

Consolidated Financial Results for the Six Months Ended September 30, 2019 [Under Japanese GAAP]

October 29, 2019

Company name: Dexerials Corporation Listing: Tokyo Stock Exchange
Security code: 4980 URL: <https://www.dexerials.jp/en>
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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 six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(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	%
Six months ended September 30, 2019	29,925	(1.5)	2,827	44.8	2,911	29.2	2,066	41.1
September 30, 2018	30,378	(20.5)	1,952	(49.5)	2,253	(42.3)	1,463	(46.2)

Note: Comprehensive income

For the six months ended September 30, 2019: ¥1,457 million[5.6%]

For the six months ended September 30, 2018: ¥1,379 million[(50.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	34.06	33.95
September 30, 2018	24.20	23.97

(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 September 30, 2019	89,809	49,720	55.4	818.53
March 31, 2019	87,586	49,055	56.0	809.40

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

As of September 30, 2019: ¥49,720 million

As of March 31, 2019: ¥49,055 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, 2019	—	20.00	—	14.00	34.00
Ending March 31, 2020	—	17.00	—	—	—
Ending March 31, 2020 (forecast)	—	—	—	17.00	34.00

Note: Revisions to dividend forecast published most recently: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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	58,000	(4.3)	4,100	10.1	3,750	(3.9)	2,450	7.2	40.46

Note: Revisions to earnings forecast published most recently: None

For more information on the consolidated financial results for the six months ended September 30, 2019, please refer to the supplementary briefing material on quarterly financial results, Quarterly Securities Report for the second quarter (available in Japanese only) to be filed on November 7, 2019 and other materials, which you can find on our website at <https://www.dexerials.jp/en/ir/library/index.html>.

[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: 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 more details, please refer to “1. Quarterly Consolidated Financial Statements and Notes, (3) Notes to quarterly consolidated financial statements, (Changes in accounting policies)” on page 6 of Attached Materials.
- (4) Number of shares of common stock issued
 - (a) Number of shares issued (including treasury stock)

As of September 30, 2019:	63,887,900 shares
As of March 31, 2019:	63,817,100 shares
 - (b) Number of shares of treasury stock

As of September 30, 2019:	3,144,603 shares
As of March 31, 2019:	3,209,900 shares
 - (c) Average number of shares of common stock during the period

Six months ended September 30, 2019:	60,641,096 shares
Six months ended September 30, 2018:	60,489,556 shares

Notes: 1. As a result of the exercise of stock options during the second quarter of the fiscal year ending March 31, 2020, the number of shares issued as of September 30, 2019 has increased by 70,800 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 (3,144,603 shares as of September 30, 2019 and 3,209,900 shares as of March 31, 2019) 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 (3,195,277 shares for the six months ended September 30, 2019; and 3,215,730 shares for the six months ended September 30, 2018) 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. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2019)	Current quarter (As of September 30, 2019)
Assets		
Current assets:		
Cash and deposits	11,826	13,739
Notes and accounts receivable - trade	10,306	10,928
Electronically recorded monetary claims - operating	89	66
Merchandise and finished goods	2,257	2,189
Work in process	2,062	1,986
Raw materials and supplies	1,656	1,961
Other	1,923	2,289
Allowance for doubtful accounts	(4)	(4)
Total current assets	30,118	33,155
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,548	31,629
Accumulated depreciation	(20,323)	(20,688)
Buildings and structures, net	11,224	10,940
Machinery, equipment and vehicles	40,048	40,467
Accumulated depreciation	(30,835)	(31,592)
Machinery, equipment and vehicles, net	9,213	8,874
Land	3,682	3,682
Construction in progress	649	708
Other	5,936	6,014
Accumulated depreciation	(4,602)	(4,745)
Other, net	1,333	1,269
Total property, plant and equipment	26,103	25,475
Intangible assets:		
Goodwill	24,281	23,377
Patent rights	1,871	1,669
Other	1,122	1,033
Total intangible assets	27,274	26,080
Investments and other assets:		
Shares of subsidiaries and associates	74	870
Asset for retirement benefits	1,460	1,630
Deferred tax assets	1,531	1,715
Other	1,035	891
Allowance for doubtful accounts	(11)	(9)
Total investments and other assets	4,089	5,097
Total non-current assets	57,467	56,654
Total assets	87,586	89,809

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	Current quarter (As of September 30, 2019)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	7,212	7,478
Electronically recorded obligations - operating	1,074	1,218
Current portion of long-term debt	3,666	3,111
Other payables	2,043	1,971
Accrued expenses	562	678
Provision for bonuses	1,194	1,321
Other	1,147	1,932
Total current liabilities	16,901	17,711
Non-current liabilities:		
Long-term debt	15,333	15,972
Liability for retirement benefits	5,442	5,409
Deferred tax liabilities	100	170
Other	752	824
Total non-current liabilities	21,629	22,377
Total liabilities	38,530	40,089
Net assets		
Shareholders' equity:		
Common stock	15,977	15,997
Capital surplus	15,977	15,997
Retained earnings	18,807	19,979
Treasury stock	(3,331)	(3,269)
Total shareholders' equity	47,431	48,704
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	30	9
Foreign currency translation adjustment	1,676	1,097
Remeasurements of defined benefit plans	(83)	(91)
Total accumulated other comprehensive income	1,624	1,015
Total net assets	49,055	49,720
Total liabilities and net assets	87,586	89,809

(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, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net sales	30,378	29,925
Cost of sales	19,689	18,684
Gross profit	10,688	11,240
Selling, general and administrative expenses	8,736	8,412
Operating profit	1,952	2,827
Non-operating income:		
Interest income	16	27
Foreign exchange gains	411	262
Rent income	34	45
Other	39	56
Total non-operating income	502	391
Non-operating expenses:		
Interest expenses	46	43
Share of loss of entities accounted for using equity method	—	129
Depreciation	117	118
Other	38	17
Total non-operating expenses	201	308
Ordinary profit	2,253	2,911
Extraordinary income:		
Gain on sale of non-current assets	—	1
Subsidy income	100	50
Settlement received	—	42
Total extraordinary income	100	93
Extraordinary losses:		
Loss on retirement of property, plant and equipment	4	17
Settlement package	86	—
Total extraordinary losses	91	17
Profit before income taxes	2,261	2,987
Income taxes - current	724	1,025
Income taxes - deferred	72	(103)
Total income taxes	797	921
Profit	1,463	2,066
Profit attributable to owners of parent	1,463	2,066

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Profit	1,463	2,066
Other comprehensive income:		
Deferred gains or losses on hedges	(344)	(21)
Foreign currency translation adjustment	289	(578)
Remeasurements of defined benefit plans	(29)	(8)
Total other comprehensive income	(84)	(608)
Comprehensive income	1,379	1,457
Comprehensive income attributable to:		
Owners of parent	1,379	1,457
Non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of IFRS 16 *Leases*)

Some of our overseas subsidiaries have applied IFRS 16 *Leases* since the beginning of the first quarter of the fiscal year ending March 31, 2020. The standard requires a lessee to recognize in principle all leases as asset and liability on the balance sheet.

The impact of applying the standard on the consolidated financial statements is insignificant.

(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 second quarter of the current fiscal year are ¥3,225 million for 3,077 thousand shares and ¥3,184 million for 3,039 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 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 second quarter of the current fiscal year are ¥106 million for 132 thousand shares and ¥85 million for 105 thousand shares, respectively.

(Segment information)

1) For the six months ended September 30, 2018 (from April 1, 2018 to September 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	12,495	17,883	30,378	—	30,378
Intersegment sales or transfers	3	98	101	(101)	—
Total	12,498	17,982	30,480	(101)	30,378
Segment profit	503	2,347	2,851	(899)	1,952

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: ¥19,164 million

2) For the six months ended September 30, 2019 (from April 1, 2019 to September 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	12,716	17,209	29,925	—	29,925
Intersegment sales or transfers	1	87	88	(88)	—
Total	12,717	17,296	30,014	(88)	29,925
Segment profit	1,407	2,318	3,726	(899)	2,827

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: ¥18,756 million