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SDK to Further Postpone Announcement of 2016 Financial Results

For the reasons set out below, Showa Denko (SDK) (TOKYO: 4004) has decided to further postpone the announcement of its financial results for 2016, that was expected to occur no later than March 7, 2017, as announced in the press release of February 13, 2017 “SDK to Postpone Announcement of 2016 Financial Results.”

1. Reasons for further postponement

Shoko Co., Ltd. (Shoko), a consolidated subsidiary of SDK, announced in its press release titled “Shoko to Postpone Announcement of 2016 Financial Results” and dated February 13, 2017, that Shoko had decided to postpone the announcement of its financial results to no later than March 7, 2017 because Shoko was required to undergo a detailed examination of its method of recording sales (the affected amount of transactions: approx. ¥6 billion in 2016) by one of Shoko’s subsidiaries to a specific customer and it would take some time to complete closing procedures, including additional auditing by an auditing corporation. Accordingly, SDK also announced that it had decided to postpone the announcement of its financial results to no later than March 7, 2017.

However, as Shoko announced today that, although payments have been made, doubts regarding the substance of the subject of such transactions between the subsidiary and the specific customer (※) have increased as a result of continued examination, from both a professional and objective perspective, conducted by Shoko establishing a “Special Examination Committee” which consists of outside experts. Thus, further examination of the details of such transaction and whether there exist similar transactions has become necessary. As it is now expected to take another considerable period of time to complete such further examination by the Special Examination Committee and to conduct additional auditing by the relevant auditing corporation in accordance with the results of such examination, Shoko needs to further postpone the announcement of its financial results for 2016.

(※) The subject of such transactions was delivered directly to an end-user without being delivered to the subsidiary. Substantively, by buying in and selling out the subject of the transaction on the books, the subsidiary gave credit (*i.e.*, finance by a trading firm) to the customer, which was the buyer in the transaction.

Because SDK needs to wait for the report by Shoko’s Special Examination Committee, SDK

now expects that it will not be able to announce its financial results by March 7, 2017, in consideration of the various procedures and the auditing required by an independent auditor to finalize SDK's 2016 financial results.

2. Schedules

Although the period for examination by Shoko's Special Examination Committee has yet to be fixed, it is expected that it will be difficult to complete the examination by the submission deadline for SDK's Annual Securities Reports for 2016 (March 31, 2017). Therefore, SDK plans to apply to the Kanto Local Finance Bureau for an extension of the deadline for filing the Annual Securities Reports. We will announce our decision to apply for the extension as soon as we are able to do so. The announcement of the consolidated financial results for 2016 will be made once the details have been finalized, based on the progress of the procedures outlined above.

If Shoko corrects the financial results of past years based on the results of its examination, there is a possibility that SDK will also correct its financial results of past years.

We apologize for any inconvenience caused to our shareholders, investors, and other affected parties.

For more information, contact:
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