SHOWA DENKO K.K.

Consolidated Financial Statements

For the first quarter ended March 31, 2018

Ⅰ. Consolidated Financial Results

May 9th, 2018

(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)			
	2017	**2018**	Increase (Decrease)	**2018**
	¥	**¥**	%	**$**
Net sales	183,193	**214,694**	17.2	**2,020,836**
Operating income	19,698	**34,388**	74.6	**323,686**
Ordinary income	17,711	**32,777**	85.1	**308,522**
Profit attributable to owners of parent	14,553	**24,751**	70.1	**232,974**
Profit attributable to owners of parent per share: Basic	102.11	**172.86**	—	**1.63**
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 31,2018 ¥15,489million
Results for the year ended March 31,2017 ¥16,928million

(2) Financial position:

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

	Dec.31, 2017	**Mar.31, 2018**	**Mar.31, 2018**
	¥	**¥**	**$**
Total assets	1,024,727	**1,017,934**	**9,581,458**
Total equity	364,997	**397,930**	**3,745,578**
	%	**%**	**%**
Stockholders' equity ratio	34.0	**37.5**	**37.5**

(3) Dividends:

	2017	**2018 Forecast**
Q1 dividends per share (¥)	—	**—**
Q2 dividends per share (¥)	0.00	**0.00**
Q3 dividends per share (¥)	—	**—**
End of Term dividends per share (¥)	50.00	**70.00**
Annual dividends per share (¥)	50.00	**70.00**

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. The table above does not include this amount.

Ⅱ. Forecast of performance for the year ending December 31, 2018

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

	1st half		fiscal year	
	¥	$	¥	$
Net sales	452,000	4,254,518	935,000	8,800,828
Operating income	68,000	640,060	137,000	1,289,533
Ordinary income	64,500	607,116	131,500	1,237,764
Profit attributable to owners of parent	43,000	404,744	85,000	800,075
Profit attributable to owners of parent per share: Basic	294.81	2.77	577.45	5.44

With regard to the full-year forecast above, though we revised the forecast for the first half of 2018, we left the forecast for the second half of the year as it was in the initial forecast.

*The above forecast was announced on May 9, 2018.

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 ¥106.24 throughout this statement for convenience only.

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

(1) Summary
During the first quarter of 2018 (January 1 – March 31), the Japanese economy continued to recover gradually. Consumer spending showed signs of recovery against the background of good employment situation. Production increased due partly to strong exports, and corporate earnings continued to improve. However, yen appreciated against the dollar due to anxiety about US government's trade policy, and strong yen has become a cause for concern about Japanese economy. 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 gradual recovery. The economies of resource producing countries and emerging countries including Russia and Brazil bottomed out and showed signs of improvement.

In the petrochemicals industry, domestic plants to produce ethylene and its derivatives maintained high operating rates due to heavy demand from East Asia including China. In the electronics parts/materials industry, production of semiconductors and display panels increased both at home and abroad, while shipment volumes of PCs remained at the same level of the first quarter of the previous year.

Under these circumstances, the Showa Denko Group has been focusing on achievement of targets of its medium-term business plan "Project 2020+," for which 2018 is the final year. In order to achieve continuous growth of the 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 ¥214,694 million in the first quarter of 2018, up 17.2% from the same period of the previous year. In the Petrochemicals segment, sales decreased due to a decrease in production resulting from large-scale periodic shutdown maintenance of ethylene production facilities. In the Electronics segment, sales decreased from the same period of the previous year due to a reduction in shipment volumes of HD media for use in PCs, which had been good in the first quarter of 2017. However, sales in the Inorganics segment considerably increased due partly to the realization of the effect of the business integration in our graphite electrode business, which took place in the second half of 2017, and the rises in the market prices of graphite electrodes. Sales in the Chemicals, Aluminum, and Others segments also increased due to higher shipment volumes.

Operating income of the Group substantially increased by 74.6%, to ¥34,388 million. Though the Petrochemicals, Electronics, and Aluminum segments recorded lower income, the Inorganics segment recorded considerably higher income due to the effect of the business integration in our graphite electrode business and the rises in the market prices of graphite electrodes. The Chemicals and Others segments also recorded higher income. The Group recorded ordinary income of ¥32,777 million, up 85.1%.

The Group recorded net income attributable to owners of the parent of ¥24,751 million in the first quarter of 2018, up 70.1% from the same period of the previous year, despite an increase in corporate tax and other expenses.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	183,193	214,694	31,501
Operating income	19,698	34,388	14,690
Ordinary income	17,711	32,777	15,067
Net income attributable to owners of the parent	14,553	24,751	10,198

(2) A breakdown of net sales and operating income by segment (January 1 - March 31, 2018)

[Petrochemicals segment]
In the Petrochemicals segment, sales decreased 16.7%, to ¥53,788 million. Production of ethylene and propylene in the first quarter of 2018 decreased from the same period of the previous year due to the periodic shutdown maintenance of ethylene production facilities (from early March to late April), which is conducted once in every four years. Sales of olefins decreased due to a decrease in sales volumes resulting from this periodic shutdown maintenance. Sales of organic chemicals increased due to a rise in prices of products including ethyl acetate and vinyl acetate. Operating income of the segment decreased 68.3%, to ¥3,348 million.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	64,605	53,788	-10,817
Operating income	10,564	3,348	-7,216

[Chemicals segment]
In the Chemicals segment, sales increased 8.0%, to ¥36,019 million. Production of liquefied ammonia in the first quarter of 2018 increased from the same period of the previous year. Production of high-purity gases for electronics also increased. In the basic chemicals business, sales of liquefied ammonia were about the same level as those in the first quarter of the previous year. However, sales of acrylonitrile increased due to a rise in market price. Sales of chloroprene rubber also increased due to an increase in export to the United States and other countries. Sales of functional chemicals increased due to a rise in sales prices of products reflecting a rise in prices of raw materials. 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 display panel industries. Sales of industrial gases slightly increased. Operating income of the segment rose 15.7%, to ¥3,624 million.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	33,349	36,019	2,669
Operating income	3,133	3,624	491

[Electronics segment]
In the Electronics segment, sales decreased 6.5%, to ¥27,734 million. Production of HD media in the first quarter of 2018 decreased from the same period of the previous year, when sales was good, due to a weakness in shipment volumes of HD media for use in PCs

centering on mobile PCs. Thus the sales of our HD media decreased, reflecting a decrease in sales volumes. Sales of rare earth magnetic alloys and compound semiconductors increased due to higher shipment volumes. Sales of lithium ion battery (LIB) materials increased due to higher shipment volumes to China. Operating income of the segment decreased 52.5%, to ¥2,859 million.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	29,674	27,734	-1,941
Operating income	6,013	2,859	-3,154

[Inorganics segment]
In the Inorganics segment, sales increased 292.9%, to ¥51,413 million. Production of graphite electrodes in the first quarter of 2018 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 significantly increased due to consolidation of SHOWA DENKO CARBON Holding GmbH in the second half of 2017, in addition to a rise in sales prices caused by the tight supply-demand situation. Sales of ceramics decreased due to a fall in shipment volumes of general-purpose alumina, despite an increase in shipment volumes of abrasives and fine ceramics for electronics. The segment recorded operating income of ¥24,886 million, an improvement of ¥24,965 million.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	13,085	51,413	38,327
Operating income	-80	24,886	24,965

[Aluminum segment]
In the Aluminum segment, sales increased 5.3%, to ¥24,839 million. Production of high-purity foil for aluminum electrolytic capacitors in the first quarter of 2018 increased from the same period of the previous year. Sales of rolled products increased due to higher shipment volumes of high-purity foil for aluminum electrolytic capacitors for use in industrial equipment and automotive applications. Sales of aluminum specialty components increased due partly to higher shipment volumes of products for use in industrial equipment and automotive parts. Sales of aluminum cans slightly decreased due to lower shipment volumes to the home market. Operating income of the segment decreased 14.0%, to ¥1,315 million due partly to a rise in market price of aluminum ingot.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	23,584	24,839	1,255
Operating income	1,529	1,315	-214

[Others segment]
In the Others segment, sales increased 7.3%, to ¥34,342 million. Shoko Co., Ltd.'s sales increased. Operating income of the segment increased 315.4%, to ¥841 million.

(Unit: millions of yen)

	1Q 2017	1Q 2018	Increase/decrease
Sales	32,017	34,342	2,326
Operating income	202	841	638

(3) Major steps taken or decided in 2017

[General]

- Offered treasury stock through International Offering

On March 6, 2018, SDK's Board of Directors resolved that the Company would offer 6 million shares of its treasury stock through an international offering, and the offer price of those shares was determined at ¥4,544 per share on the same day. SDK completed delivery of those shares to investors on March 23, 2018. SDK received about ¥26 billion through this transaction, and the purposes for which SDK will spend this amount are as follows:

1) SDK will spend about ¥16 billion by the end of this year for repayment of a bank loan which the Company borrowed in order to acquire SGL GE Holding GmbH in October 2017, and for investment to realize synergistic effects of the business integration between the two companies.
2) SDK will spend about ¥5 billion by the end of 2019 for investment at home and abroad to expand production capacities of its plants to produce high-purity gases for electronics
3) SDK will spend about ¥2 billon by the end of this year for investment in Vietnam and Thailand to expand/establish facilities to produce aluminum cans.
4) SDK will spend about ¥3 billion by the end of 2019 for investment to strengthen foundation of the LIB material business and to expand the capacity to produce SiC epitaxial wafer.

Through the fund-raising of this time, SDK will promote strategy for each business, aiming to establish and strengthen "individualized businesses," improve the business portfolio, and increase the ratio of overseas sales, and will strengthen the Company's financial standing.

[Chemicals segment]

- Expanded high-purity hydrogen bromide plant

SDK expanded its annual capacity to produce high-purity hydrogen bromide (HBr) from 600 tons to 900 tons, 1.5 times as much as the previous level. The expanded plant started to produce HBr in this March. HBr is a specialty gas mainly used for fine-etching of polysilicon in the manufacturing process of semiconductors including DRAMs and NAND flash memories. The demand for HBr has been increasing due to ongoing expansion of the market for semiconductors caused by acceleration in the spread of IoT, big dada analysis, and automatic driving. SDK will continue responding quickly to the expansion of the electronic parts and materials industry's demand for HBr and scaling up its high-purity specialty gas business.

- Opened Wuhan Branch of Shanghai Showa Chemicals Co., Ltd. aiming to strengthen sales of high-purity gases for electronics in China

In March 2018, SDK established a branch of Shanghai Showa Chemicals Ltd. (SSC) in Wuhan, Hubei Province, China, aiming to strengthen its business to sell high-purity gases for electronics in China. Semiconductor and flat panel display industries are growing rapidly in China due to the Chinese government's policy for the development of these industries and the increase in the global demand for electronic devices. In the past, SDK shipped all of its high-purity gases for electronics to be used by customers in China from SSC located in Shanghai. This time, however, SDK decided to establish a branch of SSC and its warehouse in Wuhan because there has been construction of large factories

in Middle China to manufacture semiconductor chips and flat panel displays. The Showa Denko Group will continue enriching its network of bases to sell and distribute high-purity gases for electronics in China, aiming to expand the business in each region of the country and respond properly to the expansion of our customers' businesses.

[Electronics segment]

- LIB material "*VGCF*™" received a Grand Prize in "Low CO_2 Kawasaki Brand '17"

In February 2018, SDK's *VGCF*™, carbon-nanofiber additive to cathodes and anodes of lithium ion batteries (LIBs) to improve electrical conductivity, received a Grand Prize in the Product and Technology Category of "Low CO_2 Kawasaki Brand '17." SDK manufactures *VGCF*™ in its Kawasaki Plant. "Low CO_2 Kawasaki Brand" is awarded to products and technologies born in Kawasaki that emit less CO_2 than conventional ones throughout their life cycles from procurement of raw materials to disposal and recycling. *VGCF*™, which is an additive to cathodes and anodes of LIBs, forms electrical conducting paths between electrode materials, taking advantage of its particles' long and narrow shape. Through formation of these electrical conducting paths, *VGVF*™ gives LIBs longer life and larger current-carrying capacity per one cycle of charge and discharge. Thus *VGCF*™ reduces frequency of battery replacement, and reduces CO_2 emission throughout the life cycle of an LIB by about 45% from that of an LIB without *VGCF*™. The Showa Denko Group will continue developing products that reduce environmental burden, and contributing to society through its business activities.

[Aluminum segment]

- Strengthened R&D function for aluminum alloy materials

In February 2018, SDK established a laboratory named "Aluminum Product Evaluation Center" in its Kitakata Plant located in Fukushima Prefecture. Kitakata Plant is SDK's base to develop and manufacture cast and forged aluminum products. These days, manufacturers of automotive parts are required to realize considerable weight reduction of parts. SDK's aluminum products including *SHOTIC*™ are acclaimed by car manufacturers for their high strength, high abrasion resistance, and low thermal expansivity. In order to contribute to further weight reduction of cars, we should furthermore improve our aluminum alloy production technology, aiming to realize higher strength. In the new laboratory, we will develop alloys with higher performance. In addition, the Group aims to propose new multi-material products through composition of organic, inorganic, and metal materials by strengthening the Group's analysis technology, which will be realized by close cooperation among Aluminum Product Evaluation Center, Analysis & Physical Properties Center, and Computational Science and Technology Information Center. Thus the Group will continue striving to give birth to sprouts of new businesses which will contribute to further growth of the Group in the future.

[Others Segment]

- Expanded capacity for producing high-grade SiC epitaxial wafers for power devices

In April 2018, SDK expanded its capacity for producing high-quality-grade silicon carbide (SiC) epitaxial wafers for power devices, which had already been marketed under the trade name of "High-Grade Epi" (HGE), from former 3,000 wafers* per month to 5,000 wafers per month, and started production with expanded facilities. Moreover, in order to respond to a further increase in demand for HGE, SDK has decided to re-expand that capacity. After the re-expansion work which is to be finished in September 2018, that capacity will be increased to 7,000 wafers per month. In addition to the traditional use as power sources, SiC-based power devices are now replacing conventional silicon-based power devices for on-board use such as inverter modules for railcars, on-board battery chargers and rapid charging stations for EVs, in parallel with rapid expansion of the EV

market. SDK will continue meeting the need of the market for high-quality SiC epitaxial wafers, aiming to contribute to the improvement in energy efficiency of power devices.

*This number is based on a conversion into SiC epitaxial wafers for power devices having withstanding voltage of 1,200 V.

2. Financial conditions for the January 1 – March 31, 2018 period (as compared with the conditions at December 31, 2017)

Total assets at the end of the quarter amounted to ¥1,017,934 million, a decrease of ¥6,793 million from the level at December 31, 2017. Total assets were down due partly to decreases in notes and accounts receivable, property, plant and equipment, despite increases in cash and deposits, and inventories. Total liabilities decreased ¥39,726 million, to ¥620,004 million, due partly to a decrease in interest-bearing debts. Net assets at the end of the quarter increased ¥32,933 million, to ¥397,930 million, due partly to the posting of net income attributable to owners of the parent and an increase in capital surplus resulting from the sale of treasury stock.

3. Performance forecast

The Company announced revised forecast of consolidated financial results today (May 9, 2018). Revised forecast of consolidated financial results for full-year 2018 (January 1 – December 31) is as in the table given below:

(Unit: millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Forecast of results for the first half of 2018	452,000	68,000	64,500	43,000
Forecast of results for full-year 2018	935,000	137,000	131,500	85,000

With regard to the contents of the revision of this time, we reflected only the increases in the forecast for the first half of 2018, but did not revise the forecast of consolidated financial results for the second half (July 1 – December 31) of 2018.

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2017	Mar. 31, 2018	Mar. 31, 2018
Assets	¥	¥	$
Current assets			
Cash and deposits	77,248	82,745	778,854
Notes and accounts receivable-trade	176,021	162,869	1,533,029
Merchandise and finished goods	54,903	59,597	560,961
Work in process	15,829	18,921	178,099
Raw materials and supplies	44,181	47,233	444,584
Other	40,009	39,548	372,251
Allowance for doubtful accounts	(2,849)	(2,701)	(25,428)
Total current assets	405,341	408,211	3,842,350
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	85,547	84,299	793,474
Machinery, equipment and vehicles, net	151,634	147,829	1,391,463
Land	245,062	244,909	2,305,239
Other, net	23,657	23,581	221,959
Total property, plant and equipment	505,900	500,617	4,712,135
Intangible assets			
Other	12,432	13,137	123,651
Total intangible assets	12,432	13,137	123,651
Investments and other assets			
Investment securities	89,167	86,692	816,004
Other	22,117	18,992	178,763
Allowance for doubtful accounts	(10,229)	(9,715)	(91,444)
Total investments and other assets	101,054	95,969	903,322
Total noncurrent assets	619,386	609,723	5,739,108
Total assets	1,024,727	1,017,934	9,581,458
Liabilities			
Current liabilities			
Notes and accounts payable-trade	120,762	120,764	1,136,713
Short-term loans payable	86,699	80,897	761,454
Current portion of long-term loans payable	57,432	39,162	368,621
Commercial papers	5,000	18,000	169,428
Provision	7,234	9,882	93,012
Other	96,538	73,546	692,262
Total current liabilities	373,666	342,251	3,221,489
Noncurrent liabilities			
Bonds payable	42,000	42,000	395,331
Long-term loans payable	155,594	149,894	1,410,897
Provision	6,427	6,379	60,047
Net defined benefit liability	18,966	17,757	167,138
Other	63,076	61,723	580,978
Total noncurrent liabilities	286,064	277,753	2,614,391
Total liabilities	659,730	620,004	5,835,880
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,323,075
Capital surplus	61,663	78,911	742,761
Retained earnings	96,142	113,762	1,070,800
Treasury stock	(10,503)	(1,652)	(15,548)
Total shareholders' equity	287,866	331,585	3,121,089
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	16,547	15,047	141,631
Deferred gains or losses on hedges	3,781	1,362	12,821
Revaluation reserve for land	29,541	29,532	277,973
Foreign currency translation adjustment	15,452	8,447	79,510
Remeasurements of defined benefit plans	(4,716)	(4,299)	(40,469)
Total accumulated other comprehensive income	60,606	50,088	471,465
Non-controlling interests	16,524	16,257	153,023
Total net assets	364,997	397,930	3,745,578
Total liabilities and net assets	1,024,727	1,017,934	9,581,458

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2017	2018	2018
	¥	¥	$
Net sales	183,193	214,694	2,020,836
Cost of sales	140,507	155,140	1,460,281
Gross profit	42,685	59,553	560,555
Selling, general and administrative expenses	22,987	25,165	236,870
Operating income	19,698	34,388	323,686
Non-operating income			
Interest income	181	166	1,561
Dividends income	237	347	3,270
Equity in earnings of affiliates	1,633	563	5,296
Reversal of allowance for doubtful accounts	—	524	4,931
Miscellaneous income	757	777	7,313
Total non-operating income	2,807	2,377	22,372
Non-operating expenses			
Interest expenses	707	812	7,645
Foreign exchange losses	3,011	2,351	22,128
Miscellaneous expenses	1,078	825	7,762
Total non-operating expenses	4,795	3,988	37,535
Ordinary income	17,711	32,777	308,522
Extraordinary income			
Gain on sales of noncurrent assets	24	29	276
Gain on sales of investment securities	165	—	—
Other	4	0	5
Total extraordinary income	192	30	281
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	649	718	6,761
Other	986	179	1,683
Total extraordinary losses	1,635	897	8,444
Profit before income taxes	16,268	31,910	300,359
Income taxes	1,310	5,748	54,109
Net income	14,958	26,162	246,250
Net income attributable to non-controlling interests	405	1,410	13,276
Net income attributable to owners of the parent	14,553	24,751	232,974

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2017	2018	2018
	¥	¥	$
Profit	14,958	**26,162**	**246,250**
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,700	**(1,523)**	**(14,338)**
Deferred gains or losses on hedges	1,548	**(2,420)**	**(22,783)**
Foreign currency translation adjustments	(2,589)	**(7,153)**	**(67,330)**
Remeasurements of defined benefit plans, net of tax	326	**420**	**3,954**
Share of other comprehensive income of entities accounted for using equity method	(14)	**4**	**41**
Total other comprehensive income	1,971	**(10,672)**	**(100,456)**
Comprehensive income	16,928	**15,489**	**145,794**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	16,514	**14,243**	**134,061**
Comprehensive income attributable to non-controlling interests	415	**1,247**	**11,733**

(Reference)

SEGMENT INFORMATION (previous 1Q ended)

The operations of the Companies for the 3 Months ended March 31, 2017 and 2018 was summarised by industry segment as follows:

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, 2018	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**¥51,487**	**¥31,929**	**¥27,301**	**¥49,517**	**¥22,647**	**¥31,813**	**¥–**	**¥214,694**
Inter-segment	**2,301**	**4,089**	**433**	**1,896**	**2,192**	**2,529**	**(13,440)**	**–**
Total	**53,788**	**36,019**	**27,734**	**51,413**	**24,839**	**34,342**	**(13,440)**	**214,694**
Operating income (loss)	**¥3,348**	**¥3,624**	**¥2,859**	**¥24,886**	**¥1,315**	**¥841**	**(¥2,485)**	**¥34,388**

3 Months ended March 31, 2018	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**$484,628**	**$300,541**	**$256,974**	**$466,082**	**$213,165**	**$299,447**	**$–**	**$2,020,837**
Inter-segment	**21,659**	**38,491**	**4,076**	**17,846**	**20,633**	**23,803**	**(126,507)**	**–**
Total	**506,287**	**339,031**	**261,049**	**483,928**	**233,798**	**323,250**	**(126,507)**	**2,020,837**
Operating income (loss)	**$31,517**	**$34,116**	**$26,908**	**$234,240**	**$12,379**	**$7,915**	**($23,390)**	**$323,686**

SHOWA DENKO K.K.

May 9th, 2018

First Quarter, 2018 Consolidated Financial Results (Summary)

1. First Quarter Results

(1) Summary

〔First Half, 2018 forecast〕

(Unit: billions of yen)

Items	2017 CQ1 Jan.1 - Mar.31	2018 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2018 Forecast*	First Half, 2018 Revised forecast**	Increase/ decrease
Net Sales	183.2	214.7	31.5	417.0	452.0	35.0
Operating Income	19.7	34.4	14.7	41.0	68.0	27.0
Profit attributable to owners of Parent	14.6	24.8	10.2	23.0	43.0	20.0

*Announced on Feb. 14, 2018
** Announced on May 9, 2018

(2) Net sales and Operating Income by Segment

〔First Half, 2018 forecast〕

(Unit: billions of yen)

Segment		2017 CQ1 Jan.1 - Mar.31	2018 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2018 Forecast*	First Half, 2018 Revised forecast**	Increase/ decrease
Net Sales	Petrochemicals	64.6	53.8	-10.8	103.0	111.0	8.0
	Chemicals	33.3	36.0	2.7	74.0	75.0	1.0
	Electronics	29.7	27.7	-1.9	54.0	55.0	1.0
	Inorganics	13.1	51.4	38.3	88.0	113.0	25.0
	Aluminum	23.6	24.8	1.3	53.0	56.0	3.0
	Others	32.0	34.3	2.3	67.0	69.0	2.0
	Adjustments	-13.1	-13.4	-0.3	-22.0	-27.0	-5.0
	Total	183.2	214.7	31.5	417.0	452.0	35.0

Segment		2017 CQ1 Jan.1 - Mar.31	2018 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2018 Forecast*	First Half, 2018 Revised forecast**	Increase/ decrease
Operating Income	Petrochemicals	10.6	3.3	-7.2	4.0	5.0	1.0
	Chemicals	3.1	3.6	0.5	7.0	8.0	1.0
	Electronics	6.0	2.9	-3.2	5.0	6.0	1.0
	Inorganics	-0.1	24.9	25.0	27.0	50.5	23.5
	Aluminum	1.5	1.3	-0.2	2.5	2.5	0.0
	Others	0.2	0.8	0.6	-0.5	1.0	1.5
	Adjustments	-1.7	-2.5	-0.8	-4.0	-5.0	-1.0
	Total	19.7	34.4	14.7	41.0	68.0	27.0

2. Reference

Items	2017 CQ1 Jan.1 - Mar.31	2018 CQ1 Jan.1 - Mar.31	Increase/ decrease	2018 Forecast
Exchange rate (yen/US$)	113.6	108.3	Yen appreciated by 5.3	110.0
Domestic naphtha price (yen/kl)	41,900	47,900	6,000	41,600

(Unit: billions of yen)

Items	Dec.31, 2017	Mar.31, 2018	Increase/ decrease
Total assets	1,024.7	1,017.9	-6.8
Interest-bearing debt	346.7	330.0	-16.8

3. Forecast for 2018

(1) Summary

(Unit: billions of yen)

Items	2018 Forecast*	2018 Revised forecast**	Increase/ decrease	2017 Results
Net Sales	900.0	935.0	35.0	780.4
Operating Income	110.0	137.0	27.0	77.8
Profit attributable to owners of Parent	65.0	85.0	20.0	33.5

*Announced on Feb. 14, 2018
** Announced on May 9, 2018

(2) Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2018 Forecast*	2018 Revised forecast**	Increase/ decrease	2017 Results
Net Sales	Petrochemicals	235.0	243.0	8.0	251.1
	Chemicals	154.0	155.0	1.0	148.8
	Electronics	116.0	117.0	1.0	123.1
	Inorganics	193.0	218.0	25.0	73.4
	Aluminum	110.0	113.0	3.0	105.4
	Others	137.0	139.0	2.0	133.6
	Adjustments	-45.0	-50.0	-5.0	-55.1
	Total	900.0	935.0	35.0	780.4

Segment		2018 Forecast*	2018 Revised forecast**	Increase/ decrease	2017 Results
Operating Income	Petrochemicals	19.0	20.0	1.0	33.4
	Chemicals	17.0	18.0	1.0	16.5
	Electronics	16.0	17.0	1.0	21.9
	Inorganics	60.0	83.5	23.5	7.1
	Aluminum	6.0	6.0	0.0	6.7
	Others	0.0	1.5	1.5	0.6
	Adjustments	-8.0	-9.0	-1.0	-8.4
	Total	110.0	137.0	27.0	77.8

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 or market conditions for our products such as graphite electrodes and other commodities, and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.