

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Under Japanese GAAP]

July 28, 2022

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 Security code: 4980
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(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 - June 30, 2022)

(1) Consolidated operating results (cumulative) (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, 2022	26,775	31.6	8,347	70.1	7,260	60.9	4,664	57.3
June 30, 2021	20,347	47.0	4,907	290.6	4,513	263.6	2,965	281.7

Note: Comprehensive income For the three months ended June 30, 2022: ¥5,740 million [97.4%]

For the three months ended June 30, 2021: ¥2,908 million [303.1%]

Note: EBITDA For the three months ended June 30, 2022: ¥9,979million [55.3%]

For the three months ended June 30, 2021: ¥6,424 million [129.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	78.13	77.69
June 30, 2021	48.63	48.28

(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
June 30, 2022	118,712	63,976	53.5	1,076.72
March 31, 2022	127,410	64,140	50.0	1,063.24

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income) As of June 30, 2022: ¥63,544 million

As of March 31, 2022: ¥63,735 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, 2022	—	30.00	—	30.00	60.00
Ending March 31, 2023	—				
Fiscal year		30.00	—	35.00	65.00
Ending March 31, 2023 (forecast)					

Note: Revisions to dividend forecast published most recently: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 - March 31, 2023)

(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
Fiscal year	110,000	14.9	31,000	16.4	29,600	18.3	20,000	20.0	329.48

Note: Revisions to earnings forecast published most recently: None

For more information on consolidated financial results, please refer to results briefing materials posted on our website (<https://www.dexerials.jp/en/ir/library/index.html>) 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, (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” 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 June 30, 2022:	64,519,400 shares	As of March 31, 2022:	64,493,400 shares
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 - (b) Number of treasury shares

As of June 30, 2022:	5,503,329 shares	As of March 31, 2022:	4,548,709 shares
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 - (c) Average number of shares of common stock during the period

Three months ended June 30, 2022:	59,702,350 shares	Three months ended June 30, 2021:	60,969,843 shares
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Notes: 1. As a result of the exercise of stock options during the first quarter of the fiscal year ending March 31, 2023, the number of shares issued as of June 30, 2022 has increased by 26,000 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 June 30, 2022 and 293,800 shares as of June 30, 2021) 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 4,805,797 shares for the three months ended June 30, 2022 and an average of 3,331,648 shares for the three months ended June 30, 2021) 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, 2022)	Current quarter (As of June 30, 2022)
Assets		
Current assets:		
Cash and deposits	29,363	23,756
Notes and accounts receivable - trade	19,140	19,957
Electronically recorded monetary claims - operating	289	324
Merchandise and finished goods	3,794	4,118
Work in process	3,565	3,288
Raw materials and supplies	4,465	4,728
Other	4,468	2,216
Allowance for doubtful accounts	(2)	(3)
Total current assets	65,086	58,387
Non-current assets:		
Property, plant and equipment		
Buildings and structures	32,288	22,716
Accumulated depreciation	(21,693)	(13,495)
Buildings and structures, net	10,595	9,220
Machinery, equipment and vehicles	38,755	39,033
Accumulated depreciation	(31,651)	(32,017)
Machinery, equipment and vehicles, net	7,103	7,015
Land	3,572	2,462
Construction in progress	3,620	5,416
Other	7,664	8,111
Accumulated depreciation	(5,915)	(6,125)
Other, net	1,749	1,986
Total property, plant and equipment	26,642	26,102
Intangible assets:		
Goodwill	25,592	24,975
Patent right	831	793
Other	1,541	1,608
Total intangible assets	27,966	27,377
Investments and other assets:		
Shares of subsidiaries and associates	160	103
Retirement benefit asset	3,250	3,326
Deferred tax assets	2,730	1,734
Other	1,586	1,693
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	7,716	6,845
Total non-current assets	62,324	60,325
Total assets	127,410	118,712

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current quarter (As of June 30, 2022)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	13,087	11,326
Electronically recorded obligations - operating	2,928	3,045
Short-term borrowings	6,500	6,500
Current portion of long-term borrowings	4,465	4,451
Accounts payable - other	5,935	6,183
Accrued expenses	877	1,284
Income taxes payable	6,822	1,797
Provision for bonuses	3,084	1,048
Other	6,102	5,536
Total current liabilities	49,803	41,174
Non-current liabilities		
Long-term borrowings	8,467	8,089
Retirement benefit liability	4,385	4,356
Deferred tax liabilities	297	374
Other	316	741
Total non-current liabilities	13,466	13,561
Total liabilities	63,270	54,735
Net assets		
Shareholders' equity:		
Share capital	16,170	16,178
Capital surplus	16,170	16,128
Retained earnings	35,733	38,510
Treasury shares	(7,444)	(11,427)
Total shareholders' equity	60,629	59,390
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	(359)	(343)
Foreign currency translation adjustment	2,691	3,742
Remeasurements of defined benefit plans	774	755
Total accumulated other comprehensive income	3,105	4,153
Non-controlling interests	404	432
Total net assets	64,140	63,976
Total liabilities and net assets	127,410	118,712

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

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	20,347	26,775
Cost of sales	11,193	13,242
Gross profit	9,154	13,532
Selling, general and administrative expenses	4,246	5,184
Operating profit	4,907	8,347
Non-operating income:		
Interest income	1	4
Share of profit of entities accounted for using equity method	–	2
Rental income	11	4
Other	37	43
Total non-operating income	50	54
Non-operating expenses:		
Interest expenses	13	19
Foreign exchange losses	318	1,102
Share of loss of entities accounted for using equity method	38	–
Depreciation	42	15
Other	31	5
Total non-operating expenses	444	1,142
Ordinary profit	4,513	7,260
Extraordinary income:		
Gain on sale of non-current assets	0	10
Gain on liquidation of subsidiaries	242	–
Total extraordinary income	242	10
Extraordinary losses:		
Loss on retirement of non-current assets	5	162
Compensation for damage	349	–
Total extraordinary losses	354	162
Profit before income taxes	4,401	7,109
Income taxes - current	767	1,332
Income taxes - deferred	669	1,090
Total income taxes	1,436	2,422
Profit	2,965	4,686
Profit attributable to non-controlling interests	–	22
Profit attributable to owners of parent	2,965	4,664

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Profit	2,965	4,686
Other comprehensive income:		
Deferred gains or losses on hedges	181	16
Foreign currency translation adjustment	(223)	1,056
Remeasurements of defined benefit plans, net of tax	(14)	(19)
Total other comprehensive income	(56)	1,053
Comprehensive income	2,908	5,740
Comprehensive income attributable to:		
Owners of parent	2,908	5,712
Non-controlling interests	-	27

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

(Purchase of treasury shares)

Based on a resolution adopted at the meeting of the Board of Directors held on May 10, 2022, the Company decided to acquire treasury shares during the period from June 1, 2022 to March 31, 2023 on the condition of the total number or purchase price of stock to be acquired not exceeding 1,800,000 shares or 5,000 million yen. During the first quarter under review, it acquired 717,500 shares for a total purchase price of 2,999 million yen.

In addition, following the additional contribution of funds to the Board Benefit Trust (BBT) system according to a resolution taken at the said meeting of the Board of Directors, 252,900 shares of the Company that the Trust purchased for the price of 999 million yen in total during the first quarter under review were recognized as treasury shares.

As a result, treasury shares were valued at 11,427 million yen as of the end of the first quarter under review.

(Acquisition of additional shares in subsidiary)

The Company acquired additional shares in Kyoto Semiconductor Co., Ltd., its consolidated subsidiary, in the first quarter under review. With this additional acquisition, the amount of capital surplus decreased 50 million yen.

To complete the relevant transaction, a conditional stock transfer agreement was concluded between the holders of acquisition rights for the shares of Kyoto Semiconductor Co., Ltd. and Kyoto Semiconductor Co., Ltd., whereby such holders of stock acquisition rights transfer shares to the Company after they exercise their rights. Based on this agreement, shares were transferred to the Company on May 16, 2022 subsequent to the exercise of rights on April 22, 2022.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company started to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter under review and decided to implement the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance into the future.

The impact of applying this Implementation Guidance on the quarterly consolidated financial statements for the first quarter under review is minor.

(Application of the FASB Accounting Standards Codification (ASC) Topic 842 - Leases)

Starting from the beginning of the first quarter under review, the Company's overseas consolidated subsidiaries that adopt the U.S. accounting standard applied the "FASB Accounting Standards Codification (ASC) Topic 842 - Leases," which dictates that lessees recognize assets and liabilities for all leases in the balance sheet, in principle.

As a result, as of the beginning of the first quarter under review, "Other" under "Property, plant and equipment," "Other" under "Current liabilities" and "Other" under "Non-current liabilities" increased by 180 million yen, 79 million yen, and 100 million yen, respectively.

The amount of impact of applying this accounting standard on the quarterly consolidated statement of income for the first 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 first quarter of the current fiscal year are ¥3,065 million and 2,925 thousand shares and ¥3,048 million and 2,909 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 first quarter of the current fiscal year are ¥54 million and 67 thousand shares and ¥1,053 million and 320 thousand shares, respectively.

(Segment information)

I. For the three months ended June 30, 2021 (from April 1, 2021 to June 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	9,778	10,569	20,347	–	20,347
Intersegment sales or transfers	26	60	87	(87)	–
Total	9,804	10,630	20,434	(87)	20,347
Segment profit	2,513	2,841	5,355	(447)	4,907

(Note) The amount of adjustment for segment profit of minus ¥447 million is the amount of amortization of goodwill that does not belong to any reportable segment.

(Reference) Net sales by region: Japan ¥5,973 million China ¥6,142 million South Korea ¥2,367 million
Taiwan ¥3,537 million Other ¥2,327 million

II. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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	13,151	13,623	26,775	–	26,775
Intersegment sales or transfers	79	70	150	(150)	–
Total	13,231	13,693	26,925	(150)	26,775
Segment profit	4,303	4,491	8,794	(446)	8,347

(Notes) 1. The amount of adjustment for segment profit of ¥446 million is the amount of amortization of goodwill that does not belong to any reportable segment.

2. The Group made Kyoto Semiconductor Co., Ltd. its consolidated subsidiary in March 2022. Accordingly, the company's optical semiconductor business was included in the Electronic Materials and Components segment.

(Reference) Net sales by region: Japan ¥7,765 million China ¥7,267 million South Korea ¥3,314 million
Taiwan ¥6,051 million Other ¥2,375 million