May 13rd, 2019

Summary of Consolidated Financial Results

Denka company Limited

1. Summary

1.1 Overview

In the fiscal year ended March 31, 2019 (hereinafter "fiscal 2018"), the first year of the Denka Value-Up management plan, the Denka Group has been executing two growth strategies, namely, promoting the business portfolio shift and introducing innovative processes, with the aim of achieving the plan's numerical targets.

Thanks to these efforts, Denka's full-year operating results included record-high consolidated net sales of ¥413.1 billion, up ¥17.5 billion (4.4%) compared with the previous fiscal year. Primary factors contributing to this achievement were upwardly revised sales prices based on higher raw material prices and growth in sales volume of such offerings as Electronics & Innovative Products.

On the earnings front, operating income amounted to ¥34.2 billion, up ¥0.6 billion (1.7%) year on year. Ordinary income totaled ¥32.8 billion, up ¥1.3 billion (4.2%), while profit attributable to owners of parent was ¥25.0 billion, up ¥2.0 billion (8.7%). Despite increased expenses associated with the shutdown maintenance (SDM) at styrene monomer (SM) plant and forward-looking investment in the healthcare field, the Company achieved highest-ever results in these three profit indicators for the second consecutive fiscal year due to such positive factors as growth in sales volume and improved trade conditions.

1.2 Results by Segment

Elastomers & Performance Plastics

Sales of polystyrene resin handled by Denka Singapore Pte Ltd and those of MS resin were strong. However, segment income fell due to the recording of expenses associated with SDM of SM Plant and lower sales volume of chloroprene rubber, reflecting the impact of a cold wave that struck facilities run by a U.S. production subsidiary and thus reduced its output.

Infrastructure & Social Solutions

In addition to delays in upward revisions of cement sales prices, segment performance was negatively affected by sluggish sales of fertilizers. Also, typhoons and other natural disasters forced the Company to cut some product shipments. These negative factors led to deterioration in overall profitability and the recording of an operating loss, despite strong sales of corrugated pipes for agricultural and civil engineering use as well as fire-resistant and steel materials.

Electronics & Innovative Products

Sales of highly functional films for use as embossed carrier tape for electronic components and semiconductors were down year on year as were sales of ALONBRIGHT, a SiAlON phosphor for LED. However, Denka has enjoyed increases in the sales volume of electronic circuit substrates, ALSINK highly-reliable thermal conductive plate and ultra-high purity electro-conductive carbon black thanks to growing demand associated with EVs and other car electronics fields. Furthermore, sales of spherical alumina for thermal materials were firm. These factors led to year-on-year growth in segment income.

Living & Environment Products

Sales of plastic rain gutters and industrial tapes grew, while sales of food packaging sheets and products processed by Denka Polymer Co., Ltd. were firm. Sales of TOYOKALON synthetic wig fibers were virtually unchanged from the previous fiscal year. However, the Group has seen a year-on-year fall in shipments of DENKA DX Film, a fluorine-based weather-resistant alloy film. Nevertheless, segment income increased thanks to such factors as progress in the Company's efforts to raise product prices where, despite raw material and fuel price hikes, they had remained level for a period of time.

Life Innovation

Denka Seiken Co., Ltd. has seen growth in the sales volume of its diagnostic reagents for both domestic marketing and exports. Moreover, the volume of influenza vaccine shipments was up compared with the previous fiscal year. Thanks to these factors, segment income grew year on year despite rising expenses for R&D and forward-looking investment.

1.3 Fiscal 2019 Operating Results Forecasts

Having embarked on the second year of Denka Value-Up, the Company will face rises in R&D expenses, spending on forward-looking investments and other fixed costs necessary to execute growth strategies under this management plan. However, in addition to the absence of the SDM of SM plant, the Company will benefit from constant volume growth in sales of Electronics & Innovative Products, especially those used for car electronics applications. Taking these factors into account, Denka's operating results forecasts for fiscal 2019 include operating income of ¥38.0 billion, ordinary income of ¥36.0 billion and profit attributable to owners of parent of ¥27.0 billion. The Company will thus strive to achieve record-high results in these three profit indicators for the third consecutive fiscal year.

2. Consolidated Financial Results and Forecast

Billions of Yen

	FY2018 Apr to Mar	FY2017 Apr to Mar	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Net Sales	413.1	395.6	17.5	195.0	415.0
Operating Income	34.2	33.7	0.6	15.0	38.0
Ordinary Income	32.8	31.5	1.3	14.0	36.0
Net Income	25.0	23.0	2.0	10.5	27.0

3. Net Sales and Operating Income by segments

Billions of Yen

		FY2018 Apr to Mar	FY2017 Apr to Mar	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Elastomers & Performance Plastics	Sales	179.2	170.1	9.1	81.0	165.0
	Operating Income	14.2	15.4	△ 1.2	8.0	15.5
Infrastructure & Social Solutions	Sales	54.8	53.1	1.7	28.0	58.0
	Operating Income	△ 0.3	0.2	△ 0.5	0.5	1.0
Electronics & Innovative Products	Sales	67.1	62.6	4.5	34.0	74.0
	Operating Income	11.8	10.9	0.9	5.0	13.0
Living & Environment Products	Sales	39.0	41.0	△ 1.9	20.0	40.0
	Operating Income	0.9	0.8	0.1	0.5	1.0
Life innovation	Sales	34.1	32.3	1.8	13.0	36.0
	Operating Income	6.3	5.5	0.8	0.5	6.5
Others/ Companywide	Sales	38.8	36.4	2.4	19.0	42.0
	Operating Income	1.3	0.8	0.6	0.5	1.0
Total	Sales	413.1	395.6	17.5	195.0	415.0
	Operating Income	34.2	33.7	0.6	15.0	38.0

4.1 Sales by segments

Billions of Yen

	Sales				
	FY2018 Apr to Mar	FY2017 Apr to Mar	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	179.2	170.1	9.1	10.7	△ 1.6
Infrastructure & Social Solutions	54.8	53.1	1.7	2.5	△ 0.8
Electronics & Innovative Products	67.1	62.6	4.5	0.5	4.0
Living & Environment Products	39.0	41.0	△ 1.9	1.0	△ 3.0
Life innovation	34.1	32.3	1.8	△ 0.5	2.2
Others	38.8	36.4	2.4	-	2.4
Total	413.1	395.6	17.5	14.2	3.3

4.2 Operating income by segments

Billions of Yen

	Operating income					
	FY2018 Apr to Mar	FY2017 Apr to Mar	Incr. △Decr.	Sales price	Sales volume	Operating cost & others
Elastomers & Performance Plastics	14.2	15.4	△ 1.2	10.7	△ 0.1	△ 11.8
Infrastructure & Social Solutions	△ 0.3	0.2	△ 0.5	2.5	△ 0.2	△ 2.7
Electronics & Innovative Products	11.8	10.9	0.9	0.5	2.4	△ 1.9
Living & Environment Products	0.9	0.8	0.1	1.0	△ 0.5	△ 0.4
Life innovation	6.3	5.5	0.8	△ 0.5	1.4	△ 0.2
Others	1.3	0.8	0.6	-	0.4	0.2
Total	34.2	33.7	0.6	14.2	3.4	△ 17.0

5. Key operating factors

Billions of Yen

		FY2018 Apr to Mar	FY2017 Apr to Mar	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Investment	Capital expenditure	32.7	22.7	10.0	22.0	45.0
	M&A etc.	0.1	4.3	△ 4.2	TBD	TBD
		32.8	27.0	5.8	22.0	45.0
Depreciation		22.9	24.6	△ 1.7	11.5	24.0
Research and Development		14.6	13.9	0.7	8.0	17.0
Interest-bearing debt		112.1	108.3	3.8	122.0	120.0
Yen / USD exchange rate		110.7	111.3		110.0	110.0
Naphtha price (yen/ Kl)		49,500	42,200		47,000	47,000