

Summary of Consolidated Financial Results

Denka Company Limited

1. Summary

1.1 Degree of progress toward forecasts

Operating income of 8.9 billion yen in three months ended December 31st 2016 was higher year on year, due to steady shipment of Electronics & Innovative Products and diagnostics reagents, and shipment of flu vaccine as planned. However, operating income in nine months ended December 31st 2016 was 18.8 billion, 4.6 billion lower year on year, due to negative effect of yen appreciation and shrunked margin of styrene derivatives in addition to shutdown maintenance cost. In fiscal year, we estimate 25.0 billion of operating income, 1.0 billion higher than last estimation, due to positive impact of the weaker yen from November.

1.2 The result of Third Quarter and the forecast of fiscal year by segment

Elastomers & Performance Plastics : Earnings of this quarter 4.6 billion 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, While we estimate 7.5 billion of earnings, 0.5 billion higher than last estimation, due to improved margin of chloroprene rubber by recent weaker yen.

Infrastructure & Social Solutions : Shipment of underground drainpipes for agriculture and civil engineering were increased and effect of cost reductions effort were realized. Though sales of cement and special cement additives were lower YOY, earnings were 0.9 billion yen, same level as previous year. In fiscal year, we estimate earnings will be 1.0 billion yen same as last estimation.

Electronics & Innovative Products : Earnings of quarter 5.1 billion were higher YOY, due to increased shipment of phosphor for LED and electronic packing materials. In fiscal year, we estimate earnings will be 6.5 billion yen, 0.5 billion higher than last estimation.

Life Science & Environment Products : Although shipment of flu vaccine and diagnostics reagents were firm, earnings of quarter 7.8 billion were lower YOY, due to decreased sales amount of synthetic fiber by yen appreciation, decreased shipment of materials for food packaging and its products. In fiscal year, we estimate earnings will be 9.5 billion same as last estimation.

1.3 Consolidated Financial Results and Forecast

	FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	Incr. △Decr.
Net Sales	266.7	277.5	△ 10.7
Operating Income	18.8	23.4	△ 4.6
Ordinary Income	17.5	21.7	△ 4.2
Net Income	13.6	15.9	△ 2.3

Billions of Yen

FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
360.0	369.9
25.0	30.6
22.0	27.0
17.0	19.5

2. Net Sales and Operating Income by segments

		FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	Incr. △Decr.
Elastomers & Performance Plastics	Sales	108.2	116.6	△ 8.3
	Operating Income	4.6	8.5	△ 3.9
Infrastructure & Social Solutions	Sales	38.6	39.8	△ 1.2
	Operating Income	0.9	0.9	0.0
Electronics & Innovative Products	Sales	33.9	33.7	0.2
	Operating Income	5.1	4.2	0.9
Life Science & Environment Products	Sales	58.0	57.2	0.8
	Operating Income	7.8	8.7	△ 0.9
Others	Sales	28.0	30.1	△ 2.1
	Operating Income	0.2	0.9	△ 0.7
Companywide	Sales	-	-	-
	Operating Income	0.1	0.1	0.0
Total	Sales	266.7	277.5	△ 10.7
	Operating Income	18.8	23.4	△ 4.6

Billions of Yen

FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
148.0	155.6
7.5	11.0
52.0	53.4
1.0	1.2
46.0	45.7
6.5	6.1
76.0	75.1
9.5	11.2
38.0	40.1
0.5	1.1
-	-
-	0.1
360.0	369.9
25.0	30.6

3. Key operating factors

Billions of Yen

		FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	Incr. △Decr.	FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
Investment	Capital expenditure	18.1	14.9	3.2	26.0	21.2
	M&A etc.	0.8	12.7	△ 11.8	1.0	16.7
		18.9	27.5	△ 8.6	27.0	38.0
Depreciation		18.2	17.2	1.0	24.0	23.2
Research and Development		9.6	8.7	0.9	13.5	11.8
Interest-bearing debt		122.6	136.6	△ 14.0	120.0	124.6

	FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
Yen / USD exchange rate	106.9	121.7	108.9	120.1
Naphtha price (yen/ KI)	32,800	46,000	35,450	42,850

4. Sales by segments

Billions of Yen

	Sales				
	FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	108.2	116.6	△ 8.3	△ 19.4	11.1
Infrastructure & Social Solutions	38.6	39.8	△ 1.2	△ 0.4	△ 0.8
Electronics & Innovative Products	33.9	33.7	0.2	△ 3.3	3.5
Life Science & Environment Products	58.0	57.2	0.8	△ 3.3	4.1
Others	28.0	30.1	△ 2.1	-	△ 2.1
Total	266.7	277.5	△ 10.7	△ 26.5	15.7

5. Operating income by segments

Billions of Yen

	Operating income					
	FY2016 3rd Quarter Apr to Dec	FY2015 3rd Quarter Apr to Dec	Incr. △Decr.	Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	4.6	8.5	△ 3.9	△ 19.4	6.7	8.8
Infrastructure & Social Solutions	0.9	0.9	0.0	△ 0.4	△ 0.4	0.9
Electronics & Innovative Products	5.1	4.2	0.9	△ 3.3	2.7	1.5
Life Science & Environment Products	7.8	8.7	△ 0.9	△ 3.3	2.3	0.1
Others	0.2	0.9	△ 0.7	-	△ 0.0	△ 0.7
Companywide	0.1	0.1	0.0	-	-	0.0
Total	18.8	23.4	△ 4.6	△ 26.5	11.3	10.6