

Consolidated Financial Results
for the Nine Months Ended December 31, 2019
[Under Japanese GAAP]

January 30, 2020

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 nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	44,781	(5.8)	4,409	13.9	4,210	5.9	2,832	9.4
December 31, 2018	47,540	(14.7)	3,871	(40.5)	3,974	(37.1)	2,589	(40.6)

Note: Comprehensive income

For the nine months ended December 31, 2019: ¥2,525 million [5.5%]
For the nine months ended December 31, 2018: ¥2,393 million [(48.1)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	46.67	46.45
December 31, 2018	42.77	42.40

(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
December 31, 2019	88,358	49,710	56.3	818.20
March 31, 2019	87,586	49,055	56.0	809.40

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

As of December 31, 2019: ¥49,710 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 nine months ended December 31, 2019, please refer to the supplementary briefing material on quarterly financial results, Quarterly Securities Report for the third quarter (available in Japanese only) to be filed on February 7, 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: 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 December 31, 2019:	63,898,400 shares
As of March 31, 2019:	63,817,100 shares
 - (b) Number of shares of treasury stock

As of December 31, 2019:	3,143,103 shares
As of March 31, 2019:	3,209,900 shares
 - (c) Average number of shares of common stock during the period

Nine months ended December 31, 2019:	60,676,326 shares
Nine months ended December 31, 2018:	60,520,664 shares

Notes: 1. As a result of the exercise of stock options during the third quarter of the fiscal year ending March 31, 2020, the number of shares issued as of December 31, 2019 has increased by 81,300 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 (3,143,103 shares as of December 31, 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 (3,178,232 shares for the nine months ended December 31, 2019; and 3,214,589 shares for the nine months ended December 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.

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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 December 31, 2019)
Assets		
Current assets:		
Cash and deposits	11,826	13,888
Notes and accounts receivable - trade	10,306	10,442
Electronically recorded monetary claims - operating	89	81
Merchandise and finished goods	2,257	2,183
Work in process	2,062	2,144
Raw materials and supplies	1,656	1,820
Other	1,923	2,090
Allowance for doubtful accounts	(4)	(4)
Total current assets	30,118	32,646
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	31,548	31,727
Accumulated depreciation	(20,323)	(20,955)
Buildings and structures, net	11,224	10,772
Machinery, equipment and vehicles	40,048	40,621
Accumulated depreciation	(30,835)	(32,061)
Machinery, equipment and vehicles, net	9,213	8,560
Land	3,682	3,696
Construction in progress	649	892
Other	5,936	6,133
Accumulated depreciation	(4,602)	(4,846)
Other, net	1,333	1,286
Total property, plant and equipment	26,103	25,208
Intangible assets:		
Goodwill	24,281	22,930
Patent rights	1,871	1,617
Other	1,122	1,046
Total intangible assets	27,274	25,594
Investments and other assets:		
Shares of subsidiaries and associates	74	811
Asset for retirement benefits	1,460	1,682
Deferred tax assets	1,531	1,480
Other	1,035	945
Allowance for doubtful accounts	(11)	(10)
Total investments and other assets	4,089	4,909
Total non-current assets	57,467	55,711
Total assets	87,586	88,358

(Millions of yen)

	Previous fiscal year (As of March 31, 2019)	Current quarter (As of December 31, 2019)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	7,212	6,681
Electronically recorded obligations - operating	1,074	1,277
Current portion of long-term debt	3,666	3,097
Other payables	2,043	2,192
Accrued expenses	562	747
Provision for bonuses	1,194	790
Other	1,147	1,699
Total current liabilities	16,901	16,487
Non-current liabilities:		
Long-term debt	15,333	15,653
Liability for retirement benefits	5,442	5,432
Deferred tax liabilities	100	198
Other	752	876
Total non-current liabilities	21,629	22,160
Total liabilities	38,530	38,648
Net assets		
Shareholders' equity:		
Common stock	15,977	16,000
Capital surplus	15,977	16,000
Retained earnings	18,807	19,659
Treasury stock	(3,331)	(3,268)
Total shareholders' equity	47,431	48,392
Accumulated other comprehensive income:		
Deferred gains or losses on hedges	30	(9)
Foreign currency translation adjustment	1,676	1,419
Remeasurements of defined benefit plans	(83)	(92)
Total accumulated other comprehensive income	1,624	1,318
Total net assets	49,055	49,710
Total liabilities and net assets	87,586	88,358

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

Quarterly consolidated statements of income

(Millions of yen)

	For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	For the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net sales	47,540	44,781
Cost of sales	30,370	27,719
Gross profit	17,169	17,061
Selling, general and administrative expenses	13,298	12,652
Operating profit	3,871	4,409
Non-operating income:		
Interest income	22	34
Foreign exchange gains	248	72
Rent income	53	70
Other	60	69
Total non-operating income	384	247
Non-operating expenses:		
Interest expenses	68	62
Share of loss of entities accounted for using equity method	—	188
Depreciation	175	177
Other	37	18
Total non-operating expenses	281	446
Ordinary profit	3,974	4,210
Extraordinary income:		
Gain on sale of non-current assets	2	1
Subsidy income	100	50
Settlement received	—	42
Total extraordinary income	102	93
Extraordinary losses:		
Loss on retirement of property, plant and equipment	15	18
Restructuring expenses	—	41
Settlement package	86	—
Total extraordinary losses	102	59
Profit before income taxes	3,974	4,245
Income taxes - current	1,091	1,243
Income taxes - deferred	294	169
Total income taxes	1,385	1,413
Profit	2,589	2,832
Profit attributable to owners of parent	2,589	2,832

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	For the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Profit	2,589	2,832
Other comprehensive income:		
Deferred gains or losses on hedges	(155)	(40)
Foreign currency translation adjustment	(1)	(256)
Remeasurements of defined benefit plans	(39)	(9)
Total other comprehensive income	(195)	(306)
Comprehensive income	2,393	2,525
Comprehensive income attributable to:		
Owners of parent	2,393	2,525
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 third quarter of the current fiscal year are ¥3,225 million for 3,077 thousand shares and ¥3,183 million for 3,037 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 third 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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	20,252	27,288	47,540	—	47,540
Intersegment sales or transfers	10	160	171	(171)	—
Total	20,263	27,449	47,712	(171)	47,540
Segment profit	1,573	3,646	5,220	(1,348)	3,871

Note: The amount of adjustment for segment profit of ¥1,348 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: ¥29,743 million

2) For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	18,253	26,527	44,781	—	44,781
Intersegment sales or transfers	1	111	113	(113)	—
Total	18,255	26,638	44,894	(113)	44,781
Segment profit	1,718	4,040	5,758	(1,348)	4,409

Note: The amount of adjustment for segment profit of ¥1,348 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: ¥28,948 million