

Summary of Consolidated Financial Results

Denka Company Limited

1. Summary

1.1 Review

Operating income of 2nd quarter was 9.8 billion yen, 4.8 billion lower year on year, due to increasing cost of upfort investment in addition to yen appreciation, shrunked margin of styrene derivatives and shutdown maintenance cost. Although harsh economic condition such as stronger yen will continue in the 2nd half, we strive for the target operating income 24.0 billion yen by further sales expansion and cost reduction.

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

Elastomers & Performance Plastics :Earnings were decreased due to declined sales amount of exported chloroprene rubber by yen appreciation, shurinked margin of styrene derivarives and shutdown maintenance cost. In the 2nd half, we estimate a serve condition of this trend continued.

Infrastructure & Social Solutions : Earnings were lower YOY,because sales of cement and special cement additives reduced. In the 2nd half, although sales of underground drainpipes for agriculture and civil engineering will increase, shipment for both cement and special cement additives remained sluggish.

Electronics & Innovative Products : Shipment of ALONBRIGHT(SIAION Phosphor) and electronic packing materials increased, and eranings were slightly increased. In the 2nd half, we estimate earnings will be same level as previous year as this condition continued.

Life Science & Environment Products : Although shipment of flu vaccine and diagnostics reagents were generally in line with our forecasts, earnings were lower YOY, due to decreased sales amount of exported products by yen appreciation, price down of food packaging materials by drop off raw materials price and increasing R&D cost. In fiscal year, we estimate lower earnings YOY, due to increased R&D cost etc.

1. Consolidated Financial Results and Forecast

Billions of Yen

	FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	Incr. △Decr.
Net Sales	171.8	182.6	△ 10.8
Operating Income	9.8	14.6	△ 4.8
Ordinary Income	7.4	13.5	△ 6.1
Net Income	6.1	9.9	△ 3.8

FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
360.0	369.9
24.0	30.6
21.0	27.0
16.5	19.5

2. Net Sales and Operating Income by segments

Billions of Yen

		FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	Incr. △Decr.
Elastomers & Performance Plastics	Sales	72.2	80.9	△ 8.7
	Operating Income	3.4	6.9	△ 3.5
Infrastructure & Social Solutions	Sales	24.6	25.5	△ 0.9
	Operating Income	0.2	0.4	△ 0.2
Electronics & Innovative Products	Sales	22.9	22.8	0.1
	Operating Income	3.3	3.1	0.2
Life Science & Environment Products	Sales	33.3	33.8	△ 0.5
	Operating Income	2.7	3.7	△ 1.0
Others	Sales	18.8	19.5	△ 0.8
	Operating Income	0.2	0.5	△ 0.3
Companywide	Sales	-	-	-
	Operating Income	0.1	△ 0.0	0.1
Total	Sales	171.8	182.6	△ 10.8
	Operating Income	9.8	14.6	△ 4.8

FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
144.0	155.6
7.0	11.0
52.0	53.4
1.0	1.2
46.0	45.7
6.0	6.1
76.0	75.1
9.5	11.2
42.0	40.1
0.5	1.1
-	-
-	0.1
360.0	369.9
24.0	30.6

3. Key operating factors

Billions of Yen

		FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	Incr. △Decr.	FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
Investment	Capital expenditure	10.4	9.0	1.4	26.0	21.2
	M&A etc.	0.6	7.4	△ 6.8	0.6	16.7
		11.0	16.4	△ 5.4	26.6	38.0
Depreciation		12.1	11.4	0.7	24.0	23.2
Research and Development		6.5	5.8	0.7	13.5	11.8
Interest-bearing debt		125.7	132.2	△ 6.5	115.0	124.6

	FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	FY2016 Forecast Apr to Mar	FY2015 Actual Apr to Mar
Yen / USD exchange rate	107.3	121.8	103.7	120.8
Naphtha price (yen/ Kl)	31,550	47,900	32,300	42,850

4. Sales by segments

Billions of Yen

	Sales				
	FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	72.2	80.9	△ 8.7	△ 14.4	5.7
Infrastructure & Social Solutions	24.6	25.5	△ 0.9	△ 0.2	△ 0.6
Electronics & Innovative Products	22.9	22.8	0.1	△ 2.3	2.4
Life Science & Environment Products	33.3	33.8	△ 0.5	△ 2.3	1.7
Others	18.8	19.5	△ 0.8	-	△ 0.8
Total	171.8	182.6	△ 10.8	△ 19.2	8.4

4. Operating income by segments

Billions of Yen

	Operating income					
	FY2016 1st Half Apr to Sep	FY2015 1st Half Apr to Sep	Incr. △Decr.	Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	3.4	6.9	△ 3.5	△ 14.4	4.2	6.7
Infrastructure & Social Solutions	0.2	0.4	△ 0.2	△ 0.2	△ 0.3	0.4
Electronics & Innovative Products	3.3	3.1	0.2	△ 2.3	1.7	0.8
Life Science & Environment Products	2.7	3.7	△ 1.0	△ 2.3	0.9	0.4
Others	0.2	0.5	△ 0.3	-	△ 0.2	△ 0.1
Companywide	0.1	△ 0.0	0.1	-	-	0.1
Total	9.8	14.6	△ 4.8	△ 19.2	6.2	8.2