NEWS RELEASE

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SDK Revises 2017 Performance Forecasts; Records Extraordinary Loss

Showa Denko (SDK) (TOKYO: 4004) hereby announces revised forecasts of consolidated financial results for the first half of 2017 and full-year 2017. SDK announced the earlier forecasts on April 25, 2017, and decided this time to revise them, taking the recent business trends into consideration. SDK also announces that its board of directors decided today to record losses (a non-operating cost and an extraordinary loss) concerning P.T. Indonesia Chemical Alumina (ICA), to which equity method is applied.

1. Revised forecast of consolidated business results for January 1 – June 30, 2017

(Millions of yen, excepting net income attributable to owners of the parent per share)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share (¥)
Earlier forecast (A) (Announced on Apr. 25, 2017)	373,000	29,000	24,500	16,000	112.27
Revised forecast (B) (Announced on July 24, 2017)	376,000	34,000	21,000	8,500	59.64
(B) – (A)	3,000	5,000	-3,500	-7,500	
Percentage of changes	0.8%	17.2%	-14.3%	-46.9%	
Reference Results for January 1 – June 30, 2016	318,664	11,564	7,743	2,331	16.33

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above numbers, both for 2017 and 2016, are calculated on the basis of the number of outstanding shares after this consolidation.

[Reasons for the revision of consolidated performance forecast]
Net sales will be at the same level as the earlier forecast. Operating income in the Petrochemicals segment is expected to exceed the earlier forecast because a strong market continues, reflecting the tight supply-demand balance in the Asian market. Operating income in the Electronics segment will exceed the earlier forecast because shipment volumes of HD media remain strong. Operating income in the Chemicals and Inorganics segments will also exceed the earlier forecast.

Though the operating income is expected to exceed the earlier forecast, ordinary income will be lower than the earlier forecast due to the recording of a loss of about ¥10 billion on investment to ICA, which is under the application of the equity method.

Net income attributable to owners of the parent will be lower than the earlier forecast due to the recording of an extraordinary loss of about ¥6.7 billion concerning ICA.

2. Recording of a loss concerning companies under the application of equity method (non-operating cost, extraordinary loss)

ICA, in which SDK holds a 20% stake, operates an alumina plant located in Tayan District, West Kalimantan, Indonesia. Recently, SDK has been discussing about the way to manage the plant of ICA in the future with ANTAM, which is the parent company of ICA. However, there is still a great difference between the shareholders' opinions on new terms and conditions to revive ICA. Thus SDK judged it is difficult for the two parties to reach an agreement on this matter in the future.

In consideration of these circumstances, at the meeting of the Board of Directors held today, SDK decided to report, in its financial statements for the second quarter of 2017, a loss on investment to companies under the application of equity method (non-operating cost) with regard to ICA, and an extraordinary loss on the whole amount of SDK's surety obligations and long term loans to ICA at the end of June 2017. SDK also decided to start negotiations with ANTAM and/or third party for the sale of the whole shares of ICA that SDK holds now.

(1) Non-operating cost	Loss on investment to companies under the application of equity method	About ¥10.0 billion
(2) Extraordinary loss		About ¥6.7 billion
(1)+(2)		About ¥16.7 billion

[Outline of P.T. Indonesia Chemical Alumina]

(1)	Company name	P.T. Indonesia Chemical Alumina
(2)	Locations	Head office: Jakarta, Indonesia Plant: Tayan District, West Kalimantan, Indonesia
(3)	Representative	President, Anas Safriatna
(4)	Capital	US$188,500 thousand
(5)	Shareholders	PT ANTAM (Persero) Tbk (80%); Showa Denko K.K. (20%)
(6)	Establishment	February 2007
(7)	Products	Alumina and aluminum hydroxide

3. Revised forecast of consolidated business results for January 1 – December 31, 2017

(Millions of yen, excepting net income attributable to owners of the parent per share)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income attributable to owners of the parent per share (¥)
Earlier forecast (A) (Announced on Apr. 25, 2017)	745,000	54,500	47,500	25,000	175.42
Revised forecast (B) (Announced on July 24, 2017)	762,000	60,000	43,500	21,000	147.34
(B) – (A)	17,000	5,500	-4,000	-4,000	
Percentage of changes	2.3%	10.1%	-8.4%	-16.0%	
Reference Results for January 1 – December 31, 2016	671,159	42,053	38,690	12,305	86.27

[Reasons for the revision of consolidated performance forecast]

Net sales in the Petrochemicals segment will exceed the earlier forecast because actual market prices of petrochemical products in the first half of the year were higher than those assumed in the earlier forecast. In the Electronics segment, shipment volumes of HD media remain strong. As a result, overall net sales are expected to exceed the earlier forecast.

Operating income in the Petrochemicals segment is expected to exceed the earlier forecast because the spread of petrochemical products exceeded the earlier forecast especially in the first half of the year. Operating income in the Electronics segment will exceed the earlier forecast as the full-year shipment volumes of HD media are expected to be higher than the earlier forecast. Operating income in the Inorganics segment will also increase because the supply-demand balance of graphite electrodes in the Asian market is expected to become tighter.

Ordinary income will be lower than the earlier forecast because the Company has decided to report, in its financial statements for the second quarter of 2017, a loss on investment to companies under the application of equity method with regard to ICA, though operating income is expected to exceed the earlier forecast.

Net income attributable to owners of the parent is expected to be lower than the earlier forecast due partly to the Company's decision to report an extraordinary loss with regard to ICA in its financial statements for the second quarter of 2017, in addition to the expected reporting of ordinary income lower than the earlier forecast.

The revised forecast stated above is based on the assumption that the exchange rate and the domestic naphtha price will be ¥105/$ and ¥38,000/KL for the second half of 2017, respectively.

There is no change in the forecast of paying dividends of ¥30 per share.

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

Net sales (in 100 millions of yen)

Segment	Performance forecast for 2017 (Consolidated)			2016 actual results (Jan. - Dec. 2016)
	Earlier forecast (Jan. - Dec. 2017) Announced on Apr. 25, 2017	Revised forecast (Jan. - Dec. 2016) Announced on July 24, 2017	Increase/ decrease	
Petrochemicals	2,350	2,400	50	1,858
Chemicals	1,450	1,480	30	1,345
Electronics	1,230	1,300	70	1,033
Inorganics	570	560	-10	509
Aluminum	1,060	1,050	-10	986
Others	1,340	1,310	-30	1,424
Adjustments	-550	-480	70	-443
Total	7,450	7,620	170	6,712

Operating income

Petrochemicals	235	250	15	207
Chemicals	150	150	0	138
Electronics	185	220	35	139
Inorganics	-10	0	10	-58
Aluminum	60	60	0	44
Others	5	0	-5	18
Adjustments	-80	-80	0	-68
Total	545	600	55	421

On and after January 1, 2017, SDK changed the segment to which its “LIB materials business” belongs to from “Others” to “Electronics.” However, “2016 actual results” in the tables above are based on the previous segmentation.

Note: The above forecasts are 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 forecasts 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.

The above forecasts do 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.

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