

Summary of Consolidated Financial Results

Denka Company Limited

1. Summary

1.1 Progress toward forecasts

Operating income of 1st quarter was 4.3 billion yen, 1.6 billion lower year on year, due to spread compression of petrochemical products and suffering negative effect of stronger Yen, and its progress rate was 36% against company estimation of 1st half, 12.0 billion yen. Ordinary income of this quarter was 2.4 billion yen, 3.5 billion lower year on year, due to exchange loss by yen appreciation.

Although there are worsening of terms of trade and business environment by stronger yen and so on, we will aim for the operating income of 1st half 12.0 billion yen, by further sales expansion and cost reduction.

And 2nd half will be 19.0 billion yen owing to increasing shipment of products such as vaccine and diagnostic kits related with influenza. We strive for the target operating income 31 billion yen record-high year ending March 2017.

1.2 The result of First Quarter and the forecast of Second Quarter in each segment

Elastomers & Performance Plastics : Earnings were decreased due to spread compression of petrochemical products and declined sales amount of chloroprene rubber by negative effect of stronger Yen. In the second quarter we estimate profit will be lower YOY, due to stronger yen and expense of shutdown maintenance of styrene monomer plant done from May to July.

Infrastructure & Social Solutions : Earnings were lower YOY, because sales of cement and fertilizers reduced. In the second quarter, although demand for cement will not recover, We will ensure profitability of this segment by increasing shipment of fertilizers and plastic drainpipes.

Electronics & Innovative Products : Shipment of electronic packing materials and ALONBRIGHT(SiAlON Phosphor) increased, though electronic circuit substrates decreased, and earnings were almost the same level as the previous year. In the second quarter we estimate earnings will be same level as previous year, although electronic packing materials will maintain high level shipment, the demand of electronic circuit substrates for China high-speed railway seem to be weak.

Life Science & Environment Products : Although shipment of diagnostic reagents, DX film and synthetic fiber increased, earnings were lower YOY due to decreased sales income in yen by negative effect of stronger Yen, weak demand for shipment of food packaging materials, and increasing R&D cost. In the second quarter, we also expect lower earnings YOY, due to continuing similar condition of first quarter.

1.3 Consolidated Financial Results and Forecast

Billions of Yen

	FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun	Incr. △Decr.	FY2016 Forecast Apr to Sep	FY2016 Forecast Apr to Mar
Net Sales	82.0	86.9	△ 4.9	175.0	375.0
Operating Income	4.3	5.9	△ 1.6	12.0	31.0
Ordinary Income	2.4	5.8	△ 3.5	10.0	28.0
Net Income	2.2	4.4	△ 2.1	7.0	20.5

2. Net Sales and Operating Income by segments

Billions of Yen

		FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun	Incr. △Decr.	FY2016 Forecast Apr to Sep	FY2016 Forecast Apr to Mar
Elastomers & Performance Plastics	Sales	35.4	39.3	△ 3.9	70.0	150.0
	Operating Income	2.2	3.4	△ 1.2	4.5	9.0
Infrastructure & Social Solutions	Sales	11.2	11.5	△ 0.3	25.0	55.0
	Operating Income	△ 0.2	△ 0.0	△ 0.2	1.0	3.0
Electronics & Innovative Products	Sales	10.8	11.3	△ 0.4	25.0	50.0
	Operating Income	1.5	1.4	0.1	3.0	7.0
Life Science & Environment Products	Sales	15.1	14.8	0.2	35.0	80.0
	Operating Income	0.7	0.9	△ 0.1	3.0	11.0
Others	Sales	9.6	10.0	△ 0.5	20.0	40.0
	Operating Income	0.0	0.3	△ 0.2	0.5	1.0
Companywide	Sales	—	—	—	—	—
	Operating Income	0.0	0.0	0.0	—	—
Total	Sales	82.0	86.9	△ 4.9	175.0	375.0
	Operating Income	4.3	5.9	△ 1.6	12.0	31.0

3. Key operating factors

Billions of Yen

		FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun	Incr. △Decr.	FY2016 Forecast Apr to Sep	FY2016 Forecast Apr to Mar
Investment	Capital expenditure	3.9	4.0	△ 0.2	11.0	28.0
	M&A etc.	0.3	2.0	△ 1.7	0.3	0.3
		4.2	6.0	△ 1.8	11.3	28.3
Depreciation		6.0	5.6	0.4	12.0	24.0
Research and Development		3.3	3.0	0.3	6.0	13.0
Interest-bearing debt		123.2	131.3	△ 8.1	120.0	115.0

	FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun
Yen / USD exchange rate	108.3	121.4
Naphtha price (yen/ KI)	33,000	49,000

4. Sales by segments

Billions of Yen

	Sales				
	FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	35.4	39.3	△ 3.9	△ 6.1	2.3
Infrastructure & Social Solutions	11.2	11.5	△ 0.3	△ 0.0	△ 0.3
Electronics & Innovative Products	10.8	11.3	△ 0.4	△ 1.0	0.6
Life Science & Environment Products	15.1	14.8	0.2	△ 1.1	1.3
Others	9.6	10.0	△ 0.5	-	△ 0.5
Total	82.0	86.9	△ 4.9	△ 8.3	3.4

5. Operating income by segments

Billions of Yen

	Operating income					
	FY2016 1st Quarter Apr to Jun	FY2015 1st Quarter Apr to Jun	Incr. △Decr.	Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	2.2	3.4	△ 1.2	△ 6.1	2.1	2.9
Infrastructure & Social Solutions	△ 0.2	△ 0.0	△ 0.2	△ 0.0	△ 0.2	0.0
Electronics & Innovative Products	1.5	1.4	0.1	△ 1.0	0.5	0.6
Life Science & Environment Products	0.7	0.9	△ 0.1	△ 1.1	0.8	0.2
Others	0.0	0.3	△ 0.2	-	△ 0.2	△ 0.0
Companywide	0.0	0.0	0.0	-	-	0.0
Total	4.3	5.9	△ 1.6	△ 8.3	3.0	3.7