SHOWA DENKO K.K.

Consolidated Financial Statements

For the first three quarters ended September 30, 2018

Ⅰ. Consolidated Financial Results

Nov. 8th, 2018

(1) Results of operations:

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

	Results for the first three quarters (Jan.1–Sep.30)			
	2017	**2018**	Increase (Decrease)	**2018**
	¥	**¥**	%	**$**
Net sales	563,813	**724,938**	28.6	**6,383,178**
Operating income	55,944	**134,495**	140.4	**1,184,250**
Ordinary income	42,381	**134,185**	216.6	**1,181,517**
Net income attributable to owners of the parent	23,437	**99,272**	323.6	**874,104**
Net income attributable to owners of the parent per share: Basic	164.44	**676.47**	—	**5.96**
Net income attributable to owners of the parent per share: Diluted	—	**—**	—	**—**

Notes

Important changes in accounting policies : not applicable

Comprehensive income :

Results for the year ended September 30,2018 ¥98,572 million

Results for the year ended September 30,2017 ¥33,744 million

(2) Financial position:

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

	Dec.31, 2017	**Sep.30, 2018**	**Sep.30, 2018**
	¥	**¥**	**$**
Total assets	1,026,999	**1,148,981**	**10,116,939**
Total equity	368,994	**481,949**	**4,243,632**
	%	**%**	**%**
Stockholders' equity ratio	34.3	**40.3**	**40.3**

The tentative accounting policy applied to calculation of 2017 financial results due to consolidation of former SGL GE Holding GmbH has been finalized. Accordingly, the amounts for Dec. 2017 in this table reflect retroactive changes in 2017 financial results.

(3) Dividends:

	2017	**2018 Forecast**
Q1 dividends per share (¥)	—	**—**
Q2 dividends per share (¥)	0.00	**20.00**
Q3 dividends per share (¥)	—	**0.00**
End of Term dividends per share (¥)	50.00	**70.00**
Annual dividends per share (¥)	50.00	**90.00**

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, and paid dividends on the next day. 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 net income attributable to owners of the parent per share)

	fiscal year	
	¥	$
Net sales	985,000	8,673,065
Operating income	170,000	1,496,874
Ordinary income	167,000	1,470,459
Net income attributable to owners of the parent	115,000	1,012,591
Net income attributable to owners of the parent per share: Basic	781.27	6.88

*There is no change from the full-year 2018 performance forecast announced on August 8, 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

Yen amounts have been translated into U.S.dollars for convenience only, at the rate of ¥113.57 to US$1.00, the approximate rate of exchange as of September 30, 2018.

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

(1) Summary
During the first three quarters of 2018 (January 1 – September 30), the Japanese economy continued to recover gradually. Consumer spending showed a steady change against the background of good employment situation. Corporate earnings continued to improve, and production increased. Yen depreciated against dollar in the second half of the year due to rising interest rates in the U.S., though yen temporarily appreciated against dollar in the first half of the year. As for overseas economies, the U.S. 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. On the other hand, mood of uncertainty over future prospects for global economy has been enhanced by global issues such as intensifying trade friction between the U.S. and China caused by changes in the trade policy of the U.S. Government, fear of business slowdown in China, Brexit issue, and depreciation of currencies of some emerging countries including Turkey. 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, despite sluggish shipment volumes of PCs.

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. In addition, the Group is now focusing on formulation of the next medium-term business plan which will start in the coming year.

The Group recorded consolidated net sales of ¥724,938 million in the first three quarters of 2018, up 28.6% from the same period of the previous year. The sales in the Electronics segment decreased due to a decrease in shipment volumes of HD media for mobile PCs. However, the 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 a rise in the market prices of graphite electrodes. In the Petrochemicals segment, sales increased due to a rise in the market prices of products resulting from a rise in raw naphtha price, despite a decrease in production resulting from the large-scale periodic shutdown maintenance of ethylene production facilities. Sales in the Chemicals, Aluminum, and Others segments also increased due to higher shipment volumes.

Operating income of the Group substantially increased by 140.4%, to ¥134,495 million. In the Petrochemicals segment, operating income decreased due mainly to the large-scale shutdown maintenance. The Electronics and Aluminum segments also recorded lower income. However, the Inorganics segment recorded considerably higher income due to the effect of the business integration in its graphite electrode business and a rise in the market prices of graphite electrodes. The Chemicals and Others segments also recorded higher income. As a result, the Group recorded ordinary income of ¥134,185 million, up 216.6%. The Group recorded net income attributable to owners of the parent of ¥99,272 million in the first three quarters of 2018, significantly up 323.6% from the same period of the previous year, due partly to a decrease in extraordinary loss, despite an increase in income taxes.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	563,813	724,938	161,125	191,620	269,093	77,473
Operating income	55,944	134,495	78,551	20,918	56,630	35,713
Ordinary income	42,381	134,185	91,804	20,143	56,613	36,470
Net income attributable to owners of the parent	23,437	99,272	75,835	15,600	41,323	25,722

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

[Petrochemicals segment]
In the Petrochemicals segment, sales increased 4.6%, to ¥191,622 million. Production of ethylene and propylene in the first three quarters 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 remained at the level of the previous year due to a rise in the market prices of products resulting from a rise in raw naphtha price, despite a decrease in production quantities resulting from the large-scale periodic shutdown maintenance of ethylene production facilities. 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 35.8%, to ¥15,480 million due mainly to the large-scale periodic shutdown maintenance.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	183,157	191,622	8,465	59,234	76,211	16,978
Operating income	24,105	15,480	-8,625	7,948	8,068	119

[Chemicals segment]
In the Chemicals segment, sales increased 6.0%, to ¥115,073 million. Production of liquefied ammonia in the first three quarters 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 and chloroprene rubber slightly increased. Sales of acrylonitrile and caustic soda increased due to a rise in market prices. 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 increased due to higher shipment volumes of carbon dioxide and dry ice. Sales of functional chemicals increased due to a rise in sales prices of products reflecting a rise in prices of raw materials. Operating income of the segment increased 11.5%, to ¥12,608 million.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	108,520	115,073	6,553	38,403	40,453	2,049
Operating income	11,312	12,608	1,296	4,421	4,856	436

[Electronics segment]
In the Electronics segment, sales decreased 14.5%, to ¥81,439 million. Production of HD media in the first three quarters of 2018 decreased from the same period of the previous year due mainly to a weakness in shipment volumes of HD media for use in mobile PCs, because the first half of 2018 was the period of transition in which we shifted from production of traditional media to next-generation media with double storage capacity, though the demand for HD media for use in servers for data centers remained strong. Thus the sales of 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 45.2%, to ¥10,096 million.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	95,285	81,439	-13,847	32,315	27,090	-5,224
Operating income	18,429	10,096	-8,332	6,285	4,469	-1,816

[Inorganics segment]
In the Inorganics segment, sales increased 351.3%, to ¥192,151 million. Production of graphite electrodes in the first three quarters of 2018 increased from the same period of the previous year due to an increase in the output from 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 of graphite electrodes in the global market caused by the increase in production of electric steel in China resulting from enforcement of stricter environmental policy, and the tight supply-demand situation resulting from an increase in electric steel production in global scale, especially in the U.S. market. Sales of ceramics decreased due mainly to a fall in shipment volumes of general-purpose alumina caused by SDK's withdrawal from PT. Indonesia Chemical Alumina, despite an increase in shipment volumes of abrasives and fine ceramics for electronics. The segment recorded operating income of ¥97,885 million, an increase of ¥95,486 million.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	42,581	192,151	149,570	15,996	75,693	59,696
Operating income	2,399	97,885	95,486	2,256	39,778	37,522

[Aluminum segment]
In the Aluminum segment, sales increased 4.9%, to ¥81,060 million. Production of high-purity foil for aluminum electrolytic capacitors in the first three quarters 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 to a rise in product prices caused by a rise in the price of aluminum ingot. Sales of aluminum cans slightly decreased due to lower shipment volumes to the domestic market. Operating income of the segment decreased 16.7%, to ¥4,039 million due partly to a rise in the price of aluminum ingot.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	77,286	81,060	3,774	26,406	27,781	1,375
Operating income	4,849	4,039	-810	1,612	1,370	-242

[Others segment]
In the Others segment, sales increased 7.7%, to ¥105,587 million. Shoko Co., Ltd.'s sales increased. Sales of SiC epitaxial-wafers for power devices also increased due to an increase in shipment volumes. Operating income of the segment increased 386.6%, to ¥2,095 million.

(Unit: millions of yen)

	2017 1Q - 3Q (Jan.-Sept.)	2018 1Q – 3Q (Jan.-Sept.)	Increase/ decrease	2017 July-Sept.	2018 July-Sept.	Increase/ decrease
Sales	98,066	105,587	7,521	33,027	35,964	2,937
Operating income	430	2,095	1,664	360	779	419

(3) Major steps taken or decided after the settlement of accounts for the first half of 2018
[General]

- Incorporated into 3 ESG investment indexes for 2 straight years

  In July 2018, SDK was incorporated continuously for two straight years into three ESG indexes for investment: "FTSE Blossom Japan Index" provided by FTSE International Limited and Frank Russel Company (FTSE Russel, a member of London Stock Exchange Group); "MSCI Japan ESG Select Leaders Index" and "MSCI Japan Empowering Women Index" provided by MSCI Incorporated (MSCI). FTSE and MSCI are world-famous index providers. Government Pension Investment Fund (GPIF) selected these three stock price indexes and started full-scale "ESG conscious investment" in 2017. FTSE Blossom Japan Index is designed to provide market participants with a tool to identify and measure the performance of Japanese companies that demonstrate strong environment, social and governance (ESG) practices. MSCI Japan ESG Select Leaders Index is constructed using the MSCI Japan IMI Top 500 Index (parent index) and targets best ESG performers among issues included in the parent index. MSCI Japan Empowering Women Index evaluates companies promoting and maintaining gender diversity. In addition to these three ESG indexes, SDK has been included in the "Morningstar Socially Responsible Investment Index (MS-SRI)," which is provided by Morningstar Japan K.K., for five consecutive years and the "SNAM Sustainability Index," which is provided by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM), for seven consecutive years.

- Implemented early repayment of subordinated loan

  In October 2018, SDK made early repayment of ¥24 billion that it raised in a subordinated loan (the Subordinated Loan) in April 2014. The Subordinated Loan, with a 75% equity credit acknowledged by Japan Credit Rating Agency, Ltd. has contributed to improvement of SDK's financial strength. Since the financing through the Subordinated Loan, SDK has advanced structural reform and expanded its individualized businesses, resulting in stronger business foundation and higher profitability, and also achieved financial level targeted in its medium-term business plan. These accomplishments led to SDK's conclusion that it has completed the important task of enhancing its financial standing with the Subordinated Loan. SDK made an early repayment of the Subordinated Loan based on its judgment that the early repayment reduces financial costs and makes its financial strategy more flexible, which will increase shareholder value.

- SDK and Cinnamon starts to develop database system equipped with AI to utilize technical documents

SDK and Cinnamon Inc. (Cinnamon) decided to jointly develop a database system equipped with artificial intelligence (AI) to utilize technical documents. SDK and Cinnamon will promote the development of a database system with the object of utilizing technical documents, in which the system will be equipped with AI-based automatic OCR technology to accurately digitize data on paper containing handwritten characters and highly convenient data search function. The two parties will aim to create an intensely practical database system through close cooperation between Cinnamon which has deep expertise and programming technology on AI and image analysis, and SDK which holds abundant real data (technical documents) that contain expertise in many fields including petrochemical, carbon, and aluminum products. This development program has been accredited as a project to be subsidized by the New Energy and Technology Development Organization (NEDO) as a part of NEDO's "Program to Support Joint Development of AI Systems."

- Acquired naming rights to athletic facilities of Oita Sports Park

In October 2018, SDK acquired the naming rights to athletic facilities of Oita Sports Park, located in Oita City, from Oita Prefecture. The naming rights are valid for five years, from March 1, 2019 to February 29, 2024. The rights cover 7 athletic facilities including the main multipurpose stadium, tennis courts and a baseball stadium. SDK will nickname these 7 facilities with names which include the name of the Company, "Showa Denko." For example, SDK will nickname the main multipurpose stadium "Showa Denko Dome Oita." SDK started operation of its Oita Petrochemical Complex in 1969 and has continued to aim for a harmonious relationship with the regional community for 50 years. Oita Sports Park is a symbolic facility of Oita Prefecture, and its athletic facilities are used for various sports events including football games of J. LEAGUE. A part of the fee for the naming rights SDK will pay to Oita Prefecture is to be used for promotion of sports and regional development. It is our pleasure to contribute to promotion of sports and regional development in Oita Prefecture in this way, and SDK aims to enhance its CSR activities further.

[Petrochemicals segment]

- JXTG Energy and SDK receive subsidy for project to strengthen bases of petroleum complexes in Oita Complex Area

A joint project of SDK and JXTG Nippon Oil & Energy Corporation (JXTG Energy) to strengthen cooperation between oil refinery and petrochemical complex in Oita complex area (Oita City) has been adopted as a subject for the "2018 Subsidy Program to Support Projects to Enhance Resilience of Oil Supply System" (a program to subsidize projects to strengthen business bases of petroleum complexes among programs to enhance productivity and resilience of petroleum complexes) to which Consortium for Resilient Oil Supply System (CROS) organized public invitation. Details of the project are "increasing the number of propylene rectifying towers" and "establishment of an ethane holder." By interchanging and utilizing products through pipelines, the two parties gain advantages. "Subsidy Program to Support Projects to Enhance Resilience of Oil Supply System" is institutionalized by the Agency of Natural Resources and Energy. The program aims to improve productivity of Japanese petroleum complexes which form the core of oil products supply system, secure business bases of those complexes which are essential for the sustainability of domestic oil supply network, and establish sustainable and stable oil products supply system in Japan. Through this joint project, SDK and JXTG Energy will make the most of strong points of facilities in the oil refinery and the petrochemical

complex in Oita complex area, and make these complexes prosper with global competitiveness.

[Others Segment]

- Decided to start the third time expansion of high-grade SiC epitaxial-wafer production facilities in the last 2 years

SDK decided to farther expand its capacity to produce high-quality-grade silicon carbide (SiC) epitaxial wafers for power semiconductors, which have already been marketed under the trade name of “High-Grade Epi” (HGE), in addition to currently conducted expansion work of the HGE production facilities. SDK has been gradually expanding its capacity to produce HGE, which was 3,000 wafers* per month in 2017 before these expansion works. After the additional expansion work decided this time, which is to be finished in February 2019, SDK’s HGE production capacity will be 9,000 wafers per month, which is three times as much as that in 2017. SDK’s SiC epitaxial wafer business has been acclaimed by power semiconductor manufacturers for the lowest incidence of crystal defects and the highest homogeneity of wafers in the world. SDK decided this time again to farther expand the HGE production facilities in order to respond to the growing need of our customers for HGE resulting from rapid growth of the market for SiC-based power semiconductors. When compared with the currently mainstream silicon-based semiconductors, SiC-based power semiconductors can operate under high-temperature, high-voltage, and high-current conditions, while conserving energy. These features enable device manufacturers to produce smaller, lighter, and more energy-efficient next-generation power control modules. In addition to the use in power modules for dispersion type power sources to utilize new energy sources, power modules for servers in data centers, and inverter modules for railcars, SiC-based power semiconductors are now replacing conventional silicon-based semiconductors for use in on-board battery chargers and rapid charging stations for EVs, in parallel with rapid expansion of the EV market. SDK will continue improving the quality of its SiC epitaxial wafer products and supplying them to the rapidly growing SiC power semiconductor market in timely and stable manner, while securing top-level market share.

*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 - September 30, 2018 period (as compared with the conditions at December 31, 2017)

Total assets at September 30, 2018 amounted to ¥1,148,981 million, an increase of ¥121,982 million from the level at December 31, 2017. Total assets increased due partly to increases in notes and accounts receivable-trade and inventories. Total liabilities increased ¥9,026 million, to ¥667,031 million, due partly to increases in notes and accounts payable-trade and income taxes payable, despite the decrease in interest-bearing debts. Net assets at September 30, 2018 amounted to ¥481,949 million, an increase of ¥112,955 million from the level at December 31, 2017, 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 in overseas markets.

3. Performance forecast

The consolidated performance forecast for full year 2018 we announced on August 8, 2018 remains unchanged.

(Unit: millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Forecast for full-year 2018	985,000	170,000	167,000	115,000

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2017	Sep. 30, 2018	Sep. 30, 2018
Assets	¥	¥	$
Current assets			
Cash and deposits	77,248	138,208	1,216,939
Notes and accounts receivable-trade	176,021	213,578	1,880,582
Merchandise and finished goods	54,903	65,679	578,311
Work in process	15,829	24,853	218,831
Raw materials and supplies	44,181	58,405	514,266
Other	41,862	39,520	347,982
Allowance for doubtful accounts	(2,849)	(2,323)	(20,452)
Total current assets	407,194	537,920	4,736,460
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	85,930	84,596	744,882
Machinery, equipment and vehicles, net	151,634	154,890	1,363,831
Land	244,713	244,877	2,156,180
Other, net	23,657	18,617	163,922
Total property, plant and equipment	505,933	502,981	4,428,815
Intangible assets			
Other	12,817	14,258	125,545
Total intangible assets	12,817	14,258	125,545
Investments and other assets			
Investment securities	89,167	83,304	733,504
Other	22,117	20,434	179,921
Allowance for doubtful accounts	(10,229)	(9,915)	(87,306)
Total investments and other assets	101,054	93,822	826,119
Total noncurrent assets	619,805	611,061	5,380,479
Total assets	1,026,999	1,148,981	10,116,939
Liabilities			
Current liabilities			
Notes and accounts payable-trade	120,762	148,108	1,304,110
Short-term loans payable	86,699	64,805	570,616
Current portion of long-term loans payable	57,432	36,752	323,611
Commercial papers	5,000	29,000	255,349
Provision	7,234	7,500	66,036
Income taxes payable	5,748	14,962	131,741
Other	88,959	81,683	719,231
Total current liabilities	371,835	382,810	3,370,694
Noncurrent liabilities			
Bonds payable	42,000	42,000	369,816
Long-term loans payable	155,594	158,312	1,393,962
Provision	6,427	6,387	56,238
Net defined benefit liability	18,966	15,864	139,688
Other	63,182	61,658	542,909
Total noncurrent liabilities	286,170	284,222	2,502,612
Total liabilities	658,005	667,031	5,873,307
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,237,682
Capital surplus	61,663	78,911	694,823
Retained earnings	100,076	189,235	1,666,237
Treasury stock	(10,503)	(1,655)	(14,574)
Total shareholders' equity	291,800	407,054	3,584,168
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	16,547	13,500	118,868
Deferred gains or losses on hedges	3,781	1,789	15,754
Revaluation reserve for land	29,541	29,532	260,032
Foreign currency translation adjustment	15,516	14,637	128,883
Remeasurements of defined benefit plans	(4,716)	(3,608)	(31,771)
Total accumulated other comprehensive income	60,670	55,850	491,765
Non-controlling interests	16,524	19,046	167,699
Total net assets	368,994	481,949	4,243,632
Total liabilities and net assets	1,026,999	1,148,981	10,116,939

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first three quarters (Jan.1-Sep.30)		
	2017	2018	2018
	¥	¥	$
Net sales	563,813	724,938	6,383,178
Cost of sales	436,360	510,569	4,495,636
Gross profit	127,453	214,368	1,887,542
Selling, general and administrative expenses	71,509	79,873	703,292
Operating income	55,944	134,495	1,184,250
Non-operating income			
Interest income	383	579	5,097
Dividends income	809	1,032	9,088
Equity in earnings of affiliates	—	974	8,578
Rent income on noncurrent assets	1,042	1,024	9,015
Miscellaneous income	947	1,341	11,806
Total non-operating income	3,180	4,950	43,585
Non-operating expenses			
Interest expenses	2,207	2,347	20,670
Equity in losses of affiliates	8,466	—	—
Miscellaneous expenses	6,070	2,913	25,649
Total non-operating expenses	16,743	5,260	46,318
Ordinary income	42,381	134,185	1,181,517
Extraordinary income			
Gain on sales of investment securities	236	281	2,472
Gain on liquidation of subsidiaries	—	151	1,329
Other	139	106	930
Total extraordinary income	375	537	4,732
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	1,583	2,406	21,185
Provision for loss on guarantees	3,082	—	—
Other	5,159	665	5,851
Total extraordinary losses	9,824	3,071	27,036
Profit before income taxes	32,932	131,652	1,159,212
Income taxes	7,880	27,910	245,749
Net income	25,052	103,742	913,463
Net income attributable to non-controlling interests	1,615	4,470	39,360
Net income attributable to owners of the parent	23,437	99,272	874,104

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first three quarters (Jan.1-Sep.30)		
	2017	2018	2018
	¥	¥	$
Net income	25,052	103,742	913,463
Other comprehensive income:			
Valuation difference on available-for-sale securities	5,818	(3,015)	(26,546)
Deferred gains or losses on hedges	2,938	(1,993)	(17,546)
Foreign currency translation adjustments	(1,026)	(1,214)	(10,686)
Remeasurements of defined benefit plans, net of tax	958	1,099	9,675
Share of other comprehensive income of entities accounted for using equity method	4	(48)	(419)
Total other comprehensive income	8,692	(5,170)	(45,522)
Comprehensive income	33,744	98,572	867,941
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	31,905	94,400	831,202
Comprehensive income attributable to non-controlling interests	1,840	4,172	36,739

(Reference)

SEGMENT INFORMATION

Information about sales and operating income:

9 Months ended September 30, 2017	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥175,692	¥95,539	¥93,229	¥36,347	¥70,852	¥92,154	¥–	¥563,813
Inter-segment	7,465	12,981	2,056	6,234	6,434	5,912	(41,082)	–
Total	183,157	108,520	95,285	42,581	77,286	98,066	(41,082)	563,813
Operating income (loss)	¥24,105	¥11,312	¥18,429	¥2,399	¥4,849	¥430	(¥5,579)	¥55,944

9 Months ended September 30, 2018	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**¥183,948**	**¥102,314**	**¥80,159**	**¥185,847**	**¥74,230**	**¥98,440**	**¥–**	**¥724,938**
Inter-segment	**7,674**	**12,759**	**1,280**	**6,304**	**6,830**	**7,147**	**(41,995)**	**–**
Total	**191,622**	**115,073**	**81,439**	**192,151**	**81,060**	**105,587**	**(41,995)**	**724,938**
Operating income (loss)	**¥15,480**	**¥12,608**	**¥10,096**	**¥97,885**	**¥4,039**	**¥2,095**	**(¥7,707)**	**¥134,495**

9 Months ended September 30, 2018	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	**$1,619,690**	**$900,885**	**$705,810**	**$1,636,410**	**$653,604**	**$866,779**	**$–**	**$6,383,178**
Inter-segment	**67,571**	**112,348**	**11,271**	**55,508**	**60,139**	**62,932**	**(369,768)**	**–**
Total	**1,687,260**	**1,013,233**	**717,080**	**1,691,918**	**713,743**	**929,711**	**(369,768)**	**6,383,178**
Operating income (loss)	**$136,304**	**$111,014**	**$88,899**	**$861,891**	**$35,563**	**$18,443**	**($67,864)**	**$1,184,250**

SHOWA DENKO K.K.

November 8, 2018

Third Quarter, 2018 Consolidated Financial Results (Summary)

1. Third Quarter Results 2018

(1) Summary

(Unit: billions of yen)

Items	2017 Jan.1 - Sept.30	2018 Jan.1 - Sept.30	Increase/ decrease	2018 Forecast *
Net Sales	563.8	724.9	161.1	985.0
Operating Income	55.9	134.5	78.6	170.0
Net income attributable to owners of the parent	23.4	99.3	75.8	115.0

*Forecast revised on Aug. 8, 2018.

(2) Net Sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2017 Jan.1 - Sept.30	2018 Jan.1 - Sept.30	Increase/ decrease	2018 Forecast *
Net Sales	Petrochemicals	183.2	191.6	8.5	258.0
	Chemicals	108.5	115.1	6.6	159.0
	Electronics	95.3	81.4	-13.8	114.0
	Inorganics	42.6	192.2	149.6	255.0
	Aluminum	77.3	81.1	3.8	113.0
	Others	98.1	105.6	7.5	141.0
	Adjustments	-41.1	-42.0	-0.9	-55.0
	Total	563.8	724.9	161.1	985.0
Operating Income	Petrochemicals	24.1	15.5	-8.6	20.0
	Chemicals	11.3	12.6	1.3	18.0
	Electronics	18.4	10.1	-8.3	15.0
	Inorganics	2.4	97.9	95.5	118.0
	Aluminum	4.8	4.0	-0.8	6.0
	Others	0.4	2.1	1.7	3.0
	Adjustments	-5.6	-7.7	-2.1	-10.0
	Total	55.9	134.5	78.6	170.0

(Unit: billions of yen)

Segment		2018 CQ1 Jan.1 - Mar.31	2018 CQ2 Apr.1 - Jun.30	2018 CQ3 Jul.1 - Sept.30
Net Sales	Petrochemicals	53.8	61.6	76.2
	Chemicals	36.0	38.6	40.5
	Electronics	27.7	26.6	27.1
	Inorganics	51.4	65.0	75.7
	Aluminum	24.8	28.4	27.8
	Others	34.3	35.3	36.0
	Adjustments	-13.4	-14.5	-14.1
	Total	214.7	241.2	269.1
Operating Income	Petrochemicals	3.3	4.1	8.1
	Chemicals	3.6	4.1	4.9
	Electronics	2.9	2.8	4.5
	Inorganics	24.8	33.3	39.8
	Aluminum	1.3	1.4	1.4
	Others	0.8	0.5	0.8
	Adjustments	-2.5	-2.5	-2.7
	Total	34.3	43.6	56.6

*The tentative accounting policy applied to calculation of 2017 financial results due to consolidation of former SGL GE Holding GmbH has been finalized. Accordingly, the underlined amounts have been retroactively changed due partly to changes in depreciation costs for respective terms.

2. Cash dividends

Items	2017	2018 Forecast
Cash dividends per share (yen)	*50.0	90.0

*SDK resolved payment of dividends of Yen 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 dividends on the next day. The table above does not include this amount.

3. Reference

Items	2017 Jan.1 - Sept.30	2018 Jan.1 - Sept.30	Increase/ decrease
Exchange rate (yen/US$)	111.9	109.6	Yen appriciated by 2.3
Domestic naphtha price (yen/kl)	39,050	50,050	11,000

(Unit: billions of yen)

Items	Dec. 31, 2017	Sept. 30, 2018	Increase/ decrease
Total assets	1,027.0	1,149.0	122.0
Interest-bearing debt	346.7	330.9	-15.9

*The tentative accounting policy applied to calculation of 2017 financial results due to consolidation of former SGL GE Holding GmbH has been finalized. Accordingly, the underlined amount for Dec. 2017 has been retroactively changed.

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.