

Summary of Consolidated Financial Results

Denka Company Limited

1. Summary

1.1 Progress toward forecasts

In the 1st half, although spread of petrochemical products were compressed and the cost of R & D increased mainly in the healthcare field, shipment of chloroprene rubber and electronics & innovative products increased in addition sales price revisions corresponding to rising raw material prices. Therefore operating income was 14.3billion yen, and ordinary income was 15.5 billion yen, net income was 12.3billion yen, all of them are higher YOY.

In the 2nd half, although the shipment of vaccine will be lower YOY and the cost burden of upfront investment will increase, we expect continued strong shipment of chloroprene rubber and electronic and advanced products will continue. The full-year forecast operating profit , upward to 32 billion yen, which is higher than the record high 30.6 billion yen in fiscal year 2015, revised ordinary income to 31 billion yen and net income to 22 billion yen.

1.2 The result of First Half and the forecast of fiscal year by segment

Elastomers & Performance Plastics : Although spread of petrochemical products compressed, earnings were higher YOY due to increased shipment and price revision of chloroprene rubber. We estimate rise in profit in the 2nd half YOY as with 1st half.

The Infrastructure & Social Solutions : Earning were higher due to favorable shipments of alumina fiber, corrugated tubes for agriculture and civil engineering, and exported cement. We expect to increase profit in the 2nd half.

Electronics & Innovative Products : Earnings were higher YOY because shipment of fused silica filler and spherical alumina for semiconductor sealants, ALONBIGHT(SiAlON Phosphor), electronic packing materials, thermally conductive aluminum substrates and highly-reliable thermally conductive plates were increased. We expect earnings of 2nd half will be higher YOY since the sales of these products will continue to gain.

Living & Environmental Products : However the shipment of synthetic fiber decreased YOY, other products covered the decline in its sales. We expect to increase profit in 2nd half due to recovery in demand for synthetic fiber.

Life Innovation : We expect sales volume of reagent increase both in domestic and overseas. However, due to the fact that production and sales of influenza vaccines accompanying delays in the selection of Vaccine production strains declined YOY and the burden of R & D expenses, etc., we expect a decline in profit.

1.3 Revision of Consolidated Financial Forecasts for FY2017 and Cash Dividend

We revise the forecast of operating income to 32 billion yen , ordinary income to 31 billion yen and net income to 22 billion yen, however we maintain our initial forecast of sales (400 billion yen).

Based on the revised profit increase, we will increase the interim dividend by 3 yen from the previous forecast of 7 yen per share to 10 yen, and we expect that we increase the year-end dividend forecast by 12.5 yen from the previous forecast of 37.50 yen per share to 50 yen. As a result, the annual dividend per share after consideration of stock consolidation is expected to be 100 yen, an increase of 27.5 yen over that previously announced.

The Company has consolidated its shares in the proportion of 5 common shares to one common share, effective as of October 1, 2017. The expected dividend payout ratio (consolidated) will be 40.0% from the previous forecast of 30.3%.

1.4 Consolidated Financial Results and Forecast

	FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	Incr. △Decr.
Net Sales	187.8	171.8	16.0
Operating Income	14.3	9.8	4.5
Ordinary Income	15.5	7.4	8.0
Net Income	12.3	6.1	6.2

Billions of Yen

FY2017 Forecast Apr to Mar	FY2016 Actual Apr to Mar
400.0	362.6
32.0	25.8
31.0	23.2
22.0	18.1

2. Net Sales and Operating Income by segments

	FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	Incr. △Decr.	
Elastomers & Performance Plastics	Sales	85.7	72.2	13.5
	Operating Income	7.2	3.4	3.9
Infrastructure & Social Solutions	Sales	26.0	24.6	1.4
	Operating Income	0.7	0.2	0.6
Electronics & Innovative Products	Sales	26.4	22.9	3.5
	Operating Income	4.7	3.3	1.4
Living & Environment Products	Sales	20.4	20.7	△ 0.2
	Operating Income	0.8	0.9	△ 0.2
Life innovation	Sales	12.0	12.7	△ 0.7
	Operating Income	0.6	1.8	△ 1.2
Others/ Companywide	Sales	17.3	18.8	△ 1.5
	Operating Income	0.3	0.3	△ 0.0
Total	Sales	187.8	171.8	16.0
	Operating Income	14.3	9.8	4.5

Billions of Yen

FY2017 Forecast Apr to Mar	FY2016 Actual Apr to Mar
175.0	151.7
13.5	7.8
55.0	51.8
1.5	0.9
56.0	46.3
9.5	7.1
43.0	41.2
1.5	1.5
34.0	34.0
5.5	7.9
37.0	37.7
0.5	0.7
400.0	362.6
32.0	25.8

3. Key operating factors

Billions of Yen

		FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	Incr. △Decr.	FY2017 Forecast Apr to Mar	FY2016 Actual Apr to Mar
Investment	Capital expenditure	9.9	10.4	△ 0.5	27.0	25.7
	M&A etc.	4.2	0.6	3.6	4.2	1.2
		14.1	11.0	3.1	31.2	26.9
Depreciation		12.4	12.1	0.3	25.0	24.4
Research and Development		6.8	6.5	0.2	15.0	13.0
Interest-bearing debt		121.0	125.7	△ 4.7	112.0	113.7

	FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	FY2017 Forecast Apr to Mar	FY2016 Actual Apr to Mar
Yen / USD exchange rate	111.4	107.3	110.7	108.8
Naphtha price (yen/ KI)	37,800	31,550	40,400	34,600

4. Sales by segments

Billions of Yen

	Sales				
	FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	85.7	72.2	13.5	11.7	1.8
Infrastructure & Social Solutions	26.0	24.6	1.4	△ 0.2	1.6
Electronics & Innovative Products	26.4	22.9	3.5	△ 0.2	3.7
Living & Environment Products	20.4	20.7	△ 0.2	0.3	△ 0.5
Life innovation	12.0	12.7	△ 0.7	△ 0.3	△ 0.4
Others	17.3	18.8	△ 1.5	-	△ 1.5
Total	187.8	171.8	16.0	11.3	4.7

4. Operating income by segments

Billions of Yen

	Operating income					
	FY2017 1st Half Apr to Sep	FY2016 1st Half Apr to Sep	Incr. △Decr.	Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	7.2	3.4	3.9	11.7	1.2	△ 9.0
Infrastructure & Social Solutions	0.7	0.2	0.6	△ 0.2	0.4	0.4
Electronics & Innovative Products	4.7	3.3	1.4	△ 0.2	2.1	△ 0.5
Living & Environment Products	0.8	0.9	△ 0.2	0.3	△ 0.3	△ 0.2
Others	0.6	1.8	△ 1.2	△ 0.3	△ 0.4	△ 0.5
Others/Companywide	0.3	0.3	-	-	0.0	△ 0.0
Total	14.3	9.8	4.5	11.3	2.9	△ 9.8