SHOWA DENKO K.K.

Consolidated Financial Statements

For the first half year (January 1 to June 30, 2017)

Ⅰ. Consolidated Financial Results

Aug. 8th, 2017

(1) Results of operations:

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

	Results for the first half year (Jan.1–Jun.30)			
	2016	**2017**	Increase (Decrease)	**2017**
	¥	**¥**	%	**$**
Net sales	318,664	**372,193**	16.8	**3,323,149**
Operating income	11,564	**35,027**	202.9	**312,740**
Ordinary income	7,743	**22,238**	187.2	**198,553**
Net income attributable to owners of the parent	2,331	**7,837**	236.2	**69,969**
Net income attributable to owners of the parent per share: Basic	16.33	**54.98**	—	**0.49**
Net income attributable to owners of the parent per share: Diluted	—	**—**	—	**—**

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above-mentioned "per share" indicators are calculated on the assumption that the share consolidation had been carried out at the beginning of 2016.

Notes

Important changes in accounting policies : not applicable

Comprehensive income :

Results for the year ended January 1 to June 30,2017 ¥11,743million

Results for the year ended January 1 to June 30,2016 ¥-19,552million

(2) Financial position:

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

	Dec.31, 2016	**Jun.30, 2017**	**Jun.30, 2017**
	¥	**¥**	**$**
Total assets	932,698	**929,135**	**8,295,847**
Total equity	311,231	**317,598**	**2,835,699**
	%	**%**	**%**
Stockholders' equity ratio	31.8	**32.6**	**32.6**

(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 resolved payment of dividends of ¥30 per share based on the record date of May 11, 2017 at the extraordinary general meeting of shareholders held on June 27, 2017, and paid dividends on the next day.

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

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

	fiscal year	
	¥	$
Net sales	762,000	6,803,571
Operating income	60,000	535,714
Ordinary income	43,500	388,393
Net income attributable to owners of the parent	21,000	187,500
Net income attributable to owners of the parent per share: Basic	147.34	1.32

*There is no change from the full-year 2017 performance forecast announced on July 24, 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 ¥112.00 throughout this statement for convenience only.

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

(1) Summary

During the first half of 2017 (January 1 - June 30), the Japanese economy continued to recover gradually. Export and production recovered. Backed by the good employment situation, consumer spending also recovered gradually. 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. The Chinese economy showed signs of recovery. The economies of ASEAN countries also showed signs of recovery. The economies of resource-producing countries including Russia and Brazil bottomed out and showed 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, production of parts/materials maintained high levels due to increasing demand for semiconductors 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 ¥372,193 million in the first half of 2017, up 16.8% from the same period of the previous year. Sales increased in all segments. In the Petrochemicals segment, sales significantly increased due to the consolidation of SunAllomer Ltd. in the second half of 2016. In the Electronics segment, sales increased due to the increase in shipment volumes of HD media.

Operating income of the Group substantially increased by 202.9%, to ¥35,027 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 ¥22,238 million, up 187.2%. Though the Group recorded a loss on investment to companies under the application of equity method with regard to P.T. Indonesia Chemical Alumina (ICA), the Group’s ordinary income increased in the end.

The Group recorded net income attributable to owners of the parent of ¥7,837 million in the first half of 2017, up 236.2% from the same period of the previous year. The group recorded an extraordinary loss due partly to the posting of a loss on provision of allowance for doubtful accounts with regard to ICA. Corporate tax and other expenses also increased. However, the Group’s net income attributable to owners of the parent increased in the end.

(Unit: millions of yen)

	1H 2016	1H 2017	Increase/decrease
Sales	318,664	372,193	53,529
Operating income	11,564	35,027	23,463
Ordinary income	7,743	22,238	14,495
Net income attributable to owners of the parent	2,331	7,837	5,506

(2) A breakdown of net sales and operating income by segment (January 1 - June 30, 2017)

[Petrochemicals segment]
In the Petrochemicals segment, sales increased 44.0%, to ¥123,924 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, centering on the first quarter. Sales of organic chemicals increased due partly to higher shipment volumes and a rise in prices of products including vinyl acetate. Consolidation of SunAllomer Ltd. in the second half of 2016 also increased the sales of the segment. Operating income of the segment increased 119.3%, to ¥16,157 million.

(Unit: millions of yen)

	1H 2016	1H 2017	Increase/decrease
Sales	86,044	123,924	37,880
Operating income	7,366	16,157	8,791

[Chemicals segment]
In the Chemicals segment, sales increased 8.0%, to ¥70,116 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 slightly increased. 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. Sales of functional chemicals increased due to higher shipment volumes for use in the domestic automotive industry. However, sales of industrial gases slightly decreased. Operating income of the segment rose 26.0%, to ¥6,891 million.

(Unit: millions of yen)

	1H 2016	1H2017	Increase/decrease
Sales	64,913	70,116	5,203
Operating income	5,470	6,891	1,421

[Electronics segment]
In the Electronics segment, sales increased 13.7%, to ¥62,971 million. Production of HD media in the first half increased from the same period of the previous year due to 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 increased from the previous year due to higher shipment volumes. 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 in the first quarter. Operating income of the segment increased 155.1%, to ¥12,144 million.

(Unit: millions of yen)

	1H 2016	1H 2017	Increase/decrease
Sales	55,381	62,971	7,590
Operating income	4,760	12,144	7,384

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

[Inorganics segment]
In the Inorganics segment, sales increased 6.8%, to ¥26,585 million. Production of graphite electrodes increased from the same period of the previous year due to an improvement in the situation of the electric steel industry as the customer. Sales of graphite electrodes slightly increased due to an increase in shipment volumes resulting from an increase in production in the electric steel industry. Sales of ceramics increased due to an increase in shipment volumes for the steel and electronics industries. The segment recorded operating income of ¥143 million, an improvement of ¥4,493 million.

(Unit: millions of yen)

	1H 2016	1H 2017	Increase/decrease
Sales	24,903	26,585	1,681
Operating income	-4,350	143	4,493

[Aluminum segment]
In the Aluminum segment, sales increased 6.5%, to ¥50,880 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 foil for aluminum electrolytic capacitors for use in home electrical appliances and automotive applications. Sales of aluminum specialty components increased due partly to higher shipment volumes for use in railcars and laser-beam printers. Sales of aluminum cans increased due to higher shipment volumes recorded by Hanacans Joint Stock Company of Vietnam. Operating income of the segment increased 120.0%, to ¥3,237 million.

(Unit: millions of yen)

	1H 2016	1H 2017	Increase/decrease
Sales	47,778	50,880	3,101
Operating income	1,471	3,237	1,765

[Others segment]
In the Others segment, sales increased 3.2%, to ¥65,038 million. Shoko Co., Ltd.'s sales slightly increased. Operating income of the segment decreased to ¥70 million, down 78.5%, due partly to a decrease in operating income of Shoko Co., Ltd. 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)

	1H 2016	1H 2017	Increase/decrease
Sales	63,026	65,038	2,012
Operating income	327	70	-257

LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017. The above data for 1H 2016 and 1H 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, until 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.

In order to examine the issue from professional and objective point of view, Shoko established the Special Examination Committee including outside experts. On April 17, 2017, Shoko disclosed the results of the examination reported by the Committee. 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.

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. However, SDK had an extraordinary general meeting of shareholders on June 27, 2017 based on the record date of May 11, 2017, submitted business report, consolidated financial statements, and other related documents for the fiscal year ended in December 2016, and paid dividend of ¥30 per share.

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

On June 26, Shoko submitted the “Report on the Reform Plan” which had been required by the Tokyo Stock Exchange, and reported the details of the issue and the results of the special examination. Shoko will implement its plan for improvement including establishment of procedure for M&A, revision of its rules on credit management, and strengthening of the organization responsible for internal control and inspection, as scheduled in the Report on the Reform Plan.

SDK will give full support to Shoko’s implementation of the Reform Plan, 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.

- Incorporated into ESG indexes for investment

In July 2017, SDK was incorporated into three ESG indexes for investment: "FTSE Blossom Japan Index" provided by FTSE International Limited and Frank Russel Company (FTSE Russell, a member of London Stock Exchange Group); and "MSCI Japan ESG Select Leaders Index" and "MSCI Japan Empowering Women Index" provided by MSCI Incorporated (MSCI). FTSE Russell and MSCI are world-famous index providers, and ESG stands for "environmental, social and governance." Government Pension Investment Fund (GPIF) of Japan has adopted these three ESG indexes as benchmarks to conduct full-scale ESG conscious investment. FTSE Blossom Japan Index is designed to provide market participants with a tool to identify and measure the performance of Japanese companies that demonstrate strong environmental, social and governance (ESG) practices. MSCI Japan ESG Select Leaders Index is constructed using the MSCI Japan IMI Top 500 Index (parent index) and targets best ESG performers among issues included in the parent index. MSCI Japan Empowering Women Index evaluates companies promoting and maintaining gender diversity. In addition to these three ESG indexes, SDK has been included in the "Morningstar Socially Responsible Investment (SRI) Index," which is provided by Morningstar Japan K.K., for four consecutive years and the "SNAM Sustainability Index," which is provided by Sompo Japan Nipponkoa Asset Management Co., Ltd., for six consecutive years.

[Inorganics segment]

- Decided to sell the whole shares of ICA

ICA, in which SDK holds a 20% stake, operates an alumina plant located in Tayan District, West Kalimantan, Indonesia. Recently, SDK discussed about the way to manage the plant of ICA in the future with ANTAM, which is the parent company of ICA. However, there was 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 on July 24, 2017, 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. With regard to our ceramics business in the future, we will focus on high value-added products including heavy duty grinding materials, filler for electronic parts, and titanium oxides for ceramic capacitors.

(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

[Aluminum segment]

- Decided to expand high-purity aluminum foil plant in China

SDK decided to increase its capacity in China to produce high-purity aluminum foil, which is a major material for aluminum electrolytic capacitors. SDK will increase the capacity of Showa Denko Aluminum (Nantong) Co., Ltd. (SDAN) to produce high-purity aluminum foil from 600 tons per month to 800 tons per month, and start operation of the expanded plant in November 2017. In China, backed by increasing demand for solar batteries and industrial machines for automation, and also backed by rapid electrification of cars, the market for high capacitance and high strength aluminum foil produced by SDAN has been rapidly expanding. SDAN has been conducting final processing of rolled aluminum foil supplied from SDK's Sakai Plant as intermediate product, and SDAN's factory continues to operate at full capacity these days. In order to ensure stable supply of high-purity aluminum foil to the growing Chinese market, SDK decided to increase SDAN's production capacity. On the other hand, Showa Denko Group's total capacity to produce high-purity aluminum foil, which is the aggregate of the capacity of SDK's Sakai Plant and that of SDAN, will be maintained at 3000 tons per month. Aluminum electrolytic capacitors are used in wide areas such as electric appliances, IT devices, electric vehicles, hybrid cars and equipment for power generation utilizing renewable energy sources. The demand for aluminum electrolytic capacitors is expected to increase especially in the fields of environment and energy.

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

Showa Aluminum Can Corporation (SAC), a consolidated subsidiary of SDK, acquired Hanacans Joint Stock Company, a can manufacturer of Vietnam, in May 2014. Since then, SAC has been introducing its leading-edge production technologies and quality control system into Hanacans, and successfully expanding Hanacans' sales in Vietnam. In February 2017, SAC decided to establish Hanacans' second base to produce aluminum cans, aiming to expand its business in Vietnam further. 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. 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 established JV with Carabao Group in Thailand

SDK, Showa Aluminum Can Corporation (SAC), which is a consolidated subsidiary of SDK, and Carabao Group Public Company Limited (CBG), which is a beverage maker and has the second largest share in the energy drink market of Thailand, agreed in March 2017 to establish "Asia Pacific Can Company Limited" (APC) as a joint corporation to manufacture and sell aluminum cans, and established APC in June 2017. The Showa Denko Group positions its aluminum can business as a "Growth-accelerating" business, 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 APC, we will install one production line with production capacity of 1 billion cans per year. APC 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.

2. Financial conditions for the January 1 - June 30, 2017 period (as compared with the conditions at December 31, 2016)

a) Situation of assets, liabilities and net assets

Total assets at June 30, 2017 amounted to ¥929,135 million, a decrease of ¥3,563 million from the level at December 31, 2016. Total assets were down due partly to decreases in notes and accounts receivable-trade and long-term loans to companies under the application of equity method. Total liabilities decreased ¥9,930 million, to ¥611,537 million, due partly to decreases in interest-bearing debts and notes and accounts payable-trade. Net assets at June 30, 2017 amounted to ¥317,598 million, an increase of ¥6,367 million from the level at December 31, 2016, due partly to the recording of net income attributable to owners of the parent.

b) Situation of cash flows

Net cash provided by operating activities during the first half of 2017 amounted to ¥42,965 million, an increase of ¥21,999 million from the same period of the previous year, due partly to the increase in the income before income taxes and minority interests. Net cash used in investing activities decreased ¥22,298 million from the same period of the previous year, to ¥11,308 million, due partly to the decrease in payments into time deposits and the increase in proceeds from withdrawal of time deposits. Thus free cash flow ended up in the proceeds of ¥31,657 million, an improvement of ¥44,296 million from the same period of the previous year. Cash flows from financing activities ended up in the expenditure of ¥16,209 million, an increase in expenditure of ¥16,278 million from the same period of the previous year, due partly to the decrease in interest-bearing debts. As a result, after the effects of exchange rate fluctuations are taken into account,

cash and cash equivalents at the end of the first half year period increased ¥15,962 million from the level at December 31, 2016, to ¥72,147 million.

3. Performance forecast

The consolidated performance forecast for full-year 2017 we announced on July 24, 2017 remains unchanged. As to the assumptions and details about the consolidated performance forecast, please refer to “SDK Revises 2017 Performance Forecasts; Records Extraordinary Loss” which was announced on July 24, 2017.

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 (¥)
Forecast for the full year (Announced on July 24, 2017)	762,000	60,000	43,500	21,000	147.34
(Reference) Results for January 1 – December 31, 2016	671,159	42,053	38,690	12,305	86.27

The 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.

The forecast stated above 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 August 8, 2017.

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2016	Jun. 30, 2017	Jun. 30, 2017
Assets	¥	¥	$
Current assets			
Cash and deposits	69,914	76,488	682,927
Notes and accounts receivable-trade	143,816	139,199	1,242,844
Merchandise and finished goods	45,838	49,596	442,824
Work in process	8,576	9,220	82,319
Raw materials and supplies	36,933	35,475	316,738
Other	30,698	35,829	319,905
Allowance for doubtful accounts	(699)	(2,108)	(18,823)
Total current assets	335,077	343,698	3,068,735
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	77,446	78,581	701,619
Machinery, equipment and vehicles, net	110,213	127,650	1,139,734
Land	242,816	242,759	2,167,495
Other, net	56,660	34,567	308,635
Total property, plant and equipment	487,135	483,558	4,317,483
Intangible assets			
Other	11,712	11,806	105,415
Total intangible assets	11,712	11,806	105,415
Investments and other assets			
Investment securities	74,951	76,118	679,629
Other	32,630	23,446	209,339
Allowance for doubtful accounts	(8,807)	(9,492)	(84,754)
Total investments and other assets	98,775	90,072	804,214
Total noncurrent assets	597,621	585,437	5,227,112
Total assets	932,698	929,135	8,295,847
Liabilities			
Current liabilities			
Notes and accounts payable-trade	104,005	102,525	915,402
Short-term loans payable	66,895	66,924	597,534
Current portion of long-term loans payable	48,234	60,167	537,202
Commercial papers	5,000	17,000	151,786
Current portion of bonds	10,000	—	—
Provision	2,815	6,140	54,817
Other	73,843	76,260	680,890
Total current liabilities	310,792	329,015	2,937,631
Noncurrent liabilities			
Bonds payable	42,000	42,000	375,000
Long-term loans payable	187,800	162,412	1,450,110
Provision	4,012	5,221	46,616
Net defined benefit liability	21,923	20,362	181,807
Other	54,940	52,526	468,985
Total noncurrent liabilities	310,675	282,522	2,522,517
Total liabilities	621,467	611,537	5,460,148
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,255,031
Capital surplus	62,033	61,663	550,563
Retained earnings	65,358	69,080	616,784
Treasury stock	(10,502)	(10,495)	(93,701)
Total shareholders' equity	257,453	260,812	2,328,677
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,519	7,633	68,150
Deferred gains or losses on hedges	320	1,510	13,479
Revaluation reserve for land	31,026	31,026	277,016
Foreign currency translation adjustment	14,239	12,152	108,503
Remeasurements of defined benefit plans	(10,996)	(10,387)	(92,740)
Total accumulated other comprehensive income	39,107	41,934	374,408
Non-controlling interests	14,671	14,853	132,614
Total net assets	311,231	317,598	2,835,699
Total liabilities and net assets	932,698	929,135	8,295,847

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first half year (Jan.1-Jun.30)		
	2016	2017	2017
	¥	¥	$
Net sales	318,664	372,193	3,323,149
Cost of sales	267,007	289,896	2,588,354
Gross profit	51,657	82,297	734,795
Selling, general and administrative expenses	40,093	47,270	422,055
Operating income	11,564	35,027	312,740
Non-operating income			
Interest income	174	279	2,487
Dividends income	502	561	5,006
Equity in earnings of affiliates	2,704	—	—
Rent income on noncurrent assets	795	694	6,200
Miscellaneous income	856	845	7,541
Total non-operating income	5,031	2,378	21,234
Non-operating expenses			
Interest expenses	1,609	1,454	12,980
Equity in losses of affiliates	—	8,728	77,928
Miscellaneous expenses	7,243	4,985	44,512
Total non-operating expenses	8,852	15,167	135,421
Ordinary income	7,743	22,238	198,553
Extraordinary income			
Gain on sales of noncurrent assets	329	61	547
Gain on sales of investment securities	69	165	1,473
Other	60	4	35
Total extraordinary income	458	230	2,056
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	2,032	1,176	10,498
Provision of allowance for doubtful accounts	—	2,162	19,308
Provision for loss on guarantees	—	4,026	35,944
Other	4,031	2,274	20,301
Total extraordinary losses	6,062	9,638	86,050
Profit before income taxes	2,139	12,831	114,559
Income taxes	(762)	4,184	37,358
Net income	2,901	8,647	77,201
Net income attributable to non-controlling interests	570	810	7,232
Net income attributable to owners of the parent	2,331	7,837	69,969

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first half year (Jan.1-Jun.30)		
	2016	2017	2017
	¥	¥	$
Profit (loss)	2,901	8,647	77,201
Other comprehensive income:			
Valuation difference on available-for-sale securities	(5,337)	3,222	28,771
Deferred gains or losses on hedges	(977)	1,210	10,802
Revaluation reserve for land	1,824	—	—
Foreign currency translation adjustments	(18,052)	(1,974)	(17,628)
Remeasurements of defined benefit plans, net of tax	796	617	5,506
Share of other comprehensive income of entities accounted for using equity method	(706)	22	193
Total other comprehensive income	(22,453)	3,096	27,644
Comprehensive income	(19,552)	11,743	104,845
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	(19,474)	10,789	96,326
Comprehensive income attributable to non-controlling interests	(78)	954	8,519

Consolidated Statements of Cash Flows

(¥ in millions, US$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2016	2017	2017
	¥	¥	$
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	2,139	12,831	114,559
Depreciation and amortization	19,596	18,692	166,890
Impairment loss	1,552	1,349	12,041
Amortization of negative goodwill	(3)	(4)	(38)
Increase (decrease) in allowance for doubtful accounts	(1,276)	2,204	19,677
Increase (decrease) in provision for loss on guarantees	-	4,026	35,944
Increase (decrease) in net defined benefit liability	(2,206)	(1,634)	(14,588)
Interest and dividends income	(676)	(839)	(7,493)
Interest expenses	1,609	1,454	12,980
Equity in (earnings) losses of affiliates	(2,704)	8,728	77,928
Loss (gain) on sales and valuation of investment securities	(58)	(142)	(1,265)
Loss on retirement of noncurrent assets	2,016	1,161	10,365
Loss (gain) on sales of noncurrent assets	(313)	(46)	(415)
Decrease (increase) in notes and accounts receivable-trade	21,796	4,470	39,914
Decrease (increase) in inventories	5,580	(3,354)	(29,949)
Increase (decrease) in notes and accounts payable-trade	(16,741)	(2,086)	(18,625)
Other, net	(8,533)	(1,824)	(16,286)
Subtotal	21,778	44,984	401,638
Interest and dividends income received	3,093	2,347	20,956
Interest expenses paid	(1,574)	(1,354)	(12,091)
Income taxes paid	(2,330)	(3,012)	(26,889)
Net cash provided by (used in) operating activities	20,966	42,965	383,614
Net cash provided by (used in) investing activities			
Payments into time deposits	(17,072)	(9,528)	(85,075)
Proceeds from withdrawal of time deposits	8,440	19,195	171,381
Purchase of property, plant and equipment	(20,744)	(19,260)	(171,964)
Proceeds from sales of property, plant and equipment	487	135	1,206
Purchase of investment securities	(362)	(1,121)	(10,007)
Proceeds from sales of investment securities	153	674	6,018
Net decrease (increase) in short-term loans receivable	(205)	(66)	(593)
Payments of long-term loans receivable	(2,684)	(91)	(812)
Collection of long-term loans receivable	107	134	1,194
Other, net	(1,724)	(1,378)	(12,307)
Net cash provided by (used in) investing activities	(33,605)	(11,308)	(100,960)
Net increase (decrease) in short-term loans payable	(195)	429	3,830
Net increase (decrease) in commercial papers	5,000	12,000	107,143
Proceeds from long-term loans payable	27,669	6,396	57,110
Repayment of long-term loans payable	(25,836)	(19,127)	(170,775)
Redemption of bonds	-	(10,000)	(89,286)
Cash dividends paid	(4,256)	(3,800)	(33,929)
Cash dividends paid to non controlling shareholders	(319)	(1,275)	(11,382)
Other, net	(1,994)	(832)	(7,431)
Net cash provided by (used in) financing activities	69	(16,209)	(144,721)
Effect of exchange rate change on cash and cash equivalents	(3,845)	(183)	(1,633)
Net increase (decrease) in cash and cash equivalents	(16,414)	15,266	136,301
Cash and cash equivalents at beginning of period	54,597	56,186	501,657
Increase in cash and cash equivalents from newly consolidated subsidiary	136	696	6,213
Cash and cash equivalents at end of period	38,318	72,147	644,170

(Reference)

SEGMENT INFORMATION (previous 2Q ended)

The operations of the Companies for the 6 Months ended June 30, 2016 and 2017 was summarised by industry segment as follows:

6 Months ended June 30, 2016	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥83,757	¥56,786	¥53,243	¥21,411	¥43,846	¥59,620	¥–	¥318,664
Inter-segment	2,286	8,127	2,138	3,492	3,932	3,406	(23,381)	–
Total	86,044	64,913	55,381	24,903	47,778	63,026	(23,381)	318,664
Operating income (loss)	¥7,366	¥5,470	¥4,760	(¥4,350)	¥1,471	¥327	(¥3,480)	¥11,564

6 Months ended June 30, 2017	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**¥119,107**	**¥61,519**	**¥61,378**	**¥22,448**	**¥46,543**	**¥61,198**	**¥–**	**¥372,193**
Inter-segment	**4,817**	**8,597**	**1,593**	**4,137**	**4,337**	**3,840**	**(27,321)**	**–**
Total	**123,924**	**70,116**	**62,971**	**26,585**	**50,880**	**65,038**	**(27,321)**	**372,193**
Operating income (loss)	**¥16,157**	**¥6,891**	**¥12,144**	**¥143**	**¥3,237**	**¥70**	**(¥3,614)**	**¥35,027**

6 Months ended June 30, 2017	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**$1,063,452**	**$549,281**	**$548,017**	**$200,425**	**$415,559**	**$546,415**	**$–**	**$3,323,149**
Inter-segment	**43,010**	**76,757**	**14,223**	**36,938**	**38,723**	**34,286**	**(243,936)**	**–**
Total	**1,106,462**	**626,038**	**562,240**	**237,362**	**454,282**	**580,701**	**(243,936)**	**3,323,149**
Operating income (loss)	**$144,256**	**$61,528**	**$108,424**	**$1,276**	**$28,900**	**$627**	**($32,272)**	**$312,740**

SHOWA DENKO K.K.

Aug. 8, 2017

First Half, 2017 Consolidated Financial Results (Summary)

Ⅰ. First Half 2017 Results

1. Summary

(Unit: billions of yen, except for net income attributable to owners of the parent per share and stockholders' equity per share)

Items	1st half, 2016 (Jan.-Jun.)	1st half, 2017 (Jan.-Jun.)	Increase/ decrease
Net Sales	318.7	372.2	53.5
Operating Income	11.6	35.0	23.5
Net income attributable to owners of the parent	2.3	7.8	5.5
Net income attributable to owners of the parent per share	¥16.33	¥54.98	¥38.65
Stockholders' equity per share	¥1,911.54	¥2,124.14	¥212.60

SDK consolidated every ten shares of its common stock into one share on July 1, 2016. The above-mentioned "per share" indicators are calculated on the assumption that the share consolidation had been carried out at the beginning of 2016.

2. Net Sales and Operating Income by Segment

(Unit: billions of yen)

Segment		1st half, 2016 (Jan.-Jun.)	1st half, 2017 (Jan.-Jun.)	Increase/ decrease	CQ1, 2017 (Jan. - Mar.)	CQ2, 2017 (Apr. - Jun.)
Net Sales	Petrochemicals	86.0	123.9	37.9	64.6	59.3
	Chemicals	64.9	70.1	5.2	33.3	36.8
	Electronics	55.4	63.0	7.6	29.7	33.3
	Inorganics	24.9	26.6	1.7	13.1	13.5
	Aluminum	47.8	50.9	3.1	23.6	27.3
	Others	63.0	65.0	2.0	32.0	33.0
	Adjustments	-23.4	-27.3	-3.9	-13.1	-14.2
	Total	318.7	372.2	53.5	183.2	189.0
Operating Income	Petrochemicals	7.4	16.2	8.8	10.6	5.6
	Chemicals	5.5	6.9	1.4	3.1	3.8
	Electronics	4.8	12.1	7.4	6.0	6.1
	Inorganics	-4.4	0.1	4.5	-0.1	0.2
	Aluminum	1.5	3.2	1.8	1.5	1.7
	Others	0.3	0.1	-0.3	0.2	-0.1
	Adjustments	-3.5	-3.6	-0.1	-1.7	-2.0
	Total	11.6	35.0	23.5	19.7	15.3

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

3. Cash Flow (Consolidated)

(Unit: billions of yen)

Cash Flows from:	1st half, 2016 (Jan.-Jun.)	1st half, 2017 (Jan.-Jun.)	Increase/ decrease
Operating Activities	21.0	43.0	22.0
Investing Activities	-33.6	-11.3	22.3
Free Cash Flow	-12.6	31.7	44.3
Financing Activities	0.1	-16.2	-16.3
Others	-3.8	-0.2	3.7
Net increase in Cash	-16.4	15.3	31.7

4. Reference (Consolidated)

(Unit: billions of yen)

Items	1st half, 2016 (Jan.-Jun.)	1st half, 2017 (Jan.-Jun.)	Increase/ decrease	
Capital expenditures	16.9	17.4	0.5	
Depreciation and amortization	19.6	18.7	-0.9	
R&D expenditures	8.7	9.0	0.3	
Gap between interest/dividend income and interest expense	-0.9	-0.6	0.3	
Total number of employees	10,147	10,097	-50	
Exchange rate (yen/US$)	111.8	112.4	0.6	Yen depreciated
Domestic naphtha price (yen/kl)	33,000	40,500	7,500	

Items	Dec. 31, 2017	Jun. 30, 2017	Increase/ decrease
Total assets	932.7	929.1	-3.6
Interest bearing debt	359.9	348.5	-11.4

SHOWA DENKO K.K.

Ⅱ. Forecast for 2017

1. Summary

(Unit: billions of yen, except for net income attributable to owners of the parent per share and cash dividends per share)

Items	2016	2017 Revised forecast	Increase/ decrease
Net Sales	671.2	762.0	90.8
Operating Income	42.1	60.0	17.9
Net income attributable to owners of the parent	12.3	21.0	8.7
Net income attributable to owners of the parent per share	¥86.27	¥147.34	¥61.07
Cash dividends per share *	—	(planned) ¥30.00	-

*SDK resolved payment of dividends of Yen 30 per share based on the record date of May 11, 2017 at the extraordinary general meeting of shareholders held on June 27, 2017, and paid dividends on the next day.

(Note) 2017 forecast was revised on July 24, 2017.

2. Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2016	2017 Revised forecast	Increase/ decrease
Net Sales	Petrochemicals	185.8	240.0	54.2
	Chemicals	134.5	148.0	13.5
	Electronics	120.5	130.0	9.5
	Inorganics	50.9	56.0	5.1
	Aluminum	98.6	105.0	6.4
	Others	128.7	131.0	2.3
	Adjustments	-47.8	-48.0	-0.2
	Total	671.2	762.0	90.8
Operating Income	Petrochemicals	20.7	25.0	4.3
	Chemicals	13.8	15.0	1.2
	Electronics	15.0	22.0	7.0
	Inorganics	-5.8	0.0	5.8
	Aluminum	4.4	6.0	1.6
	Others	0.6	0.0	-0.6
	Adjustments	-6.8	-8.0	-1.2
	Total	42.1	60.0	17.9

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

Ⅲ. Reference

Items	2016	2017 Revised forecast	Increase/ decrease
Capital expenditures	39.3	48.3	9.0
Depreciation and amortization	38.8	38.6	-0.1
R&D expenditures	17.3	18.9	1.6
Interest-bearing debt	359.9	335.0	-24.9
Gap between interest / dividend income and interest expense	-1.6	-1.4	0.2
Total number of employees	10,146	10,258	112
Exchange rate (yen/US$)	(1st half) 111.8 (2nd half) 105.9	(1st half) 112.4 (2nd half) 105.0	(1st half) 0.6 Yen depreciated (2nd half) -0.9 Yen appreciated
Domestic naphtha price (yen/kl)	(1st half) 33,000 (2nd half) 32,700	(1st half) 40,500 (2nd half) 38,000	(1st half) 7,500 (2nd half) 5,300

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. Performance 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.