

# Summary of Consolidated Financial Results

Denka company Limited

## 1. Summary

### 1.1 Overview (year-on-year comparisons)

In the first six months of the fiscal year ending March 31, 2019, consolidated net sales totaled Yen 198.3 billion, up Yen 10.5 billion (5.6%) compared with the same period of the previous fiscal year. This result was our highest ever for the first six-month period. Factors contributing to this achievement included upward revisions in sales prices due to rises in raw material and fuel prices and growth in the volume of sales handled by the Electronics & Innovative Products Division.

On the earnings front, thanks to higher sales volume and improved trade conditions, operating income grew Yen 0.3 billion (2.0%) year on year to Yen 14.6 billion, despite increased expenses associated with periodic repairs at styrene monomer production facilities and forward-looking investment in the healthcare field as well as the negative impacts of abnormal weather and natural disasters.

On the other hand, ordinary income stood at Yen 15.0 billion, down 3.1% year on year, and profit attributable to owners of parent amounted to Yen 11.4 billion, down 7.2% year on year.

For the third quarter onward, Denka expects that the volume of products shipped by the Electronics & Innovative Products Division, especially those for automotive-related applications, will remain robust. Moreover, the Company anticipates growth in sales of influenza vaccines and diagnostic reagents. Taking these factors into account, Denka expects full-year operating income to reach Yen 36.0 billion, setting a new record for the second consecutive fiscal year.

### 1.2 Results by Segment (year-on-year comparisons)

#### Elastomers & Performance Plastics

The sales volume of chloroprene rubber declined due to the impact of a decrease in output from a U.S. production subsidiary that was hit by a cold wave. Nevertheless, the Denka Group made progress in negotiations aimed at upwardly revising sales prices while achieving strong results in sales of ABS resin, polystyrene resin handled by Denka Singapore Pte. Ltd., and MS resin. Thanks to these factors, segment income grew year on year. For the third quarter onward, although the Company believes segment sales will remain firm, full-year income is expected to decline year on year due to a cost increase.

#### Infrastructure & Social Solutions

Segment sales increased thanks to growth in the sales volume of corrugated pipes for agricultural and civil engineering use, fire-resistant materials and steel materials. However, segment income decreased because of weak sales of cement, special cement additives and fertilizers in addition to delays in upward revisions in sales prices to counter raw material and fuel price hikes. For the third quarter onward, however, the Company expects segment income to grow, as it pushes ahead with negotiations to revise sales prices for cement and special cement additives.

#### Electronics & Innovative Products

The Group has seen an increase in the volume of sales of electronic circuit substrates, ALSINK highly-reliable thermal conductive plate, and ultra-high purity electro-conductive carbon black. In addition, sales of functional films for use as embossed carrier tape for electronic components and semiconductors were strong as were sales of spherical alumina for thermal materials. Despite these factors leading to growth in such fixed costs as labor expenses in tandem with the increase in production volume, segment income grew year on year. For the third quarter onward, the Company expects segment income to expand as it anticipates the continuously robust shipment of products, including those serving automotive-related fields.

#### Life Innovation

Segment sales grew thanks to increases in the volume of sales of influenza vaccines and diagnostic reagents produced by Denka Seiken Co., Ltd. However, increases in R&D expenses and other costs attributable to forward-looking investment led to a year-on-year decrease in segment income. For the third quarter onward, the Company forecasts that segment income will be reinstated to the level expected at the beginning of the fiscal year, reflecting the contributions of influenza vaccines and diagnostic test kits.

## 2. Consolidated Financial Results and Forecast

Billions of Yen

	FY2018 2nd Quarter Apr to Sep	FY2017 2nd Quarter Apr to Sep	Incr. △Decr.	FY2018 Forecast Apr to Mar	FY2017 Actual Apr to Mar
Net Sales	198.3	187.8	10.5	410.0	395.6
Operating Income	14.6	14.3	0.3	36.0	33.7
Ordinary Income	15.0	15.5	△ 0.5	34.0	31.5
Net Income	11.4	12.3	△ 0.9	25.0	23.0

## 3. Net Sales and Operating Income by segments

Billions of Yen

	FY2018 2nd Quarter Apr to Sep	FY2017 2nd Quarter Apr to Sep	Incr. △Decr.	FY2018 Forecast Apr to Mar	FY2017 Actual Apr to Mar	
Elastomers & Performance Plastics	Sales	89.0	81.8	7.3	180.0	170.1
	Operating Income	7.4	6.7	0.7	15.0	15.4
Infrastructure & Social Solutions	Sales	26.1	26.0	0.1	55.0	53.1
	Operating Income	△ 0.1	0.7	△ 0.9	0.5	0.2
Electronics & Innovative Products	Sales	32.9	30.4	2.6	68.5	62.6
	Operating Income	5.9	5.2	0.7	12.5	10.9
Living & Environment Products	Sales	19.6	20.4	△ 0.9	40.0	41.0
	Operating Income	0.2	0.8	△ 0.5	1.0	0.8
Life innovation	Sales	12.4	12.0	0.4	34.5	32.3
	Operating Income	0.5	0.6	△ 0.2	6.0	5.5
Others/ Companywide	Sales	18.3	17.3	1.0	32.0	36.4
	Operating Income	0.7	0.3	0.5	1.0	0.8
Total	Sales	198.3	187.8	10.5	410.0	395.6
	Operating Income	14.6	14.3	0.3	36.0	33.7

## 4.1 Sales by segments

Billions of Yen

	Sales				
	FY2018 2nd Quarter Apr to Sep	FY2017 2nd Quarter Apr to Sep	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	89.0	81.8	7.3	8.4	△ 1.1
Infrastructure & Social Solutions	26.1	26.0	0.1	0.8	△ 0.7
Electronics & Innovative Products	32.9	30.4	2.6	△ 0.0	2.6
Living & Environment Products	19.6	20.4	△ 0.9	0.2	△ 1.1
Life innovation	12.4	12.0	0.4	△ 0.3	0.8
Others	18.3	17.3	1.0	-	1.0
Total	198.3	187.8	10.5	9.0	1.5

## 4.2 Operating income by segments

Billions of Yen

	Operating income					
	FY2018 2nd Quarter Apr to Sep	FY2017 2nd Quarter Apr to Sep	Incr. △Decr.	Sales price	Sales volume	Operating cost & others
Elastomers & Performance Plastics	7.4	6.7	0.7	8.4	0.0	△ 7.7
Infrastructure & Social Solutions	△ 0.1	0.7	△ 0.9	0.8	△ 0.2	△ 1.5
Electronics & Innovative Products	5.9	5.2	0.7	△ 0.0	1.6	△ 0.9
Living & Environment Products	0.2	0.8	△ 0.5	0.2	△ 0.3	△ 0.4
Life innovation	0.5	0.6	△ 0.2	△ 0.3	0.6	△ 0.4
Others	0.7	0.3	0.5	-	0.3	0.2
Total	14.6	14.3	0.3	9.0	2.0	△ 10.7

## 5. Key operating factors

Billions of Yen

	FY2018 2nd Quarter Apr to Sep	FY2017 2nd Quarter Apr to Sep	Incr. △Decr.	FY2018 Forecast Apr to Mar	FY2017 Actual Apr to Mar	
Investment	Capital expenditure	14.3	9.9	4.4	31.0	22.7
	M&A etc.	0.1	4.2	△ 4.1	TBD	4.3
		14.4	14.1	0.4	31.0	27.0
Depreciation	11.3	12.4	△ 1.1	23.5	24.6	
Research and Development	7.8	6.8	1.0	15.0	13.9	
Interest-bearing debt	121.5	121.0	0.5	108.0	108.3	
Yen / USD exchange rate	109.5	111.4		109.8	111.3	
Naphtha price (yen/ Kl)	50,550	37,800		52,275	42,200	