NEWS RELEASE

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Showa Denko Revises 2018 Performance Forecast

Showa Denko (SDK) (TOKYO: 4004) hereby announces revised forecast of consolidated financial results for the first half (January 1 – June 30) of 2018. SDK announced the earlier forecast on February 14, 2018. Accordingly, SDK revises forecast of consolidated financial results for full-year 2018. Regarding the revised forecast of consolidated financial results for full-year 2018, SDK reflected the difference between the earlier forecast and the revised forecast for the first half of the year, but did not revise the forecast of consolidated financial results for the second half (July 1 – December 31) of 2018.

1. Revised forecast of consolidated financial results for the first half of 2018

(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 Feb. 14, 2018)	417,000	41,000	39,000	23,000	157.69
Revised forecast (B) (Announced on May 9, 2018)	452,000	68,000	64,500	43,000	294.81
(B) – (A)	35,000	27,000	25,500	20,000	
Percentage of changes	8.4%	65.9%	65.4%	87.0%	
Reference: Results for the first half of 2017	372,193	35,027	22,238	7,837	54.98

[Reasons for the revision of consolidated performance forecast]
Net sales are expected to exceed the earlier forecast in all segments. Especially in the Inorganics segment, market prices of graphite electrodes are higher than expected because of tighter supply-demand situation. Also in the Petrochemicals segment, market prices of products are higher than earlier forecast on the background of strong demand in Asia.

Operating incomes in five segments other than the Aluminum segment are expected to be higher than those in the earlier forecast, though that in the Aluminum segment is expected to be at the same level of the earlier forecast. Operating income in the Inorganics segment is expected to be considerably higher than the earlier forecast due to a rise in prices of graphite electrodes. Operating income in the Petrochemicals segment is also expected to be higher than the earlier forecast due to the use of raw material naphtha in the first quarter of 2018 purchased before the increase in naphtha prices, in addition to the continuously strong market for petrochemical products. Operating incomes in the Chemicals, Electronics, and Others segments are also expected to increase on the background of strong demand for products.

As a result, we expect ordinary income and net income attributable to owners of the parent for the first half of 2018 will also significantly exceed the earlier forecast.

2. Revised forecast of consolidated financial results for full-year 2018 (January – December)

(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 Feb. 14, 2018)	900,000	110,000	106,000	65,000	441.58
Revised forecast (B) (Announced on May 9, 2018)	935,000	137,000	131,500	85,000	577.45
(B) – (A)	35,000	27,000	25,500	20,000	
Percentage of changes	3.9%	24.5%	24.1%	30.8%	
Reference: Results for fill-year 2017	780,387	77,818	63,962	33,470	234.84

[Reasons for the revision of consolidated performance forecast]

With regard to the forecast of consolidated financial results for full-year 2018, 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 of 2018.

The amount of prospective term-end dividend is not changed from the earlier forecast, which is ¥70 per share.

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

Net sales (in 100 millions of yen)

Segment	Performance forecast for Jan. 1 – June 30, 2018 (Consolidated)			2017 actual results (Jan. - June 2017)
	Earlier forecast (Jan. - June 2018) Announced on Feb. 14, 2018	Revised forecast (Jan. - June 2018) Announced on May 9, 2018	Increase/ decrease	
Petrochemicals	1,030	1,110	80	1,239
Chemicals	740	750	10	701
Electronics	540	550	10	630
Inorganics	880	1,130	250	266
Aluminum	530	560	30	509
Others	670	690	20	650
Adjustments	-220	-270	-50	-273
Total	4,170	4,520	350	3,722

Operating income

Petrochemicals	40	50	10	162
Chemicals	70	80	10	69
Electronics	50	60	10	121
Inorganics	270	505	235	1
Aluminum	25	25	0	32
Others	-5	10	15	1
Adjustments	-40	-50	-10	-36
Total	410	680	270	350

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 including graphite electrodes and their market conditions, and foreign exchange rates.

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