NEWS RELEASE

SHOWA DENKO K.K.
13-9, Shiba Daimon 1-chome
Minato-ku, Tokyo 105-8518

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SDK Announces Difference between Performance Forecast and Results, Posting of Extraordinary Loss, and Revision of Dividend Forecast

Showa Denko (SDK) (TOKYO: 4004) hereby announces occurrence of difference between its forecast of consolidated financial results for full-year 2017 announced on December 12, 2017 and actual financial results announced today. SDK also announces posting of an extraordinary loss concerning refurbishment of Yokohama Plant. In addition, SDK resolved at its Board of Directors' meeting held on February 14, 2018 to revise its forecast of the term-end dividends to be paid for the term of January 1 – December 31, 2017.

1. Difference between the forecast of consolidated financial results for January 1 – December 31, 2017 and actual financial results

[Difference between the forecast and actual results]

(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 (¥)
Previous forecast (A) (Announced on Dec. 12, 2017)	773,000	70,000	55,000	21,000	147.34
Actual results (B) (Announced on Feb. 14, 2018)	780,387	77,818	63,962	33,470	234.84
(B) – (A)	7,387	7,818	8,962	12,470	
Percentage of changes	1.0%	11.2%	16.3%	59.4%	
Reference: Results for January 1 – December 31, 2016	671,159	42,053	38,690	12,305	86.27

[Reasons for the difference between the forecast and actual results]

Net sales exceeded the previous forecast due mainly to the conditions of the market for products of the Petrochemicals segment stronger than those expected in the previous forecast.

Operating income exceeded the previous forecast. Operating income of the Petrochemicals segment exceeded the previous forecast because the spreads between product prices and raw material costs were wider than those expected in the previous forecast. In the Inorganics segment, operating income was also higher than the previous forecast because the operating income earned by our graphite electrode subsidiary in China was higher than the previous forecast due to the bullish conditions of the graphite electrode market in China.

Ordinary income exceeded the previous forecast due to the rise in operating income.

Net income attributable to owners of the parent exceeded the previous forecast due to the rise in ordinary income, despite our posting of an extraordinary loss concerning refurbishment of Yokohama Plant aiming to make effective use of the Plant.

2. Posting of an extraordinary loss concerning refurbishment of Yokohama Plant

SDK is now promoting rebuilding of its business in Yokohama Plant, located in Yokohama City, Kanagawa Prefecture. Under these circumstances, SDK has decided to remove unused equipment and relocate some existing facilities. Thus SDK posted an extraordinary loss of ¥7.6 billion including the costs of these removals and relocation.

As for the grounds of Yokohama Plant, SDK will strive to continuously make effective use of them since the Plant is located in a metropolitan area and has port facilities including piers at which ships from other countries can land.

3. Revision of dividend forecast

[Revision of dividend forecast]

	Dividends per share (¥)			
Record date	May 11, 2017	End of 2nd quarter	End of the term	Yearly total
Previous forecast	30.00	0.00	30.00	60.00
Revised forecast	30.00	0.00	50.00	80.00
Dividends paid for the term ended on December 31, 2016		0.00	0.00	0.00

Note1: SDK consolidated every ten shares into one share on July 1, 2016. The dividends per share paid for the term ended on December 31, 2016 is calculated on the basis of the number of shares before this consolidation. The forecast of the dividends per share for the term ended on December 31, 2017 is calculated on the basis of the number of shares after this consolidation.

Note 2: SDK 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 them.

[Reasons for the revision of dividend forecast]

SDK resolved at its Board of Directors' meeting held today to revise its forecast of the term-end dividends to be paid per share for the term ended on December 31, 2017 from ¥30 per share, which was in the previous forecast, to ¥50 per share, up ¥20 per share, taking into consideration the fact that there was an upturn in our consolidated business performance from the previous forecast, and our business expansion and financial conditions in the future.

For further information, contact:
IR Office, Finance & Accounting Department (Phone: 81-3-5470-3323)