

Consolidated Financial Results for the Six Months Ended September 30, 2020 [Under Japanese GAAP]

October 29, 2020

Company name: Dexerials Corporation Listing: Tokyo Stock Exchange
Security code: 4980 URL: <https://www.dexerials.jp/en>
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Schedule date of dividend payment: December 1, 2020
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, 2020 (from April 1, 2020 to September 30, 2020)

(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, 2020	30,744	2.7	4,653	64.6	4,697	61.4	2,123	2.8
September 30, 2019	29,925	(1.5)	2,827	44.8	2,911	29.2	2,066	41.1

Note: Comprehensive income

For the six months ended September 30, 2020: ¥1,937 million [32.9%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	34.89	34.72
September 30, 2019	34.06	33.95

(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, 2020	88,119	50,324	57.1	827.40
March 31, 2020	86,279	49,567	57.5	814.68

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

As of September 30, 2020: ¥50,324 million As of March 31, 2020: ¥49,567 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, 2020	—	17.00	—	17.00	34.00
Ending March 31, 2021	—	17.00	—	—	—
Ending March 31, 2021 (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, 2021 (from April 1, 2020 to March 31, 2021)

(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	61,000	5.7	7,000	51.6	6,800	54.8	2,500	(8.6)	41.18

Note: Revisions to earnings forecast published most recently: Yes

Regarding the revision of the earnings forecast, please refer to "Announcement of the revision of the full-year earnings forecast for the fiscal year ending March 31, 2021" published on October 29, 2020.

For more information on the consolidated financial results for the six months ended September 30, 2020, 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 9, 2020 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: 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 September 30, 2020:	64,088,800 shares
As of March 31, 2020:	63,973,800 shares
 - (b) Number of shares of treasury stock

As of September 30, 2020:	3,266,903 shares
As of March 31, 2020:	3,131,103 shares
 - (c) Average number of shares of common stock during the period

Six months ended September 30, 2020:	60,869,149 shares
Six months ended September 30, 2019:	60,641,096 shares

Notes: 1. As a result of the exercise of stock options during the second quarter of the fiscal year ending March 31, 2021, the number of shares issued as of September 30, 2020 has increased by 115,000 shares.

2. The Company has introduced a stock-based compensation plan for delivering restricted-transfer shares, and acquired treasury stock during the quarter with the main purpose of allocating to restricted-transfer shares. (158,800 shares at the end of the second quarter of the fiscal year ending March 31, 2021)

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 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 was included in the number of shares of treasury stock for such periods (3,138,369 shares for the six months ended September 30, 2020; and 3,195,277 shares for the six months ended September 30, 2019), 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, 2020)	Current quarter (As of September 30, 2020)
Assets		
Current assets:		
Cash and deposits	13,779	15,013
Notes and accounts receivable - trade	9,617	12,949
Electronically recorded monetary claims - operating	77	135
Merchandise and finished goods	1,998	2,266
Work in process	2,035	1,762
Raw materials and supplies	1,642	1,478
Other	2,317	1,904
Allowance for doubtful accounts	(3)	(2)
Total current assets	31,466	35,508
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,813	30,416
Accumulated depreciation	(21,173)	(20,397)
Buildings and structures, net	10,640	10,018
Machinery, equipment and vehicles	39,575	40,070
Accumulated depreciation	(31,378)	(32,181)
Machinery, equipment and vehicles, net	8,197	7,889
Land	3,696	3,357
Construction in progress	1,118	856
Other	6,150	6,386
Accumulated depreciation	(4,848)	(5,006)
Other, net	1,302	1,379
Total property, plant and equipment	24,954	23,501
Intangible assets:		
Goodwill	22,479	21,576
Patent right	1,514	1,315
Other	1,080	1,101
Total intangible assets	25,075	23,993
Investments and other assets:		
Shares of subsidiaries and associates	738	633
Retirement benefit asset	1,604	1,721
Deferred tax assets	1,728	1,974
Other	722	797
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	4,782	5,117
Total non-current assets	54,813	52,611
Total assets	86,279	88,119

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current quarter (As of September 30, 2020)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,750	6,624
Electronically recorded obligations - operating	1,157	1,304
Current portion of long-term borrowings	2,847	4,283
Accounts payable - other	2,101	2,175
Accrued expenses	627	812
Income taxes payable	1,212	1,299
Provision for bonuses	1,500	1,380
Other	557	1,830
Total current liabilities	15,755	19,711
Non-current liabilities:		
Long-term borrowings	14,486	11,689
Retirement benefit liability	5,259	5,221
Deferred tax liabilities	238	178
Other	971	994
Total non-current liabilities	20,956	18,083
Total liabilities	36,711	37,795
Net assets		
Shareholders' equity:		
Share capital	16,021	16,051
Capital surplus	16,021	16,051
Retained earnings	19,562	20,598
Treasury shares	(3,255)	(3,409)
Total shareholders' equity	48,349	49,292
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	155	1
Foreign currency translation adjustment	1,159	1,129
Remeasurements of defined benefit plans	(96)	(98)
Total accumulated other comprehensive income	1,218	1,031
Total net assets	49,567	50,324
Total liabilities and net assets	86,279	88,119

(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, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net sales	29,925	30,744
Cost of sales	18,684	18,052
Gross profit	11,240	12,692
Selling, general and administrative expenses	8,412	8,038
Operating profit	2,827	4,653
Non-operating income:		
Interest income	27	6
Foreign exchange gains	262	240
Rental income	45	50
Other	56	48
Total non-operating income	391	344
Non-operating expenses:		
Interest expenses	43	34
Share of loss of entities accounted for using equity method	129	116
Loss on investments in investment partnerships	7	16
Depreciation	118	121
Other	10	11
Total non-operating expenses	308	300
Ordinary profit	2,911	4,697
Extraordinary income:		
Gain on sale of non-current assets	1	—
Gain on change in equity	—	12
Subsidy income	50	—
Settlement received	42	—
Total extraordinary income	93	12
Extraordinary losses:		
Loss on sale of property, plant and equipment	—	222
Loss on retirement of property, plant and equipment	17	12
Restructuring expenses	—	1,231
Compensation for damage	—	154
Total extraordinary losses	17	1,620
Profit before income taxes	2,987	3,088
Income taxes - current	1,025	1,197
Income taxes - deferred	(103)	(232)
Total income taxes	921	964
Profit	2,066	2,123
Profit attributable to owners of parent	2,066	2,123

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Profit	2,066	2,123
Other comprehensive income:		
Deferred gains or losses on hedges	(21)	(153)
Foreign currency translation adjustment	(578)	(30)
Remeasurements of defined benefit plans	(8)	(2)
Total other comprehensive income	(608)	(186)
Comprehensive income	1,457	1,937
Comprehensive income attributable to:		
Owners of parent	1,457	1,937
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 second quarter of the current fiscal year are ¥3,170 million for 3,025 thousand shares and ¥3,160 million for 3,016 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 ¥85 million for 105 thousand shares and ¥74 million for 92 thousand shares, respectively.

(Segment information)

1) 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 minus ¥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

2) For the six months ended September 30, 2020 (from April 1, 2020 to September 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	13,224	17,519	30,744	—	30,744
Intersegment sales or transfers	0	39	40	(40)	—
Total	13,225	17,559	30,785	(40)	30,744
Segment profit	2,638	2,913	5,552	(899)	4,653

Note: The amount of adjustment for segment profit of minus ¥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: ¥20,399 million