SHOWA DENKO K.K.

Consolidated Financial Statements

For the first quarter ended March 31, 2019

Ⅰ. Consolidated Financial Results

May 9th, 2019

(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 quarter (Jan.1–Mar.31)			
	2018	**2019**	Increase (Decrease)	**2019**
	¥	**¥**	%	**$**
Net sales	214,694	**234,727**	9.3	**2,114,847**
Operating income	34,277	**45,376**	32.4	**408,831**
Ordinary income	32,667	**44,182**	35.3	**398,074**
Net income attributable to owners of the parent	24,659	**33,074**	34.1	**297,994**
Net income attributable to owners of the parent per share: Basic	172.22	**226.73**	—	**2.04**
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 March 31,2019 ¥37,304 million

Results for the year ended March 31,2018 ¥15,253 million

(2) Financial position:

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

	Dec.31, 2018	**Mar.31, 2019**	**Mar.31, 2019**
	¥	**¥**	**$**
Total assets	1,074,983	**1,083,869**	**9,765,466**
Total equity	465,340	**487,031**	**4,388,062**
	%	**%**	**%**
Stockholders' equity ratio	41.5	**43.1**	**43.1**

(3) Dividends:

	2018	**2019 Forecast**
Q1 dividends per share (¥)	—	**—**
Q2 dividends per share (¥)	20.00	**50.00**
Q3 dividends per share (¥)	—	**—**
End of Term dividends per share (¥)	100.00	**80.00**
Annual dividends per share (¥)	120.00	**130.00**

Ⅱ. Forecast of performance for the year ending December 31, 2019

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

	1st half		fiscal year	
	¥	$	¥	$
Net sales	520,000	4,685,107	1,100,000	9,910,803
Operating income	91,000	819,894	190,000	1,711,866
Ordinary income	90,500	815,389	185,000	1,666,817
Net income attributable to owners of the parent	63,000	567,619	120,000	1,081,178
Net income attributable to owners of the parent per share: Basic	431.87	3.89	822.61	7.41

*The above forecast was announced on February 14, 2019.

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 ¥110.99 throughout this statement for convenience only.

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

(1) Summary
During the first quarter of 2019 (January 1 – March 31), the Japanese economy continued to recover gradually. Consumer spending showed a steady change against the background of good employment situation. Though corporate earnings were at high levels, they entered no-growth period due to a gradual slowdown in export. Overseas economies were slowing down. Though the U.S. economy continued to recover gradually, a feeling of slowdown of the European economy was strengthened. The economies of ASEAN countries continued to recover gradually. As for the Chinese economy, the effect of financial and monetary measures to stimulate the slowing down economy taken by relevant authorities draws global attention. Moreover, mood of uncertainty over future prospects for global economy has been enhanced by global issues such as lingering Brexit issue and intensifying tense atmosphere about international trade caused by the trade policy of the U.S. Government. Extension of the effect of these issues to Japan is a matter of concern.

In the petrochemicals industry, domestic plants to produce ethylene and its derivatives maintained high operating rate. However, in the East Asian market, prices of petrochemicals declined due to a drop in crude-oil prices. In the electronics parts/materials industry, production of semiconductors and display panels entered the period of adjustment of production due to continuing low-level shipment volumes of PCs and smartphones.

Under these circumstances, the Showa Denko Group started its new medium-term consolidated business plan “The TOP 2021” in January 2019. It is very important for the Showa Denko Group to enhance the value of the Group and satisfy all stakeholders including shareholders, customers, suppliers, local communities and employees in order that the Group continuously grows and becomes trusted and acclaimed by society. The Showa Denko Group defines this idea as the Group’s business philosophy, thereby promoting management to maximize shareholders’, customers’ and social value. The Group will change its course toward long-term business growth, strengthen its earning power and reduce the range of fluctuation in income through promotion of “The TOP 2021,” enhance the value of the Group, and establish a stable foundation which will continuously support the Group’s growth far into the future.

The Group recorded consolidated net sales of ¥234,727 million in the first quarter of 2019, up 9.3% 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. Sales in the Aluminum segment and the Others segment also decreased. Sales in the Chemicals segment was at the same level of the year-before period. On the other hand, Sales in the Inorganics segment considerably increased due mainly to a rise in market prices of graphite electrodes. In the Petrochemicals segment, sales increased from the same period of the previous year in which once-in-four-year large-scale shutdown maintenance of ethylene production facilities took place.

Operating income of the Group increased by 32.4%, to ¥45,376 million. Though the Chemicals, Electronics, Aluminum, and Others segments recorded lower income, the Inorganics segment recorded considerably higher income due to a rise in the market prices of graphite electrodes. The Petrochemicals segment recorded higher income because the segment got rid of the effect of the periodic shutdown maintenance which took place in the year-before period. The Group recorded ordinary income of ¥44,182 million, up 35.3%

from the same period of the previous year.

The Group recorded net income attributable to owners of the parent of ¥33,074 million in the first quarter of 2019, up 34.1% from the same period of the previous year, despite an increase in corporate tax and other expenses.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	214,694	234,727	20,033
Operating income	34,277	45,376	11,099
Ordinary income	32,667	44,182	11,516
Net income attributable to owners of the parent	24,659	33,074	8,415

(2) A breakdown of net sales and operating income by segment
(January 1 - March 31, 2019)

[Petrochemicals segment]
In the Petrochemicals segment, sales increased 16.6%, to ¥62,716 million. Sales of ethylene and propylene in the first quarter of 2019 increased from the same period of 2018 because there was no once-in-four-year large-scale shutdown maintenance of ethylene production facilities which took place in the first quarter of 2018. Sales of organic chemicals increased due to an increase in sales of ethyl acetate and vinyl acetate. Operating income of the segment increased 19.3%, to ¥3,993 million.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	53,788	62,716	8,928
Operating income	3,348	3,993	645

[Chemicals segment]
In the Chemicals segment, sales increased ¥8 million, to ¥36,026 million. In the basic chemicals business, sales of chloroprene rubber increased due to a plenty of export and strong market. However, sales of liquefied ammonia was at the same level of the year-before period, and sales of acrylonitrile decreased due to a decline in market price. As a result, sales of basic chemicals decreased. Sales of industrial gases was at the same level of the year-before period. Sales of functional chemicals increased due to a rise in sales prices of products. Sales of electronic chemicals slightly increased due to adjustment of production in the semiconductor and LCD industries. Operating income of the segment decreased 33.4%, to ¥2,413 million due mainly to a decline in market price of acrylonitrile and adjustment of production in the semiconductor and LCD industries.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	36,019	36,026	8
Operating income	3,624	2,413	-1,212

[Electronics segment]
In the Electronics segment, sales decreased 28.4%, to ¥20,553 million. Sales of HD media decreased due to a major decrease in sales volumes due partly to a bearish

shipment volumes of media for PCs. In addition, shipment volumes of HD media for storage devices in data centers also decreased due to a global slowdown in investment in the field of information technology. Sales of rare earth magnetic alloys and compound semiconductors decreased due mainly to a major decrease in sales volumes of rare earth magnetic alloys resulting from restructuring of our rare earth magnetic alloy business. Sales of lithium-ion battery (LIB) materials decreased due to a decrease in shipment volumes. As for SiC epitaxial wafer business, which was transferred from the Others segment to the Electronics segment at the beginning of the first quarter of 2019, sales increased due mainly to an increase in sales volumes of products for use in electric railcars and other equipment. The segment recorded operating loss of ¥271 million, a deterioration of ¥3,292 million.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	28,706	20,553	-8,154
Operating income	3,021	-271	-3,292

SiC epitaxial wafer business was transferred from the Others segment to the Electronics segment at the beginning of the first quarter of 2019. Data in the table above are based on this new segmentation retrospective to 2018.

[Inorganics segment]
In the Inorganics segment, sales increased 40.8%, to ¥72,383 million. Sales of graphite electrodes substantially increased from the same period of the previous year due to a rise in sales prices of graphite electrodes in the global market caused by the tight supply-demand situation resulting from a significant increase in electric steel production in global scale, especially in the United States, despite weakening demand for small-diameter graphite electrodes in China. Sales of ceramics decreased due mainly to a fall in shipment volumes of general-purpose alumina, despite an increase in shipment volumes of fine ceramics for electronics. The segment recorded operating income of ¥39,506 million, up 59.5% from the same period of the previous year.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	51,413	72,383	20,971
Operating income	24,775	39,506	14,732

[Aluminum segment]
In the Aluminum segment, sales decreased 4.4%, to ¥23,751 million. Sales of aluminum rolled products decreased due to a decline in shipment volumes of high-purity foil for aluminum electrolytic capacitors, especially for those used in industrial equipment, resulting from a decrease in investment made by the semiconductor industry, though shipment volumes of high-purity foil for aluminum electrolytic capacitors for use in onboard equipment was steady. Sales of aluminum specialty components decreased due to a decline in shipment volumes of those for use in automotive parts and industrial equipment. Sales of aluminum cans increased due to a slight increase in domestic sales and an increase in sales by Hanacans Joint Stock Company of Vietnam resulting from the expansion of its production capacity conducted in 2018. Operating income of the segment decreased 80.6%, to ¥255 million.

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	24,839	23,751	-1,088
Operating income	1,315	255	-1,060

[Others segment]
In the Others segment, sales decreased 2.8%, to ¥32,431 million. SHOKO CO., LTD.'s sales were at the same level of the year-before period. However, sales subsidiaries located abroad recorded lower sales. Operating income of the segment decreased 55.2%, to ¥304 million. (SiC epitaxial wafers business was transferred from the Others segment to the Electronics segment at the beginning of the first quarter of 2019.)

(Unit: millions of yen)

	1Q 2018	1Q 2019	Increase/decrease
Sales	33,370	32,431	-939
Operating income	678	304	-375

SiC epitaxial wafer business was transferred from the Others segment to the Electronics segment at the beginning of the first quarter of 2019. Data in the table above are based on this new segmentation retrospective to 2018.

(3) Major steps taken or decided in the first quarter of 2019
[General]

- Developed ultralight laminate-type radiator for EVs' battery modules

In January 2019, SDK and its consolidated subsidiary Showa Denko Packaging Co., Ltd. (SPA) cooperatively developed next-generation laminate-type heat radiator designed for application to square-shaped lithium-ion batteries (LIBs) for use in electric vehicles and other equipment. This new product uses laminate film, which is composed of aluminum foil and resin films, as structural material. The "heat sealing method" to manufacture this next-generation radiator can connect laminate films under relatively low temperature of about 200°C. The laminate film used as structural material of this new radiator is an application of the Showa Denko Group's technologies to manufacture *SPALF*™, which is aluminum laminate film manufactured and sold by SPA as pouch-type packaging material for LIBs. *SPALF*™'s performance in electrical insulation, plasticity and resistance to corrosion is very high. SDK and SPA will accelerate development of this next-generation laminate-type heat radiator as heat radiation component for EVs and electricity storage systems (ESSs), and plan to ship samples of these radiators by the end of 2020. The Showa Denko Group has set "inter-business cooperation" as a pillar of the Group's business strategy announced in the new medium-term consolidated business plan "The TOP 2021" which started this January, and has been developing products which make the maximum use of the Group's various materials and technologies. SDK and SPA cooperatively developed this next-generation heat radiator through fusion of our heat-radiation technology fostered by long-time operation of our aluminum radiator/heat-exchanger business and our lamination technology which enabled us to develop *SPALF*™.

- Developed AI-based patent interpretation support system

SDK and IBM Japan, Ltd. has jointly developed a "Patent Interpretation Support System," which helps engineers to conduct effective and efficient screening of patent information. SDK will start to utilize this system in the whole company from July 2019. This system adopted "IBM Watson Explorer," a cognitive technology which can analyze documented information and give high readability to chemistry-related patent documents. In a trial

operation conducted in SDK, the system almost halved the time to screen chemistry-related patent documents which are difficult to understand because of their long sentences with complicated rhetorical structure and cross-sectional interdependence. In its medium-term business plan "The TOP 2021" which was launched in January 2019, the Showa Denko Group prepared a plan to "strengthen utilization of AI/IoT related technologies," aiming to strengthen the Group's business foundation. By introducing this new system into the Group, we will make our R&D activities more efficient and effective, reduce the risk of infringement on other parties' intellectual property rights, and promote strategic intellectual property management, thereby strengthening competitiveness of the Showa Denko Group.

- Held a ceremony to unveil the nameplate of "Showa Denko Dome Oita"

In October 2018, SDK acquired the naming rights to athletic facilities of Oita Sports Park in Oita City, where SDK's Oita Complex is located, from Oita Prefecture. And on March 2, 2019, SDK and Oita Prefecture held a ceremony to unveil the nameplate of "Showa Denko Dome Oita," the main multipurpose stadium of the park. The naming rights are valid for five years, from March 2019 to February 2024, and cover 7 athletic facilities including the main multipurpose stadium, tennis courts and a baseball stadium. SDK has nicknamed these 7 facilities with names which include our company name, "Showa Denko." A part of the fee for the naming rights SDK pays to Oita Prefecture is to be used for promotion of sports and regional development (partnership programs). The Showa Denko Group has been promoting various activities to fulfill corporate social responsibility (CSR), aiming to make itself a "social contribution company" which satisfies all stakeholders. The Group will continue communication with local communities through various CSR activities including plant tours and internship system for students to experience jobs.

[Chemicals segment]

- Started mass production of liquefied carbon dioxide in Oita Petrochemical Complex

Showa Denko Gas Products Co., Ltd. (SGP), a consolidated subsidiary of SDK, has established a new plant to produce liquefied carbon dioxide (CO_2) in its Oita Plant located in the premise of SDK's Oita Petrochemical Complex, and started shipment of products in April 2019. Production capacity of the new plant is 15,000 tons of liquefied CO_2 per year. A tight supply-demand situation for liquefied CO_2 is chronic because the scaling back of oil-refining and ammonia production processes in Japan has been resulting in reduction in supply of by-product gas which is used to produce raw CO_2 gas. This new plant utilizes by-product gas stably supplied from chemical plant in the Oita Petrochemical Complex, and supplies CO_2 products to our regional customers in a stable manner, thereby contributing to the growth of regional economy. SGP's project to establish Oita Plant has been acknowledged by relevant organizations that it is eligible for the "Program to subsidize establishment of corporate bases in Oita City" sponsored by Oita City and the "Program to promote establishment of corporate bases that can lead growth of regional economies sponsored by the Ministry of Economy, Trade and Industry.

- Starts service to measure performance of noxious-GHG removal equipment

In May 2019, SDK will start a service to measure and analyze performance of noxious-GHG removal equipment, which is used in manufacturing process for electronic parts including semiconductor chips and LCD panels, as an option for the maintenance work of SDK's noxious-GHG removal equipment. In processes to manufacture semiconductor chips or LCD panels, various GHGs are used by manufacturers. These manufacturers are required by the government to treat noxious GHGs emitted from their production lines to make the GHGs' densities lower than certain levels, calculate the

emitted amount of GHGs after treatment, and report that amount to the government. Methods to calculate the amount of GHG emissions are listed in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The Guidelines are expected to be revised at the 49th Session of the IPCC to be held in May 2019, to determine standards for GHG removal efficiency classified by production processes and GHG removal methods. Aiming to take advantage of our technical know-how for handling of many kinds of specialty gases which has been accumulated through our business operation to manufacture and sell noxious-GHG removal equipment over many years, SDK decided this time to launch a new service to measure densities of GHGs, analyze results and rate actual efficiency of the GHG removal equipment. Thus SDK will continue developing and offering wide-ranging solutions concerning its business to manufacture and sell high-purity gases for electronics.

[Electronics segment]

- To begin shipment of MAMR-technology-based HD media

In 2019, SDK will begin shipment of newly developed 3.5-inch HD media which have storage capacity of 2 terabyte per disk based on the Microwave Assisted Magnetic Recording (MAMR)*1 technology for next-generation hard disk drives (HDDs). In terms of Conventional Magnetic Recording (CMR)*2, this product represents the 10th generation media. This new product has been adopted by Toshiba Electronic Devices & Storage Corporation for use in MAMR-technology-based 18 terabyte near-line HDD, which represents the largest storage capacity*3 in the industry. Due to the rapid expansion of cloud service and video content, data centers need HDDs with larger storage capacity. HD media are key parts for HDDs to determine their storage capacities, and SDK has been quickly launching top-quality media based on innovative technologies. As the largest independent HD media supplier, SDK will continue contributing to the increase in storage capacities of HDDs in accordance with its motto of “Best in Class.”

*1: MAMR is an abbreviation of Microwave Assisted Magnetic Recording, which is a technology to assist high-density recording of data into HD media by radiating microwave on magnetic layer of the disk to reduce coercive force only when data is written into there.
*2: CMR is an abbreviation of Conventional Magnetic Recording, which is a kind of Perpendicular Magnetic Recording (PMR) technology without the use of Shingled Magnetic Recording (SMR). CMR ensures high random access.
*3: As of February 11, 2019.

[Aluminum segment]

- Showa Aluminum Can to establish third production base in Vietnam and expand existing can end production lines

In April 2019, Showa Aluminum Can Corporation (SAC), a consolidated subsidiary of Showa Denko, decided to establish its third base in Vietnam to produce aluminum cans, aiming to expand its business in that country. This hew production base is to be located in Ba Ria-Vung Tau Province, which is in the southern part of Vietnam. In addition, SAC decided to expand the capacity of can end production lines in the existing factory located in the northern part of Vietnam. Hanacans Joint Stock Company (Hanacans), an affiliated company of SAC incorporated in Vietnam, has lines to produce can bodies and can ends in its Bac Ninh Factory located in the suburbs of Hanoi City in the northern part of Vietnam, and lines to produce can bodies in its Quang Nam Factory located in the suburbs of Da Nang City in the central part of Vietnam. This time, SAC decided to establish the new factory, which is to have capacity to produce 1.3 billion can bodies per year, in the suburbs of Ho Chi Minh City in the southern part of Vietnam, and install in Hanacans’ Bac Ninh Factory an additional line to produce can ends with production capacity of 1.1 billion can ends per year. As a result of these measures, Hanacans will have three factories to cover everywhere in Vietnam, and have capacities to produce 3.1

billion can bodies and 3.3 billion can ends per year in total. The total amount of investment in the construction of the new factory and the additional can-end production line is expected to be about ¥7 billion. The new facilities are scheduled to start production in July 2020.

2. Financial conditions for the January 1 – March 31, 2019 period (as compared with the conditions at December 31, 2018)

Total assets at the end of the quarter amounted to ¥1,083,869 million, an increase of ¥8,886 million from the level at December 31, 2018. Total assets increased due partly to increases in inventories and fixed assets, namely property, plant and equipment, despite decreases in cash and deposits and notes and accounts receivable. Total liabilities decreased ¥12,805 million, to ¥596,838 million, due partly to a decrease in notes and accounts payable, despite an increase in interest-bearing debts. Net assets at the end of the quarter increased ¥21,691 million, to ¥487,031 million, due mainly to the posting of net income attributable to owners of the parent.

3. Performance forecast

The Group's performance forecast for 2019 is not changed from that announced on February 14, 2019, which 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 full-year 2019	1,100,000	190,000	185,000	120,000

Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

	Dec. 31, 2018	Mar. 31, 2019	Mar. 31, 2019
Assets	¥	¥	$
Current assets			
Cash and deposits	113,186	103,677	934,116
Notes and accounts receivable-trade	203,730	196,092	1,766,749
Merchandise and finished goods	65,882	71,998	648,686
Work in process	26,160	33,155	298,724
Raw materials and supplies	60,758	66,141	595,914
Other	28,202	28,344	255,374
Allowance for doubtful accounts	(1,386)	(1,484)	(13,368)
Total current assets	496,533	497,923	4,486,196
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	78,777	80,515	725,425
Machinery, equipment and vehicles, net	146,764	144,351	1,300,576
Land	234,987	237,474	2,139,598
Other, net	17,879	21,435	193,124
Total property, plant and equipment	478,406	483,775	4,358,724
Intangible assets			
Other	14,950	15,715	141,590
Total intangible assets	14,950	15,715	141,590
Investments and other assets			
Investment securities	71,886	73,364	661,000
Other	21,540	21,434	193,115
Allowance for doubtful accounts	(8,332)	(8,342)	(75,159)
Total investments and other assets	85,094	86,456	778,957
Total noncurrent assets	578,450	585,946	5,279,270
Total assets	1,074,983	1,083,869	9,765,466
Liabilities			
Current liabilities			
Notes and accounts payable-trade	139,420	133,815	1,205,648
Short-term loans payable	61,747	53,119	478,593
Current portion of long-term loans payable	41,403	37,086	334,141
Commercial papers	20,000	29,000	261,285
Provision	3,714	7,530	67,846
Income taxes payable	10,160	15,254	137,439
Other	85,630	67,120	604,736
Total current liabilities	362,074	342,924	3,089,688
Noncurrent liabilities			
Bonds payable	42,000	42,000	378,412
Long-term loans payable	122,818	135,043	1,216,717
Provision	4,133	4,216	37,984
Net defined benefit liability	22,018	14,269	128,563
Other	56,599	58,385	526,039
Total noncurrent liabilities	247,569	253,914	2,287,715
Total liabilities	609,643	596,838	5,377,403
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,266,452
Capital surplus	78,911	78,911	710,975
Retained earnings	197,717	216,326	1,949,059
Treasury stock	(11,659)	(11,661)	(105,067)
Total shareholders' equity	405,532	424,139	3,821,419
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	7,489	9,620	86,679
Deferred gains or losses on hedges	836	1,076	9,696
Revaluation reserve for land	33,281	33,273	299,786
Foreign currency translation adjustment	7,069	7,079	63,780
Remeasurements of defined benefit plans	(8,244)	(7,770)	(70,009)
Total accumulated other comprehensive income	40,431	43,279	389,932
Non-controlling interests	19,377	19,613	176,711
Total net assets	465,340	487,031	4,388,062
Total liabilities and net assets	1,074,983	1,083,869	9,765,466

Consolidated Statements of Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2018	2019	2019
	¥	¥	$
Net sales	214,694	234,727	2,114,847
Cost of sales	155,251	162,888	1,467,589
Gross profit	59,443	71,839	647,258
Selling, general and administrative expenses	25,165	26,463	238,427
Operating income	34,277	45,376	408,831
Non-operating income			
Interest income	166	274	2,473
Dividends income	347	332	2,992
Equity in earnings of affiliates	563	—	—
Rent income on noncurrent assets	341	341	3,071
Miscellaneous income	960	504	4,543
Total non-operating income	2,377	1,452	13,079
Non-operating expenses			
Interest expenses	812	579	5,220
Equity in losses of affiliates	—	499	4,492
Foreign exchange losses	2,351	—	—
Environmental expenses	64	739	6,659
Miscellaneous expenses	761	829	7,465
Total non-operating expenses	3,988	2,646	23,836
Ordinary income	32,667	44,182	398,074
Extraordinary income			
Gain on sales of investment securities	—	291	2,626
Other	30	5	49
Total extraordinary income	30	297	2,675
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	718	489	4,402
Other	179	219	1,978
Total extraordinary losses	897	708	6,379
Profit before income taxes	31,799	43,771	394,369
Income taxes	5,730	9,498	85,577
Net income	26,069	34,273	308,792
Net income attributable to non-controlling interests	1,410	1,199	10,799
Net income attributable to owners of the parent	24,659	33,074	297,994

Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2018	2019	2019
	¥	¥	$
Profit	26,069	34,273	308,792
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,523)	2,152	19,394
Deferred gains or losses on hedges	(2,420)	238	2,141
Foreign currency translation adjustments	(7,297)	181	1,627
Remeasurements of defined benefit plans, net of tax	420	479	4,314
Share of other comprehensive income of entities accounted for using equity method	4	(18)	(167)
Total other comprehensive income	(10,816)	3,031	27,308
Comprehensive income	15,253	37,304	336,100
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	14,007	35,930	323,724
Comprehensive income attributable to non-controlling interests	1,247	1,374	12,377

(Reference)

SEGMENT INFORMATION

Imformation about sales and operating income :

3 Months ended March 31, 2018	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Consolidated
Sales								
Outside customers	¥51,487	¥31,929	¥28,273	¥49,517	¥22,647	¥30,841	¥–	¥214,694
Inter-segment	2,301	4,089	433	1,896	2,192	2,529	(13,440)	–
Total	53,788	36,019	28,706	51,413	24,839	33,370	(13,440)	214,694
Operating income (loss)	¥3,348	¥3,624	¥3,021	¥24,775	¥1,315	¥678	(¥2,485)	¥34,277

3 Months ended March 31, 2019	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Consolidated
Sales								
Outside customers	**¥60,297**	**¥31,854**	**¥20,355**	**¥70,299**	**¥21,873**	**¥30,049**	**¥–**	**¥234,727**
Inter-segment	**2,419**	**4,172**	**198**	**2,084**	**1,878**	**2,382**	**(13,133)**	**–**
Total	**62,716**	**36,026**	**20,553**	**72,383**	**23,751**	**32,431**	**(13,133)**	**234,727**
Operating income (loss)	**¥3,993**	**¥2,413**	**(¥271)**	**¥39,506**	**¥255**	**¥304**	**(¥824)**	**¥45,376**

3 Months ended March 31, 2019	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Consolidated
Sales								
Outside customers	**$543,264**	**$287,003**	**$183,390**	**$633,384**	**$197,068**	**$270,738**	**$–**	**$2,114,847**
Inter-segment	**21,795**	**37,587**	**1,784**	**18,776**	**16,920**	**21,461**	**(118,324)**	**–**
Total	**565,058**	**324,590**	**185,174**	**652,160**	**213,989**	**292,199**	**(118,324)**	**2,114,847**
Operating income (loss)	**$35,979**	**$21,737**	**($2,444)**	**$355,946**	**$2,298**	**$2,737**	**($7,422)**	**$408,831**

SHOWA DENKO K.K.

May 9th, 2019

First Quarter, 2019 Consolidated Financial Results (Summary)

1. First Quarter Results

(1) Summary

(Unit: billions of yen)

Items	2018 CQ1 Jan.1 - Mar.31	2019 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2019 Forecast*
Net Sales	214.7	234.7	20.0	520.0
Operating Income	34.3	45.4	11.1	91.0
Net income attributable to owners of the parent	24.7	33.1	8.4	63.0

*Announced on Feb. 14, 2019

(2) Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2018 CQ1 Jan.1 - Mar.31	2019 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2019 Forecast*
Net Sales	Petrochemicals	53.8	62.7	8.9	133.0
	Chemicals	36.0	36.0	0.0	79.0
	Electronics	28.7	20.6	-8.2	46.0
	Inorganics	51.4	72.4	21.0	168.5
	Aluminum	24.8	23.8	-1.1	53.5
	Others	33.4	32.4	-0.9	67.0
	Adjustments	-13.4	-13.1	0.3	-27.0
	Total	214.7	234.7	20.0	520.0

Segment		2018 CQ1 Jan.1 - Mar.31	2019 CQ1 Jan.1 - Mar.31	Increase/ decrease	First Half, 2019 Forecast*
Operating Income	Petrochemicals	3.3	4.0	0.6	7.0
	Chemicals	3.6	2.4	-1.2	6.0
	Electronics	3.0	-0.3	-3.3	3.1
	Inorganics	24.8	39.5	14.7	77.0
	Aluminum	1.3	0.3	-1.1	2.2
	Others	0.7	0.3	-0.4	0.9
	Adjustments	-2.5	-0.8	1.7	-5.2
	Total	34.3	45.4	11.1	91.0

SiC epitaxial wafer business was transferred from the Others segment to the Electronics segment at the beginning of 2019.
The above data for 1Q 2018 and 1Q 2019 are based on this new segmentation.

2. Reference

Items	2018 CQ1 Jan.1 - Mar.31	2019 CQ1 Jan.1 - Mar.31	Increase/ decrease	2019 Forecast*
Exchange rate (yen/US$)	108.3	110.2	Yen depreciated by 1.9	105.0
Domestic naphtha price (yen/kl)	47,900	41,200	-6,700	53,400

(Unit: billions of yen)

Items	Dec.31, 2018	Mar.31, 2019	Increase/ decrease
Total assets	1,075.0	1,083.9	8.9
Interest-bearing debt	288.0	296.2	8.3

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.