NEWS RELEASE

SHOWA DENKO K.K.
13-9, Shiba Daimon 1-chome
Minato-ku, Tokyo 105-8518

May 8, 2015

SDK Posts Provision of Allowance for Doubtful Accounts (Extraordinary Loss) and Revises Performance Forecast for First Half 2015

Showa Denko (SDK) (TOKYO:4004) has posted provision of allowance for doubtful accounts (extraordinary loss) on the basis of the fact that its consolidated subsidiary Shoko Co., Ltd. and its subsidiary Shoko (Shanghai) Co., Ltd. (collectively hereinafter Shoko) have posted the corresponding amount as provision of allowance for doubtful accounts due to Shoko's recognition of doubtful credit extended to some of its customers in China. Following these, SDK has revised its earlier forecast of consolidated financial results for the first half of 2015 announced on February 12, 2015.

1. Posting provision of allowance for doubtful accounts (extraordinary loss)

(1) Reasons for posting provision of allowance for doubtful accounts

Concerning transactions between Shoko and a group of Chinese companies engaged in the steel industry (hereinafter the Group), there has been delays in payment from the Group to Shoko, under the influence of monetary tightening by financial institutions against the backdrop of floundering demand for real properties and construction works. To close the books for the first quarter of 2015, Shoko scrutinized the provability of successful collection of debts from the Group, and concluded that, at present, there is a significant uncertainty about the successful collection of money due from the Group. Therefore, Shoko has decided to recognize the whole amount of credit extended to the Group as doubtful credit, transfer corresponding amount to its allowance for doubtful accounts and post an extraordinary loss. Following these, SDK has decided to post ¥12,800 million as provision of allowance for doubtful accounts (extraordinary loss).

(2) Countermeasures to be taken

Shoko will commit itself to recover the credit extended to the Group. Directors of Shoko will have their salaries reduced, taking responsibility for the posting of the extraordinary loss. Shoko will establish a special investigation commission chaired by an external lawyer to investigate causes of this issue, examine measures to prevent a recurrence, and enforce these measures. Shoko will practice thoroughgoing risk management. In order to strengthen Shoko's financial standing, SDK will make a subordinated loan of ¥14,000 million to Shoko. SDK will also support Shoko's effort to recover its performance with all the Showa Denko Group's strength.

(3) This issue's impact on SDK's consolidated financial results

- Posted amount as provision of allowance for doubtful accounts (extraordinary loss): ¥12,800 million
- Reduction in net income for the first half of 2015: ¥5,600 million

2. Revision of performance forecast for the first half of 2015

[Revised performance forecast for January 1 – June 30, 2015]
Consolidated basis (Millions of yen, excepting net income per share)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Earlier forecast (A) (Announced on Feb.12, 2015)	430,000	10,000	7,500	2,000	1.40
Revised forecast (B) (Announced on May 8, 2015)	403,000	13,000	11,000	-2,000	-1.40
(B) – (A)	-27,000	3,000	3,500	-4,000	
Percentage of changes	-6.3%	30.0%	46.7%	—	
First half 2014 results (Reference)	413,384	10,533	7,201	-3,436	-2.30

3. Reasons for the revision of consolidated performance forecast for the first half of 2015

Net sales will slightly decrease due mainly to the sales decrease in the Others segment resulting from the decrease in sales of Shoko's steel related business in China, and due partly to the slight sales decrease in the Petrochemicals segment.

Operating income will surpass the earlier forecast. Operating income of the Inorganics segment will be lower than the earlier forecast due to the delay in recovery of global market for graphite electrodes. However, operating income of the Petrochemicals segment will be improved because the bad influence of plummeted naphtha price peaked off in the first quarter of 2015, and market prices of main products including ethylene and propylene will remain firm. Operating income of the Chemicals segment will also be improved due to stable shipment volumes of semiconductor-processing high-purity gases in the electronic chemicals business.

Ordinary income will increase due mainly to the increase in operating income.

Net income will decrease due to the abovementioned posting of provision of allowance for doubtful accounts.

The performance forecast for full year 2015 is not changed because it is difficult at present to forecast performance of the Petrochemicals segment for the second half of 2015 due to fluidity in market conditions for crude-oils, other materials, and petrochemical products.

[Reference]

Forecast of consolidated sales and operating income for the first half of 2015 by segment

(¥100 million)

		Performance forecast for first half 2015 (consolidated)			2014 actual results (Jan. 1- Jun. 30)
		Earlier forecast (Jan. 1 – Jun. 30) Announced on February 12, 2015	Revised forecast (Jan. 1 – Jun. 30) Announced on May 8, 2015	Increase/ decrease	
Petrochemicals	Sales	1,220	1,170	-50	1,197
	O.I.	-25	20	45	-19
Chemicals	Sales	740	720	-20	673
	O.I.	25	35	10	14
Electronics	Sales	730	700	-30	695
	O.I.	125	120	-5	132
Inorganics	Sales	370	330	-40	333
	O.I.	5	-5	-10	-8
Aluminum	Sales	520	520	0	458
	O.I.	10	5	-5	18
Others	Sales	900	810	-90	991
	O.I.	0	0	0	3
Adjustments	Sales	-180	-220	-40	-215
	O.I.	-40	-45	-5	-35
Total	Sales	4,300	4,030	-270	4,134
	O.I.	100	130	30	105

Note: The above forecast is based on the information available as of today and assumptions as of today regarding risk factors that could affect our future performance. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to, the economic conditions, costs of naphtha and other raw materials, demand for our products, market conditions, and foreign exchange rates.

For further information, contact:
IR Office, Finance & Accounting Department (Phone: 81-3-5470-3323)