

[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: 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, 2020:	63,983,800 shares
As of March 31, 2020:	63,973,800 shares
 - (b) Number of shares of treasury stock

As of June 30, 2020:	3,124,303 shares
As of March 31, 2020:	3,131,103 shares
 - (c) Average number of shares of common stock during the period

As of June 30, 2020:	60,847,425 shares
As of June 30, 2019:	60,607,848 shares

Notes: 1. As a result of the exercise of stock options during the three months ended June 30, 2020, the number of shares issued as of June 30, 2020 has increased by 10,000 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 (3,124,303 shares as of June 30, 2020 and 3,131,103 shares as of March 31, 2020) 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 (3,128,133 shares for the three months ended June 30, 2020; and 3,209,252 shares for the three months ended June 30, 2019) 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 earnings forecast, 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. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current quarter (As of June 30, 2020)
Assets		
Current assets:		
Cash and deposits	13,779	14,283
Notes and accounts receivable - trade	9,617	9,702
Electronically recorded monetary claims - operating	77	122
Merchandise and finished goods	1,998	2,041
Work in process	2,035	1,933
Raw materials and supplies	1,642	1,724
Other	2,317	1,902
Allowance doubtful accounts	(3)	(2)
Total current assets	31,466	31,708
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,813	31,866
Accumulated depreciation	(21,173)	(21,407)
Buildings and structures, net	10,640	10,459
Machinery and equipment and vehicles	39,575	39,819
Accumulated depreciation	(31,378)	(31,978)
Machinery and equipment and vehicles, net	8,197	7,841
Land	3,696	3,696
Construction in progress	1,118	1,078
Other	6,150	6,187
Accumulated depreciation	(4,848)	(4,961)
Other, net	1,302	1,226
Total property, plant and equipment	24,954	24,302
Intangible assets:		
Goodwill	22,479	22,028
Patent rights	1,514	1,420
Other	1,080	1,048
Total intangible assets	25,075	24,496
Investments and other assets:		
Shares of subsidiaries and associates	738	698
Assets for retirement benefits	1,604	1,663
Deferred tax assets	1,728	1,436
Other	722	728
Allowance doubtful accounts	(10)	(10)
Total investments and other assets	4,782	4,517
Total non-current assets	54,813	53,316
Total assets	86,279	85,024

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current quarter (As of June 30, 2020)
Liabilities		
Current liabilities:		
Notes and accounts payable -trade	5,750	6,118
Electronically recorded obligations - operating	1,157	1,239
Current portion of long-term debt	2,847	2,972
Other payables	2,101	1,777
Accrued expenses	627	1,018
Provision for bonuses	1,500	801
Other	1,770	1,282
Total current liabilities	15,755	15,209
Non-current liabilities:		
Long-term debt	14,486	14,167
Liability for retirement benefits	5,259	5,219
Deferred tax liabilities	238	243
Other	971	971
Total non-current liabilities	20,956	20,601
Total liabilities	36,711	35,810
Net assets		
Shareholders' equity:		
Common stock	16,021	16,024
Capital surplus	16,021	16,024
Retained earnings	19,562	19,252
Treasury stock	(3,255)	(3,248)
Total shareholders' equity	48,349	48,051
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	155	119
Foreign currency translation adjustment	1,159	1,140
Remeasurements of defined benefit plans	(96)	(97)
Total accumulated other comprehensive income	1,218	1,163
Total net assets	49,567	49,214
Total liabilities and net assets	86,279	85,024

(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, 2019 (From April 1, 2019 to June 30, 2019)	For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	14,713	13,839
Cost of sales	9,508	8,621
Gross profit	5,204	5,217
Selling, general and administrative expenses	4,246	3,960
Operating profit	958	1,256
Non-operating income:		
Interest income	6	2
Foreign exchange gains	35	73
Rent income	18	20
Other	28	19
Total non-operating income	88	116
Non-operating expenses:		
Interest expenses	21	17
Share of loss of entities accounted for using the equity method	54	51
Depreciation	59	60
Other	2	1
Total non-operating expenses	137	131
Ordinary profit	909	1,241
Extraordinary income:		
Gain on change in equity	-	12
Subsidy income	50	-
Total extraordinary income	50	12
Extraordinary losses:		
Loss on retirement of property, plant and equipment	16	1
Total extraordinary losses	16	1
Profit before income taxes	942	1,251
Income taxes - current	240	160
Income taxes - deferred	138	314
Total income taxes	379	475
Profit	563	776
Profit attributable to owners of parent	563	776

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Profit	563	776
Other comprehensive income:		
Deferred gains or losses on hedges	75	(35)
Foreign currency translation adjustment	(409)	(18)
Remeasurements of defined benefit plans	(6)	(1)
Total other comprehensive income	(340)	(55)
Comprehensive income	222	721
Comprehensive income attributable to:		
Owners of parent	222	721
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 first quarter of the current fiscal year are ¥3,170 million for 3,025 thousand shares and ¥3,163 million for 3,018 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 and senior executive officers (excluding outside directors; the same applies hereinafter) to the Company's results of operations and its share value. Under the plan, directors and senior executive officers 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 and senior executive officers to continuously aim for better performances over a medium- to long-term period and more contribution 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 first quarter of the current fiscal year are ¥85 million for 105 thousand shares and ¥85 million for 105 thousand shares, respectively.

(Segment information)

- 1) For the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)
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	6,666	8,046	14,713	–	14,713
Intersegment sales or transfers	0	54	54	(54)	–
Total	6,667	8,100	14,767	(54)	14,713
Segment profit	790	617	1,407	(449)	958

(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: ¥8,394 million

- 2) For the three months ended June 30, 2020 (from April 1, 2020 to June 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	5,648	8,190	13,839		13,839
Intersegment sales or transfers	0	19	19	(19)	–
Total	5,649	8,209	13,858	(19)	13,839
Segment profit	586	1,119	1,705	(449)	1,256

(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: ¥9,367 million

(Significant subsequent event)

(Concluding overdraft agreements and commitment line agreements)

At the Board of Directors meeting held on July 30, 2020, we resolved to conclude an overdraft agreement and a commitment line agreement.

(1) Purpose of contract

Currently, while the Dexerials Group companies maintains enough liquidity and high financial soundness, in the face of increasing uncertainty about the future of corporate activities, we decided to set an additional a new loan facility totaling 8,000 million yen to prepare for unforeseen circumstances. Together with the loan lines that have already been concluded, the amount will be approximately 18,154 million yen, which we anticipate will contribute to further strengthening of the financial structure and improvement of financial responsiveness.

(2) Overview of overdraft contract

- (a) Contract amount: ¥4,000 million
- (b) Contracting party: MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
- (c) Scheduled contract date: July 31, 2020
- (d) Setting period: From July 31, 2020 to July 30, 2021
- (e) With or without guarantee of collateral
- (f) Contract amount after the increase in quotas: ¥10,154 million

(3) Outline of commitment line contract

- (a) Contract amount: ¥4,000 million
- (b) Contracting party: MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
- (c) Scheduled contract date: July 31, 2020
- (d) Setting period: From July 31, 2020 to July 30, 2021
- (e) With or without guarantee of collateral
- (f) Contract amount after increasing the quota: 8,000 million yen