# *NEWS RELEASE*

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## Showa Denko Revises 2017 Performance Forecast

Showa Denko (SDK) (TOKYO: 4004) hereby announces revised forecast of consolidated financial results for full-year 2017. SDK announced the earlier forecast on July 24, 2017, and decided this time to revise it, taking the recent business trends into consideration. However, the forecast of net income attributable to owners of the parent as shown in the table below remains the same as that in the earlier forecast because it takes time to scrutinize the effect of the business integration between SDK and former SGL GE Holding GmbH (currently SHOWA DENKO CARBON Holding GmbH), which SDK acquired on October 2, 2017.

1. 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 July 24, 2017) | 762,000 | 60,000 | 43,500 | 21,000 | 147.34 |
| Revised forecast (B) (Announced on Dec. 12, 2017) | 773,000 | 70,000 | 55,000 | 21,000 | 147.34 |
| (B) – (A) | 11,000 | 10,000 | 11,500 | 0 | |
| Percentage of changes | 1.4% | 16.7% | 26.4% | – | |
| 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 are expected to exceed the earlier forecast. Net sales in the Inorganics segment are expected to exceed the earlier forecast because financial results of former SGL GE Holding GmbH (currently SHOWA DENKO CARBON Holding GmbH) is to be consolidated, starting from the fourth quarter, 2017 due to the business integration. Net sales in the Petrochemicals segment will exceed the earlier forecast because market prices of petrochemical products have been hovering above the earlier forecast due to a rise in raw naphtha price.

Operating income in the Petrochemicals segment is expected to exceed the earlier forecast because the spreads of products have been hovering above the earlier forecast, reflecting the tight supply-demand situation in the Asian market. Operating income in the Inorganics segment is also expected to exceed the earlier forecast because operating income of our subsidiary in China is expected to be higher than the earlier forecast due to a rise in prices of graphite electrodes in the Chinese market.

Ordinary income will be higher than the earlier forecast due to the increase in operating income.

The forecast of net income attributable to owners of the parent remains the same as that in the earlier forecast because it takes time to scrutinize the effect of the business integration between SDK and former SGL GE Holding GmbH (currently SHOWA DENKO CARBON Holding GmbH), which SDK acquired on October 2, 2017.

[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 July 24, 2017 | Revised forecast (Jan. - Dec. 2017) Announced on Dec. 12, 2017 | Increase/ decrease | |
| Petrochemicals | 2,400 | 2,480 | 80 | 1,858 |
| Chemicals | 1,480 | 1,480 | 0 | 1,345 |
| Electronics | 1,300 | 1,260 | -40 | 1,205 |
| Inorganics | 560 | 690 | 130 | 509 |
| Aluminum | 1,050 | 1,070 | 20 | 986 |
| Others | 1,310 | 1,310 | 0 | 1,287 |
| Adjustments | -480 | -560 | -80 | -478 |
| Total | 7,620 | 7,730 | 110 | 6,712 |

Operating income

| | | | | |
|---|---|---|---|---|
| Petrochemicals | 250 | 300 | 50 | 207 |
| Chemicals | 150 | 160 | 10 | 138 |
| Electronics | 220 | 220 | 0 | 150 |
| Inorganics | 0 | 30 | 30 | -58 |
| Aluminum | 60 | 65 | 5 | 44 |
| Others | 0 | 5 | 5 | 6 |
| Adjustments | -80 | -80 | 0 | -68 |
| Total | 600 | 700 | 100 | 421 |

Notes:

1. LIB materials business was transferred from the Others segment to the Electronics segment at the beginning of 2017. The 2016 actual results shown in the tables above are those which have been converted into this new segmentation.

2. 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.

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