Dexerials

Consolidated Financial Results for the Six Months Ended September 30, 2015 〔Under Japanese GAAP〕

October 29, 2015

Company name: Dexerials Corporation Listing: Tokyo Stock Exchange
Security code: 4980 URL: http://www.dexerials.jp/en
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Quarterly securities report (*Shihanki Hokokusho*) issuing date: November 6, 2015
Dividend payment starting date: December 1, 2015
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, 2015 (from April 1, 2015 to September 30, 2015)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2015	31,617	—	4,352	—	4,297	—	2,699	—
September 30, 2014	—	—	—	—	—	—	—	—

Notes: 1. Comprehensive income
For the six months ended September 30, 2015: ¥2,603 million [—%]
2. The Company did not prepare quarterly consolidated financial statements for the six months ended September 30, 2014.

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2015	42.84	42.02
September 30, 2014	—	—

Note: The Company conducted a stock split of 100 shares for each 1 share of common stock with an effective date of May 27, 2015. Basic earnings per share for the six months ended September, 2015 was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ending March 31, 2016.

(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
September 30, 2015	90,650	57,024	62.9	905.14
March 31, 2015	88,979	54,421	61.2	863.82

Notes: 1. Capital (Shareholders' equity + Accumulated other comprehensive income):
As of September 30, 2015: ¥57,024 million As of March 31, 2015: ¥54,421 million
2. Net assets per share as of September 30, 2015 and March 31, 2015 were calculated based on the assumption that the stock split on May 27, 2015 had been conducted at the beginning of the fiscal year ended March 31, 2015.

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, 2015	—	0.00	—	0.00	0.00
Ending March 31, 2016	—	27.50			
Ending March 31, 2016 (forecast)			—	27.50	55.00

Notes: 1. Revisions to dividend forecast published most recently: None
2. Annual dividends have been to reflect the stock split on May 27, 2015.

Reference: Dividend payout ratio (consolidated) for the fiscal year ending March 31, 2016 (forecast): 49.5%
Dividend payout ratio (consolidated) before amortization of goodwill for the fiscal year ending March 31, 2016 (forecast): 39.4%

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Percentage indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		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	75,600	15.4	11,900	23.8	11,500	16.5	7,000	34.7	111.11

Notes: 1. Revisions to earnings forecast published most recently: None
2. Basic earnings per share have been to reflect the stock split on May 27, 2015.

[Notes]

(1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): No
Inclusion: None
Exclusion: None

(2) Application of accounting methods used specifically for preparing the quarterly consolidated financial statements: No

(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 common stock issued
(a) Number of shares issued (including treasury stock)
As of September 30, 2015: 63,000,000 shares
As of March 31, 2015: 63,000,000 shares
(b) Number of treasury stock
As of September 30, 2015: —
As of March 31, 2015: —
(c) Average number of common stock during the fiscal year
Six months ended September, 2015: 63,000,000 shares
Six months ended September, 2014: 63,000,000 shares
Note: The Company conducted a stock split of 100 shares for each 1 share of common stock with an effective date of May 27, 2015. The number of shares mentioned above was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2015.

[Indication regarding execution of quarterly review procedures]

This quarterly financial results report is not subject to the review procedures which are required by “Financial Instruments and Exchange Act”. As of October 29, 2015, the review procedures for the quarterly financial statements are in progress.

[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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Statements …… P.2
(1) Explanation of operating results …… P.2
(2) Explanation of financial position …… P.3
(3) Explanation of forward-looking statements including consolidated earnings forecast …… P.3
2. Quarterly Consolidated Financial Statements …… P.4
(1) Quarterly consolidated balance sheets …… P.4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income …… P.6
Quarterly consolidated statement of income …… P.6
Quarterly consolidated statement of comprehensive income …… P.7
(3) Notes to quarterly consolidated financial statements …… P.8
(Going concern assumption) …… P.8
(Significant changes in shareholders' equity) …… P.8
(Segment information, etc.) …… P.8

1. Qualitative Information on Quarterly Financial Statements

(1) Explanation of operating results

Regarding the operating results of the Dexerials Group companies (hereinafter, "the Group") for the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015, hereinafter, "the current period"), the Group achieved net sales of ¥31,617 million (up 1.6% year-on-year) thanks to an increase in sales of the Anisotropic conductive films (ACF) and the Optical solutions categories as well as the positive effect of the exchange rate. In terms of profitability, operating income was ¥4,352 million (down 8.0% year-on-year) due mainly to a decrease in profits from the Optical solutions and Adhesive materials categories, while ordinary income, which reflects the impact of going public expenses, amounted to ¥4,297 million. Consequently, we reported profit attributable to owners of parent of ¥2,699 million.

(Reference)

Consolidated and segment results of operations for the six months ended September 30, 2014 (in millions of yen)

Consolidated operating results:

Net sales	31,126
Operating income	4,733

Segment operating results:

Optical Materials and Components		Electronic Materials and Components	
Net sales	12,717	Net sales	18,524
Operating income	1,666	Operating income	3,965

Notes: 1. As the amounts of net sales and operating income for the six months ended September 30, 2014 were neither audited nor reviewed by PricewaterhouseCoopers Aarata, the above results are presented in the attached materials of this quarterly financial results report as a reference for the purpose of a year-on-year comparative analysis.

2. Net sales of the segment include inter-segment transactions.

3. The difference between the total amount of segment operating income and the consolidated operating income is equal to the amount of amortization of goodwill.

Operating results by segment and sales by product category are presented as follows.

1) Optical Materials and Components business

(Millions of yen)

	Six months ended September 30, 2015 (the current period)	Six months ended September 30, 2014 (the previous period)	Year-on-year change
Net sales	13,522	12,717	6.3%
Operating income	1,302	1,666	(21.8)%

Note: Net sales include inter-segment transactions.

The Optical Materials and Components business segment for the current period reported net sales of ¥13,522 million (up 6.3% year-on-year) due to expanded sales of Hybrid SVR and other optical elasticity resins in the Optical resin materials category and contribution to sales of new businesses created after the conversion of our business model in the Optical solutions category. Operating income of the segment, on the other hand, was ¥1,302 million (down 21.8% year-on-year) due notably to the effect of a planned production increase that was implemented in the first half of the previous fiscal year to build up inventory in preparation for the relocation of the Suzhou Factory in China.

2) Electronic Materials and Components business

(Millions of yen)

	Six months ended September 30, 2015 (the current period)	Six months ended September 30, 2014 (the previous period)	Year-on-year change
Net sales	18,189	18,524	(1.8)%
Operating income	3,949	3,965	(0.4)%

Note: Net sales include inter-segment transactions.

While, in the current period, the Electronic Materials and Components business segment achieved an increase in sales of the ACF category thanks to favorable demand for applications other than the display panels such as ACF for camera modules, the segment saw a decrease in sales from the Adhesive materials category, which had an intensified competition in the market and also had a one-time sales of phosphor sheets in the same period of the previous fiscal year. Consequently, net sales of the segment decreased to ¥18,189 million (down 1.8% year-on-year) and operating income was ¥3,949 million (down 0.4% year-on-year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the current period amounted to ¥90,650 million, an increase of ¥1,670 million from the end of the fiscal year ended March 31, 2015 (hereinafter, "the end of the previous fiscal year").

Current assets amounted to ¥37,000 million, an increase of ¥49 million from the end of the previous fiscal year. This increase can mainly be explained by increases in notes and accounts receivable - trade and work in process by ¥810 million and ¥73 million, respectively, which were mostly offset by a decrease in deferred tax assets by ¥846 million.

Non-current assets amounted to ¥53,650 million, an increase of ¥1,621 million from the end of the previous fiscal year. This increase can mainly be explained by increases in construction in progress and land by ¥1,631 million and ¥1,187 million, respectively, which were partly offset by a decrease in intangible assets by ¥1,184 million due primarily to amortization of goodwill.

(Liabilities)

Total liabilities at the end of the current period amounted to ¥33,626 million, a decrease of ¥932 million from the end of the previous fiscal year.

Current liabilities amounted to ¥16,401 million, an increase of ¥789 million from the end of the previous fiscal year. This increase can mainly be explained by an increase in notes and accounts payable - trade by ¥236 million.

Non-current liabilities amounted to ¥17,225 million, a decrease of ¥1,721 million from the end of the previous fiscal year. This decrease can mainly be explained by decreases in long-term debt and liability for retirement benefits by ¥1,500 million and ¥269 million, respectively.

(Net assets)

Total net assets at the end of the current period amounted to ¥57,024 million, an increase of ¥2,603 million from the end of the previous fiscal year. This increase can mainly be explained by reporting profit attributable to owners of parent of ¥2,699 million.

(3) Explanation of forward-looking statements including consolidated earnings forecast

Regarding the full-year earnings forecast for the fiscal year ending March 31, 2016, there is no change from the one which we announced on July 29, 2015.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	Current quarter (As of September 30, 2015)
Assets		
Current assets:		
Cash and deposits	16,456	16,436
Notes and accounts receivable - trade	11,951	12,761
Electronically recorded monetary claims - operating	-	38
Merchandise and finished goods	1,906	1,738
Work in process	1,495	1,568
Raw materials and supplies	1,298	1,321
Deferred tax assets	2,270	1,424
Other	1,588	1,728
Allowance for doubtful accounts	(16)	(18)
Total current assets	36,951	37,000
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	23,011	23,255
Accumulated depreciation	(17,504)	(17,741)
Buildings and structures, net	5,506	5,514
Machinery, equipment and vehicles	37,460	34,753
Accumulated depreciation	(32,860)	(30,047)
Machinery, equipment and vehicles, net	4,599	4,705
Land	2,432	3,620
Construction in progress	472	2,104
Other	868	879
Total property, plant and equipment	13,879	16,824
Intangible assets:		
Goodwill	31,488	30,591
Patent rights	3,498	3,298
Other	1,225	1,138
Total intangible assets	36,212	35,028
Investments and other assets:		
Deferred tax assets	1,601	1,439
Other	334	357
Total investments and other assets	1,935	1,797
Total non-current assets	52,028	53,650
Total assets	88,979	90,650

(Millions of yen)

	Previous fiscal year (As of March 31, 2015)	Current quarter (As of September 30, 2015)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	5,367	5,603
Electronically recorded obligations - operating	1,431	1,307
Current portion of long-term debt	3,000	3,000
Other payable	2,424	2,442
Accrued expenses	1,030	1,089
Provision for bonuses	1,718	1,758
Deferred tax liabilities	7	7
Other	631	1,193
Total current liabilities	15,611	16,401
Non-current liabilities:		
Long-term debt	12,500	11,000
Liability for retirement benefits	6,177	5,908
Deferred tax liabilities	21	22
Other	247	294
Total non-current liabilities	18,946	17,225
Total liabilities	34,558	33,626
Net assets		
Shareholders' equity:		
Common stock	15,747	15,747
Capital surplus	15,747	15,747
Retained earnings	18,632	21,331
Total shareholders' equity	50,127	52,826
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	22	124
Foreign currency translation adjustment	2,915	2,761
Remeasurements of defined benefit plans	1,356	1,312
Total accumulated other comprehensive income	4,293	4,197
Total net assets	54,421	57,024
Total liabilities and net assets	88,979	90,650

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

Quarterly consolidated statement of income

(Millions of yen)

	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net sales	31,617
Cost of sales	18,335
Gross profit	13,281
Selling, general and administrative expenses	8,929
Operating income	4,352
Non-operating income:	
Interest income	3
Foreign exchange gains	136
Other	36
Total non-operating income	176
Non-operating expenses:	
Interest expenses	59
Going public expenses	143
Other	28
Total non-operating expenses	231
Ordinary income	4,297
Extraordinary losses:	
Loss on retirement of property, plant and equipment	31
Total extraordinary losses	31
Income before income taxes	4,266
Income taxes - current	587
Income taxes - deferred	979
Total income taxes	1,567
Profit	2,699
Profit attributable to owners of parent	2,699

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	For the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Profit	2,699
Other comprehensive income:	
Deferred gains or losses on hedges	101
Foreign currency translation adjustment	(154)
Remeasurements of defined benefit plans	(43)
Total other comprehensive income	(95)
Comprehensive income	2,603
Comprehensive income attributable to:	
Owners of parent	2,603
Non-controlling interests	-

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)
Not applicable.

(Significant changes in shareholders' equity)
Not applicable.

(Segment information, etc.)
[Segment information]
For the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)
1) Information on amounts of net sales and income (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	13,519	18,097	31,617	-	31,617
Intersegment sales or transfers	2	92	95	(95)	-
Total	13,522	18,189	31,712	(95)	31,617
Segment income (loss)	1,302	3,949	5,252	(899)	4,352

Note: The amount of adjustment for segment income of ¥899 million is the amount of amortization of goodwill that is not attributable to any reportable segment.

Reference: Consolidated overseas net sales: ¥22,836 million