Dexerials

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 〔Under Japanese GAAP〕

April 25, 2019

Company name: Dexerials Corporation Listing: Tokyo Stock Exchange
Security code: 4980 URL: https://www.dexerials.jp/en
Representative: Takashi Ichinose, Representative Director
Contact: Naoyuki Sanada, Senior Executive Officer, Corporate Planning & Control Division Head
Phone: +81-3-5435-3941
Date of ordinary general meeting of shareholders: June 21, 2019
Date of payment of year-end dividends: June 24, 2019
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Preparation of supplementary briefing material on financial results: Yes
Investors meeting presentation for 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 fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	60,580	(13.6)	3,724	(39.7)	3,903	(31.3)	2,284	(33.3)
March 31, 2018	70,079	12.0	6,178	77.0	5,682	96.4	3,426	260.9

Note: Comprehensive income
For the fiscal year ended March 31, 2019: ¥1,588 million [(22.1) %]
For the fiscal year ended March 31, 2018: ¥2,038 million [(12.9) %]

	Basic earnings per share	Diluted earnings per share	Return on capital	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	37.73	37.43	4.6	4.3	6.1
March 31, 2018	56.91	56.16	6.8	5.9	8.8

Reference: Share of profit or loss of entities accounted for using equity method
For the fiscal year ended March 31, 2019: －
For the fiscal year ended March 31, 2018: －

Note: For the purpose of calculating the amounts of earnings per share, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the calculation of the average number of shares of common stock during the period.

(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
March 31, 2019	87,586	49,055	56.0	809.40
March 31, 2018	94,958	49,921	52.6	825.82

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income)
As of March 31, 2019: ¥49,055 million As of March 31, 2018: ¥49,921 million

Note: For the purpose of calculating the amounts of net assets per share, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock, which was to be deducted from the number of shares issued at the end of the period.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2019	7,826	(6,554)	(4,564)	11,826
March 31, 2018	8,988	(8,454)	(1,734)	14,887

2. Dividends

	Cash dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2018	—	20.00	—	20.00	40.00	2,542	70.4	4.8
March 31, 2019	—	20.00	—	14.00	34.00	2,168	90.1	4.2
Fiscal year ending March 31, 2020 (forecast)	—	17.00	—	17.00	34.00		89.5	

Reference: Dividend payout ratio (consolidated) before amortization of goodwill
Fiscal year ending March 31, 2020 (forecast): 48.5%

Notes: 1. The amounts of total dividends (annual) include the dividends (of ¥128 million for the fiscal year ended March 31, 2018 and ¥109 million for the fiscal year ended March 31, 2019) for the shares of the Company held by the Trust.
2. For the purpose of calculating the amounts of dividend on equity for the fiscal years ended March 31, 2018 and 2019, the number of shares of the Company held by the Trust was included in the number of shares of treasury stock.

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
First half	28,700	(5.5)	1,700	(12.9)	1,600	(29.0)	1,000	(31.7)	16.51
Fiscal year	58,000	(4.3)	4,100	10.1	3,750	(3.9)	2,450	7.2	40.46

Note: For the purpose of calculating the amounts of earnings per share for the first half and the fiscal year, the number of shares of the Company held by the Trust as at the end of the fiscal year ended March 31, 2019 was included in the number of shares of treasury stock, which was to be deducted from the calculation of the average number of shares of common stock during the period.

[Notes]

(1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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

(3) Number of shares of common stock issued

(a) Number of shares issued (including treasury stock)

As of March 31, 2019:	63,817,100 shares
As of March 31, 2018:	63,668,000 shares

(b) Number of shares of treasury stock

As of March 31, 2019:	3,209,900 shares
As of March 31, 2018:	3,217,000 shares

(c) Average number of shares of common stock during the period

Fiscal year ended March 31, 2019:	60,540,304 shares
Fiscal year ended March 31, 2018:	60,198,945 shares

Notes: 1. As a result of the exercise of stock options during the fiscal year ended March 31, 2019, the number of shares issued as of March 31, 2019 has increased by 149,100 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 (3,209,900 shares as of March 31, 2019 and 3,217,000 shares as of March 31, 2018) 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 (3,213,625 shares for the fiscal year ended March 31, 2019 and 3,218,133 shares for the fiscal year ended March 31, 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.

(Change in the presentation method of date)

From this report on the consolidated financial results for the fiscal year ended March 31, 2019, the Company started using the Gregorian calendar year instead of the Japanese imperial calendar year to present the date.

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Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Assets		
Current assets:		
Cash and deposits	14,887	11,826
Notes and accounts receivable - trade	10,692	10,306
Electronically recorded monetary claims - operating	155	89
Merchandise and finished goods	2,635	2,257
Work in process	2,235	2,062
Raw materials and supplies	1,817	1,656
Other	2,325	1,923
Allowance for doubtful accounts	(4)	(4)
Total current assets	34,746	30,118
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	29,689	31,548
Accumulated depreciation	(19,396)	(20,323)
Buildings and structures, net	10,292	11,224
Machinery, equipment and vehicles	34,921	40,048
Accumulated depreciation	(29,024)	(30,835)
Machinery, equipment and vehicles, net	5,896	9,213
Land	3,661	3,682
Construction in progress	6,253	649
Other	5,487	5,936
Accumulated depreciation	(4,403)	(4,602)
Other, net	1,084	1,333
Total property, plant and equipment	27,190	26,103
Intangible assets:		
Goodwill	26,072	24,281
Patent rights	2,275	1,871
Other	1,362	1,122
Total intangible assets	29,710	27,274
Investments and other assets:		
Asset for retirement benefits	985	1,460
Deferred tax assets	1,527	1,531
Other	810	1,109
Allowance for doubtful accounts	(12)	(11)
Total investments and other assets	3,311	4,089
Total non-current assets	60,211	57,467
Total assets	94,958	87,586

(Millions of yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	7,599	7,212
Electronically recorded obligations - operating	1,123	1,074
Current portion of long-term debt	3,083	3,666
Other payables	5,207	2,043
Accrued expenses	551	562
Provision for bonuses	1,298	1,194
Other	2,106	1,147
Total current liabilities	20,968	16,901
Non-current liabilities:		
Long-term debt	18,000	15,333
Liability for retirement benefits	5,333	5,442
Deferred tax liabilities	83	100
Other	651	752
Total non-current liabilities	24,067	21,629
Total liabilities	45,036	38,530
Net assets		
Shareholders' equity:		
Common stock	15,934	15,977
Capital surplus	15,934	15,977
Retained earnings	19,071	18,807
Treasury stock	(3,339)	(3,331)
Total shareholders' equity	47,601	47,431
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	245	30
Foreign currency translation adjustment	1,665	1,676
Remeasurements of defined benefit plans	408	(83)
Total accumulated other comprehensive income	2,320	1,624
Total net assets	49,921	49,055
Total liabilities and net assets	94,958	87,586

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales	70,079	60,580
Cost of sales	46,705	39,395
Gross profit	23,373	21,185
Selling, general and administrative expenses	17,195	17,460
Operating profit	6,178	3,724
Non-operating income:		
Interest income	30	40
Foreign exchange gains	—	266
Rent income	45	80
Other	63	162
Total non-operating income	140	549
Non-operating expenses:		
Interest expenses	91	90
Foreign exchange losses	296	—
Depreciation	214	234
Other	33	45
Total non-operating expenses	636	370
Ordinary profit	5,682	3,903
Extraordinary income:		
Gain on sale of non-current assets	31	2
Subsidy income	157	100
Total extraordinary income	188	102
Extraordinary losses:		
Loss on sale of non-current assets	0	—
Loss on retirement of property, plant and equipment	78	160
Impairment loss	49	—
Restructuring expenses	113	—
Settlement package	275	86
Other	0	—
Total extraordinary losses	518	247
Profit before income taxes	5,352	3,758
Income taxes - current	1,099	1,141
Income taxes - deferred	827	332
Total income taxes	1,926	1,473
Profit	3,426	2,284
Profit attributable to owners of parent	3,426	2,284

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Profit	3,426	2,284
Other comprehensive income:		
Deferred gains or losses on hedges	118	(214)
Foreign currency translation adjustment	(47)	11
Remeasurements of defined benefit plans	(1,458)	(491)
Total other comprehensive income	(1,387)	(695)
Comprehensive income	2,038	1,588
Comprehensive income attributable to:		
Owners of parent	2,038	1,588
Non-controlling interests	—	—

(3) Consolidated statements of changes in net assets

Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance, April 1, 2017	15,830	15,830	18,654	(3,341)	46,974
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	104	104			208
Dividends of surplus			(3,009)		(3,009)
Profit attributable to owners of parent			3,426		3,426
Disposal of treasury stock				1	1
Net change of items other than shareholders' equity					
Total changes of items during period	104	104	416	1	627
Balance, March 31, 2018	15,934	15,934	19,071	(3,339)	47,601

	Accumulated Other Comprehensive Income				Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	
Balance, April 1, 2017	127	1,713	1,867	3,707	50,682
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					208
Dividends of surplus					(3,009)
Profit attributable to owners of parent					3,426
Disposal of treasury stock					1
Net change of items other than shareholders' equity	118	(47)	(1,458)	(1,387)	(1,387)
Total changes of items during period	118	(47)	(1,458)	(1,387)	(760)
Balance, March 31, 2018	245	1,665	408	2,320	49,921

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance, April 1, 2018	15,934	15,934	19,071	(3,339)	47,601
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	43	43			86
Dividends of surplus			(2,548)		(2,548)
Profit attributable to owners of parent			2,284		2,284
Disposal of treasury stock				7	7
Net change of items other than shareholders' equity					
Total changes of items during period	43	43	(264)	7	(170)
Balance, March 31, 2019	15,977	15,977	18,807	(3,331)	47,431

	Accumulated Other Comprehensive Income				Total Net Assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	
Balance, April 1, 2018	245	1,665	408	2,320	49,921
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					86
Dividends of surplus					(2,548)
Profit attributable to owners of parent					2,284
Disposal of treasury stock					7
Net change of items other than shareholders' equity	(214)	11	(491)	(695)	(695)
Total changes of items during period	(214)	11	(491)	(695)	(866)
Balance, March 31, 2019	30	1,676	(83)	1,624	49,055

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities:		
Profit before income taxes	5,352	3,758
Depreciation	3,799	4,390
Amortization of goodwill	1,798	1,798
Increase (decrease) in allowance for doubtful accounts	6	0
Increase (decrease) in provision for bonuses	(487)	(102)
Increase (decrease) in liability for retirement benefits	(1,423)	(1,074)
Interest and dividend income	(30)	(40)
Interest expenses	91	90
Subsidy income	(157)	(100)
Foreign exchange (gains) losses	298	(207)
(Gain) loss on sale of non-current assets	(31)	(2)
Loss on retirement of property, plant and equipment	78	160
Impairment loss	49	―
Restructuring expenses	113	―
Settlement package	275	86
(Increase) decrease in notes and accounts receivable - trade	870	476
(Increase) decrease in inventories	667	732
(Increase) decrease in other receivables	(147)	(21)
Increase (decrease) in notes and accounts payable - trade	(1,575)	(467)
Increase (decrease) in other payables	173	96
Increase (decrease) in income taxes payable (size-based business tax)	17	(20)
Other, net	(219)	(5)
Subtotal	9,519	9,547
Interest and dividend income received	33	34
Interest expenses paid	(85)	(90)
Proceeds from subsidy income	153	104
Settlement package paid	―	(361)
Income taxes paid	(631)	(1,406)
Net cash provided by (used in) operating activities	8,988	7,826
Cash flows from investing activities:		
Purchase of investment securities	(375)	(309)
Purchase of property, plant and equipment	(7,713)	(6,044)
Purchase of intangible assets	(393)	(205)
Other, net	27	4
Net cash provided by (used in) investing activities	(8,454)	(6,554)
Cash flows from financing activities:		
Proceeds from long-term debt	3,000	1,000
Repayments of long-term debt	(1,916)	(3,083)
Cash dividends paid	(3,009)	(2,548)
Repayments of lease obligations	(16)	(19)
Proceeds from exercise of stock options	208	86
Net cash provided by (used in) financing activities	(1,734)	(4,564)
Effect of exchange rate change on cash and cash equivalents	(344)	232
Net increase (decrease) in cash and cash equivalents	(1,545)	(3,060)
Cash and cash equivalents at beginning of period	16,432	14,887
Cash and cash equivalents at end of period	14,887	11,826

(5) Notes to consolidated financial statements

(Segment information)

Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	35,427	34,653	70,080	(1)	70,079
Intersegment sales or transfers	0	247	247	(247)	—
Total	35,427	34,900	70,328	(249)	70,079
Segment profit (loss)	2,708	5,267	7,976	(1,798)	6,178
Segment assets	20,508	15,229	35,738	59,219	94,958
Other items					
Depreciation	1,596	2,203	3,799	1,798	5,597
Increase in property, plant and equipment and intangible assets	4,861	1,542	6,404	853	7,257

Note: The amount of adjustment for segment profit of ¥1,798 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: ¥37,595 million

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Segment			Adjustment (Note)	Consolidated
	Optical Materials and Components	Electronic Materials and Components	Total		
Net sales					
Sales to external customers	25,944	34,636	60,580	—	60,580
Intersegment sales or transfers	11	202	214	(214)	—
Total	25,955	34,838	60,794	(214)	60,580
Segment profit (loss)	1,679	3,843	5,523	(1,798)	3,724
Segment assets	21,399	15,780	37,179	50,406	87,586
Other items					
Depreciation	2,186	2,203	4,390	1,798	6,189
Increase in property, plant and equipment and intangible assets	450	1,450	1,901	935	2,837

Note: The amount of adjustment for segment profit of ¥1,798 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: ¥37,827 million