

**Consolidated Financial Results**  
for the Three Months Ended June 30, 2018  
〔Under Japanese GAAP〕



July 30, 2018

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  
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Preparation of supplementary briefing material on quarterly financial results: Yes  
Investors meeting presentation for quarterly financial results: Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	14,756	(22.9)	397	(79.7)	661	(66.8)	435	(64.8)
June 30, 2017	19,147	49.2	1,955	253.1	1,995	—	1,239	—

Notes: 1. Comprehensive income

For the three months ended June 30, 2018: ¥267 million [(77.7)%]

For the three months ended June 30, 2017: ¥1,196 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	7.20	7.13
June 30, 2017	20.63	20.39

Notes: 2. The year-on-year changes of ordinary profit and profit attributable to owners of parent for the three months ended June 30, 2017 are indicated as “—” because the figures have exceeded one thousand percent.

(2) Consolidated financial position

	Total assets	Net assets	Capital to asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2018	93,261	48,928	52.5	809.10
March 31, 2018	94,958	49,921	52.6	825.82

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

As of June 30, 2018: ¥48,928 million      As of March 31, 2018: ¥49,921 million

2. Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year Ended March 31, 2018	—	20.00	—	20.00	40.00
Ending March 31, 2019	—	—	—	—	—
Ending March 31, 2019 (forecast)	—	20.00	—	20.00	40.00

Note: Revisions to dividend forecast published most recently: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentage indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	30,400	(20.5)	2,100	(45.7)	2,000	(48.8)	1,100	(59.6)	18.27
Fiscal year	63,700	(9.1)	7,000	13.3	6,700	17.9	4,200	22.6	69.76

Note: Revisions to earnings forecast published most recently: None

[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 June 30, 2018:	63,688,000 shares
As of March 31, 2018:	63,668,000 shares
  - (b) Number of shares of treasury stock

As of June 30, 2018:	3,216,000 shares
As of March 31, 2018:	3,217,000 shares
  - (c) Average number of shares of common stock during the period

Three months ended June 30, 2018:	60,462,763 shares
Three months ended June 30, 2017:	60,083,767 shares

Notes: 1. As a result of the exercise of stock options during the three months ended June 30, 2018, the number of shares issued as of June 30, 2018 has increased by 20,000 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 (3,216,000 shares as of June 30, 2018 and 3,217,000 shares as of March 31, 2018) 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 (3,216,665 shares for the three months ended June 30, 2018; and 3,218,785 shares for the three months ended June 30, 2017) 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 to be performed by certified public accountants or an audit firm.

\* [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.

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## 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018; hereinafter, “the current period”), the Group reported net sales of ¥14,756 million (down 22.9% year-on-year). This was caused by a change of base films used for antireflection films, as well as an impact of our decision to withdraw from the consumer IT products business. Without the change of base films, net sales would have decreased by approximately 11% year-on-year.

In terms of profitability, products such as optical elasticity resins and Anisotropic Conductive Films (ACF) were affected by continuingly weak market conditions for consumer IT products. In addition, there was a temporary boost in ACF sales for the same period of the previous year. Consequently, the Group reported operating profit of ¥397 million (down 79.7% year-on-year).

The Group reported ordinary profit of ¥661 million (down 66.8% year-on-year) primarily due to recognition of foreign exchange gains. Consequently, profit attributable to owners of parent amounted to ¥435 million (down 64.8% year-on-year).

(Note) As a result of the change of base films, we have experienced a decrease in purchase price and a corresponding decrease in selling price of our products. This revision will not, however, affect profits.

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

### 1) Optical Materials and Components business

(Millions of yen)

	Three months ended June 30, 2018 (the current period)	Three months ended June 30, 2017 (the same period of previous fiscal year)	Year-on-year change
Net sales	6,213	10,489	(40.8)%
Operating profit	(35)	931	—

Note: Net sales include inter-segment transactions.

During the current period, the Optical films product category saw a substantial year-on-year decrease in sales of the products for laptop PC displays caused by the change of base films. However, without the change of base films, the product category would have resulted in a year-on-year increase in sales due to a continued increase in demand for the products including those used for in-vehicle applications.

The Optical resin materials product category reported year-on-year decreases both in sales and profits due to decreased sales of the products including optical elasticity resins used for tablet PCs and smartphones.

The Optical solutions product category saw a substantial year-on-year decrease in sales due primarily to the withdrawal from the consumer IT products business, which accounted for a majority of sales in this category for the same period of the previous fiscal year, while the business for the in-vehicle displays using our products achieved a year-on-year increase in sales for the current period.

Consequently, the segment reported net sales and operating loss of ¥6,213 million (down 40.8% year-on-year) and ¥35 million (compared with operating profit of ¥931 million for the same period of the previous fiscal year), respectively.

### 2) Electronic Materials and Components business

(Millions of yen)

	Three months ended June 30, 2018 (the current period)	Three months ended June 30, 2017 (the same period of previous fiscal year)	Year-on-year change
Net sales	8,603	8,701	(1.1)%
Operating profit	882	1,473	(40.1)%

Note: Net sales include inter-segment transactions.

During the current period, the Surface mounted type fuses product category saw increases in both sales and profits thanks to strong sales of the products for electric power tools and others.

However, the Anisotropic conductive films (ACF) category reported year-on-year decreases in both sales and profits because we suffered the continuingly weak market conditions for the consumer IT products and there is no longer a positive impact of a front-loaded production of new smartphone models, which we experienced during the same period of the previous fiscal year.

The Adhesive materials product category saw a slight decrease in sales and a decrease in profits primarily because the sales composition for the current period has changed from that for the same period of the previous fiscal year, when sales of highly profitable functional products for popular models of smartphones at the time contributed greatly to the category performance.

Consequently, the segment reported net sales and operating profit of ¥8,603 million (down 1.1% year-on-year) and ¥882 million (down 40.1% year-on-year), respectively.

(2) Explanation of financial position

**(Assets)**

Total assets at the end of the current period amounted to ¥93,261 million, a decrease of ¥1,696 million from the end of the fiscal year ended March 31, 2018 (hereinafter, “the end of the previous fiscal year”).

Current assets amounted to ¥33,407 million, a decrease of ¥1,338 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥1,225 million in cash and deposits, ¥605 million in merchandise and finished goods, and ¥536 million in other, which were partly offset by an increase of ¥1,267 million in notes and accounts receivable - trade.

Non-current assets amounted to ¥59,853 million, a decrease of ¥357 million from the end of the previous fiscal year. This decrease can mainly be explained by a decrease of ¥2,268 million in construction in progress, which was partly offset by increases of ¥1,598 million in machinery, equipment and vehicles, net and ¥513 million in buildings and structures, net.

**(Liabilities)**

Total liabilities at the end of the current period amounted to ¥44,333 million, a decrease of ¥703 million from the end of the previous fiscal year.

Current liabilities amounted to ¥19,732 million, a decrease of ¥1,235 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases of ¥2,814 million in other payables and ¥597 million in notes and accounts payable - trade, which were partly offset by an increase of ¥2,000 million in short-term debt.

Non-current liabilities amounted to ¥24,600 million, an increase of ¥532 million from the end of the previous fiscal year. This increase can mainly be explained by an increase of ¥500 million in long-term debt.

Effective from the beginning of the current period, the Company applied *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, these pronouncements have been applied retrospectively to the prior period presented so that the financial position at the end of the current period can be comparable with that at the end of the previous fiscal year.

**(Net assets)**

Total net assets at the end of the current period amounted to ¥48,928 million, a decrease of ¥993 million from the end of the previous fiscal year. This decrease can mainly be explained by a net decrease of ¥837 million in retained earnings as a result of recording profit attributable to owners of parent of ¥435 million and a declaration of dividends of ¥1,273 million. Deferred gains or losses on hedges also decreased by ¥226 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, 2019 announced on April 26, 2018.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	Current quarter (As of June 30, 2018)
Assets		
Current assets:		
Cash and deposits	14,887	13,662
Notes and accounts receivable - trade	10,692	11,959
Electronically recorded monetary claims - operating	155	128
Merchandise and finished goods	2,635	2,030
Work in process	2,235	2,193
Raw materials and supplies	1,817	1,648
Other	2,325	1,789
Allowance for doubtful accounts	(4)	(4)
Total current assets	34,746	33,407
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	29,689	30,437
Accumulated depreciation	(19,396)	(19,630)
Buildings and structures, net	10,292	10,806
Machinery, equipment and vehicles	34,921	36,966
Accumulated depreciation	(29,024)	(29,470)
Machinery, equipment and vehicles, net	5,896	7,495
Land	3,661	3,661
Construction in progress	6,253	3,985
Other	5,487	5,683
Accumulated depreciation	(4,403)	(4,472)
Other, net	1,084	1,211
Total property, plant and equipment	27,190	27,161
Intangible assets:		
Goodwill	26,072	25,629
Patent rights	2,275	2,174
Other	1,362	1,224
Total intangible assets	29,710	29,027
Investments and other assets:		
Asset for retirement benefits	985	1,231
Deferred tax assets	1,527	1,436
Other	810	1,009
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	3,311	3,664
Total non-current assets	60,211	59,853
Total assets	94,958	93,261

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	Current quarter (As of June 30, 2018)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	7,599	7,001
Electronically recorded obligations - operating	1,123	1,252
Short-term debt	—	2,000
Current portion of long-term debt	3,083	3,333
Other payables	5,207	2,392
Accrued expenses	551	916
Provision for bonuses	1,298	750
Other	2,106	2,086
Total current liabilities	20,968	19,732
Non-current liabilities:		
Long-term debt	18,000	18,500
Liability for retirement benefits	5,333	5,313
Deferred tax liabilities	83	94
Other	651	692
Total non-current liabilities	24,067	24,600
Total liabilities	45,036	44,333
<b>Net assets</b>		
Shareholders' equity:		
Common stock	15,934	15,940
Capital surplus	15,934	15,940
Retained earnings	19,071	18,233
Treasury stock	(3,339)	(3,338)
Total shareholders' equity	47,601	46,776
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	245	19
Foreign currency translation adjustment	1,665	1,743
Remeasurements of defined benefit plans	408	388
Total accumulated other comprehensive income	2,320	2,151
Total net assets	49,921	48,928
Total liabilities and net assets	94,958	93,261

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

## Quarterly consolidated statements of income

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	19,147	14,756
Cost of sales	12,996	9,954
Gross profit	6,151	4,801
Selling, general and administrative expenses	4,195	4,404
Operating profit	1,955	397
Non-operating income:		
Interest income	0	4
Foreign exchange gains	92	347
Other	22	22
Total non-operating income	116	373
Non-operating expenses:		
Interest expenses	21	21
Depreciation	51	59
Other	3	27
Total non-operating expenses	76	108
Ordinary profit	1,995	661
Extraordinary income:		
Gain on sale of non-current assets	13	—
Subsidy income	—	100
Total extraordinary income	13	100
Extraordinary losses:		
Loss on sale of non-current assets	0	—
Loss on retirement of property, plant and equipment	22	1
Restructuring expenses	81	—
Other	0	—
Total extraordinary losses	104	1
Profit before income taxes	1,904	759
Income taxes - current	159	112
Income taxes - deferred	505	211
Total income taxes	665	323
Profit	1,239	435
Profit attributable to owners of parent	1,239	435



Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Profit	1,239	435
Other comprehensive income:		
Deferred gains or losses on hedges	(80)	(226)
Foreign currency translation adjustment	72	77
Remeasurements of defined benefit plans	(35)	(19)
Total other comprehensive income	(42)	(168)
Comprehensive income	1,196	267
Comprehensive income attributable to:		
Owners of parent	1,196	267
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 ¥3,233 million for 3,085 thousand shares and ¥3,232 million for 3,084 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.

(Application of *Partial Amendments to Accounting Standard for Tax Effect Accounting*, etc.)

Effective from the beginning of the current period, the Company applied *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

(Segment information)

1) For the three months ended June 30, 2017 (from April 1, 2017 to June 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	10,489	8,658	19,147	—	19,147
Intersegment sales or transfers	—	42	42	(42)	—
Total	10,489	8,701	19,190	(42)	19,147
Segment profit (loss)	931	1,473	2,405	(449)	1,955

Note: The amount of adjustment for segment profit of ¥449 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: ¥9,409 million

2) For the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

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	6,213	8,543	14,756	—	14,756
Intersegment sales or transfers	—	59	59	(59)	—
Total	6,213	8,603	14,816	(59)	14,756
Segment profit (loss)	(35)	882	846	(449)	397

Note: The amount of adjustment for segment profit (loss) of ¥449 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: ¥8,581 million