

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Under Japanese GAAP]

February 2, 2022

Company name: Dexerials Corporation
 Security code: 4980
 Representative: Yoshihisa Shinya, Representative Director and President
 Contact: Shinji Tomita, General Manager, IR Department, Corporate Strategy Division
 Quarterly Securities Report (Shihanki Hokokusho) filing date: February 10, 2022
 Scheduled date of dividend payment: –
 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 of less than one million yen have been omitted.

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 - December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	72,115	46.6	20,713	141.3	19,336	133.7	12,710	208.0
December 31, 2020	49,193	9.9	8,585	94.7	8,275	96.5	4,126	45.7

Note: Comprehensive income For the nine months ended December 31, 2021: ¥13,461 million [236.9%]

Note: EBITDA For the nine months ended December 31, 2020: ¥3,996 million [58.2%]

For the nine months ended December 31, 2021: ¥25,146 million [90.0%]

For the nine months ended December 31, 2020: ¥13,232 million [46.8%]

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
Nine months ended	Yen	Yen
December 31, 2021	208.81	207.37
December 31, 2020	67.84	67.46

(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
December 31, 2021	106,364	60,245	56.6	1,000.47
March 31, 2021	95,201	53,305	56.0	874.66

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

As of December 31, 2021:

¥60,245 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
Ending March 31, 2022	–	30.00	–		
Ending March 31, 2022 (Forecast)				30.00	60.00

Note: Revisions to dividend forecast published most recently: None

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
	94,000	42.8	24,500	116.1	22,400	106.6	14,500	172.1	238.33

Note: Revisions to earnings forecast published most recently: Yes

For more information on consolidated financial results, please refer to results briefing materials posted on our website (<https://www.dexerials.jp/en/ir/library/>) and a quarterly securities report to be filed on February 10, 2022 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: Yes
 - (d) Restatements of prior period financial statements: None

Note: For further details, please see “1. Quarterly Consolidated Financial Statements and Notes, (3) Notes to quarterly consolidated financial statements (Changes in accounting policies) and (Changes in accounting estimates)” on page 6 of the attached materials.

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

As of December 31, 2021:	64,428,400 shares	As of March 31, 2021:	64,276,700 shares
--------------------------	-------------------	-----------------------	-------------------
 - (b) Number of treasury shares

As of December 31, 2021:	4,211,709 shares	As of March 31, 2021:	3,332,948 shares
--------------------------	------------------	-----------------------	------------------
 - (c) Average number of shares of common stock during the period

Nine months ended December 31, 2021: 60,872,403 shares	Nine months ended December 31, 2020: 60,824,342 shares
--	--

Notes: 1. As a result of the exercise of stock options during the third quarter of the fiscal year ending March 31, 2022, the number of shares issued as of December 31, 2021 has increased by 151,700 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 December 31, 2021 and 293,800 shares as of December 31, 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 3,482,184 shares for the nine months ended December 31, 2021 and an average of 3,219,045 shares for the nine months ended December 31, 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.

Contents for Attached Materials

1. Quarterly Consolidated Financial Statements and Notes	P. 2
(1) Quarterly consolidated balance sheet	P. 2
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	P. 4
Quarterly consolidated statement of income	P. 4
Quarterly consolidated statement of comprehensive income	P. 5
(3) Notes to quarterly consolidated financial statements	P. 6
(Going concern assumption)	P. 6
(Significant changes in shareholders' equity)	P. 6
(Changes in accounting policies)	P. 6
(Changes in accounting estimates)	P. 6
(Supplemental information)	P. 7
(Segment information)	P. 8

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 December 31, 2021)
Assets		
Current assets:		
Cash and deposits	20,531	22,248
Note and accounts receivable - trade	12,639	19,619
Electronically recorded monetary claims - operating	157	192
Merchandise and finished goods	2,670	3,210
Work in process	2,468	2,598
Raw materials and supplies	2,392	3,627
Other	2,400	3,985
Allowance for doubtful accounts	(2)	(4)
Total current assets	43,259	55,477
Non-current assets:		
Property, plant and equipment		
Buildings and structures	30,163	30,387
Accumulated depreciation	(20,425)	(20,854)
Buildings and structures, net	9,738	9,532
Machinery, equipment and vehicles	36,219	37,160
Accumulated depreciation	(29,719)	(30,768)
Machinery, equipment and vehicles, net	6,500	6,392
Land	3,357	3,357
Construction in progress	1,646	2,675
Other	6,483	6,849
Accumulated depreciation	(5,089)	(5,253)
Other, net	1,393	1,596
Total property, plant and equipment	22,635	23,553
Intangible assets:		
Goodwill	20,683	19,214
Patent right	1,120	869
Other	1,251	1,316
Total intangible assets	23,055	21,400
Investments and other assets:		
Shares of subsidiaries and associates	591	466
Retirement benefit asset	2,868	3,030
Deferred tax assets	1,867	1,339
Other	935	1,107
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	6,252	5,932
Total non-current assets	51,942	50,886
Total assets	95,201	106,364

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current quarter (As of December 31, 2021)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	8,433	12,112
Electronically recorded obligations - operating	1,948	2,461
Current portion of long-term borrowings	4,677	3,761
Accounts payable - other	3,595	4,219
Accrued expenses	711	860
Income taxes payable	1,813	4,339
Provision for bonuses	2,440	1,825
Other	1,932	2,519
Total current liabilities	25,552	32,100
Non-current liabilities:		
Long-term borrowings	10,808	8,609
Retirement benefit liability	4,375	4,455
Deferred tax liabilities	222	238
Other	937	715
Total non-current liabilities	16,344	14,018
Total liabilities	41,896	46,119
Net assets		
Shareholders' equity:		
Share capital	16,106	16,150
Capital surplus	16,106	16,150
Retained earnings	22,717	31,775
Treasury shares	(3,491)	(6,447)
Total shareholders' equity	51,439	57,628
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(587)	(15)
Foreign currency translation adjustment	1,807	2,032
Remeasurements of defined benefit plans	645	599
Total accumulated other comprehensive income	1,866	2,616
Total net assets	53,305	60,245
Total liabilities and net assets	95,201	106,364

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

Quarterly consolidated statement of income

(Millions of yen)

	For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	49,193	72,115
Cost of sales	28,189	37,998
Gross profit	21,003	34,117
Selling, general and administrative expenses	12,418	13,403
Operating profit	8,585	20,713
Non-operating income:		
Interest income	7	6
Rental income	71	42
Other	74	116
Total non-operating income	153	165
Non-operating expenses:		
Interest expenses	48	37
Foreign exchange losses	26	1,160
Share of loss of entities accounted for using equity method	168	125
Depreciation	176	123
Loss on investments in investment partnerships	16	22
Other	27	72
Total non-operating expenses	463	1,542
Ordinary profit	8,275	19,336
Extraordinary income:		
Gain on sale of non-current assets	0	0
Gain on change in equity	26	—
Gain on liquidation of subsidiaries	—	242
Total extraordinary income	27	242
Extraordinary losses:		
Loss on sale of non-current assets	222	5
Loss on retirement of non-current assets	65	526
Structural reform expenses	1,802	—
Head office relocation expenses	—	102
Compensation for damage	154	349
Total extraordinary losses	2,244	984
Profit before income taxes	6,057	18,595
Income taxes - current	1,751	5,516
Income taxes - deferred	179	368
Total income taxes	1,930	5,884
Profit	4,126	12,710
Profit attributable to owners of parent	4,126	12,710

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit	4,126	12,710
Other comprehensive income:		
Deferred gains or losses on hedges	(154)	572
Foreign currency translation adjustment	27	224
Remeasurements of defined benefit plans	(3)	(45)
Total other comprehensive income	(130)	750
Comprehensive income	3,996	13,461
Comprehensive income attributable to:		
Owners of parent	3,996	13,461
Non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

(Acquisition of treasury shares)

The Company repurchased 922,800 treasury shares based on the resolution of Board of Directors' meeting held on November 1, 2021. As a result, treasury shares increased by ¥2,999 million, and treasury shares stood at ¥6,447 million as of December 31, 2021.

(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 first nine months of the fiscal year under review is minor.

(Changes in accounting estimates)

(Change in estimates of asset retirement obligations)

During the three months ended December 31, 2021, the Group obtained new information such as information on moving out, and consequently changed its estimates on the restoration costs and expected use period, in conjunction with asset retirement obligations posted as restoration obligations under the real estate lease contract for the previous head office.

An increase resulting from this change in estimates, ¥28 million, was added to asset retirement obligations before the change. Although the change did not affect operating profit or ordinary profit, profit before income taxes decreased by ¥28 million for the first nine months of the fiscal year under review.

(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 third quarter of the current fiscal year are ¥3,103 million and 2,961 thousand shares and ¥3,068 million and 2,927 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 (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 third 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 nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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	21,317	27,875	49,193	—	49,193
Intersegment sales or transfers	6	82	89	(89)	—
Total	21,324	27,958	49,282	(89)	49,193
Segment profit	4,110	5,822	9,933	(1,348)	8,585

(Note) The amount of adjustment for segment profit of ¥1,348 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥16,145 million, China ¥16,214 million, South Korea ¥5,363 million, Taiwan ¥5,349 million and Other ¥6,120 million)

II. For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	36,174	35,941	72,115	—	72,115
Intersegment sales or transfers	82	306	388	(388)	—
Total	36,256	36,247	72,504	(388)	72,115
Segment profit	9,706	12,348	22,054	(1,341)	20,713

(Note) The amount of adjustment for segment profit of ¥1,341 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region:

(Japan ¥20,832 million, China ¥17,805 million, South Korea ¥10,526 million, Taiwan ¥14,803 million and Other ¥8,147 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 third 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 first nine months of the fiscal year under review is minor.