

Summary of Consolidated Financial Results

Denka Company Limited

1. Summary

1.1 Progress toward forecasts

In the 1st quarter, operating income was 6.4 billion yen, 2.1 billion higher year on year by increased shipment of chloroprene rubber and electronics & innovative products, although spread of petrochemical products were compressed. In addition to operating income, ordinary income of this quarter 7.4 billion yen and net income 6.0 billion yen, both are higher year on year and highest ever for the 1st quarter.

In the 2nd quarter also firm shipment of chloroprene rubber and electronics & innovative products will continue. We revised our forecast of 1st half, up to 14 billion yen of operating income, 14 billion yen of ordinary income and 10.5 billion yen of net income. However we maintain our initial forecast of year ending March 2018.

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

Elastomers & Performance Plastics : Although spread of petrochemical products compressed, earnings were higher YOY due to increased shipment and price revision of chloroprene rubber. In the 2nd quarter, we estimate this trend will continue.

Infrastructure & Social Solutions : Earnings were higher YOY because of increased amount of exported cement. We estimate rise in profit in the 2nd quarter as with 1st quarter.

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

Living & Environment Products : However the shipment of synthetic fiber decreased YOY, other products covered a decline in its sales. We expect earnings of accumulated total of 2nd quarter will be same level as previous year.

Life Innovation : Although sales remained unchanged, earnings were lower YOY because fixed cost of Denka Seiken increased. We estimate earnings of accumulated total of 2nd quarter will be lower YOY owing to increasing cost of R&D etc.

1.3 Consolidated Financial Results and Forecast

Billions of Yen

	FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun	Incr. △Decr.
Net Sales	90.6	82.0	8.6
Operating Income	6.4	4.3	2.1
Ordinary Income	7.4	2.4	5.0
Net Income	6.0	2.2	3.8

FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
190.0	400.0
14.0	30.0
14.0	28.0
10.5	21.0

2. Net Sales and Operating Income by segments

Billions of Yen

	FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun	Incr. △Decr.	
Elastomers & Performance Plastics	Sales	42.6	35.4	7.2
	Operating Income	3.1	2.2	0.9
Infrastructure & Social Solutions	Sales	12.4	11.2	1.2
	Operating Income	0.3	△ 0.2	0.5
Electronics & Innovative Products	Sales	12.8	10.8	2.0
	Operating Income	2.5	1.5	1.0
Living & Environment Products	Sales	10.3	10.3	△ 0.1
	Operating Income	0.4	0.5	△ 0.1
Life Innovation	Sales	4.6	4.7	△ 0.1
	Operating Income	△ 0.0	0.2	△ 0.3
Others/ Companywide	Sales	8.0	9.6	△ 1.6
	Operating Income	0.2	0.1	0.1
Total	Sales	90.6	82.0	8.6
	Operating Income	6.4	4.3	2.1

FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
86.0	172.0
7.0	10.5
26.0	54.0
1.0	1.0
26.0	53.0
4.5	9.0
22.0	45.0
1.0	2.0
13.0	36.0
0.5	7.0
17.0	40.0
0.0	0.5
190.0	400.0
14.0	30.0

3. Key operating factors

Billions of Yen

		FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun	Incr. △Decr.
Investment	Capital expenditure	4.7	3.9	0.8
	M&A etc.	0.0	0.3	△ 0.3
		4.7	4.2	0.5
Depreciation		6.1	6.0	0.0
Research and Development		3.4	3.3	0.1
Interest-bearing debt		114.9	123.2	△ 8.4

FY2017 Forecast Apr to Sep	FY2017 Forecast Apr to Mar
17.0	30.0
4.0	4.0
21.0	34.0
12.0	25.0
7.5	15.0
122.0	112.0

	FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun
Yen / USD exchange rate	111.8	111.1
Naphtha price (yen/ Kl)	39,700	33,000

4. Sales by segments

Billions of Yen

	Sales				
	FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun	Incr. △Decr.		
				Sales price	Sales volume
Elastomers & Performance Plastics	42.6	35.4	7.2	4.6	2.6
Infrastructure & Social Solutions	12.4	11.2	1.2	△ 0.3	1.5
Electronics & Innovative Products	12.8	10.8	2.0	△ 0.2	2.1
Living & Environment Products	10.3	10.3	△ 0.1	△ 0.0	△ 0.0
Life Innovation	4.6	4.7	△ 0.1	△ 0.1	0.0
Others	8.0	9.6	△ 1.6	-	△ 1.6
Total	90.6	82.0	8.6	4.0	4.6

5. Operating income by segments

Billions of Yen

	Operating income					
	FY2017 1st Quarter Apr to Jun	FY2016 1st Quarter Apr to Jun	Incr. △Decr.			
				Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	3.1	2.2	0.9	4.6	1.5	△ 5.3
Infrastructure & Social Solutions	0.3	△ 0.2	0.5	△ 0.3	0.5	0.4
Electronics & Innovative Products	2.5	1.5	1.0	△ 0.2	1.3	△ 0.1
Living & Environment Products	0.4	0.5	△ 0.1	△ 0.0	△ 0.2	0.1
Life Innovation	△ 0.0	0.2	△ 0.3	△ 0.1	0.1	△ 0.2
Others/Companywide	0.2	0.1	0.1	-	0.0	0.1
Total	6.4	4.3	2.1	4.0	3.2	△ 5.1