1,932	1,818
Total current liabilities	25,552	28,439
Non-current liabilities:		
Long-term borrowings	10,808	8,928
Retirement benefit liability	4,375	4,392
Deferred tax liabilities	222	183
Other	937	648
Total non-current liabilities	16,344	14,152
Total liabilities	41,896	42,592
<b>Net assets</b>		
Shareholders' equity:		
Share capital	16,106	16,137
Capital surplus	16,106	16,137
Retained earnings	22,717	28,687
Treasury shares	(3,491)	(3,448)
Total shareholders' equity	51,439	57,513
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(587)	(198)
Foreign currency translation adjustment	1,807	1,649
Remeasurements of defined benefit plans	645	615
Total accumulated other comprehensive income	1,866	2,065
Total net assets	53,305	59,579
Total liabilities and net assets	95,201	102,172

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

Quarterly consolidated statement of income

(Millions of yen)

	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Net sales	30,744	44,562
Cost of sales	18,052	23,587
Gross profit	12,692	20,974
Selling, general and administrative expenses	8,038	8,677
Operating profit	4,653	12,296
Non-operating income:		
Interest income	6	3
Foreign exchange gains	240	—
Rental income	50	27
Other	48	103
Total non-operating income	344	134
Non-operating expenses:		
Interest expenses	34	26
Foreign exchange losses	—	681
Share of loss of entities accounted for using equity method	116	87
Depreciation	121	83
Loss on investments in investment partnerships	16	22
Other	11	50
Total non-operating expenses	300	953
Ordinary profit	4,697	11,478
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 sale of non-current assets	222	5
Loss on retirement of non-current assets	12	171
Structural reform expenses	1,231	—
Compensation for damage	154	349
Total extraordinary losses	1,620	526
Profit before income taxes	3,088	11,194
Income taxes - current	1,197	3,202
Income taxes - deferred	(232)	291
Total income taxes	964	3,494
Profit	2,123	7,700
Profit attributable to owners of parent	2,123	7,700

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Profit	2,123	7,700
Other comprehensive income:		
Deferred gains or losses on hedges	(153)	388
Foreign currency translation adjustment	(30)	(158)
Remeasurements of defined benefit plans	(2)	(29)
Total other comprehensive income	(186)	199
Comprehensive income	1,937	7,900
Comprehensive income attributable to:		
Owners of parent	1,937	7,900
Non-controlling interests	—	—

## (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,088	11,194
Depreciation	2,310	2,229
Amortization of goodwill	899	894
Interest and dividend income	(6)	(3)
Interest expenses	34	26
Foreign exchange losses (gains)	133	(45)
Loss (gain) on sale of non-current assets	222	5
Loss on retirement of non-current assets	12	171
Structural reform expenses	1,231	—
Loss (gain) on investments in investment partnerships	16	22
Loss (gain) on liquidation of subsidiaries	—	(242)
Loss (gain) on change in equity	(12)	—
Loss on compensation for damage	154	349
Increase (decrease) in provision for bonuses	(119)	(754)
Increase/decrease in retirement benefit asset/obligations	(159)	(133)
Share of loss (profit) of entities accounted for using equity method	116	87
Decrease (increase) in trade receivables	(3,383)	(5,637)
Decrease (increase) in inventories	181	(2,167)
Increase (decrease) in trade payables	1,000	3,793
Decrease (increase) in accounts receivable - other	178	(578)
Increase (decrease) in accounts payable - other	197	386
Increase (decrease) in income taxes payable - factor based tax	15	31
Other, net	75	(188)
Subtotal	6,188	9,440
Interest and dividends received	7	3
Interest paid	(34)	(26)
Compensation for damage paid	(154)	(348)
Proceeds from compensation	159	—
Income taxes paid	(1,202)	(1,806)
Net cash provided by (used in) operating activities	4,964	7,262
Cash flows from investing activities		
Purchase of investment securities	(50)	(50)
Purchase of property, plant and equipment	(1,233)	(3,445)
Purchase of intangible assets	(195)	(299)
Proceeds from sale of property, plant and equipment	493	1
Other, net	0	(3)
Net cash provided by (used in) investing activities	(983)	(3,796)
Cash flows from financing activities		
Proceeds from long-term borrowings	5,000	—
Repayments of long-term borrowings	(6,361)	(2,797)
Dividends paid	(1,087)	(1,727)
Purchase of treasury shares	(181)	(0)
Repayments of lease obligations	(27)	(34)
Proceeds from exercise of employee share options	60	62
Net cash provided by (used in) financing activities	(2,596)	(4,496)
Effect of exchange rate change on cash and cash equivalents	(151)	213
Net increase (decrease) in cash and cash equivalents	1,233	(817)
Cash and cash equivalents at beginning of period	13,779	20,531
Cash and cash equivalents at end of period	15,013	19,714



(4) 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, 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 is added to or deducted from retained earnings at the beginning of the first quarter, 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.

The amount of impact of applying this accounting standard on quarterly consolidated financial statements for the second 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 second quarter of the current fiscal year are ¥3,103 million and 2,961 thousand shares and ¥3,069 million and 2,928 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 second quarter of the current fiscal year are ¥62 million and 77 thousand shares and ¥54 million and 67 thousand shares, respectively.

(Segment information)

I. For the six months ended September 30, 2020 (from April 1, 2020 to September 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	13,320	17,424	30,744	—	30,744
Intersegment sales or transfers	0	39	40	(40)	—
Total	13,320	17,464	30,785	(40)	30,744
Segment profit	2,138	3,413	5,552	(899)	4,653

(Note) The amount of adjustment for segment profit of ¥899 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥10,345 million, China ¥10,277 million, South Korea ¥2,967 million, Taiwan ¥3,479 million and Other ¥3,675 million)

II. For the six months ended September 30, 2021 (from April 1, 2021 to September 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	21,612	22,949	44,562	—	44,562
Intersegment sales or transfers	54	170	224	(224)	—
Total	21,666	23,120	44,786	(224)	44,562
Segment profit	5,713	7,477	13,191	(894)	12,296

(Note) The amount of adjustment for segment profit of ¥894 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥12,460 million, China ¥12,348 million, South Korea ¥6,060 million, Taiwan ¥8,409 million and Other ¥5,282 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.

For the segment information for the second 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 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 second quarter under review is minor.

(Significant subsequent event)

(Details of Share Buyback)

Dexerials Corporation's Board of Directors resolved at a meeting on November 1, 2021 the details of the Company's share buyback in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, paragraph 3 of the Companies Act.

(1) Reason for share buyback

To improve corporate value by flexible implementation of capital policy in response to change in the business environment.

(2) Details of share buyback

- |  |  |
|--|--|
| (a) Class of share:                        | Common stock of the Company  |
| (b) Total number of shares to be acquired: | Up to 1,500,000 shares<br>(2.34% of the total number of shares issued, excluding treasury stock)   |
| (c) Total value of shares to be acquired:  | Up to ¥3,000,000,000   |
| (d) Period of acquisition:                 | November 2, 2021 to January 31, 2022. (excluding five business days prior to the last day of the fiscal period to the last day of the same fiscal period (including each quarter)) |
| (e) Method of acquisition:                 | Purchase from the open market on the Tokyo Stock Exchange (through discretionary trading by a securities company)  |

(Reference) Status of treasury stock as of September 30, 2021

- |   |                   |
|---|-------------------|
| (a) Number of shares issued excluding treasury stock: | 64,090,091 shares |
| (b) Number of shares of treasury stock:               | 293,909 shares    |

(Note) The above treasury stock excludes 2,995,600 shares of the Company held by the Trust for directors and domestic employees.