SHOWA DENKO K.K.

Consolidated Financial Statements

For the first three quarters ended September 30, 2016

Ⅰ. Consolidated Financial Results

Nov 1st, 2016

(1) Results of operations:

(¥ in millions, US$ in thousands, except for profit attributable to owners of parent per share)

	Results for the first three quarters (Jan.1–Sep.30)			
	2015	**2016**	Increase (Decrease)	**2016**
	¥	**¥**	%	**$**
Net sales	594,105	**488,862**	(17.7)	**4,834,471**
Operating income	25,499	**25,429**	(0.3)	**251,478**
Ordinary income	25,953	**20,618**	(20.6)	**203,895**
Profit attributable to owners of parent	4,196	**11,493**	173.9	**113,656**
Profit attributable to owners of parent per share: Basic	29.38	**80.56**	—	**0.80**
Profit attributable to owners of parent per share: Diluted	—	**—**	—	**—**

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above-mentioned "Profit(s) attributable to owners of parent per share: Basic/Diluted" are calculated on the assumption that the share consolidation had been carried out at the beginning of 2015

Notes

Important changes in accounting policies : applicable

Comprehensive income :

Results for the year ended September 30, 2016 ¥-8,144million

Results for the year ended September 30, 2015 ¥-673million

(2) Financial position:

(¥ in millions, US$ in thousands, except for stockholders' equity ratio)

	Dec.31, 2015	**Sep.30, 2016**	**Sep.30, 2016**
	¥	**¥**	**$**
Total assets	941,314	**897,791**	**8,878,468**
Total equity	309,774	**297,992**	**2,946,912**
	%	**%**	**%**
Stockholders' equity ratio	31.6	**31.6**	**31.6**

(3) Dividends:

	2015	**2016 Forecast**
Q1 dividends per share (¥)	—	**—**
Q2 dividends per share (¥)	—	**—**
Q3 dividends per share (¥)	—	**—**
End of Term dividends per share (¥)	3.00	**30.00**
Annual dividends per share (¥)	3.00	**30.00**

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above forecast is calculated on the basis of the number of outstanding shares after this consolidation. Therefore, the nominal dividends per share after the consolidation are ten times larger than those before the consolidation. However, this does not mean there is real change in the forecast for dividends per share.

Ⅱ. Forecast of performance for the year ending December 31, 2016

(¥ in millions, US$ in thousands, except for profit attributable to owners

	fiscal year	
	¥	$
Net sales	670,000	6,625,791
Operating income	30,000	296,677
Ordinary income	23,000	227,453
Profit attributable to owners of parent	9,000	89,003
Profit attributable to owners of parent per share: Basic	63.10	0.62

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above-mentioned "Profit attributable to owners of parent per share: Basic" is calculated on the basis of the number of outstanding shares after this consolidation.

The above forecast is based on the information available at this point of time. Actual results may differ materially due to a variety of reasons, including such economic factors as fluctuations in foreign currency exchange rates as well as market supply and demand conditions.

Note

The U.S. dollar is valued at ¥101.12 throughout this statement for convenience only.

[Business Results and Financial Conditions]
1. Analysis of business results

(1) Summary

During the first three quarters of 2016 (January 1 - September 30), the Japanese economy continued to be at a standstill, due partly to bearish tendencies in export and production resulting from harsh business environment including the rapid appreciation of the yen. Consumer spending remained sluggish, though there was an improvement in the employment situation. Corporate earnings entered a no-growth period, and increasing number of companies centering on manufacturing industry expressed cautious business confidence due partly to the appreciation of the yen. As for overseas economies, the U.S. economy maintained gradual recovery, though there was partial sluggishness. As for the European economy, despite some risk factors including terrorist incidents and refugee issues, there was gradual economic recovery in Germany and the United Kingdom. China continued showing gradual business slowdown. Though the economies of ASEAN countries showed signs of recovery, there was business slowdown in resource-producing countries and emerging countries including Russia and Brazil. The decision made by the United Kingdom in June to exit from the European Union increased uncertainty in overseas economies, which is feared to affect the real economy.

In the petrochemical industry, crude oil prices hit the bottom at the beginning of the year, but remained low since then. Operating rates at domestic petrochemical plants maintained high levels due to strong demand for petrochemical products in Asia. In the electronic parts/materials industry, production of PCs remained sluggish during the first half of the year. However, that sluggishness eased in the third quarter. Domestic and overseas production of semiconductors for smartphones and other electronic devices kept bearish tendency during the first half of the year, but recovered in the third quarter due to the start of sales of new models.

Under these circumstances, the Showa Denko Group formulated its new medium-term consolidated business plan “Project 2020+” and started it in January 2016. Under this new business plan, in order to achieve continuous growth of the Showa Denko Group, we will expand and strengthen our “individualized businesses,” reform our business structure, and strengthen our revenue base, thereby enhancing our corporate value.

The Group recorded consolidated net sales of ¥488,862 million in the first three quarters of 2016, down 17.7% from the same period of the previous year. Sales decreased in all segments including the Petrochemicals segment where sales decreased due to a fall in prices of products resulting from a decline in raw naphtha price. Operating income of the Group remained almost at the previous year’s level, to be ¥25,429 million, down 0.3%. The Petrochemicals segment recorded higher income due to strong demand in Asia. The Chemicals, Aluminum, and Others segments also recorded higher income. However, the Electronics segment recorded lower income due to lower shipment volumes of HD media. The Inorganics segment also recorded lower income due to a fall in market prices of graphite electrodes. The Group recorded ordinary income of ¥20,618 million, down 20.6%, due partly to the incurrence of foreign exchange losses caused by the yen’s appreciation. The Group posted profit attributable to owners of parent of ¥11,493 million in the first three quarters of 2016, up 173.9% from the same period of the previous year due to a significant decrease in extraordinary loss and income taxes.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	594,105	488,862	-105,243	197,125	167,298	-29,836
Operating income	25,499	25,429	-70	9,390	13,893	4,503
Ordinary income	25,953	20,618	-5,335	10,454	13,608	3,154
Profit attributable to owners of parent	4,196	11,493	7,297	2,915	9,901	6,986

(2) A breakdown of net sales and operating income by segment (January 1 – September 30, 2016)

[Petrochemicals segment]
In the Petrochemicals segment, sales decreased 27.1%, to ¥130,145 million. Production of ethylene and propylene in the first three quarters of 2016 slightly decreased from the same period of the previous year due to coinciding periodic shutdown maintenance of plants to produce derivatives in Oita Complex. Sales of olefins decreased due to a decline in prices of products caused by a drop in raw naphtha price, despite strong demand for olefins in the Asian market. Sales of organic chemicals also decreased due to a fall in sales prices of vinyl acetate and ethyl acetate resulting from a decline in prices of raw materials. Operating income of the segment significantly increased to ¥13,366 million, up 55.0% due to a decline in prices of raw materials and continued high operating rates in olefins and organic chemicals businesses in response to strong demand in the Asian market.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	178,631	130,145	-48,486	57,397	44,102	-13,295
Operating income	8,625	13,366	4,741	2,673	6,000	3,327

[Chemicals segment]
In the Chemicals segment, sales decreased 7.4%, to ¥98,794 million. Production of liquefied ammonia and high-purity gases for electronics in the first three quarters of 2016 increased from the same period of the previous year. Sales of basic chemicals decreased due partly to a decline in sales prices of some products including acrylonitrile following a fall in raw material prices, despite continuously high shipment volumes of chloroprene rubber and other products. Sales of functional chemicals decreased due to the transfer of our phenolic resin business to another company which took place in the second half of the previous year. Sales of electronic chemicals slightly decreased due to a strong yen despite continued high-level shipment volumes. Sales of industrial gases slightly increased. Operating income from basic chemicals business increased due to a material cost reduction resulting mainly from an increase in the ratio of recycled plastics among raw materials to produce ammonia. Operating income from industrial gases and functional chemicals businesses also increased. Thus, operating income of the segment rose 28.9%, to ¥9,744 million.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	106,669	98,794	-7,875	36,444	33,882	-2,562
Operating income	7,560	9,744	2,184	3,297	4,274	978

[Electronics segment]

In the Electronics segment, sales decreased 24.7%, to ¥74,137 million. Production of HD media in the first three quarters of 2016 decreased from the same period of the previous year due to a decrease in shipment volumes of media for use in PCs, which could not be compensated by the increase in shipment volumes of media for use in servers. However, shipment volumes of HD media for use in PCs in the third quarter (July-Sept.) of 2016 recovered from the level of the first half of the year to be as much as that in the third quarter of 2015. Sales of HD media in the first three quarters of 2016 decreased due to the decrease in shipment volumes mentioned above and the appreciation of the yen. Sales of rare earth magnetic alloys and compound semiconductors also decreased. Operating income of the segment in the first three quarters decreased 31.0%, to ¥8,313 million. Nevertheless, operating income of the segment in the third quarter increased from the same period of the previous year due to a recovery of the shipment volumes of HD media, and realization of effects of our efforts during the first half of the year to streamline production capacity and reinforce cost competitiveness of HD media business.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	98,507	74,137	-24,370	33,498	27,223	-6,275
Operating income	12,053	8,313	-3,740	4,006	4,254	247

[Inorganics segment]

In the Inorganics segment, sales decreased 23.9%, to ¥37,506 million. Production of graphite electrodes in the first three quarters of 2016 was at the same level as that in the same period of the previous year. Sales of graphite electrodes decreased due to a decline in market prices resulting from the adjustment of production in the steel industry of Asia and the U.S. under the influence of overproduction in China, in addition to the decrease in production volumes. Sales of ceramics decreased due to a decline in shipment volumes. The segment recorded an operating loss of ¥5,024 million, a deterioration of ¥5,679 million.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	49,290	37,506	-11,784	16,218	12,603	-3,615
Operating income	655	-5,024	-5,679	679	-674	-1,353

[Aluminum segment]

In the Aluminum segment, sales decreased 4.5%, to ¥72,476 million. Production of high-purity foil for aluminum electrolytic capacitors in the first three quarters of 2016 increased from the same period of the previous year due to an increase in production of air conditioners and electronic parts for automobiles. In addition, Showa Denko Aluminum (Nantong) Co., Ltd.'s shipment volumes of high-purity foil for aluminum electrolytic

capacitors in China also increased. Thus sales of rolled products increased. Sales of aluminum specialty components decreased due to lower shipment volumes for automotive applications. Sales of aluminum cans increased due to higher shipment volumes recorded by Hanacans Joint Stock Company of Vietnam. Operating income of the segment increased 11.9%, to ¥2,804 million due partly to higher shipment volumes recorded by Hanacans.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	75,912	72,476	-3,436	25,908	24,701	-1,207
Operating income	2,505	2,804	298	1,098	1,322	224

[Others segment]
In the Others segment, sales fell 7.1%, to ¥107,552 million. Sales of lithium ion battery (LIB) materials in the first three quarters of 2016 increased due to an increase in shipment volumes for automotive applications, in addition to higher shipment volumes for use in smartphones. Shoko Co. Ltd.'s sales decreased. Operating income of the segment increased to ¥1,382 million, an improvement of ¥1,431 million, due partly to higher shipment volumes of LIB materials.

(Unit: millions of yen)

	2015 1Q - 3Q (Jan.-Sept.)	2016 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2015 July-Sept.	2016 July-Sept.	Increase/ decrease
Sales	115,740	107,552	-8,188	36,292	34,685	-1,607
Operating income	-48	1,382	1,431	-227	370	598

(3) Major steps taken or decided after the settlement of accounts for the first half of 2016
[Petrochemicals segment]
- Acquisition of additional shares in polypropylene JV SunAllomer

In August 2016, SDK, JX Nippon Oil & Energy Corporation (JX), and LyondellBasell Group (LYB) reached agreement concerning the sale/purchase of LYB's shares in SunAllomer Ltd., a joint venture company among the three parties for production and sale of polypropylene, and an investment joint venture between SDK and JX purchased LYB's 50% stake in SunAllomer. For SDK, the propylene business constitutes a key element in its olefin chain. Taking this opportunity of acquiring additional shares, SDK will further strengthen cooperation with SunAllomer, thereby enhancing the competitive power of its propylene business.

[Chemicals segment]
- Succeeding in experimental production of hydrogen for fuel cell vehicles from ammonia

In July 2016, SDK announced that it succeeded in development of technology to produce high-purity hydrogen for fuel cell vehicles*[1] from ammonia as a result of a joint research with Hiroshima University, National Institute of Advanced Industrial Science and Technology, Toyota Industries Corporation and Taiyo Nippon Sanso Corporation. This joint research has been sponsored by the Council for Science, Technology and Innovation which is organized under the supervision of the Cabinet Office, Government of Japan, and has been implemented as a contract research program to develop "core technologies for ammonia-based hydrogen station" as a part of strategic innovation program to explore "energy carriers*[2]." For the promotion of fuel cell vehicles which use hydrogen,

development of efficient and practical measures to store and transport hydrogen is a problem to be solved as soon as possible because hydrogen exists as a gaseous body under normal temperature. Ammonia, a molecule of which contains three hydrogen atoms, is expected to be a candidate for an energy carrier to realize hydrogen stations because it can be easily liquefied. This time, SDK developed a one-tenth scale model of demonstration equipment to decompose ammonia and remove residual ammonia from hydrogen gas by utilizing material to remove ammonia which was discovered by Hiroshima University. The demonstration experiment with this equipment was the first successful case in the world to decompose ammonia, extract hydrogen and remove residual ammonia with a model equipment of this scale. Thus the joint research team contributed to the realization of considerable progress in the technology to use ammonia as an energy carrier to provide fuel cell vehicles with hydrogen.

*1 Fuel cell vehicle: A vehicle which is driven by electric motors powered by electricity generated through reaction between hydrogen loaded as fuel and atmospheric oxygen in on-board solid polymer fuel cells.
*2 Energy carrier: Liquid hydrogen or other materials rich in hydrogen, such as ammonia. Energy carrier is synthesized at energy producing area, stored and transported as chemically stable liquid. At energy consuming area, user extracts hydrogen to be used as fuel from it, or directly converts it into energy.

- Developing normal-temperature-curing non-styrene vinylester resin aqueous emulsion

SDK developed vinylester resin aqueous emulsion that does not use styrene as reactive monomer, and cures after drying of water at normal temperature. SDK started shipment of its samples in October 2016. Making the most of SDK's original resin-design and emulsification technologies, this new resin has high corrosion resistance and curability at normal temperature equivalent to conventional vinylester resins. Moreover, when applied to a repair work of underground cesspits, this new resin does not require measures to prevent fire and poisoning and is good for the safety of workers because it does not contain styrene. Making the most of this new product, SDK proposes a method of lining with superior work environment, less odor, and easy handling of resins. SDK will continue contributing to infrastructure construction and maintenance, the demand for which is expected to grow bot at home and abroad.

[Electronics segment]

- Streamlining of HD media production capacity

In its HD media business, SDK completed integration of processes to produce substrates and media for HDDs, as a part of its effort to promote "Best in Class Strategy." In the second quarter of 2016, SDK also streamlined its capacity to produce HD media in order to make it in line with the movement in the HDD manufacturing industry to reduce its production capacity. Specifically, SDK concentrated production of HD media into production lines of high productivity, reduced its monthly production capacity from 30 million plateaus to 20 million plateaus, and significantly strengthened the Company's cost competitiveness. Through promotion of development and mass production of leading-edge HD media, SDK will secure its technical advantages in the HD media market, and make the foundation of its HD media business more solid.

[Inorganics segment]

- Agreeing on acquisition of SGL GE Holding, a graphite electrode manufacturer

In October 2016, SDK agreed with SGL Carbon SE, a carbon and graphite product manufacturer headquartered in Germany, that SDK will acquire the whole shares of SGL GE Holding GmbH (SGL GE), which engages in the graphite electrode business, from SGL Carbon GmbH, a wholly owned subsidiary of SGL Carbon SE, and make SGL GE a

subsidiary of SDK. Graphite electrodes are used in the processes to manufacture electric furnace steel. SDK considers its graphite electrode business a “Base-shaping” business in its medium-term business plan “Project 2020+” and aims to increase its durability to market fluctuation and to generate stable profit and cash flow. SGL GE has production bases in Europe, the U.S., and Southeast Asia, and is highly cost-competitive. By making SGL GE its subsidiary, SDK will enhance the durability of its graphite electrode business, and pursue a higher level of growth in the highly competitive graphite electrode market. The graphite electrode business is expected to maintain a certain market size in the future. With the acquisition of SGL GE, SDK can cover all areas around the world and establish its position as the global leading supplier of graphite electrodes. Based on the new platform, SDK will revitalize its graphite electrode business as the Company’s major profit source. SDK’s acquisition of the shares of SGL GE is subject to the approval of the relevant authorities under the applicable competition laws of the relevant countries including the U.S. and Germany, and other preconditions.

[Aluminum segment]

- Our aluminum cooling device technology contributes to development of next-generation power devices

In July 2016, a project team led by Professor Katsuaki Suganuma, Osaka University, in which SDK participates, successfully developed a hybrid circuit board structure for SiC based power devices which can stably operate even under high-temperature condition of 300^{o}C. This project was organized as university-industry research collaboration with the object of developing circuit board and packaging technologies to integrate heat-resistant SiC power devices. SDK has been providing the team with technologies to develop a composite of aluminum boards with insulating ceramics layer and cooling devices, technologies to solder these materials, and heat radiation design for the composite circuit board and the whole package. Taking advantage of its technologies, SDK will develop new parts and materials for power modules, establish technologies to evaluate performance of power modules equipped with these parts and materials, and offer solutions to realize downsized high-output power modules.

[Others segment]

- Decision to expand *VGCF*^{TM} production capacity for use in LIBs

In August 2016, SDK decided to expand the capacity of facilities in Kawasaki Plant to produce *VGCF*^{TM} carbon nanofiber, which is used as an additive for cathodes and anodes of lithium ion batteries (LIBs) to improve electrical conductivity, from 200t/y at present to 300t/y by the end of 2017. The demand for LIB materials has been growing rapidly due to the increase in demand not only for small LIBs but also for large LIBs including those for automotive applications. In particular, the electric vehicle (EV) market in China is expanding substantially, while new EVs are launched in Europe at an accelerated pace due to tighter control on CO_2 emissions. Thus the LIB market is expected to continue its steady growth. *VGCF*^{TM} is used as electrically-conductive additive in LIB cathodes and anodes, and extends the life of LIBs. Compared with grain-type additives, fibriform *VGCF*^{TM} gives larger capacity and longer life to LIBs with less amount of addition. Moreover, *VGCF*^{TM} has high thermal conductivity, thereby promoting heat dissipation from electrodes and enhancing the safety of LIBs. In addition to *VGCF*^{TM}, SDK offers various LIB materials including *SCMG*^{TM} anode material, and *SPALF*^{TM} aluminum laminated film for packaging. SDK’s LIB materials are acclaimed highly by LIB manufacturers because our products add their LIBs such values as “high capacity, low resistance, and long life.”

2. Financial conditions for the January1 – September 30, 2016 period (as compared with the conditions at December 31, 2015)

Total assets at September 30, 2016 amounted to ¥897,791 million, a decrease of ¥43,523 million from the level at December 31, 2015. Total assets were down due mainly to the decrease in accounts receivable-trade and the decrease in the amount of Japanese yen conversion of assets of overseas subsidiaries caused by the yen's appreciation. Total liabilities decreased ¥31,740 million, to ¥599,799 million, due partly to the decrease in accounts payable-trade. Net assets at September 30, 2016 amounted to ¥297,992 million, a decrease of ¥11,783 million from the level at December 31, 2015, due partly to the decrease in foreign currency translation adjustment caused by the yen's appreciation.

3. Performance forecast

We announced our revised performance forecast for 2016 on August 9, 2016. There is no change from these figures.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Revised forecast for the full year	670,000	30,000	23,000	9,000

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2015	Sep. 30, 2016	Sep. 30, 2016
Assets	¥	¥	$
Current assets			
Cash and deposits	64,054	57,511	568,736
Notes and accounts receivable-trade	136,602	124,755	1,233,730
Merchandise and finished goods	48,660	48,118	475,850
Work in process	14,692	11,864	117,329
Raw materials and supplies	42,573	36,448	360,446
Other	27,374	28,852	285,322
Allowance for doubtful accounts	(880)	(403)	(3,990)
Total current assets	333,076	307,144	3,037,423
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	81,529	78,109	772,440
Machinery, equipment and vehicles, net	112,940	111,153	1,099,217
Land	251,851	251,535	2,487,493
Other, net	54,968	49,102	485,584
Total property, plant and equipment	501,288	489,899	4,844,734
Intangible assets			
Other	12,514	11,429	113,028
Total intangible assets	12,514	11,429	113,028
Investments and other assets			
Investment securities	76,568	68,259	675,027
Other	32,682	33,408	330,377
Allowance for doubtful accounts	(14,816)	(12,349)	(122,119)
Total investments and other assets	94,435	89,318	883,284
Total noncurrent assets	608,237	590,647	5,841,046
Total assets	941,314	897,791	8,878,468
Liabilities			
Current liabilities			
Notes and accounts payable-trade	103,927	88,947	879,615
Short-term loans payable	69,000	74,702	738,747
Current portion of long-term loans payable	49,386	48,688	481,487
Commercial papers	12,000	18,500	182,951
Current portion of bonds	10,000	20,000	197,785
Provision	2,175	7,082	70,033
Other	83,794	59,119	584,642
Total current liabilities	330,283	317,037	3,135,259
Noncurrent liabilities			
Bonds payable	35,000	25,000	247,231
Long-term loans payable	193,449	186,481	1,844,157
Provision	1,852	2,964	29,310
Net defined benefit liability	15,185	12,186	120,510
Other	55,770	56,131	555,089
Total noncurrent liabilities	301,256	282,762	2,796,297
Total liabilities	631,539	599,799	5,931,556
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,390,066
Capital surplus	62,221	62,042	613,544
Retained earnings	55,822	63,225	625,247
Treasury stock	(10,157)	(10,501)	(103,843)
Total shareholders' equity	248,449	255,329	2,525,014
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,927	1,151	11,378
Deferred gains or losses on hedges	(326)	(1,327)	(13,122)
Revaluation reserve for land	31,307	32,932	325,671
Foreign currency translation adjustment	18,611	(341)	(3,372)
Remeasurements of defined benefit plans	(4,835)	(3,876)	(38,333)
Total accumulated other comprehensive income	48,683	28,538	282,222
Non-controlling interests	12,642	14,124	139,676
Total net assets	309,774	297,992	2,946,912
Total liabilities and net assets	941,314	897,791	8,878,468

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first three quarters (Jan.1-Sep.30)		
	2015	2016	2016
	¥	¥	$
Net sales	594,105	488,862	4,834,471
Cost of sales	501,587	402,555	3,980,960
Gross profit	92,518	86,307	853,511
Selling, general and administrative expenses	67,018	60,878	602,033
Operating income	25,499	25,429	251,478
Non-operating income			
Interest income	202	286	2,831
Dividends income	1,411	742	7,341
Equity in earnings of affiliates	2,156	4,138	40,922
Miscellaneous income	3,374	2,385	23,587
Total non-operating income	7,144	7,552	74,681
Non-operating expenses			
Interest expenses	3,066	2,376	23,498
Foreign exchange losses	12	5,373	53,137
Miscellaneous expenses	3,611	4,614	45,630
Total non-operating expenses	6,690	12,363	122,264
Ordinary income	25,953	20,618	203,895
Extraordinary income			
Gain on sales of noncurrent assets	192	334	3,305
Gain on bargain purchase	—	686	6,784
Other	1,896	134	1,324
Total extraordinary income	2,088	1,154	11,413
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	2,385	2,634	26,046
Impairment loss	494	1,763	17,431
Provision of allowance for doubtful accounts	12,894	—	—
Other	3,119	3,467	34,284
Total extraordinary losses	18,892	7,863	77,760
Loss before income taxes	9,149	13,909	137,547
Income taxes	12,052	1,389	13,732
Profit (loss)	(2,903)	12,520	123,816
Profit (loss) attributable to non-controlling interests	(7,098)	1,027	10,160
Profit (loss) attributable to owners of parent	4,196	11,493	113,656

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first three quarters (Jan.1-Sep.30)		
	2015	2016	2016
	¥	¥	$
Profit (loss)	(2,903)	12,520	123,816
Other comprehensive income:			
Valuation difference on available-for-sale securities	38	(3,009)	(29,756)
Deferred gains or losses on hedges	(1,261)	(951)	(9,402)
Revaluation reserve for land	3,777	1,824	18,041
Foreign currency translation adjustments	(3,403)	(19,455)	(192,400)
Remeasurements of defined benefit plans, net of tax	2,961	968	9,572
Share of other comprehensive income of entities accounted for using equity method	118	(41)	(405)
Total other comprehensive income	2,230	(20,664)	(204,351)
Comprehensive income	(673)	(8,144)	(80,535)
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent	6,858	(8,480)	(83,862)
Comprehensive income attributable to non-controlling interests	(7,531)	336	3,327

(Reference)

SEGMENT INFORMATION (previous 3Q ended)

The operations of the Companies for the 9 Months ended September 30, 2015 and 2016 was summarised by industry segment as follows:

9 Months ended September 30, 2015	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥175,730	¥97,524	¥97,084	¥42,822	¥70,336	¥110,609	¥–	¥594,105
Inter-segment	2,901	9,146	1,423	6,468	5,576	5,131	(30,645)	–
Total	178,631	106,669	98,507	49,290	75,912	115,740	(30,645)	594,105
Operating income (loss)	¥8,625	¥7,560	¥12,053	¥655	¥2,505	(¥48)	(¥5,851)	¥25,499

9 Months ended September 30, 2016	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**¥127,022**	**¥86,768**	**¥73,202**	**¥32,350**	**¥66,748**	**¥102,772**	**¥–**	**¥488,862**
Inter-segment	**3,124**	**12,027**	**935**	**5,156**	**5,728**	**4,780**	**(31,749)**	**–**
Total	**130,145**	**98,794**	**74,137**	**37,506**	**72,476**	**107,552**	**(31,749)**	**488,862**
Operating income (loss)	**¥13,366**	**¥9,744**	**¥8,313**	**(¥5,024)**	**¥2,804**	**¥1,382**	**(¥5,156)**	**¥25,429**

9 Months ended September 30, 2016	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**$1,256,147**	**$858,066**	**$723,910**	**$319,918**	**$660,091**	**$1,016,340**	**$–**	**$4,834,471**
Inter-segment	**30,889**	**118,936**	**9,246**	**50,989**	**56,646**	**47,272**	**(313,978)**	**–**
Total	**1,287,036**	**977,002**	**733,157**	**370,907**	**716,736**	**1,063,611**	**(313,978)**	**4,834,471**
Operating income (loss)	**$132,176**	**$96,362**	**$82,208**	**($49,679)**	**$27,727**	**$13,672**	**($50,988)**	**$251,478**

SHOWA DENKO K.K.

November 1, 2016

Third Quarter, 2016 Consolidated Financial Results (Summary)

1. Third Quarter Results 2016

(1) Summary

〔2016 forecast〕

(Unit: billions of yen)

Items	2015 Jan.1 - Sept.30	2016 Jan.1 - Sept.30	Increase/ decrease	2016 Forecast *
Net Sales	594.1	488.9	-105.2	670.0
Operating Income	25.5	25.4	-0.1	30.0
Profit attributable toowners of parent	4.2	11.5	7.3	9.0

(2) Net Sales and Operating Income by Segment

〔2016 forecast〕

(Unit: billions of yen)

Segment		2015 Jan.1 - Sept.30	2016 Jan.1 - Sept.30	Increase/ decrease	2016 Forecast *
Net Sales	Petrochemicals	178.6	130.1	-48.5	180.0
	Chemicals	106.7	98.8	-7.9	135.0
	Electronics	98.5	74.1	-24.4	93.0
	Inorganics	49.3	37.5	-11.8	52.0
	Aluminum	75.9	72.5	-3.4	98.0
	Others	115.7	107.6	-8.2	157.0
	Adjustments	-30.6	-31.7	-1.1	-45.0
	Total	594.1	488.9	-105.2	670.0
Operating Income	Petrochemicals	8.6	13.4	4.7	15.0
	Chemicals	7.6	9.7	2.2	13.0
	Electronics	12.1	8.3	-3.7	9.5
	Inorganics	0.7	-5.0	-5.7	-5.5
	Aluminum	2.5	2.8	0.3	4.0
	Others	0.0	1.4	1.4	2.0
	Adjustments	-5.9	-5.2	0.7	-8.0
	Total	25.5	25.4	-0.1	30.0

*Forecast revised on Aug. 9, 2016.

(Unit: billions of yen)

Segment		2016 CQ1 Jan.1 - Mar.31	2016 CQ2 Apr.1 - Jun.30	2016 CQ3 Jul.1 - Sept.30
Net Sales	Petrochemicals	42.9	43.1	44.1
	Chemicals	32.1	32.8	33.9
	Electronics	22.3	24.7	27.2
	Inorganics	12.4	12.5	12.6
	Aluminum	22.0	25.8	24.7
	Others	36.2	36.7	34.7
	Adjustments	-10.5	-11.4	-9.9
	Total	157.4	164.1	167.3
Operating Income	Petrochemicals	1.5	5.9	6.0
	Chemicals	2.5	2.9	4.3
	Electronics	1.7	2.4	4.3
	Inorganics	-2.0	-2.4	-0.7
	Aluminum	0.2	1.2	1.3
	Others	0.5	0.5	0.4
	Adjustments	-1.7	-1.8	-1.7
	Total	2.9	8.7	13.9

2. Cash dividends

(Unit: yen)

Items	2015	2016 Forecast
Cash dividends per share	3.0	30.0 (planned)

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above-mentioned “Cash dividends per share” for 2015 is calculated on the basis of the number of outstanding shares before this consolidation, while that for 2016 Forecast is calculated on the basis of the number of outstanding shares after this consolidation.

3. Reference

Items	2015 Jan.1 - Sept.30	2016 Jan.1 - Sept.30	Increase/ decrease
Exchange rate (yen/US$)	120.9	108.7	Yen appriciated by 12.2
Domestic naphtha price (yen/kl)	47,700	32,400	-15,300

(Unit: billions of yen)

Items	Dec. 31, 2015	Sept. 30, 2016	Increase/ decrease
Total assets	941.3	897.8	-43.5
Interest-bearing debt	368.8	373.4	4.5

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. We undertake no obligation to update the forward-looking statements unless required by law.