February 7th, 2019

Summary of Consolidated Financial Results

Denka company Limited

1. Summary

1.1 Overview

For the nine months ended December 31, 2018, consolidated net sales increased 5.9%, up 17.2 billion Yen, to 310.3 billion Yen year on year (YOY) and was the highest ever for this period. Such factors contributed to the achievement as upward revisions in sales prices corresponding to rises in raw materials and fuel prices in addition to increased shipment of Electronics & Innovative products.

Looking on the earnings side, operating income (OP) slightly decreased 1.2% to 24.8 billion Yen, because of increased cost for the shutdown maintenance of styrene monomer (SM) plant and forward-looking investment like R&D mainly in the field of healthcare in spite of growth in revenue and improvement in terms of trade. Ordinary income declined 5.3% to 24.3 billion Yen, profit attributable to owners of parent declined 2.8% to 18.4 billion Yen.

Denka expects full-year OP to reach 36.0 billion Yen setting a new record for the second consecutive fiscal year even though its business environment has become unforeseeable.

1.2 Results by Segment

Elastomers & Performance Plastics

However demand for polystyrene resin and MS resin of Denka Singapore Pte. Ltd. remain strong, shipment of chloroprene rubber decreased owing to the production cut of U.S. subsidiary hit by a cold wave. In addition to these factors, because of increased cost for the shutdown maintenance of SM plant, OP of this segment dropped YOY.

For the fourth quarter onward, although the Company believes sales of this segment will remain firm, full-year OP will decline YOY due to an overall increase of fixed cost.

Infrastructure & Social Solutions

Sales of this segment increased thanks to higher products prices like special additives corresponding to hike in raw materials and fuel prices, in addition, the shipping volume of corrugated pipes for agricultural & civil engineering use, fire-resistant materials and material for steelmaking increased. However OP of this segment dropped YOY because sales of fertilizers was dull and upward revisions of cements price fell behind, in addition, shipment of some products reduced owing to such disasters as typhoon.

For the fourth quarter onward, the Company expects OP of this segment to grow as it pushes ahead with negotiations to revise sales prices for cement and special additives.

Electronics & Innovative Products

High functional films for embossed carrier tapes kept almost the same level of shipment as previous year, while demand for ALONBRIGHT, SiAlON phosphors for LED, was weak. On the other hand sales volume such as electronic circuit substrates, ALSINK, high thermal conductivity and highly-reliable base plate, and DENKA BLACK, ultra-high purity electro-conductive carbon black increased. In addition, demand for spherical alumina used for the thermal dissipation materials were significantly strong. As a result, OP of this segment increased YOY.

For the fourth quarter onward, the Company expects OP to increase YOY because it anticipate continuous growth of its products associated with vehicle electrification.

Living & Environment Products

Shipment of the industrial tapes increased and demands for the food packaging sheets and plastic products of Denka Polymer Co., Ltd were stable. Sales of TOYOKALON, synthetic fibers for hair pieces, remained unchanged. On the other hand, shipment of DENKA DX Film, a fluorine-based weather-resistant alloy film fell. And furthermore owing to raw materials and fuel prices hike, OP of this segment decreased YOY.

However the Company expects OP to increase for the fourth quarter onward by striving to raise sales prices .

Life Innovation

Sales of this segment grew thanks to increased shipment of influenza vaccines and diagnostic reagents of Denka Seiken Co., Ltd. OP of this segment increased YOY however expenses attributable to forward-looking investment like R&D compressed profit.

For the fourth quarter onward, the Company expects OP to be the same level as forecasted 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 3rd Quarter Apr to Dec	FY2017 3rd Quarter Apr to Dec	Incr. △Decr.	FY2018 Forecast Apr to Mar	FY2017 Actual Apr to Mar
Net Sales	310.3	293.1	17.2	410.0	395.6
Operating Income	24.8	25.1	△ 0.3	36.0	33.7
Ordinary Income	24.3	25.6	△ 1.4	34.0	31.5
Net Income	18.4	18.9	△ 0.5	25.0	23.0

3. Net Sales and Operating Income by segments

Billions of Yen

		FY2018 3rd Quarter Apr to Dec	FY2017 3rd Quarter Apr to Dec	Incr. △Decr.	FY2018 Forecast Apr to Mar	FY2017 Actual Apr to Mar
Elastomers & Performance Plastics	Sales	134.0	124.9	9.0	180.0	170.1
	Operating Income	10.2	10.8	△ 0.5	15.0	15.4
Infrastructure & Social Solutions	Sales	41.3	40.0	1.4	55.0	53.1
	Operating Income	△ 0.0	0.7	△ 0.8	0.5	0.2
Electronics & Innovative Products	Sales	49.0	46.4	2.6	68.5	62.6
	Operating Income	8.4	7.9	0.5	12.5	10.9
Living & Environment Products	Sales	30.0	31.0	△ 1.0	40.0	41.0
	Operating Income	0.8	1.0	△ 0.2	1.0	0.8
Life innovation	Sales	26.8	24.9	2.0	34.5	32.3
	Operating Income	4.4	4.3	0.2	6.0	5.5
Others/ Companywide	Sales	29.2	26.0	3.2	32.0	36.4
	Operating Income	1.0	0.5	0.5	1.0	0.8
Total	Sales	310.3	293.1	17.2	410.0	395.6
	Operating Income	24.8	25.1	△ 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	134.0	124.9	9.0	11.6	△ 2.6
Infrastructure & Social Solutions	41.3	40.0	1.4	1.6	△ 0.2
Electronics & Innovative Products	49.0	46.4	2.6	0.0	2.5
Living & Environment Products	30.0	31.0	△ 1.0	0.7	△ 1.7
Life innovation	26.8	24.9	2.0	△ 0.3	2.3
Others	29.2	26.0	3.2	-	3.2
Total	310.3	293.1	17.2	13.6	3.5

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	10.2	10.8	△ 0.5	11.6	△ 0.3	△ 11.8
Infrastructure & Social Solutions	△ 0.0	0.7	△ 0.8	1.6	△ 0.0	△ 2.3
Electronics & Innovative Products	8.4	7.9	0.5	0.0	1.7	△ 1.3
Living & Environment Products	0.8	1.0	△ 0.2	0.7	△ 0.4	△ 0.5
Life innovation	4.4	4.3	0.2	△ 0.3	1.4	△ 0.9
Others	1.0	0.5	0.5	-	0.3	0.2
Total	24.8	25.1	△ 0.3	13.6	2.7	△ 16.6

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	22.9	16.5	6.4	31.0	22.7
	M&A etc.	0.1	4.2	△ 4.1	TBD	4.3
		23.0	20.7	2.3	31.0	27.0
Depreciation		17.2	18.6	△ 1.4	23.5	24.6
Research and Development		11.4	10.2	1.2	15.0	13.9
Interest-bearing debt		123.5	123.5	-	115.0	108.3
Yen / USD exchange rate		110.8	111.8		110.7	111.3
Naphtha price (yen/ Kl)		51,500	40,000		49,300	42,200