NEWS RELEASE

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SDK Announces Difference between 2018 First Half Performance Forecast and Results, and Revises 2018 Full-year Performance Forecast

Showa Denko (SDK) (TOKYO: 4004) hereby announces that there is a difference between the forecast of consolidated financial results for the first half (January 1 – June 30) of 2018 announced on May 9, 2018 and actual financial results for the same period announced today. In addition, SDK revises forecast of consolidated financial results for full-year 2018, taking the latest business trends into consideration.

1. Difference between the forecast of consolidated financial results for the first half (January 1 - June 30) of 2018 and actual financial results for the same period

[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 May 9, 2018)	452,000	68,000	64,500	43,000	294.81
Actual results (B) (Announced on Aug. 8, 2018)	455,845	78,084	77,791	58,132	398.56
(B) – (A)	3,845	10,084	13,291	15,132	
Percentage of changes	0.9%	14.8%	20.6%	35.2%	
Reference: Results for the first half of 2017	372,193	35,027	22,238	7,837	54.98

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

Net sales exceeded the previous forecast. In the Petrochemicals segment, prices of products including ethylene were higher than expected because of a rise in the price of raw naphtha. In the Inorganics segment, the condition of global graphite electrode market was stronger than expected.

Operating income in the Inorganics segment was higher than the previous forecast because market prices of graphite electrodes were higher than expected. Operating incomes in the Petrochemicals, Aluminum, and Others segments were also higher than those in the previous forecast due mainly to strong demand for products.

As a result, actual ordinary income and net income attributable to owners of the parent for the first half of 2018 also exceeded the previous 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 (¥)
Previous forecast (A) (Announced on May 9, 2018)	935,000	137,000	131,500	85,000	577.45
Revised forecast (B) (Announced on Aug. 8, 2018)	985,000	170,000	167,000	115,000	781.27
(B) – (A)	50,000	33,000	35,500	30,000	
Percentage of changes	5.3%	24.1%	27.0%	35.3%	
Reference: Results for full-year 2017	780,387	77,818	63,962	33,470	234.84

[Reasons for the revision of consolidated performance forecast]

Net sales in the Inorganics segment will exceed those in the previous forecast because the global market prices of graphite electrodes are expected to be higher than those in the previous forecast. Net sales in the Petrochemicals segment will exceed those in the previous forecast due mainly to the rise in prices of major products including ethylene.

Overall operating income will exceed the previous forecast. Though operating income in the Electronics segment will be lower than the previous forecast, operating income in the Inorganics segment will be much higher than the previous forecast due to the rises in prices of graphite electrodes in the global market. Operating income in the Others segment will also be higher than the previous forecast.

As a result, ordinary income and net income attributable to owners of the parent for full-year 2018 will also be higher than the previous forecast.

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

Net sales (in 100 millions of yen)

Segment	Performance forecast for Jan. 1 – Dec. 31, 2018 (Consolidated)			2017 actual results (Jan. – Dec. 2017)
	Previous forecast (Jan. - Dec. 2018) Announced on May 9, 2018	Revised forecast (Jan.- Dec. 2018) Announced on Aug. 8, 2018	Increase/ decrease	
Petrochemicals	2,430	2,580	150	2,511
Chemicals	1,550	1,590	40	1,488
Electronics	1,170	1,140	-30	1,231
Inorganics	2,180	2,550	370	734
Aluminum	1,130	1,130	0	1,054
Others	1,390	1,410	20	1,336
Adjustments	-500	-550	-50	-551
Total	9,350	9,850	500	7,804

Operating income

Petrochemicals	200	200	0	334
Chemicals	180	180	0	165
Electronics	170	150	-20	219
Inorganics	835	1,180	345	71
Aluminum	60	60	0	67
Others	15	30	15	6
Adjustments	-90	-100	-10	-84
Total	1,370	1,700	330	778

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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