

Summary of Consolidated Financial Results

Denka company Limited

1. Summary

1.1 Progress toward forecasts

In the 1st quarter, operating income was 6.9 billion yen, 0.5 billion higher YOY by sales price revisions corresponding to rising raw material price and increased shipment of electronics & innovative products, although the cost of R & D increased mainly in the healthcare field. Ordinary income of this quarter 8.0 billion yen and net income 6.2 billion yen, both are higher YOY and highest ever in the 1st quarter.

We estimate our operating income of 1st half 14.0 billion yen, and that of 2nd half 22.0 billion yen by strong sales of electronics & innovative products and flu vaccines, diagnostic reagents despite the cost of shutdown maintenance of styrene monomer plant. We are striving to brake a record for two years in a row by achieving full year forecast operating income of 36.0 billion yen.

1.2 The result 1st quarter and the forecast in each segment

Elastomers & Performance Plastics : Earnings were higher YOY, because selling price revision advanced, and sales of ABS, polystyrene and MS of Denka Singapore Pte.Ltd. also performed well, although earnings of the US subsidiary Denka Performance Elastomer Co., Ltd. declined due decrease of production because of cold weather at the beginning of this year. In the second quarter, because of shutdown maintenance of styrene monomer plant operating income will decrease.

The Infrastructure & Social Solutions : Earnings were lower YOY, because fertilizer sales fell below the previous year's level in addition to prices hiking of raw material and fuel, although sales volume of underground drainpipes for agriculture and civil engineering, and that of refractory materials for steel mill increased, and sales of cement and special cement additives kept steady. After the second quarter, we expect strong sales and price revisions of special cement additives and other products, therefore the profit will increase.

Electronics & Innovative Products : Earnings were the same level as previous year, because sales volume of high thermal conductivity substrates, highly-reliable thermally conductive plates "DENKA ALSINK" and high purity conductive carbon black increased, and sales of functional films, fused silica filler and spherical alumina also performed well, although sales of SiAlON phosphors "ALONBRIGHT" fell below the previous year, and labour costs and other fixed costs increased for the production expansion. After the second quarter, we expect to increase the profits by continuing strong shipment of these products above.

Living & Environmental Products : Earning were lower YOY. Because shipment of films for solar cells "DX film" fell below the previous year in addition to rising raw material prices, however the sales volume of industrial tapes increased, and the sales of functional sheets for food container and the products of Denka Polymer Co., Ltd. remained steady, and sales of PVC fiber for wig "TOYOKALON" were largely in line with the previous year. In the second quarter, we estimate earnings will be lower YOY due to the impact of the decline in sales of "DX film".

Life Innovation : Although sales of reagents increased in domestic and export, earnings were lower YOY due to increase in burdens of upfront investment such as R & D. In fiscal year 2018, we forecast earnings will be in line with our previous forecast due to the contribution sales of influenza vaccines and diagnostic kits as planned.

1.3 Consolidated Financial Results and Forecast

Billions of Yen

	FY2018 1st Quarter Apr to Jun	FY2017 1st Quarter Apr to Jun	Incr. △/Decr.	FY2018 Forecast Apr to Sep	FY2018 Forecast Apr to Mar
Net Sales	94.0	90.6	3.4	195.0	410.0
Operating Income	6.9	6.4	0.5	14.0	36.0
Ordinary Income	8.0	7.4	0.6	13.0	34.0
Net Income	6.2	6.0	0.2	10.0	25.0

2. Net Sales and Operating Income by segments

Billions of Yen

		FY2018 1st Quarter Apr to Jun	FY2017 1st Quarter Apr to Jun	Incr. △/Decr.	FY2018 Forecast Apr to Sep	FY2018 Forecast Apr to Mar
Elastomers & Performance Plastics	Sales	42.6	40.7	1.9	88.5	178.5
	Operating Income	4.4	2.8	1.6	6.0	13.0
Infrastructure & Social Solutions	Sales	12.2	12.4	△ 0.2	27.5	55.5
	Operating Income	△ 0.2	0.3	△ 0.5	1.0	2.0
Electronics & Innovative Products	Sales	15.6	14.7	0.8	33.5	68.5
	Operating Income	2.7	2.8	△ 0.1	5.5	12.5
Living & Environment Products	Sales	9.7	10.3	△ 0.5	20.5	41.5
	Operating Income	0.1	0.4	△ 0.3	0.5	1.5
Life innovation	Sales	4.8	4.6	0.1	12.0	34.5
	Operating Income	△ 0.2	△ 0.0	△ 0.2	0.5	6.0
Others/ Companywide	Sales	9.2	8.0	1.2	13.0	31.5
	Operating Income	0.2	0.2	0.1	0.5	1.0
Total	Sales	94.0	90.6	3.4	195.0	410.0
	Operating Income	6.9	6.4	0.5	14.0	36.0