Dexerials

Consolidated Financial Results for the Three Months Ended June 30, 2019 〔Under Japanese GAAP〕

July 31, 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 three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	14,713	(0.3)	958	141.4	863	30.5	529	21.4
June 30, 2018	14,756	(22.9)	397	(79.7)	661	(66.8)	435	(64.8)

Note: Comprehensive income
For the three months ended June 30, 2019: ¥112 million [(57.8)%]
For the three months ended June 30, 2018: ¥267 million [(77.7)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	8.73	8.70
June 30, 2018	7.20	7.13

(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
June 30, 2019	88,363	48,275	54.6	796.52
March 31, 2019	87,586	49,055	56.0	809.40

Reference: Capital (Shareholders' equity + Accumulated other comprehensive income)
As of June 30, 2019: ¥48,275 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	—				
Ending March 31, 2020 (forecast)		17.00	—	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
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: Revisions to earnings forecast published most recently: None

For more information on the consolidated financial results for the three months ended June 30, 2019, please refer to the supplementary briefing material on quarterly financial results, Quarterly Securities Report for the first quarter (available in Japanese only) to be filed on August 8, 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 June 30, 2019:	63,817,100 shares
As of March 31, 2019:	63,817,100 shares

(b) Number of shares of treasury stock

As of June 30, 2019:	3,208,803 shares
As of March 31, 2019:	3,209,900 shares

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

Three months ended June 30, 2019:	60,607,848 shares
Three months ended June 30, 2018:	60,462,763 shares

Notes: 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 (3,208,803 shares as of June 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 (3,209,252 shares for the three months ended June 30, 2019; and 3,216,665 shares for the three months ended June 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 June 30, 2019)
Assets		
Current assets:		
Cash and deposits	11,826	12,075
Notes and accounts receivable - trade	10,306	11,442
Electronically recorded monetary claims - operating	89	78
Merchandise and finished goods	2,257	2,047
Work in process	2,062	1,956
Raw materials and supplies	1,656	1,773
Other	1,923	1,952
Allowance for doubtful accounts	(4)	(3)
Total current assets	30,118	31,322
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,548	31,579
Accumulated depreciation	(20,323)	(20,520)
Buildings and structures, net	11,224	11,059
Machinery, equipment and vehicles	40,048	40,205
Accumulated depreciation	(30,835)	(31,328)
Machinery, equipment and vehicles, net	9,213	8,876
Land	3,682	3,682
Construction in progress	649	573
Other	5,936	6,020
Accumulated depreciation	(4,602)	(4,684)
Other, net	1,333	1,335
Total property, plant and equipment	26,103	25,527
Intangible assets:		
Goodwill	24,281	23,827
Patent rights	1,871	1,770
Other	1,122	1,085
Total intangible assets	27,274	26,683
Investments and other assets:		
Shares of subsidiaries and associates	74	945
Asset for retirement benefits	1,460	1,578
Deferred tax assets	1,531	1,515
Other	1,035	802
Allowance for doubtful accounts	(11)	(10)
Total investments and other assets	4,089	4,830
Total non-current assets	57,467	57,040
Total assets	87,586	88,363

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	Current quarter (As of June 30, 2019)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	7,212	7,221
Electronically recorded obligations - operating	1,074	1,152
Current portion of long-term debt	3,666	3,361
Other payables	2,043	2,048
Accrued expenses	562	805
Provision for bonuses	1,194	757
Other	1,147	1,079
Total current liabilities	16,901	16,425
Non-current liabilities:		
Long-term debt	15,333	17,139
Liability for retirement benefits	5,442	5,481
Deferred tax liabilities	100	221
Other	752	819
Total non-current liabilities	21,629	23,662
Total liabilities	38,530	40,088
Net assets		
Shareholders' equity:		
Common stock	15,977	15,977
Capital surplus	15,977	15,977
Retained earnings	18,807	18,443
Treasury stock	(3,331)	(3,330)
Total shareholders' equity	47,431	47,067
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	30	30
Foreign currency translation adjustment	1,676	1,267
Remeasurements of defined benefit plans	(83)	(90)
Total accumulated other comprehensive income	1,624	1,207
Total net assets	49,055	48,275
Total liabilities and net assets	87,586	88,363

(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, 2018 (From April 1, 2018 to June 30, 2018)	For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	14,756	14,713
Cost of sales	9,954	9,508
Gross profit	4,801	5,204
Selling, general and administrative expenses	4,404	4,245
Operating profit	397	958
Non-operating income:		
Interest income	4	6
Foreign exchange gains	347	―
Rent income	14	18
Other	7	28
Total non-operating income	373	53
Non-operating expenses:		
Interest expenses	21	21
Share of loss of entities accounted for using equity method	―	54
Foreign exchange losses	―	10
Depreciation	59	59
Other	27	2
Total non-operating expenses	108	148
Ordinary profit	661	863
Extraordinary income:		
Subsidy income	100	50
Total extraordinary income	100	50
Extraordinary losses:		
Loss on retirement of property, plant and equipment	1	16
Total extraordinary losses	1	16
Profit before income taxes	759	896
Income taxes - current	112	228
Income taxes - deferred	211	138
Total income taxes	323	367
Profit	435	529
Profit attributable to owners of parent	435	529

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit	435	529
Other comprehensive income:		
Deferred gains or losses on hedges	(226)	(0)
Foreign currency translation adjustment	77	(409)
Remeasurements of defined benefit plans	(19)	(6)
Total other comprehensive income	(168)	(416)
Comprehensive income	267	112
Comprehensive income attributable to:		
Owners of parent	267	112
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 first quarter of the current fiscal year are ¥3,235 million for 3,077 thousand shares and ¥3,224 million for 3,076 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 (excluding outside directors; the same applies hereinafter) to the Company's results of operations and its share value. Under the plan, directors 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 first quarter of the current fiscal year are ¥106 million for 132 thousand shares and ¥106 million for 132 thousand shares, respectively.

(Segment information)

1) For the three months ended June 30, 2018 (from April 1, 2018 to June 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	6,213	8,543	14,756	―	14,756
Intersegment sales or transfers	―	59	59	(59)	―
Total	6,213	8,603	14,816	(59)	14,756
Segment profit (loss)	(35)	882	846	(449)	397

Note: The amount of adjustment for segment profit (loss) 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: ¥8,581 million

2) 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	1,408	(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