SHOWA DENKO K.K.

Consolidated Financial Statements

For the first quarter ended March 31, 2017

Ⅰ. Consolidated Financial Results

May 10th, 2017

(1) Results of operations:

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

	Results for the first quarter (Jan.1–Mar.31)			
	2016	**2017**	Increase (Decrease)	**2017**
	¥	**¥**	%	**$**
Net sales	155,996	**183,193**	17.4	**1,632,878**
Operating income	2,858	**19,698**	589.3	**175,581**
Ordinary income	1,675	**17,711**	957.3	**157,862**
Profit attributable to owners of parent	912	**14,553**	1,495.0	**129,718**
Profit attributable to owners of parent per share: Basic	6.39	**102.11**	—	**0.91**
Profit attributable to owners of parent per share: Diluted	—	**—**	—	**—**

Notes
Important changes in accounting policies : not applicable
Comprehensive income :
Results for the year ended March 31,2017 ¥16,928million
Results for the year ended March 31,2016 ¥-9,071million

(2) Financial position:

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

	Dec.31, 2016	**Mar.31, 2017**	**Mar.31, 2017**
	¥	**¥**	**$**
Total assets	932,698	**941,008**	**8,387,628**
Total equity	311,231	**327,218**	**2,916,645**
	%	**%**	**%**
Stockholders' equity ratio	31.8	**33.3**	**33.3**

(3) Dividends:

	2016	**2017 Forecast**
Q1 dividends per share (¥)	—	**—**
Q2 dividends per share (¥)	0.00	**0.00**
Q3 dividends per share (¥)	—	**—**
End of Term dividends per share (¥)	0.00	**30.00**
Annual dividends per share (¥)	0.00	**30.00**

As announced on April 25, 2017, the Company is planning to resolve payment of dividends of ¥30 per share based on the record date of May 11, 2017 at the extraordinary general meeting of shareholders to be held on June 27, 2017.

Ⅱ. Forecast of performance for the year ending December 31, 2017

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

	1st half		fiscal year	
	¥	$	¥	$
Net sales	373,000	3,324,717	745,000	6,640,521
Operating income	29,000	258,490	54,500	485,783
Ordinary income	24,500	218,380	47,500	423,389
Profit attributable to owners of parent	16,000	142,615	25,000	222,836
Profit attributable to owners of parent per share: Basic	112.27	1.00	175.42	1.56

*The above forecast was announced on April 25, 2017.
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 ¥112.19 throughout this statement for convenience only.

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

(1) Summary

During the first quarter of 2017 (January 1 – March 31), the Japanese economy continued to recover gradually. Export and production showed signs of recovery. Backed by the good employment situation, consumer spending also showed signs of recovery. Corporate earnings improved due to stable yen-dollar exchange rate. As for overseas economies, the US economy continued to recover. The European economy recovered gradually, though there was partial delay in recovery. The Chinese economy showed signs of recovery. The economies of ASEAN countries showed signs of gradual improvement. The economies of resource-producing countries including Russia and Brazil bottomed out and showed signs of improvement.

In the petrochemical industry, prices of products including olefins increased due to a rise in crude oil prices. Operating rates at domestic petrochemical plants maintained high levels due to strong demand for petrochemical products in Asia. In the electronic parts/materials industry, shipments of PCs slightly increased from the same period of the previous year. Production of semiconductors increased at home and abroad due to increasing demand for use in electronic devices including smartphones.

Under these circumstances, the Showa Denko Group has been promoting its medium-term consolidated business plan “Project 2020+” since 2016. Under this 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 ¥183,193 million in the first quarter of 2017, up 17.4% from the same period of the previous year. Sales increased in all segments including the Petrochemicals segment where sales significantly increased due to the consolidation of SunAllomer Ltd. in September 2016. Operating income of the Group increased 589.3%, to ¥19,698 million. The Petrochemicals segment recorded considerably higher income due to a strong market caused by a tight supply-demand balance in Asia. The Electronics segment also recorded considerably higher income due to an increase in shipment volumes of HD media. The Chemicals, Inorganics, and Aluminum segments also recorded higher income. The Group recorded ordinary income of ¥17,711 million, up 957.3%. The Group posted profit attributable to owners of parent of ¥14,553 million in the first quarter of 2017, up ¥1,495.0% from the same period of the previous year, despite an increase in corporate tax and other expenses.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	155,996	183,193	27,196
Operating income	2,858	19,698	16,841
Ordinary income	1,675	17,711	16,035
Profit attributable to owners of parent	912	14,553	13,641

(2) A breakdown of net sales and operating income by segment (January 1 – March 31, 2017)

[Petrochemicals segment]
In the Petrochemicals segment, sales increased 50.4%, to ¥64,605 million. Production of ethylene and propylene increased from the same period of the previous year in which we had coinciding periodic shutdown maintenance of plants to produce derivatives in Oita Complex. Sales of olefins increased due to an increase in prices of products caused by a rise in raw naphtha price. Sales of organic chemicals increased due partly to a rise in prices and higher shipment volumes of products including vinyl acetate. Consolidation of SunAllomer in the second half of 2016 also increased the sales of organic chemicals. Operating income of the segment increased 598.7%, to ¥10,564 million.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	42,943	64,605	21,662
Operating income	1,512	10,564	9,052

[Chemicals segment]
In the Chemicals segment, sales increased 3.8%, to ¥33,349 million. Production of liquefied ammonia and high-purity gases for electronics increased from the same period of the previous year. In the basic chemicals business, sales of chloroprene rubber increased due to strong demand for export including that to the United States. Sales of acrylonitrile increased due to a rise in price. Sales of liquefied ammonia increased due to higher shipment volumes for use in denitrification at thermal power plants. Sales of functional chemicals slightly increased due to higher shipment volumes for use in the domestic automotive industry. Sales of electronic chemicals increased due to higher shipment volumes of high-purity gases for electronics caused by an increase in production in the semiconductor and LCD panel industries. However, sales of industrial gases slightly decreased. Operating income of the segment rose 23.2%, to ¥3,133 million.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	32,142	33,349	1,208
Operating income	2,543	3,133	590

[Electronics segment]
In the Electronics segment, sales increased 12.9%, to ¥29,674 million. Production of HD media in the first quarter increased from the same period of the previous year due to stable shipment volumes for use in PCs and an increase in shipment volumes for use in data centers. Thus, sales of HD media increased. Sales of rare earth magnetic alloys and compound semiconductors were at the same levels of the previous year. Sales of lithium ion battery (LIB) materials, which was transferred from the Others segment to the Electronics segment at the beginning of this year, decreased due to lower shipment volumes to China. Operating income of the segment increased 209.7%, to ¥6,013 million.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	26,294	29,674	3,381
Operating income	1,941	6,013	4,072

LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017. The above data for 1Q 2016 and 1Q 2017 are based on this new segmentation.

[Inorganics segment]
In the Inorganics segment, sales increased 5.9%, to ¥13,085 million. Production of graphite electrodes increased from the same period of the previous year due to an improvement in the situation of the steel industry. Sales of graphite electrodes slightly increased due to an increase in shipment volumes resulting from a recovery in demand in the United States and other countries. Sales of ceramics increased due to an increase in shipment volumes for the steel and electronics industries. The segment recorded operating loss of ¥80 million, an improvement of ¥1,882 million.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	12,358	13,085	727
Operating income	-1,961	-80	1,882

[Aluminum segment]
In the Aluminum segment, sales increased 7.3%, to ¥23,584 million. Production of high-purity foil for aluminum electrolytic capacitors increased from the same period of the previous year. Shipment volumes and sales of rolled products increased due to higher shipment volumes of high-purity for aluminum electrolytic capacitors for use in air conditioners, industrial machines, and automotive applications. Sales of aluminum specialty components slightly increased due partly to higher shipment volumes for use in railcars. Sales of aluminum cans increased due to higher shipment volumes recorded by Hanacans Joint Stock Company of Vietnam. Operating income of the segment increased 578.6%, to ¥1,529 million.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	21,976	23,584	1,607
Operating income	225	1,529	1,304

[Others segment]
In the Others segment, sales increased 2.0%, to ¥32,017 million. Shoko Co., Ltd.'s sales slightly increased. Operating income of the segment slightly decreased to ¥202 million, down 17.8%. Please note that LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of this year.

(Unit: millions of yen)

	1Q 2016	1Q 2017	Increase/decrease
Sales	31,401	32,017	616
Operating income	246	202	-44

LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017. The above data for 1Q 2016 and 1Q 2017 are based on this new segmentation.

(3) Major steps taken or decided in the first quarter of 2017
[General]
- Delay in announcement of 2016 financial results and other related documents

SDK postponed announcement of its consolidated financial results for the year ended in December 2016, which was originally scheduled to be on February 14, 2017, and finally announced them on April 25, 2017. This delay was caused by the occurrence of necessity to investigate details of transactions between BE International Corporation (BE, a subsidiary of Shoko Co., Ltd.) and its specific customer. Shoko Co., Ltd. (Shoko) is a consolidated subsidiary of SDK.

Shoko established the Special Examination Committee, including outside experts, to examine the issue from professional and objective point of view, and made its utmost effort to find facts. Later, the Special Examination Committee reported results of the examination to the management of Shoko, and Shoko disclosed the report on April 17, 2017. In the report, the Special Examination Committee concluded that the subject of the relevant transactions had no substance, no one among officers/employees of Shoko or BE had the perception that the subject of transactions had no substance, those transactions were only circulation of funds, and there was no similar transaction at Shoko or its subsidiaries.

SDK accordingly amended accounting of those transactions as normal commercial transactions which were posted as sales, submitted its annual securities report for the 108th business term and amended prior-year annual securities reports to Kanto Local Finance Bureau on April 25, 2017. On the same day, SDK also disclosed 2016 financial statements and amended prior-year financial statements. Beforehand, SDK applied to Kanto Local Finance Bureau for extension of deadline for its annual securities report for the 108th business term, and gained approval for the extension with new deadline of May 1, 2017.

Under these circumstances, SDK could not report its business report and consolidated financial statements for the fiscal year ended in December 2016 to the 108th ordinary general meeting of shareholders held on March 30, 2017, which was based on the record date of December 31, 2016, and decided to abandon payment of year-end dividend to shareholders. SDK will have extraordinary general meeting of shareholders on June 27, 2017 based on the record date of May 11, 2017, submit business report, consolidated financial statements, and other related documents for the fiscal year ended in December 2016, and propose to pay dividend of ¥30 per share.

We sincerely apologize for any inconvenience caused to our shareholders, investors, and other stakeholders.

SDK will give full support to formulation and implementation of specific measures to prevent recurrence of similar problems which are to be done by Shoko as early as possible, recognize strengthening of group-wide risk management function as an urgent task, and further strengthen internal control of the Showa Denko Group.

- Decided not to renew reaction policy on large-scale share purchases

SDK decided not to renew its Reaction Policy on Large-scale Purchases of the Company's Stock Certificates (Reaction Policy), which was due to expire at the close of its 108th ordinary general meeting of shareholders held on March 30, 2017. SDK introduced the Reaction Policy at the 99th ordinary general meeting of shareholders held in March 2008, and maintained it until this March. However, SDK carefully studied the changes in social environment following the application of the Corporate Governance Code and other factors as well as their influence, and decided not to renew the Reaction Policy at its expiration date. SDK will continue its efforts to enhance its corporate value and the common interests of its shareholders. With regard to persons who intend to make large-scale purchases of SDK's stock certificates, SDK will ask them to provide sufficient information necessary for the shareholders in making an appropriate decision regarding the propriety of such large-scale purchases. At the same time, SDK will disclose the opinion of its Board of Directors, secure sufficient time for consideration by shareholders, and take other steps within the framework of relevant laws and regulations.

- Received “2016 Top 100 Global Innovators” Award, 2 years in a row

In January 2017, SDK received “The Clarivate Analytics 2016 Top 100 Global Innovators” award. Clarivate Analytics, formerly the Intellectual Property & Science business of Thomson Reuters, selected the top 100 global innovation-leading companies and organizations by utilizing strict and objective data compiled from its value-added patent citation database which is the world’s largest one in this category, its intellectual property intelligence platform, and the company’s original basis for evaluation. In the screening process of the award, Clarivate Analytics used scientific and objective methodology involving four main criteria of “patent volume,” “application-to-grant success,” “globalization” and “citation influence.” This time, Clarivate Analytics commended SDK’s high performance in “globalization” and “citation influence,” and rated the latter especially high. The Showa Denko Group has designated its intellectual property strategy as an important part of its overall business strategies. The Group will continue its intellectual property strategy through close integration with business and R&D strategies.

[Aluminum segment]

- Showa Aluminum Can decided to establish second production base in Vietnam

Showa Aluminum Can Corporation (SAC), a consolidated subsidiary of SDK, decided to establish its second base in Vietnam to produce aluminum cans, aiming to expand its business in that country. This new production base is to be located in Quang Nam Province, which occupies the mid-portion of Vietnam. Quang Nam Province is contiguous with Da Nang City, the largest city in the mid-portion of Vietnam. Many Vietnamese and foreign beverage manufacturers have decided to establish, or already established their factories in Quang Nam Province. At the new factory, SAC will install a line that can produce 700 million can bodies a year. In addition, synchronizing with this installation, SAC will install an additional line to produce can ends in Hanacans’ existing factory in the suburbs of Hanoi in northern Vietnam. Through the installation of these new lines, Hanacans’ capacity to produce can bodies and can ends in Vietnam will be expanded to that for 2 billion cans a year by October 2018. Since its acquisition of Hanacans, a can manufacturer of Vietnam, in May 2014, SAC has been introducing its leading-edge production technologies and quality control system into Hanacans, successfully expanding Hanacans’ sales in Vietnam. SAC will pursue further expansion of its aluminum can business in Vietnam through quickly and timely offer of products which meet needs of the market.

- Showa Denko Group to establish JV with Carabao Group in Thailand

In March 2017, SDK, Showa Aluminum Can Corporation (SAC), which is a consolidated subsidiary of SDK, and Carabao Group Public Company Limited (CBG), a beverage maker which has the second largest share in the energy drink market of Thailand, have agreed to establish a joint corporation to manufacture and sell aluminum cans. The Showa Denko Group aims to expand its overseas business operation, centering on Asia, and has investigated the feasibility of its entrance into another emerging country’s market after its entrance into the Vietnamese market. CBG is expected to continue expanding its business because it already has majority shares in the markets of many emerging countries including Cambodia, where increases in population and improvements in standards of living are expected. Thus SDK and SAC decided to establish the joint corporation with CBG. At the factory of the new company, we will install one production line with a capacity of 1 billion cans per year. The new company will supply aluminum cans to the adjacent factory of CBG to fill beverages into containers. Hanacans will have the right of priority to supply aluminum can lids to the new company. In its ongoing consolidated medium-term business plan “Project 2020+,” the Group classifies its aluminum can business into “Growth-accelerating” businesses.

2. Financial conditions for the January 1 – March 31, 2017 period (as compared with the conditions at December 31, 2016)

Total assets at the end of the quarter amounted to ¥941,008 million, an increase of ¥8,310 million from the level at December 31, 2016. Total assets were up due partly to increases in cash and deposits, and inventory. Total liabilities decreased ¥7,677 million, to ¥613,790 million, due partly to the decrease in notes and accounts payable-trade. Net assets at the end of the quarter increased ¥15,988 million, to ¥327,218 million, due partly to the posting of profit attributable to owners of parent at the end of the quarter.

3. Performance forecast

The consolidated performance forecast for full-year 2017 we announced on April 25, 2017 remains unchanged. As to the assumptions about the consolidated performance forecast, please refer to the Consolidated Financial Statements for the year ended December 31, 2016 which were announced on April 25, 2017.

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2016	Mar. 31, 2017	Mar. 31, 2017
Assets	¥	¥	$
Current assets			
Cash and deposits	69,914	76,171	678,945
Notes and accounts receivable-trade	143,816	138,020	1,230,235
Merchandise and finished goods	45,838	51,043	454,967
Work in process	8,576	8,643	77,041
Raw materials and supplies	36,933	37,108	330,761
Other	30,698	35,457	316,046
Allowance for doubtful accounts	(699)	(626)	(5,577)
Total current assets	335,077	345,817	3,082,418
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	77,446	77,296	688,973
Machinery, equipment and vehicles, net	110,213	112,478	1,002,567
Land	242,816	242,800	2,164,185
Other, net	56,660	50,340	448,703
Total property, plant and equipment	487,135	482,914	4,304,429
Intangible assets			
Other	11,712	11,664	103,969
Total intangible assets	11,712	11,664	103,969
Investments and other assets			
Investment securities	74,951	79,446	708,140
Other	32,630	29,881	266,339
Allowance for doubtful accounts	(8,807)	(8,713)	(77,666)
Total investments and other assets	98,775	100,613	896,812
Total noncurrent assets	597,621	595,192	5,305,210
Total assets	932,698	941,008	8,387,628
Liabilities			
Current liabilities			
Notes and accounts payable-trade	104,005	95,911	854,901
Short-term loans payable	66,895	69,963	623,612
Current portion of long-term loans payable	48,234	57,149	509,395
Commercial papers	5,000	17,000	151,529
Current portion of bonds	10,000	10,000	89,135
Provision	2,815	8,273	73,742
Other	73,843	69,196	616,775
Total current liabilities	310,792	327,493	2,919,089
Noncurrent liabilities			
Bonds payable	42,000	42,000	374,365
Long-term loans payable	187,800	166,845	1,487,162
Provision	4,012	1,587	14,147
Net defined benefit liability	21,923	21,184	188,822
Other	54,940	54,681	487,399
Total noncurrent liabilities	310,675	286,297	2,551,894
Total liabilities	621,467	613,790	5,470,983
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,252,906
Capital surplus	62,033	62,033	552,931
Retained earnings	65,358	80,022	713,274
Treasury stock	(10,502)	(10,504)	(93,624)
Total shareholders' equity	257,453	272,115	2,425,486
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,519	7,166	63,876
Deferred gains or losses on hedges	320	1,849	16,480
Revaluation reserve for land	31,026	31,026	276,547
Foreign currency translation adjustment	14,239	11,576	103,180
Remeasurements of defined benefit plans	(10,996)	(10,674)	(95,144)
Total accumulated other comprehensive income	39,107	40,942	364,938
Non-controlling interests	14,671	14,161	126,221
Total net assets	311,231	327,218	2,916,645
Total liabilities and net assets	932,698	941,008	8,387,628

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2016	2017	2017
	¥	¥	$
Net sales	155,996	183,193	1,632,878
Cost of sales	133,109	140,507	1,252,403
Gross profit	22,887	42,685	380,475
Selling, general and administrative expenses	20,030	22,987	204,893
Operating income	2,858	19,698	175,581
Non-operating income			
Interest income	88	181	1,612
Dividends income	213	237	2,113
Equity in earnings of affiliates	1,689	1,633	14,554
Miscellaneous income	1,064	757	6,744
Total non-operating income	3,054	2,807	25,024
Non-operating expenses			
Interest expenses	836	707	6,303
Foreign exchange losses	1,888	3,011	26,836
Miscellaneous expenses	1,513	1,078	9,605
Total non-operating expenses	4,237	4,795	42,743
Ordinary income	1,675	17,711	157,862
Extraordinary income			
Gain on sales of investment securities	—	165	1,471
Other	7	27	245
Total extraordinary income	7	192	1,715
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	733	649	5,788
Impairment loss	184	737	6,571
Provision for business structure improvement	391	—	—
Other	275	249	2,218
Total extraordinary losses	1,583	1,635	14,577
Loss before income taxes	99	16,268	145,000
Income taxes	(1,142)	1,310	11,676
Profit (loss)	1,241	14,958	133,325
Profit (loss) attributable to non-controlling interests	329	405	3,607
Profit (loss) attributable to owners of parent	912	14,553	129,718

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2016	2017	2017
	¥	¥	$
Profit (loss)	1,241	14,958	133,325
Other comprehensive income:			
Valuation difference on available-for-sale securities	(3,493)	2,700	24,067
Deferred gains or losses on hedges	(823)	1,548	13,801
Revaluation reserve for land	1,824	—	—
Foreign currency translation adjustments	(7,589)	(2,589)	(23,078)
Remeasurements of defined benefit plans, net of tax	77	326	2,904
Share of other comprehensive income of entities accounted for using equity method	(308)	(14)	(128)
Total other comprehensive income	(10,312)	1,971	17,567
Comprehensive income	(9,071)	16,928	150,891
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent	(9,063)	16,514	147,195
Comprehensive income attributable to non-controlling interests	(8)	415	3,696

(Reference)

SEGMENT INFORMATION (previous 1Q ended)

The operations of the Companies for the 3 Months ended March 31, 2016 and 2017 was summarised by industry segment as follows:

3 Months ended March 31, 2016	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥41,896	¥28,162	¥25,310	¥10,580	¥20,257	¥29,791	¥–	¥155,996
Inter-segment	1,047	3,979	984	1,778	1,719	1,610	(11,117)	–
Total	42,943	32,142	26,294	12,358	21,976	31,401	(11,117)	155,996
Operating income (loss)	¥1,512	¥2,543	¥1,941	(¥1,961)	¥225	¥246	(¥1,649)	¥2,858

3 Months ended March 31, 2017	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**¥62,409**	**¥29,124**	**¥28,973**	**¥11,003**	**¥21,520**	**¥30,163**	**¥–**	**¥183,193**
Inter-segment	2,196	4,225	701	2,082	2,064	1,853	(13,121)	–
Total	64,605	33,349	29,674	13,085	23,584	32,017	(13,121)	183,193
Operating income (loss)	**¥10,564**	**¥3,133**	**¥6,013**	**(¥80)**	**¥1,529**	**¥202**	**(¥1,663)**	**¥19,698**

3 Months ended March 31, 2017	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**$556,276**	**$259,598**	**$258,253**	**$98,078**	**$191,814**	**$268,860**	**$–**	**$1,632,878**
Inter-segment	19,574	37,659	6,248	18,558	18,397	16,519	(116,955)	–
Total	575,850	297,257	264,501	116,636	210,211	285,378	(116,955)	1,632,878
Operating income (loss)	**$94,162**	**$27,927**	**$53,596**	**($710)**	**$13,627**	**$1,804**	**($14,824)**	**$175,581**

LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017. The above data for 1Q 2016 and 1Q 2017 are based on this new segmentation.

SHOWA DENKO K.K.

May 10th, 2017

First Quarter, 2017 Consolidated Financial Results (Summary)

1. First Quarter Results

(1) Summary

〔First Half, 2017 forecast〕

(Unit: billions of yen)

Items	2016 CQ1 Jan.1 - Mar.31	2017 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2017 forecast*
Net Sales	156.0	183.2	27.2	373.0
Operating Income	2.9	19.7	16.8	29.0
Profit attributable to owners of Parent	0.9	14.6	13.6	16.0

*First Half 2017 forecast was announced on Apr. 25, 2017.

(2) Net sales and Operating Income by Segment

〔First Half, 2017 forecast〕

(Unit: billions of yen)

Segment		2016 CQ1 Jan.1 - Mar.31	2017 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2017 forecast*
Net Sales	Petrochemicals	42.9	64.6	21.7	123.0
	Chemicals	32.1	33.3	1.2	70.0
	Electronics	26.3	29.7	3.4	63.0
	Inorganics	12.4	13.1	0.7	28.0
	Aluminum	22.0	23.6	1.6	55.0
	Others	31.4	32.0	0.6	64.0
	Adjustments	-11.1	-13.1	-2.0	-30.0
	Total	156.0	183.2	27.2	373.0

Segment		2016 CQ1 Jan.1 - Mar.31	2017 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2017 forecast*
Operating Income	Petrochemicals	1.5	10.6	9.1	14.5
	Chemicals	2.5	3.1	0.6	6.0
	Electronics	1.9	6.0	4.1	10.0
	Inorganics	-2.0	-0.1	1.9	-1.0
	Aluminum	0.2	1.5	1.3	3.0
	Others	0.2	0.2	-0.0	0.5
	Adjustments	-1.6	-1.7	-0.0	-4.0
	Total	2.9	19.7	16.8	29.0

LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017.
The above data for 1Q 2016 and 1Q 2017 are based on this new segmentation.

2. Reference

Items	2016 CQ1 Jan.1 - Mar.31	2017 CQ1 Jan.1 - Mar.31	Increase/ decrease	2017 forecast
Exchange rate (yen/US$)	115.5	113.6	Yen appreciated by 1.8	1st Half 111.8 2nd Half 105.0
Domestic naphtha price (yen/kl)	34,300	41,800	7,500	1st Half 40,300 2nd Half 36,900

(Unit: billions of yen)

Items	Dec.31, 2015	Mar.31, 2017	Increase/ decrease
Total assets	932.7	941.0	8.3
Interest-bearing debt	359.9	363.0	3.0

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.