

# Summary of Consolidated Financial Results

Denka company Limited

## 1. Summary

### 1.1 Overview of FY2017

In FY 2017, operating income was 33.7 billion yen, and ordinary income was 31.5 billion yen, net income attributable owners of parent was 23.0 billion yen, all of them were record high profit because shipment of chloroprene rubber, electronics & innovative products increased, in addition, sales price revisions corresponding to rising raw material cost and the skip of shutdown maintenance of styrene monomer plant, although R&D expenses increased mainly in the healthcare field.

### 1.2 The result of FY2017 by segment

**Elastomers & Performance Plastics** : Earnings were much higher YOY because of price revision of chloroprene rubber and no shutdown maintenance of styrene monomer plant.

**The Infrastructure & Social Solutions** : However shipment of alumina fiber, underground drainpipes for agriculture and civil engineering were increased, earnings were lower YOY due to rise in the price of raw material.

**Electronics & Innovative Products** : Earnings were higher YOY because shipment of electronic packing materials, fused silica filler for semiconductor sealants and spherical alumina were increased in addition to increased shipment of high conductive acetylene black "Denka Black" for Lithium-ion battery and High-voltage transmission cable.

**Living & Environmental Products** : Although sales price revisions corresponding to rising raw material cost of food packing, earnings were lower YOY due to intensified price competition of PVDF based alloyed film "DX film" for photovoltaic modules backsheet.

**Life Innovation** : However sales volume of reagent increased, earnings were lower YOY because production and sales of influenza vaccines declined YOY owing to the delay in the selection of vaccine production strains, and R&D expenses increased.

Note; On 1st April 2018 Denka has shifted its segment of "Denka Black" from Elastomers & Performance Plastics to Electronics & Innovative Products and the products belongs to the segment in this summary.

### 1.3 Forecast of FY2018

We estimate our operating income of this year 36.0 billion yen, ordinary income of 34.0 billion yen and net profit attributable to owners of parent of 25.0 billion yen, they are highest for the second consecutive year.

We expect that growing demand for Electronics & Innovative Products and sales price revision of chloroprene rubber and styrene derivatives will contribute to increase in profit although there are negative impacts such as hike of raw material prices, yen appreciation, shutdown maintenance of styrene monomer plant and growing burden of R&D expenses and labor cost .

### 1.4 Consolidated Financial Results and Forecast

Billions of Yen

	FY2017 Apr to Mar	FY2016 Apr to Mar	Incr. △Decr.	FY2018 Forecast Apr to Sep	FY2018 Forecast Apr to Mar
Net Sales	395.6	362.6	33.0	195.0	410.0
Operating Income	33.7	25.8	7.8	14.0	36.0
Ordinary Income	31.5	23.2	8.3	13.0	34.0
Net Income	23.0	18.1	4.9	10.0	25.0

## 2. Net Sales and Operating Income by segments

Billions of Yen

		FY2017 Apr to Mar	FY2016 Apr to Mar	Incr. △Decr.	FY2018 Forecast Apr to Sep	FY2018 Forecast Apr to Mar
Elastomers & Performance Plastics materials	Sales	170.1	144.9	25.2	88.5	178.5
	Operating Income	15.4	6.5	8.9	6.0	13.0
Infrastructure & Social Solutions	Sales	53.1	51.8	1.3	27.5	55.5
	Operating Income	0.2	0.9	△ 0.7	1.0	2.0
Electronics & Innovative Products	Sales	62.6	53.1	9.6	33.5	68.5
	Operating Income	10.9	8.4	2.5	5.5	12.5
Living & Environment Products	Sales	41.0	41.2	△ 0.2	20.5	41.5
	Operating Income	0.8	1.5	△ 0.7	0.5	1.5
Life innovation	Sales	32.3	34.0	△ 1.7	12.0	34.5
	Operating Income	5.5	7.9	△ 2.4	0.5	6.0
Others/ Companywide	Sales	36.4	37.7	△ 1.2	13.0	31.5
	Operating Income	0.8	0.7	0.1	0.5	1.0
Total	Sales	395.6	362.6	33.0	195.0	410.0
	Operating Income	33.7	25.8	7.8	14.0	36.0

### 3. Key operating factors

Billions of Yen

		FY2017 Apr to Mar	FY2016 Apr to Mar	Incr. △Decr.	FY2018 Forecast Apr to Sep	FY2018 Forecast Apr to Mar
Investment	Capital expenditure	22.7	25.7	△ 3.0	15.0	31.0
	M&A etc.	4.3	1.2	3.1	TBD	TBD
		27.0	26.9	0.1	15.0	31.0
Depreciation		24.6	24.4	0.3	11.5	23.5
Research and Development		13.9	13.0	0.8	7.5	15.0
Interest-bearing debt		108.3	113.7	△ 5.5	112.0	108.0

	FY2017 Apr to Mar	FY2016 Apr to Mar	FY2017 Forecast Apr to Mar	FY2016 Actual Apr to Mar
Yen/USD exchange rate	111.3	108.8	106.0	106.0
Naphtha price (yen/KI)	42,200	34,600	46,000	46,000

### 4. Sales by segments

Billions of Yen

	Sales				
	FY2017 Apr to Mar	FY2016 Apr to Mar	Incr. △Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	170.1	144.9	25.2	25.7	△ 0.5
Infrastructure & Social Solutions	53.1	51.8	1.3	0.0	1.3
Electronics & Innovative Products	62.6	53.1	9.6	△ 0.4	9.9
Living & Environment Products	41.0	41.2	△ 0.2	0.4	△ 0.6
Life innovation	32.3	34.0	△ 1.7	△ 0.6	△ 1.0
Others	36.4	37.7	△ 1.2	-	△ 1.2
Total	395.6	362.6	33.0	25.1	7.9

### 4. Operating income by segments

	Operating income					
	FY2017 Apr to Mar	FY2016 Apr to Mar	Incr. △Decr.	Sales price	Sales volume	Operating cost and others
Elastomers & Performance Plastics	15.4	6.5	8.9	25.7	1.9	△ 18.6
Infrastructure & Social Solutions	0.2	0.9	△ 0.7	0.0	0.3	△ 1.0
Electronics & Innovative Products	10.9	8.4	2.5	△ 0.4	5.2	△ 2.3
Living & Environment Products	0.8	1.5	△ 0.7	0.4	△ 0.2	△ 0.9
Others	5.5	7.9	△ 2.4	△ 0.6	△ 0.6	△ 1.1
Others/Companywide	0.8	0.7	0.1	-	0.0	0.1
Total	33.7	25.8	7.8	25.1	6.6	△ 23.8