

Summary of Consolidated Financial Results

Denka company Limited

1. Summary

1.1 Overview

To realize our corporate philosophy "The Denka Value," Denka launched "Denka Value-Up," a new management plan spanning a five year period last year. Based on our threefold growth vision "SPECIALTY-FUSION COMPANY," "SUSTAINED GROWTH," "SOUND GROWTH" under "Denka Value-up," Denka has been executing two growth strategies namely, promoting the business portfolio shift and introducing innovative processes, and focusing on expanding our business and improving profit.

In the first quarter, consolidated net sales was 90.9 billion, down 3.1 billion (-3.3%) compared with the previous fiscal year. Sales of xEV-related products such as spherical alumina, electronic circuit substrates and ultra-high purity electro-conductive acetylene black were strong. While sales prices of some products have been revised according to the decline in raw material prices. Also sales volume of chloroprene rubber, highly functional films which used for

On the earnings front, operating income amounted to ¥6.7 billion, down ¥0.2 billion (-2.7%) year on year. Ordinary income was ¥6.4 billion, down ¥1.6 billion (-20.5%), and profit attributable to owners of parent was ¥5.0 billion, down ¥1.2 billion (-19.4%).

The outlook of the world economy will become more uncertain from the second quarter onward. However, the Company will benefit from constant growth in volume of sales of xEV-related products, in addition to influenza vaccine and POCT seasonal shipments. Considering mentioned above, the company will strive to achieve operating income of 38.0 billion and record-high results for the third consecutive fiscal year.

1.2 Results by Segment

Elastomers & Performance Plastics

Although trade condition of the styrene based resin such as PS and MS manufactured by Denka Singapore Pte. Ltd. was improved, sales volume of chloroprene and transparent resin were down. Therefore segment income was down year on year.

We expect segment income of this first half to be up year on year owing mainly to lower maintenance cost because we do not shut down our styrene monomer plant this year.

Infrastructure & Social Solutions

Segment income increased due to progress in price revisions of products year on year.

In this first half, we expect profit to increase year on year due to continued strong sales of Special Cement Additives and efforts to profit improvement through price revisions of products in this segment.

Electronics & Innovative Products

Sales of xEV-related products above mentioned were strong. While the sales volume of highly functional films which used for embossed carrier tape for electronic components and semiconductors, and fused silica filler were down year on year in addition to rise of fixed costs for increased production.

Therefore segment income was down and we estimate profit to decline in this first half year on year.

Living & Environment Products

In the first quarter sales of plastic rain gutters and industrial tapes remained virtually unchanged year on year. However segment income became negative in this quarter because sales of food packaging sheets, processed products and TOYOKALON synthetic wig fibers were down year on year.

In this second quarter we will strive to profit improvement price revision, cost down and expanding sales.

Life Innovation

Denka Seiken Co., Ltd. has seen growth in the sales volume of its diagnostic reagents both domestic and overseas year on year.

As a result segment income increased and we expect profit to increase in this first half year on year.

2. Consolidated Financial Results and Forecast

Billions of Yen

	FY2019 Apr to Jun	FY2018 Apr to Jun	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Net Sales	90.9	94.0	△ 3.1	195.0	415.0
Operating Income	6.7	6.9	△ 0.2	15.0	38.0
Ordinary Income	6.4	8.0	△ 1.6	14.0	36.0
Net Income	5.0	6.2	△ 1.2	10.5	27.0

3. Net Sales and Operating Income by segments

Billions of Yen

		FY2019 Apr to Jun	FY2018 Apr to Jun	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Elastomers & Performance Plastics	Sales	39.4	42.6	△ 3.2	81.0	165.0
	Operating Income	3.8	4.4	△ 0.6	8.0	15.5
Infrastructure & Social Solutions	Sales	12.9	12.2	0.7	28.0	58.0
	Operating Income	0.3	△ 0.2	0.5	0.5	1.0
Electronics & Innovative Products	Sales	15.5	15.6	△ 0.1	34.0	74.0
	Operating Income	2.6	2.7	△ 0.1	5.0	13.0
Living & Environment Products	Sales	8.8	9.7	△ 0.9	20.0	40.0
	Operating Income	△ 0.2	0.1	△ 0.2	0.5	1.0
Life innovation	Sales	5.1	4.8	0.4	13.0	36.0
	Operating Income	0.1	△ 0.2	0.3	0.5	6.5
Others/ Companywide	Sales	9.1	9.2	△ 0.1	19.0	42.0
	Operating Income	0.2	0.2	△ 0.0	0.5	1.0
Total	Sales	90.9	94.0	△ 3.1	195.0	415.0
	Operating Income	6.7	6.9	△ 0.2	15.0	38.0

4.1 Sales by segments

Billions of Yen

	FY2019 Apr to Jun	FY2018 Apr to Jun	Incr. △Decr.	Sales	
				Sales price	Sales volume
Elastomers & Performance Plastics	39.4	42.6	△ 3.2	△ 2.2	△ 0.9
Infrastructure & Social Solutions	12.9	12.2	0.7	0.7	△ 0.0
Electronics & Innovative Products	15.5	15.6	△ 0.1	0.1	△ 0.2
Living & Environment Products	8.8	9.7	△ 0.9	0.2	△ 1.1
Life innovation	5.1	4.8	0.4	△ 0.1	0.5
Others	9.1	9.2	△ 0.1	-	△ 0.1
Total	90.9	94.0	△ 3.1	△ 1.3	△ 1.8

4.2 Operating income by segments

Billions of Yen

	Operating income					
	FY2019 Apr to Jun	FY2018 Apr to Jun	Incr. △Decr.	Sales price	Sales volume	Operating cost & others
Elastomers & Performance Plastics	3.8	4.4	△ 0.6	△ 2.2	△ 1.3	2.9
Infrastructure & Social Solutions	0.3	△ 0.2	0.5	0.7	△ 0.0	△ 0.2
Electronics & Innovative Products	2.6	2.7	△ 0.1	0.1	0.1	△ 0.3
Living & Environment Products	△ 0.2	0.1	△ 0.2	0.2	△ 0.5	0.0
Life innovation	0.1	△ 0.2	0.3	△ 0.1	0.3	0.1
Others	0.2	0.2	△ 0.0	-	0.0	△ 0.0
Total	6.7	6.9	△ 0.2	△ 1.3	△ 1.4	2.4

5. Key operating factors

Billions of Yen

		FY2019 Apr to Jun	FY2018 Apr to Jun	Incr. △Decr.	FY2019 Forecast Apr to Sep	FY2019 Forecast Apr to Mar
Investment	Capital expenditure	5.3	5.6	△ 0.3	22.0	45.0
	M&A etc.	-	0.1	△ 0.1	TBD	TBD
		5.3	5.7	△ 0.4	22.0	45.0
Depreciation		5.5	5.7	△ 0.2	11.5	24.0
Research and Development		3.5	3.9	△ 0.4	8.0	17.0
Interest-bearing debt		115.8	113.1	2.7	122.0	120.0
Yen / USD exchange rate		110.8	108.1			
Naphtha price (yen/ Kl)		45,800	49,000			