NEWS RELEASE

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SDK Announces Difference between Forecast and Actual Results for 1H and Revision of Performance Forecast for Full Year

Showa Denko (SDK) (TOKYO: 4004) announces that the actual financial results for the first half of 2015 reported today are different from the forecast announced on May 8, 2015. Based on that and, taking into consideration the recent business trends, SDK have revised its performance forecast for full-year 2015 which was announced on February 12, 2015.

1. Difference between forecast and actual consolidated business results for Jan.1 – June 30, 2015

(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 May 8, 2015)	403,000	13,000	11,000	-2,000	-1.40
Actual results (B) (Announced on July 30, 2015)	396,980	16,109	15,500	1,280	0.90
(B) – (A)	-6,020	3,109	4,500	3,280	
Percentage of changes	-1.5%	23.9%	40.9%	–	
First half 2014 results (Reference)	413,384	10,533	7,201	-3,436	-2.30

2. Reasons for the difference

Net sales decreased from the earlier forecast due mainly to lower-than-expected sales in the Electronics segment, in which the shipment volumes of hard disk media were lower than expected, notwithstanding higher-than-expected sales in the Petrochemicals segment, in which the prices of ethylene and other products in the East Asian market were higher than expected. Operating income increased from the earlier forecast. The Petrochemicals segment recorded much increase in operating income due to rising market for petrochemical products. Operating income from the Chemicals, Inorganics, Aluminum and Others segments also increased. On the other hand, Operating income from the Electronics segment was lower than expected due to decreased shipment volumes of HD media and loss on write-down of rare earth inventory to reflect weakening market prices of rare earths caused by the removal of export duties by the Chinese Government. Ordinary income and net income were higher than expected due to the increase in operating income.

3. Revised forecast of consolidated business results for Jan.1 – Dec.31, 2015

(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)	900,000	40,000	34,500	15,000	10.50
Revised forecast (B) (Announced on July 30, 2015)	825,000	40,000	37,000	10,000	7.00
(B) – (A)	-75,000	0	2,500	-5,000	
Percentage of changes	-8.3%	0.0%	7.2%	-33.3%	
2014 results (Reference)	876,580	20,915	22,102	3,500	2.38

4. Reasons for the revision of full-year consolidated performance forecast

As for the full-year performance forecast, net sales will decrease. Sales in the Petrochemicals segment will decrease due to the lower-than-earlier-forecast tendencies in sales prices of products, reflecting the fall in raw naphtha prices. Sales in the Electronics segment will be lower than the earlier forecast due to lower-than-expected shipment volumes of HD media. Sales in the Others segment will be lower than the earlier forecast due to the lower sales in Shoko, Co., Ltd.'s steel related transactions in China.

Operating income will be at the same level as that of the earlier forecast. Operating income from the Petrochemicals segment will be increased due to the improved profitability of exports of main products, in addition to the full capacity operation of our ethylene plant in order to respond to the improvement in the relation between supply and demand in the East Asian market. On the other hand, operating income from the Electronics segment will be lower than the earlier forecast due to the decrease in shipment volumes of HD media during the first half of the year and loss on write-down of the inventory of rare earth magnetic alloys, both of which we will not be able to recover with our efforts in the second half of 2015. Operating income from the Inorganics segment will also be lower than the earlier forecast due to the lower-than-expected performance of our graphite electrode business.

Ordinary income is expected to increase due to improvements in the equity in earnings of affiliates and other financial income.

Net income will decrease due mainly to the posting of provision of allowance for doubtful accounts, which was posted in the first quarter of 2015 in relation to Shoko, Co., Ltd.'s steel related transactions in China, and it is expected that we will not be able to recover their influence through our efforts in the remaining period of 2015.

[Reference]

Forecast of consolidated sales and operating income for full-year 2015 by segment

(¥100 million)

		Performance forecast for 2015 (consolidated)			2014 actual results (Jan. 1- Dec. 31)
		Earlier forecast (Jan. 1 – Dec. 31) Announced on February 12, 2015	Revised forecast (Jan. 1 – Dec.31) Announced on July 30, 2015	Increase/ decrease	
Petrochemicals	Sales	2,620	2,480	-140	2,814
	O.I.	70	130	60	-49
Chemicals	Sales	1,530	1,450	-80	1,391
	O.I.	95	105	10	55
Electronics	Sales	1,490	1,380	-110	1,385
	O.I.	240	195	-45	258
Inorganics	Sales	800	720	-80	676
	O.I.	40	15	-25	-3
Aluminum	Sales	1,110	1,050	-60	980
	O.I.	25	30	5	30
Others	Sales	1,820	1,620	-200	1,950
	O.I.	10	5	-5	-7
Adjustments	Sales	-370	-450	-80	-430
	O.I.	-80	-80	0	-74
Total	Sales	9,000	8,250	-750	8,766
	O.I.	400	400	0	209

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.

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