NEWS RELEASE

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SDK Submits Annual Securities Report and Prior-year Amendments

Showa Denko (SDK) (TOKYO: 4004) today submitted its annual securities report for the 108th business term and amended prior-year annual securities reports to Kanto Local Finance Bureau. This is in line with the bureau's extension of deadline to May 1, 2017 as described in our news release of March 29, 2017 entitled "SDK Gains Approval for Extension of Annual Securities Report Deadline." Furthermore, SDK today disclosed its financial statements for 2016 and amended prior-year financial statements.

1. Reasons for amendments

   Shoko Co., Ltd. (Shoko), a consolidated subsidiary of SDK, issued a news release on April 17, 2017 about its receipt of a report from Special Examination Committee concerning transactions between BE International Corporation (BE, a subsidiary of Shoko) and its specific customer. As disclosed in the news release, the committee found no one among officers/employees of Shoko or BE who had the perception that the subject of transactions had no substance. In actuality, however, there was only circulation of funds.

   As a result, Shoko judged that these transactions should not be treated as ordinary commercial transactions involving the recording of sales, and amended relevant documents retroactive to fiscal 2014. SDK accordingly amended its relevant documents retroactive to fiscal 2014.

   Furthermore, some of SDK's overseas consolidated subsidiaries had fixed-term deposits (more than three months). In this connection, errors were found regarding the title of accounts in our consolidated cash flow statements (deposit and refund by cash and cash equivalents as well as fixed-term deposits). SDK therefore made amendments retroactive to fiscal 2012, including amendments skipped before from the viewpoint of materiality.

2. Changes in profit/loss and cash flows due to the amendments

   The influence of the amendments on the performance in respective years is mainly as follows:

   (1) Influence of amendments on fiscal 2014 (full-year) performance

   Net sales decrease ¥3,794 million due mainly to the cancellation of part of BE's net sales. Due to the cancellation of BE's net sales and provision of allowance for doubtful accounts, operating income and ordinary income decrease ¥363 million and ¥371 million, respectively. Net income decreases ¥571 million due partly to the recording of loss on impairment of goodwill (related to the acquisition of BE and recognized at the beginning of the term) as well as relevant influence on minority interests.

(2) Influence of amendments on performance of the second quarter, 2015 and fiscal 2015 (full-year)

In the second quarter, net sales decrease ¥2,744 million due mainly to the cancellation of part of BE's net sales, and operating income decreases ¥167 million. However, as a result of the improvement in non-operating income due to the amendment to gain/loss on equity-method investment, ordinary income increases ¥156 million and net income increases ¥275 million.

For full-year, net sales decrease ¥5,226 million due to similar reasons. Due partly to the provision of allowance for doubtful accounts, operating income and ordinary income decrease ¥164 million and ¥175 million, respectively. Net income decreases ¥48 million due partly to relevant influence on minority interests.

(3) Influence of amendments on performance of the second and third quarters, 2016

In the second quarter, net sales decrease ¥2,908 million due mainly to the cancellation of part of BE's net sales. Meanwhile, operating income increases ¥28 million due to reversal of allowance for doubtful accounts (following the decrease in the amount of accounts receivable regarding BE's specific customer). Ordinary income and net income attributable to owners of the parent increase ¥733 million and ¥739 million, respectively, due to the improvement in non-operating income following the retroactive amendment to the change in functional currency at overseas subsidiaries.

In the third quarter, net sales decrease ¥4,452 million due to similar reasons. Operating income increases ¥45 million. Ordinary income increases ¥33 million due to diminishing influence of the change in functional currency. Net income attributable to owners of the parent increases ¥45 million.

In addition, we cancelled sales concerning processing-on-commission transactions with articles supplied for compensation, from 2012 to the third quarter of 2015, due to double recording. This matter has no influence on our profit-and-loss account.

Furthermore, errors were found regarding the title of accounts in our consolidated cash flow statements (deposit and refund by cash and cash equivalents as well as fixed-term deposits). We therefore made amendments retroactive to fiscal 2012. We also amended the method of describing cash flows concerning the acquisition of new hydroelectric power stations based on the transaction of sale & buy-back on installment basis. We accordingly amended cash flow statements for the period from 2012 to the second quarter of 2016.

3. Annual securities reports and quarterly reports amended

Quarterly report: the second quarter of the 104th business term (Apr. 1-June 30, 2012)
Annual securities report: the 104th business term (Jan. 1-Dec. 31, 2012)

Quarterly report: the second quarter of the 105th business term (Apr. 1-June 30, 2013)
Annual securities report: the 105th business term (Jan. 1-Dec. 31, 2013)

Quarterly report: the first quarter of the 106th business term (Jan. 1-Mar. 31, 2014)
Quarterly report: the second quarter of the 106th business term (Apr. 1-June 30, 2014)
Quarterly report: the third quarter of the 106th business term (July 1-Sept. 30, 2014)
Annual securities report: the 106th business term (Jan. 1-Dec. 31, 2014)

Quarterly report: the first quarter of the 107th business term (Jan. 1-Mar. 31, 2015)
Quarterly report: the second quarter of the 107th business term (Apr. 1-June 30, 2015)

Quarterly report: the third quarter of the 107th business term (July 1-Sept. 30, 2015)
Annual securities report: the 107th business term (Jan. 1-Dec. 31, 2015)

Quarterly report: the first quarter of the 108th business term (Jan. 1-Mar. 31, 2016)
Quarterly report: the second quarter of the 108th business term (Apr. 1-June 30, 2016)
Quarterly report: the third quarter of the 108th business term (July 1-Sept. 30, 2016)

4. Financial statements and quarterly financial statements amended (Japanese standard; consolidated)

Fiscal 2012	the second quarter	(Jan. 1-June 30, 2012)
Fiscal 2012	full-year	(Jan. 1-Dec. 31, 2012)
Fiscal 2013	the second quarter	(Jan. 1-June. 30, 2013)
Fiscal 2013	full-year	(Jan. 1-Dec. 31, 2013)
Fiscal 2014	the first quarter	(Jan. 1-Mar. 31, 2014)
Fiscal 2014	the second quarter	(Jan. 1-June 30, 2014)
Fiscal 2014	the third quarter	(Jan. 1-Sept. 30, 2014)
Fiscal 2014	full-year	(Jan. 1-Dec. 31, 2014)
Fiscal 2015	the first quarter	(Jan. 1-Mar. 31, 2015)
Fiscal 2015	the second quarter	(Jan. 1-June 30, 2015)
Fiscal 2015	the third quarter	(Jan. 1-Sept. 30, 2015)
Fiscal 2015	full-year	(Jan. 1-Dec. 31, 2015)
Fiscal 2016	the first quarter	(Jan. 1-Mar. 31, 2016)
Fiscal 2016	the second quarter	(Jan. 1-June 30, 2016)
Fiscal 2016	the third quarter	(Jan. 1-Sept. 30, 2016)

5. Outline of amendments
The following tables show the main contents of amendments in and after 2012:

【Fiscal 2012】 (Unit: millions of yen)

		Before	After	Influence
2Q	Net sales	352,313	352,293	-20
	CF from investing activities	-19,622	-18,807	814
Full-year	Net sales	739,811	739,675	-136
	CF from investing activities	-40,209	-41,741	-1,532
	Cash and cash equivalents	51,254	48,679	-2,575

【Fiscal 2013】 (Unit: millions of yen)

		Before	After	Influence
2Q	Net sales	401,409	401,265	-145
	CF from investing activities	-27,345	-30,340	-2,995
	Cash and cash equivalents	53,604	47,646	-5,958
Full-year	Net sales	848,071	847,803	-268
	CF from investing activities	-46,738	-55,203	-8,465
	Free cash flow	16,827	8,362	-8,465
	Cash and cash equivalents	68,175	56,084	-12,091

【Fiscal 2014】 (Unit: millions of yen)

		Before	After	Influence
1Q	Net sales	209,634	208,815	-819
	Operating income	7,582	7,469	-113
	Ordinary income	6,585	6,471	-114
	Net income	945	451	-494
	Total assets	951,282	950,513	-769
	Net assets	338,232	337,073	-1,159
2Q	Net sales	413,384	411,627	-1,757
	Operating income	10,533	10,309	-224
	Ordinary income	7,201	6,974	-227

	Net income	-3,436	-3,973	-537
	Total assets	966,491	965,207	-1,284
	Net assets	310,602	309,317	-1,285
	CF from investing activities	-30,599	-21,966	8,633
	Cash and cash equivalents	54,575	51,533	-3,043
3Q	Net sales	646,321	643,620	-2,702
	Operating income	18,205	17,965	-240
	Ordinary income	17,033	16,787	-245
	Net income	2,171	1,636	-535
	Total assets	995,979	994,672	-1,307
	Net assets	314,547	313,240	-1,308
Full-year	Net sales	876,580	872,785	-3,794
	Operating income	20,915	20,551	-363
	Ordinary income	22,102	21,731	-371
	Net income	3,500	2,929	-571
	Total assets	1,011,083	1,009,843	-1,240
	Net assets	320,504	319,087	-1,417
	CF from operating activities	65,996	66,996	1,000
	CF from investing activities	-47,225	-46,876	349
	Free cash flow	18,771	20,120	1,349
	CF from financing activities	-25,024	-24,856	168
	Cash and cash equivalents	66,515	55,162	-11,353

【Fiscal 2015】 (Unit: millions of yen)

		Before	After	Influence
1Q	Net sales	193,171	191,856	-1,315
	Operating income	3,853	3,763	-90
	Ordinary income	2,754	2,662	-93
	Net income	-7,526	-7,552	-26
	Total assets	976,014	975,668	-345
	Net assets	314,169	312,666	-1,503
2Q	Net sales	396,980	394,236	-2,744
	Operating income	16,109	15,943	-167
	Ordinary income	15,500	15,656	156
	Net income	1,280	1,555	275
	Total assets	975,636	975,448	-188
	Net assets	327,171	325,913	-1,258
	CF from operating activities	21,310	20,900	-410
	CF from investing activities	-18,254	-27,008	-8,754
	Free cash flow	3,056	-6,108	-9,164
	CF from financing activities	-7,579	-6,579	1,000
	Cash and cash equivalents	67,215	46,862	-20,352
3Q	Net sales	594,105	589,876	-4,228
	Operating income	25,499	25,318	-181
	Ordinary income	25,953	25,764	-189
	Net income	4,196	3,547	-648
	Total assets	949,703	948,307	-1,396
	Net assets	318,158	315,949	-2,209
Full-year	Net sales	780,958	775,732	-5,226
	Operating income	33,672	33,508	-164
	Ordinary income	32,225	32,050	-175
	Net income	969	921	-48
	Total assets	941,314	940,494	-819
	Net assets	309,774	308,142	-1,632
	CF from operating activities	62,418	61,170	-1,248
	CF from investing activities	-43,923	-42,497	1,426
	Free cash flow	18,495	18,674	178
	CF from financing activities	-23,202	-21,336	1,866
	Cash and cash equivalents	63,630	54,597	-9,034

【Fiscal 2016】 (Unit: millions of yen)

		Before	After	Influence
1Q	Net sales	157,425	155,996	-1,428
	Operating income	2,862	2,858	-5
	Ordinary income	1,427	1,675	248
	Net income attributable to owners of the parent	660	912	252
	Total assets	910,835	910,010	-825
	Net assets	295,904	294,584	-1,320

2Q	Net sales	321,572	318,664	-2,908
	Operating income	11,536	11,564	28
	Ordinary income	7,010	7,743	733
	Net income attributable to owners of the parent	1,592	2,331	739
	Total assets	887,694	887,875	181
	Net assets	284,816	284,276	-540
	CF from operating activities	20,636	20,966	330
	CF from investing activities	-24,643	-33,605	-8,962
	Free cash flow	-4,007	-12,639	-8,632
	Cash and cash equivalents	54,418	38,318	-16,100
3Q	Net sales	488,862	484,410	-4,452
	Operating income	25,429	25,475	45
	Ordinary income	20,618	20,650	33
	Net income attributable to owners of the parent	11,493	11,538	45
	Total assets	897,791	896,550	-1,240
	Net assets	297,992	296,260	-1,732

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