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 2016 reported today are different from the forecast announced on February 10, 2016. Based on that, and taking into consideration the recent business trends, SDK revises its performance forecast for full-year 2016.

1. Differences between forecast and actual consolidated business results for Jan.1 – June 30, 2016

(Millions of yen, excepting profit attributable to owners of parent per share)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit attributable to owners of parent per share (¥)
Earlier forecast (A) (Announced on February 10, 2016)	360,000	10,000	7,500	2,000	14.00
Actual results (B) (Announced on August 9, 2016)	321,572	11,536	7,010	1,592	11.15
(B) – (A)	-38,428	1,536	-490	-408	
Percentage of changes	-10.7%	15.4%	-6.5%	-20.4%	
First half 2015 results (Reference)	396,980	16,109	15,500	1,280	8.96

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above numbers, both for 2015 and 2016, are calculated on the basis of the number of outstanding shares after this consolidation.

2. Reasons for the differences

Net sales decreased from the earlier forecast due partly to lower-than-expected sales in the Petrochemicals segment, in which the prices of petrochemical products including ethylene were below the forecast made at the beginning of the year because of lower-than-expected raw naphtha price, and also due partly to lower-than-expected sales in the Electronics segment, in which the shipment volumes of HD media were also less than the earlier forecast.

Operating income was higher than the earlier forecast due partly to the significant increase in operating income from the Petrochemicals segment resulting from the continuously strong demand for petrochemical products in Asia. Operating income from the Chemicals, Aluminum and Others segments also increased, while operating income from the Electronics and Inorganics segments was lower than the earlier forecast.

Ordinary income was lower than the earlier forecast due partly to the incurrence of foreign exchange losses caused by the yen's sudden appreciation. Profit attributable to owners of parent was also lower than the earlier forecast.

3. Revised forecast of consolidated business results for Jan.1 – Dec.31, 2016

(Millions of yen, excepting profit attributable to owners of parent per share)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit attributable to owners of parent per share (¥)
Earlier forecast (A) (Announced on February 10, 2016)	765,000	36,000	31,000	20,000	140.03
Revised forecast (B) (Announced on August 9, 2016)	670,000	30.000	23,000	9,000	63.10
(B) – (A)	-95,000	-6,000	-8,000	-11,000	
Percentage of changes	-12.4%	-16.7%	-25.8%	-55.0%	
2015 results (Reference)	780,958	33,672	32,225	969	6.78

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above numbers, both for 2015 and 2016, are calculated on the basis of the number of outstanding shares after this consolidation.

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

Taking recent changes in economic trend including appreciation of the yen into account, SDK revises its assumptions about exchange rate and naphtha price on which the Company forecasts its own performance in the second half of 2016 (July 1 – December 31, 2016) as follows:

Exchange rate: ¥100 to the U.S. dollar (Initial assumption: ¥119 to the U.S. dollar)
Naphtha price: ¥32,200/kl (Initial assumption: ¥42,200/kl)

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 price, despite continuously tight supply-demand situation. Sales in the Electronics segment will also be lower than the earlier forecast due to an expected decrease in shipment volumes of HD media for use in PCs, which will not be compensated by the increase in shipment volumes of HD media for use in servers.

Operating income will be lower than the earlier forecast. Operating income from the Petrochemicals segment will increase due to continuously high operating rate of our petrochemical plant, reflecting tight supply-demand situation in Asia. Operating income form the Aluminum segment will also be higher than the earlier forecast. However, operating income from the Electronics segment will be lower than the earlier forecast due not only to the influence of the revision in our assumption about exchange rate but also to the lower-than-earlier-forecast shipment volumes of HD media. Operating income from the Inorganics segment will also be lower than the earlier forecast due to the lower-than-expected tendencies in market prices of graphite electrodes.

Ordinary income will be lower than the earlier forecast due to the expected decrease in operating income, in addition to the influence of posting of foreign exchange losses in the first half of 2016. Therefore, profit attributable to owners of parent will also be lower than the earlier forecast.

[Reference]

Forecast of consolidated sales and operating income for full-year 2016 by segment

(¥100 million)

		Performance forecast for 2015 (consolidated)			2015 actual results (Jan. 1- Dec. 31)
		Earlier forecast (Jan. 1 – Dec. 31) Announced on February 10, 2016	Revised forecast (Jan. 1 – Dec.31) Announced on August 9, 2016	Increase/ decrease	
Petrochemicals	Sales	2,110	1,800	-310	2,313
	O.I.	120	150	30	105
Chemicals	Sales	1,440	1,350	-90	1,423
	O.I.	130	130	0	107
Electronics	Sales	1,210	930	-280	1,315
	O.I.	155	95	-60	175
Inorganics	Sales	670	520	-150	635
	O.I.	-20	-55	-35	-12
Aluminum	Sales	1,020	980	-40	1,008
	O.I.	35	40	5	26
Others	Sales	1,620	1,570	-50	1,525
	O.I.	20	20	0	15
Adjustments	Sales	-420	-450	-30	-408
	O.I.	-80	-80	0	-79
Total	Sales	7,650	6,700	-950	7,810
	O.I.	360	300	-60	337

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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