

# Summary of Consolidated Financial Results

Denka Company Limited

## 1. Summary

### 1.1 Overview of FY2016

In addition to increased shipment of U.S. subsidiary which consolidated whole year, Electronics & Innovative Products and diagnostics reagents, shipment of flu vaccine was firm and cost of electricity decreased in this year. On the other hand, there were negative factors such as effect of stronger yen, spread compression of styrene derivatives, cost of shutdown maintenance of styrene monomer plant and upfront expenses of R&D and so on. As a result, operating income of this year was 25.8 billion yen, 4.8 billion lower year on year, ordinary income was 23.2 billion yen and net profit attributable to owners of parent was 18.1 billion yen, all of these three were lower YOY.

### 1.2 Result of FY2016 by segment

**Elastomers & Performance Plastics** : Earnings were lower YOY, because of shutdown maintenance cost, declined sales amount of exported chloroprene rubber by negative effect of stronger yen and spread compression of styrene derivatives.

**Infrastructure & Social Solutions** : Shipment of underground drainpipes for agriculture and civil engineering were increased and the effect of cost reductions effort were realized. Though earnings were lower YOY, due to decreased shipment of special cement additives, cement and fertilizers.

**Electronics & Innovative Products** : Earnings were higher YOY, because firm shipment of electronic packing materials and phosphor for LED compensated for the declined shipment of highly-reliable thermal conductive plates.

**Living & Environment Products** : Although shipment of DX film were firm, earning were lower YOY due to decreased sales amount of synthetic fiber by appreciation of yen, weak demand by stagnation of the economy in Africa, and price down of food packing materials by drop off in raw materials price.

**Life Innovation** : Although shipment of flu vaccine and diagnostics reagents were firm, earnings were lower YOY due to increased expenses of depreciation of new production building and R&D.

Note; Denka established Life Innovation Division in charge of handling all group resources associated with health-care related operations on 1st April, 2017. Therefore segment results of Life Innovation described here are separated from Living & Environment Products.

### 1.3 Forecast of FY2017

Although there are spread compression of petrochemical products and cost increase such as labor cost and R&D expense, increasing shipment of all segment, mainly Electronics & Innovative Products, This year we estimate operating income 30.0 billion yen, ordinary income of 28.0 billion yen and net profit attributable to owners of parent of 21.0 billion yen. Both ordinary income and net profit are highest ever .

### 1.4 Consolidated Financial Results and Forecast

Billions of Yen

	FY2016 Apr to Mar	FY2015 Apr to Mar	Incr. △Decr.	FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
Net Sales	362.6	369.9	△ 7.2	190.0	400.0
Operating Income	25.8	30.6	△ 4.8	12.5	30.0
Ordinary Income	23.2	27.0	△ 3.9	12.5	28.0
Net profit attributable to owners of parent	18.1	19.5	△ 1.3	9.5	21.0

## 2. Net Sales and Operating Income by segments

Billions of Yen

		FY2016 Apr to Mar	FY2015 Apr to Mar	Incr. △Decr.	FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
Elastomers & Performance Plastics	Sales	151.7	155.6	△ 3.9	87.0	172.0
	Operating Income	7.8	11.0	△ 3.3	5.5	10.5
Infrastructure & Social Solutions	Sales	51.8	53.4	△ 1.5	26.0	54.0
	Operating Income	0.9	1.2	△ 0.3	0.5	1.0
Electronics & Innovative Products	Sales	46.3	45.7	0.6	24.0	53.0
	Operating Income	7.1	6.1	1.0	4.0	9.0
Living & Environment Products	Sales	41.2	43.8	△ 2.6	22.0	45.0
	Operating Income	1.5	2.3	△ 0.7	1.0	2.0
Life Innovation	Sales	34.0	31.4	2.7	13.0	36.0
	Operating Income	7.9	8.9	△ 1.0	1.0	7.0
Others / Companywide	Sales	37.7	40.1	△ 2.4	18.0	40.0
	Operating Income	0.7	1.2	△ 0.5	0.5	0.5
Total	Sales	362.6	369.9	△ 7.2	190.0	400.0
	Operating Income	25.8	30.6	△ 4.8	12.5	30.0

### 3. Key operating factors

Billions of Yen

		FY2016 Apr to Mar	FY2015 Apr to Mar	Incr. △Decr.	FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
Investment	Capital expenditure	25.7	21.2	4.5	17.0	30.0
	M&A etc.	1.2	16.7	△ 15.6	4.0	4.0
		26.9	38.0	△ 11.1	21.0	34.0
Depreciation		24.4	23.2	1.1	12.0	25.0
Research and Development		13.0	11.8	1.2	7.5	15.0
Interest-bearing debt		113.7	124.6	△ 10.8	122.0	112.0
		FY2016 Apr to Mar	FY2015 Apr to Mar		FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
Yen / USD exchange rate		108.8	120.1		110.0	110.0
Naphtha price (yen/ Kl)		34,600	42,850		43,000	43,000

### 4. Sales by segments

Billions of Yen

	Sales				
	FY2016 Apr to Mar	FY2015 Apr to Mar	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	151.7	155.6	△ 3.9	△ 17.4	13.5
Infrastructure & Social Solutions	51.8	53.4	△ 1.5	△ 0.7	△ 0.8
Electronics & Innovative Products	46.3	45.7	0.6	△ 4.0	4.6
Living & Environment Products	41.2	43.8	△ 2.6	△ 3.3	0.7
Life Innovation	34.0	31.4	2.7	△ 0.9	3.6
Others	37.7	40.1	△ 2.4	-	△ 2.4
Total	362.6	369.9	△ 7.2	△ 26.4	19.2

### 5. Operating income by segments

Billions of Yen

	Operating income				
	FY2016 Apr to Mar	FY2015 Apr to Mar	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	7.8	11.0	△ 3.3	△ 17.4	6.9
Infrastructure & Social Solutions	0.9	1.2	△ 0.3	△ 0.7	△ 0.6
Electronics & Innovative Products	7.1	6.1	1.0	△ 4.0	3.6
Living & Environment Products	1.5	2.3	△ 0.7	△ 3.3	△ 0.5
Life Innovation	7.9	8.9	△ 1.0	△ 0.9	2.7
Others / Companywide	0.7	1.2	△ 0.5	-	△ 0.5
Total	25.8	30.6	△ 4.8	△ 26.4	11.6