NEWS RELEASE

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

February 9, 2016

Showa Denko Posts Impairment Loss, Gain on Sales of Investment Securities, and Revises Consolidated Performance Forecast for 2015

In its consolidated accounts for 2015, Showa Denko (SDK) (TOKYO: 4004) has posted impairment loss (extraordinary loss) which has been recognized in relation to the operation of its consolidated subsidiary and other businesses. At the same time, SDK has posted gain on sales of investment securities (extraordinary income). Following these, SDK has revised its consolidated performance forecast for full-year 2015 announced on December 4, 2015, taking into consideration the recent business trends.

1. Posting impairment loss (extraordinary loss)
   Concerning Showa Denko Sichuan Carbon Inc. (SDSC), which is our consolidated subsidiary in China, SDK reevaluated the company's corporate value taking its performance forecast into consideration because SDSC's profitability had been deteriorated due to eased supply-demand balance and stagnant prices in the market for graphite electrodes. Consequently, SDK has decided to have SDSC write-down the book value of its fixed assets to the amount which is expected to be recoverable, and post impairment loss of ¥6,179 million in SDK's extraordinary loss account. In addition, SDK has decided to post impairment loss concerning its rare earth business and some other unprofitable businesses. As a result, the total amount of impairment loss posted into our financial results for the 4th quarter of 2015 is to be ¥10,184 million.

2. Posting gain on sales of investment securities (extraordinary income)
   The Showa Denko Group has sold a part of its investment securities. Consequently, SDK has posted gain on sales of investment securities as follows:

   (1) Purpose of sales:
   To improve the Group's financial standing.

   (2) Details of sales:
   a) Securities sold: 11 brands of listed stocks which had been held by the Showa Denko Group.
   b) Period of sales: From October 21, 2015 to December 10, 2015
   c) Gain on sales: ¥6,328 million

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 Dec. 4, 2015)	785,000	34,000	31,000	7,000	4.90
Revised forecast (B)	780,958	33,672	32,225	969	0.68
(B) – (A)	-4,042	-328	1,225	-6,031	
Percentage of changes	-0.5%	-1.0%	4.0%	-86.2%	
2014 results (Reference)	876,580	20,915	22,102	3,500	2.38

4. Reasons for the revision of consolidated performance forecast

Net sales will be lower than the earlier forecast. Sales in the Petrochemicals segment will decrease due to the lower-than-earlier-forecast sales prices of petrochemical products, reflecting the fall in raw naphtha prices.

Operating income will be slightly lower than the earlier forecast. Operating income from the Inorganics segment will decrease due to the write-down of the book value of inventories at the end of the year in a subsidiary in China, while operating income from segments other than Inorganics segment is expected to remain at the level of the earlier forecast.

Ordinary income will be higher than the earlier forecast due to the improvements in financial income and expenses, and foreign exchange gains/losses.

On the other hand, net income will be lower than the earlier forecast due to the posting of impairment loss as described in 1 above, and the posting of other losses including loss on valuation of investment securities, though we have posted gain on sales of investment securities.

The prospective dividend per share (¥3 per share) is not changed from the earlier forecast.

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)