NEWS RELEASE

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SDK Revises 2016 Performance Forecast; Records Impairment Loss

Showa Denko (SDK) (TOKYO: 4004) hereby announces a revised forecast of consolidated financial results for full-year 2016. This follows the announcement on February 13, 2017 that SDK will postpone the announcement of its financial results for 2016 in connection with the postponement of the announcement of financial results by Shoko Co., Ltd. (Shoko), one of SDK's consolidated subsidiaries. SDK also announces the recording of loss due to impairment (an extraordinary loss).

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

(Millions of yen, excepting net income per share)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Earlier forecast (A) (Announced on Dec. 13, 2016)	670,000	36,000	30,000	12,000	84.1
Revised forecast (B) (Announced on Feb. 14, 2017)	671,200	41,800	38,600	11,000	77.1
(B) - (A)	1,200	5,800	8,600	-1,000	
Percentage of changes	0.2%	16.1%	28.7%	-8.3%	
Reference 2015 results	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 2016 and 2015, are calculated on the basis of the number of outstanding shares after this consolidation.

[Reasons for the revision of consolidated performance forecast]

Operating income will increase as the exchange rate of the yen against the U.S. dollar substantially depreciated toward the end of the term. Furthermore, operating income in the Petrochemicals segment is expected to exceed the earlier forecast because the spread of ethylene, etc. has improved, reflecting the tight supply situation in the Asian market. Operating income in the Electronics segment will also exceed the earlier forecast because shipment volumes of HD media increased. Ordinary income will exceed the earlier forecast, reflecting the increase in operating income and the decrease in exchange loss due to lower yen. However, net income attributable to owners of the parent will fall below the earlier forecast because of the recording of loss due to impairment (an extraordinary loss) as detailed below. There is no change in the forecast of paying dividends of ¥30 per share.

[Segment-wise breakdown of net sales and operating income (consolidated)]

Net sales (in 100 millions of yen)

Segment	Performance forecast for 2016 (Consolidated)			2015 actual results (Jan. – Dec. 2015)
	Earlier forecast (Jan. - Dec. 2016) Announced on Dec. 13, 2016	Revised forecast (Jan. – Dec. 2016) Announced on Feb. 14, 2017	Increase/ decrease	
Petrochemicals	1,850	1,858	8	2,313
Chemicals	1,330	1,345	15	1,423
Electronics	1,000	1,033	33	1,315
Inorganics	500	509	9	635
Aluminum	980	986	6	1,008
Others	1,500	1,424	-76	1,525
Adjustments	-460	-443	17	-408
Total	6,700	6,712	12	7,810

Operating income (in 100 millions of yen)

Petrochemicals	180	207	27	105
Chemicals	130	138	8	107
Electronics	130	139	9	175
Inorganics	-60	-58	2	-12
Aluminum	40	44	4	26
Others	20	15	-5	15
Adjustments	-80	-68	12	-79
Total	360	418	58	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.

2. Recording of impairment loss (extraordinary loss)

Profitability of our electronics materials operations at Chichibu City, Saitama Prefecture, and of our aluminum specialty components operations at Oyama City, Tochigi Prefecture, has declined. Having reassessed their business values based on future performance forecast, we have decided to record impairment loss for these operations. We will also record impairment loss for low-profitability assets and idle assets at consolidated subsidiaries, etc. As a result, we will record impairment loss of ¥15,200 million in total in the fourth quarter.

(1) Impairment loss for electronics materials operations

Profitability of our electronics materials operations at Chichibu City, Saitama Prefecture, has declined. We reassessed its business value, taking into consideration its performance forecast. As a result, we have decided to reduce the book value of the relevant fixed assets to a recoverable amount, and record an extraordinary loss of ¥4,500 million.

(2) Impairment loss for aluminum specialty components operations

Profitability of our aluminum specialty components operations at Oyama City, Tochigi Prefecture, has declined. We reassessed its business value, taking into consideration its performance forecast. As a result, we have decided to reduce the book value of the relevant fixed assets to a recoverable amount, and record an extraordinary loss of ¥8,000 million.

[Reference]

Performance forecast for 2017 (consolidated)

Summary (in 100 millions of yen)

	2016 forecast (Jan. - Dec. 2016) Announced on Feb. 14, 2017	2017 forecast (Jan. - Dec. 2017) Announced on Feb. 14, 2017	Increase/ decrease	Percentage of changes
Net sales	6,712	7,200	488	7.3%
Operating income	418	420	2	0.5%
Ordinary income	386	365	-21	-5.4%
Net income attributable to owners of the parent	110	200	90	81.8%

Note: The above table is based on assumptions that the exchange rate will be ¥105 to the U.S. dollar and the naphtha price will be ¥36,900/KL. The Company is planning to pay dividends of ¥30 per share for fiscal 2017.

Segment-wise breakdown of net sales and operating income in 2017

Net sales (in 100 millions of yen)

	2016 forecast (full-year)	2017 forecast (full-year)	Increase/ decrease
Petrochemicals	1,858	2,180	322
Chemicals	1,345	1,420	75
Electronics	1,033	1,170	137
Inorganics	509	550	41
Aluminum	986	980	-6
Others	1,424	1,390	-34
Adjustments	-443	-490	-47
Total	6,712	7,200	488

Operating income (in 100 millions of yen)

	2016 forecast (full-year)	2017 forecast (full-year)	Increase/ decrease
Petrochemicals	207	160	-47
Chemicals	138	140	2
Electronics	139	160	21
Inorganics	-58	-20	38
Aluminum	44	50	6
Others	15	5	-10
Adjustments	-68	-75	-7
Total	418	420	2

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.

The above forecast does not include the influence of business integration with SGL GE (announced in October 2016) because the date of integration is not fixed yet.

As for the lithium-ion battery materials business, its segment has been changed from “Others” to “Electronics” as from January 2017. In the column of performance forecast for 2016, the relevant figures are stated in accordance with the earlier segmentation.

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2/14/2017

2016 Consolidated Financial Revised Forecast (Summary)

Ⅰ. Revised Forecast for 2016

※ Revised Forecast for 2016 Full-year and 2016 CQ4 were announced on Feb. 14, 2017.

1. Summary

(Unit: billions of yen, except for stockholders' equity/share, net income/share and cash dividends/share)

Items	2015 Jan.1 - Dec.31 Results	2016 Jan.1 - Dec.31 Revised Forecast	Increase
Net Sales	781.0	671.2	-109.8
Operating Income	33.7	41.8	8.2
Profit attributable to owners of parent	1.0	11.0	10.1
Profit attributable to owners of parent per share	¥6.78	¥77.12	¥70.34
Cash 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-mentioned "Profit(s) attributable to owners of parent per share" for 2015 and 2016 are calculated on the basis of the number of outstanding shares after this consolidation. 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 is calculated on the basis of the number of outstanding shares after this consolidation.

2. Net sales and Operating Income by Segment (Year to year comparison)

(Unit: billions of yen)

Segment		2015 Jan.1 - Dec.31 Results	2016 Jan.1 - Dec.31 Revised Forecast	Increase
Net Sales	Petrochemicals	231.3	185.8	-45.5
	Chemicals	142.3	134.5	-7.8
	Electronics	131.5	103.3	-28.2
	Inorganics	63.5	50.9	-12.6
	Aluminum	100.8	98.6	-2.2
	Others	152.5	142.4	-10.1
	Adjustments	-40.8	-44.3	-3.5
	Total	781.0	671.2	-109.8
Operating Income	Petrochemicals	10.5	20.7	10.1
	Chemicals	10.7	13.8	3.1
	Electronics	17.5	13.9	-3.6
	Inorganics	-1.2	-5.8	-4.5
	Aluminum	2.6	4.4	1.9
	Others	1.5	1.5	0.1
	Adjustments	-7.9	-6.8	1.1
	Total	33.7	41.8	8.2

3. Net sales and Operating Income by Segment (Quarterly transition)

(Unit: billions of yen)

Segment		2016 CQ1 Jan.1 - Mar.31	2016 CQ2 Apr.1 - Jun.30	2016 CQ3 Jul.1 - Sept.30	2016 CQ4 Oct.1 - Dec.31 forecast
Net Sales	Petrochemicals	42.9	43.1	44.1	55.6
	Chemicals	32.1	32.8	33.9	35.7
	Electronics	22.3	24.7	27.2	29.2
	Inorganics	12.4	12.5	12.6	13.4
	Aluminum	22.0	25.8	24.7	26.1
	Others	36.2	36.7	34.7	34.8
	Adjustments	-10.5	-11.4	-9.9	-12.6
	Total	157.4	164.1	167.3	182.3
Operating Income	Petrochemicals	1.5	5.9	6.0	7.3
	Chemicals	2.5	2.9	4.3	4.1
	Electronics	1.7	2.4	4.3	5.6
	Inorganics	-2.0	-2.4	-0.7	-0.7
	Aluminum	0.2	1.2	1.3	1.6
	Others	0.5	0.5	0.4	0.2
	Adjustments	-1.7	-1.8	-1.7	-1.6
	Total	2.9	8.7	13.9	16.4

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Ⅱ. Forecast for 2017

※ Revised Forecast for 2016, and Forecast for 2017 were announced on Feb. 14, 2017.

1. Summary

(Unit: billions of yen, except for net income/share and cash dividends/share)

Items	2016 Revised Forecast	2017 Forecast	Increase
Net Sales	671.2	720.0	48.8
Operating Income	41.8	42.0	0.2
Profit attributable to owners of parent	11.0	20.0	9.0
Profit attributable to owners of parent per share	¥77.12	¥140.33	¥63.21
Cash dividends per share	¥30.00	¥30.00	-

2. Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2016 Revised Forecast	2017 Forecast	Increase
Net Sales	Petrochemicals	185.8	218.0	32.2
	Chemicals	134.5	142.0	7.5
	Electronics	103.3	117.0	13.7
	Inorganics	50.9	55.0	4.1
	Aluminum	98.6	98.0	-0.6
	Others	142.4	139.0	-3.4
	Adjustments	-44.3	-49.0	-4.7
	Total	671.2	720.0	48.8
Operating Income	Petrochemicals	20.7	16.0	-4.7
	Chemicals	13.8	14.0	0.2
	Electronics	13.9	16.0	2.1
	Inorganics	-5.8	-2.0	3.8
	Aluminum	4.4	5.0	0.6
	Others	1.5	0.5	-1.0
	Adjustments	-6.8	-7.5	-0.7
	Total	41.8	42.0	0.2

(Note) Amount of "Adjustments" includes company-wide costs which are not allocated to each segment.

Ⅲ. Reference

(Unit: billions of yen, expect for total number of employees, exchange rate and domestic naphtha price)

Items	2015 Results	2016 Revised Forecast	Increase	2017 Forecast	Increase
Capital expenditures	44.1	39.3	-4.8	51.9	12.6
Depreciation and amortization	42.1	38.8	-3.4	38.7	-0.1
R & D expenditures	20.3	17.3	-3.0	18.5	1.2
Total number of employees	10,561	10,146	-415	10,327	181
Exchange rate (yen/US$)	121.1	108.8	-12.2	105.0	-3.8
Domestic naphtha price (yen/kl)	46,000	32,800	-13,200	36,900	4,100
Interest-bearing debt	368.8	359.9	-8.9	355.0	-4.9

Notes : 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.
The above forecast does not include the effect of planned integration of graphite electrode businesses of SDK and SGL GE, which we announced in October 2016, because the date of business integration has not been specified yet as of today.