

**Consolidated Financial Results
for the Six Months Ended September 30, 2017
[Under Japanese GAAP]**



October 30, 2017

Company name:	Dexerials Corporation	Listing:	Tokyo Stock Exchange
Security code:	4980	URL:	http://www.dexerials.jp/en
Representative:	Takashi Ichinose, Representative Director and President		
Contact:	Naoyuki Sanada, Senior Executive Officer, Corporate Planning & Control Division Head		
Phone:	+81-3-5435-3941		
Quarterly securities report (<i>Shihanki Hokokusho</i>) issuing date:		November 8, 2017	
Schedule date of dividend payment:		December 1, 2017	
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 six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results

(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, 2017	38,225	39.6	3,867	169.0	3,907	321.9	2,722	—
September 30, 2016	27,373	(13.4)	1,437	(67.0)	925	(78.5)	34	(98.7)

Notes: 1. Comprehensive income

For the six months ended September 30, 2017: ¥2,792 million [—%]

For the six months ended September 30, 2016: ¥(1,292) million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2017	45.28	44.69
September 30, 2016	0.57	0.56

Notes: 2. For the purpose of calculating the amounts of earnings per share, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the calculation of the average number of shares of common stock during the period.

3. The year-on-year change of profit attributable to owners of parent for the six months ended September 30, 2017 is indicated as “—” because the figure has exceeded one thousand percent.

(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, 2017	94,734	51,794	54.7	860.10
March 31, 2017	96,075	50,682	52.8	843.56

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income):

As of September 30, 2017: ¥51,794 million As of March 31, 2017: ¥50,682 million

Note: 1. For the purpose of calculating the amounts of net assets per share, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the number of shares issued at the end of the period.

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, 2017	—	27.50	—	27.50	55.00
Ending March 31, 2018	—	20.00	—	20.00	40.00
Ending March 31, 2018 (forecast)					

Note: 1. Revisions to dividend forecast published most recently: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)
 (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	%
	71,500	14.2	6,600	89.0	6,400	121.2	4,400	363.4
								Yen 73.12

Notes: 1. Revisions to earnings forecast published most recently: None

2. For the purpose of calculating the amounts of earnings per share, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the calculation of the average number of shares during the period. The average number of shares during the period was calculated based on the assumption that the numbers of shares issued and shares of treasury stock at the end of the second quarter would remain the same until the end of 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) 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 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
 - (4) Number of shares of common stock issued
 - (a) Number of shares issued (including treasury stock)

As of September 30, 2017:	63,436,800 shares
As of March 31, 2017:	63,299,500 shares
 - (b) Number of shares of treasury stock

As of September 30, 2017:	3,218,000 shares
As of March 31, 2017:	3,218,900 shares
 - (c) Average number of shares of common stock during the period

Six months ended September 30, 2017:	60,116,497 shares
Six months ended September 30, 2016:	59,888,635 shares
- Notes: 1. As a result of the exercise of stock options during the six months ended September 30, 2017, the number of shares issued as of September 30, 2017 has increased by 137,300 shares.
2. 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 (3,218,000 shares as of September 30, 2017 and 3,218,900 shares as of March 31, 2017) was included in the number of shares of treasury stock as of such dates. In addition, the number of shares of the Company held by the Trust (3,218,651 shares for the six months ended September 30, 2017; and 3,119,672 shares for the six months ended September 30, 2016) was included in the number of shares of treasury stock for such periods, which was to be deducted from the calculation of the average number of shares of common stock during the period.

* This financial results report is not subject to audit procedures.

* [Proper use of earning forecasts, and other special notes]

(Disclaimer with respect to earnings and other forecasts)

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

Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Statements	P. 2
(1) Explanation of operating results.....	P. 2
(2) Explanation of financial position.....	P. 3
(3) Explanation of forward-looking statements including consolidated earnings forecast	P. 3
2. Quarterly Consolidated Financial Statements and Notes.....	P. 4
(1) Quarterly consolidated balance sheets.....	P. 4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	P. 6
Quarterly consolidated statements of income	P. 6
Quarterly consolidated statements of comprehensive income	P. 7
(3) Notes to quarterly consolidated financial statements	P. 8
(Going concern assumption)	P. 8
(Significant changes in shareholders' equity).....	P. 8
(Supplemental information).....	P. 8
(Segment information).....	P. 9

1. Qualitative Information on Quarterly Financial Statements

(1) Explanation of operating results

Regarding the operating results of the Dexerials Group companies (hereinafter, "the Group") for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017; hereinafter, "the current period"), the Group reported net sales of ¥38,225 million (up 39.6% year-on-year) and operating profit of ¥3,867 million (up 169.0% year-on-year). These results were caused by an increase in sales of the Optical films and the Adhesive materials product categories, which was partly offset by a decrease in sales of the Optical resin materials product category. The Group also reported ordinary profit of ¥3,907 million (up 321.9% year-on-year) primarily due to recognition of foreign exchange gains. Consequently, profit attributable to owners of parent amounted to ¥2,722 million (compared with ¥34 million for the same period of the previous fiscal year).

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

1) Optical Materials and Components business

(Millions of yen)

	Six months ended September 30, 2017 (the current period)	Six months ended September 30, 2016 (the same period of previous fiscal year)	Year-on-year change
Net sales	20,128	12,162	65.5%
Operating profit	1,552	860	80.4%

Note: Net sales include inter-segment transactions.

During the current period, the Optical films product category saw a substantial year-on-year increase in sales thanks to a growth in sales of the products for laptop PC displays, which was partly affected by a modification of transaction terms, as well as a growth in demand for the products for in-vehicle applications. Nevertheless even without the modification of transaction terms, the product category would still have resulted in year-on-year increases in both sales and profits.

Furthermore, the Optical resin materials product category reported a year-on-year decrease in sales due to decreased sales of the existing SVR used mainly for smartphones, but a year-on-year increase in profits thanks to increased sales of smart precision adhesives and a weaker yen.

Consequently, the segment reported net sales and operating profit of ¥20,128 million (up 65.5% year-on-year) and ¥1,552 million (up 80.4% year-on-year), respectively.

2) Electronic Materials and Components business

(Millions of yen)

	Six months ended September 30, 2017 (the current period)	Six months ended September 30, 2016 (the same period of previous fiscal year)	Year-on-year change
Net sales	18,202	15,290	19.0%
Operating profit	3,214	1,476	117.7%

Note: Net sales include inter-segment transactions.

During the current period, the Adhesive materials product category saw increases in both sales and profits mainly because functional products such as thermal conductive sheets and thermosetting tapes were newly adopted for smartphones.

Furthermore, the Anisotropic conductive films (ACF) and the Micro devices product categories reported year-on-year increases in both sales and profits as the former category enjoyed a solid demand for products for smartphones and the latter category experienced continued strong sales of inorganic materials for projectors.

Consequently, the segment reported net sales and operating profit of ¥18,202 million (up 19.0% year-on-year) and ¥3,214 million (up 117.7% year-on-year), respectively.

(2) Explanation of financial position

(Assets)

Total assets at the end of the current period amounted to ¥94,734 million, a decrease of ¥1,340 million from the end of the fiscal year ended March 31, 2017 (hereinafter, “the end of the previous fiscal year”).

Current assets amounted to ¥39,181 million, a decrease of ¥462 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥965 million in raw materials and supplies, ¥732 million in cash and deposits, ¥434 million in work in process and ¥967 million in other, which were partly offset by an increase of ¥2,654 million in notes and accounts receivable - trade.

Non-current assets amounted to ¥55,552 million, a decrease of ¥878 million from the end of the previous fiscal year. This decrease can mainly be explained by a decrease of ¥1,155 million in intangible assets due primarily to amortization of goodwill, which was partly offset by an increase of ¥466 million in property, plant and equipment due primarily to an increase in construction in progress.

(Liabilities)

Total liabilities at the end of the current period amounted to ¥42,939 million, a decrease of ¥2,453 million from the end of the previous fiscal year.

Current liabilities amounted to ¥19,889 million, a decrease of ¥3,134 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥1,396 million in other payables and ¥1,085 million in notes and accounts payable - trade.

Non-current liabilities amounted to ¥23,049 million, an increase of ¥681 million from the end of the previous fiscal year. This increase can mainly be explained by an increase of ¥1,333 million in long-term debt, which was partly offset by a decrease of ¥723 million in liability for retirement benefits.

(Net assets)

Total net assets at the end of the current period amounted to ¥51,794 million, an increase of ¥1,112 million from the end of the previous fiscal year. This increase can mainly be explained by a net increase of ¥963 million in retained earnings as a result of recording profit attributable to owners of parent of ¥2,722 million and a declaration of dividends of ¥1,740 million.

(3) Explanation of forward-looking statements including consolidated earnings forecast

There is no revision to the earnings forecast for the fiscal year ending March 31, 2018 announced on July 27, 2017.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2017)	Current quarter (As of September 30, 2017)
Assets		
Current assets:		
Cash and deposits	16,432	15,700
Notes and accounts receivable - trade	11,715	14,369
Electronically recorded monetary claims - operating	74	97
Merchandise and finished goods	2,248	2,320
Work in process	2,804	2,369
Raw materials and supplies	2,308	1,342
Deferred tax assets	1,294	1,189
Other	2,775	1,808
Allowance for doubtful accounts	(9)	(16)
Total current assets	39,643	39,181
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	29,199	29,418
Accumulated depreciation	(18,518)	(18,931)
Buildings and structures, net	10,681	10,486
Machinery, equipment and vehicles	35,289	35,183
Accumulated depreciation	(28,826)	(28,956)
Machinery, equipment and vehicles, net	6,462	6,227
Land	3,620	3,620
Construction in progress	1,631	2,573
Other	5,363	5,376
Accumulated depreciation	(4,282)	(4,340)
Other, net	1,080	1,035
Total property, plant and equipment	23,477	23,944
Intangible assets:		
Goodwill	27,880	26,981
Patent rights	2,679	2,477
Other	1,392	1,337
Total intangible assets	31,951	30,796
Investments and other assets:		
Deferred tax assets	554	333
Other	447	477
Total investments and other assets	1,002	811
Total non-current assets	56,431	55,552
Total assets	96,075	94,734

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2017)	Current quarter (As of September 30, 2017)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	8,965	7,880
Electronically recorded obligations - operating	1,414	1,213
Current portion of long-term debt	1,916	3,083
Other payables	4,674	3,277
Accrued expenses	846	1,012
Provision for bonuses	1,785	1,783
Deferred tax liabilities	1	1
Other	3,419	1,637
Total current liabilities	<u>23,024</u>	<u>19,889</u>
Non-current liabilities:		
Long-term debt	18,083	19,416
Liability for retirement benefits	3,669	2,945
Deferred tax liabilities	169	120
Other	446	567
Total non-current liabilities	<u>22,368</u>	<u>23,049</u>
Total liabilities	<u>45,393</u>	<u>42,939</u>
Net assets		
Shareholders' equity:		
Common stock	15,830	15,869
Capital surplus	15,830	15,869
Retained earnings	18,654	19,618
Treasury stock	(3,341)	(3,340)
Total shareholders' equity	<u>46,974</u>	<u>48,017</u>
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	127	(7)
Foreign currency translation adjustment	1,713	1,987
Remeasurements of defined benefit plans	1,867	1,797
Total accumulated other comprehensive income	<u>3,707</u>	<u>3,777</u>
Total net assets	<u>50,682</u>	<u>51,794</u>
Total liabilities and net assets	<u>96,075</u>	<u>94,734</u>

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

Quarterly consolidated statements of income

(Millions of yen)

	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net sales	27,373	38,225
Cost of sales	17,354	25,683
Gross profit	10,019	12,542
Selling, general and administrative expenses	8,581	8,674
Operating profit	1,437	3,867
Non-operating income:		
Interest income	5	12
Foreign exchange gains	—	125
Other	38	65
Total non-operating income	44	203
Non-operating expenses:		
Interest expenses	43	44
Foreign exchange losses	471	—
Other	41	118
Total non-operating expenses	556	163
Ordinary profit	925	3,907
Extraordinary income:		
Gain on sale of non-current assets	—	22
Subsidy income	—	153
Total extraordinary income	—	175
Extraordinary losses:		
Loss on sale of non-current assets	—	0
Loss on retirement of property, plant and equipment	4	37
Restructuring expenses	686	100
Other	—	0
Total extraordinary losses	690	139
Profit before income taxes	235	3,943
Income taxes - current	281	856
Income taxes - deferred	(79)	364
Total income taxes	201	1,221
Profit	34	2,722
Profit attributable to owners of parent	34	2,722

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Profit	34	2,722
Other comprehensive income:		
Deferred gains or losses on hedges	—	(134)
Foreign currency translation adjustment	(1,314)	274
Remeasurements of defined benefit plans	(11)	(70)
Total other comprehensive income	<u>(1,326)</u>	<u>69</u>
Comprehensive income	<u>(1,292)</u>	<u>2,792</u>
Comprehensive income attributable to:		
Owners of parent	(1,292)	2,792
Non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Supplemental information)

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

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

The shares of the Company remaining in the Trust are presented as 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 previous fiscal year and at the end of the current period are ¥3,235 million for 3,086 thousand shares and ¥3,234 million for 3,086 thousand shares, respectively.

(Board Benefit Trust (BBT))

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

The shares of the Company remaining in the Trust are presented as 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 previous fiscal year and at the end of the current period are ¥106 million for 132 thousand shares and ¥106 million for 132 thousand shares, respectively.

(Segment information)

- 1) For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

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	12,162	15,211	27,374	(1)	27,373
Intersegment sales or transfers	—	78	78	(78)	—
Total	12,162	15,290	27,453	(79)	27,373
Segment profit (loss)	860	1,476	2,336	(899)	1,437

Note: The amount of adjustment for segment profit of ¥899 million is the amount of amortization of goodwill that is not attributable to any reportable segment.

Reference: Consolidated net sales from markets other than Japan: ¥19,820 million

- 2) For the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

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	20,127	18,099	38,226	(1)	38,225
Intersegment sales or transfers	0	103	103	(103)	—
Total	20,128	18,202	38,330	(105)	38,225
Segment profit (loss)	1,552	3,214	4,766	(899)	3,867

Note: The amount of adjustment for segment profit of ¥899 million is the amount of amortization of goodwill that is not attributable to any reportable segment.

Reference: Consolidated net sales from markets other than Japan: ¥19,715 million