

## MIRA INFORM REPORT

<b>Report No. :</b>	517572
<b>Report Date :</b>	13.07.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	SHOWA DENKO KK
<b>Registered Office :</b>	1-13-9 Shiba-Daimon Minatoku Tokyo 105-8518
<b>Country :</b>	Japan
<b>Financials (as on) :</b>	31.12.2017
<b>Date of Incorporation :</b>	June, 1939
<b>Com. Reg. No.:</b>	0104-01-014518 (Tokyo-Minatoku)
<b>Legal Form :</b>	Limited Company (Kabushiki Kaisha)
<b>Line of Business :</b>	Manufacturer of Petrochemicals, Chemicals, Electronics Products, Aluminum.
<b>No. of Employees :</b>	3,631

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :**

A+

Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

<b>Maximum Credit Limit :</b>	Yen 16,396.2 Million
<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Clear

**NOTES:**

Any query related to this report can be made on e-mail: [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Japan	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

### JAPAN - ECONOMIC OVERVIEW

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (slightly less than 1% of GDP) have helped Japan develop an advanced economy. Two notable characteristics of the post-World War II economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Both features have significantly eroded under the dual pressures of global competition and domestic demographic change.

Measured on a purchasing power parity basis that adjusts for price differences, Japan in 2017 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. For three postwar decades, overall real economic growth was impressive - averaging 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and the collapse of an asset price bubble in the late 1980s, which resulted in several years of economic stagnation as firms sought to reduce excess debt, capital, and labor. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008.

Japan enjoyed an uptick in growth since 2013, supported by Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform. Led by the Bank of Japan's aggressive monetary easing, Japan is making modest progress in ending deflation, but demographic decline - a low birthrate and an aging, shrinking population - poses a major long-term challenge for the economy. The government currently faces the quandary of balancing its efforts to stimulate growth and institute economic reforms with the need to address its sizable public debt, which stands at 235% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate. However, the first such increase, in April 2014, led to a sharp contraction, so Prime Minister ABE has twice postponed the next increase, which is now scheduled for October 2019. Structural reforms to unlock productivity are seen as central to strengthening the economy in the long-run.

Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials. After the complete shutdown of Japan's nuclear reactors following the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. However, ABE's government is seeking to restart nuclear power plants that meet strict new safety standards and is emphasizing nuclear energy's importance as a base-load electricity source. In August 2015, Japan successfully restarted one nuclear reactor at the Sendai Nuclear Power Plant in Kagoshima prefecture, and several other reactors around the country have since resumed operations; however, opposition from local governments has delayed several more restarts that remain pending. Reforms of the electricity and gas sectors, including full liberalization of Japan's energy market in April 2016 and gas market in April 2017, constitute an important part of Prime Minister Abe's economic program.

Under the Abe Administration, Japan's government sought to open the country's economy to greater foreign competition and create new export opportunities for Japanese businesses, including by joining 11 trading partners in the Trans-Pacific Partnership (TPP). Japan became the first country to ratify the TPP in December 2016, but the United States signaled its withdrawal from the agreement in January 2017. In November 2017 the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan also reached agreement with the European Union on an Economic Partnership Agreement in July 2017, and is likely seek to ratify both agreements in the Diet this year.

Source : CIA

## **COMPANY NAME AND ADDRESS**

SHOWA DENKO KK

REGD NAME: Showa Denko KK

MAIN OFFICE: 1-13-9 Shiba-Daimon Minatoku Tokyo 105-8518 JAPAN  
Tel: 03-5470-3235 Fax: 03-3431-6215

URL: <http://www.sdk.co.jp>  
E-Mail address: [info@sdk.co.jp](mailto:info@sdk.co.jp)

## **ACTIVITIES**

Mfg of petrochemicals, chemicals, electronics products, aluminum, etc

## **BRANCHES**

Osaka, Nagoya, Fukuoka

## **OVERSEAS**

USA, Germany, Singapore, China, Taiwan (subsidiaries)

## **FACTORIES**

Oita, Tokuyama, Kawasaki, Fukushima, Yokohama, Nagano, Osaka, Chiba, Tochigi, Saitama (Tot 17)

## **OVERSEAS**

USA, Portugal, Czech, Malaysia, Indonesia, Philippines, Singapore, Thailand, China, Taiwan, other

## **SUBSIDIARIES**

Domestic 17; overseas 30 locations)

## **OFFICERS**

KOHEI MORIKAWA, PRES	Hideo Ichikawa, ch
Jun Tanaka, mgn dir	Hidehito Takahashi, mgn dir
Keiichi Kamiguchi dir	Toshiharu Kato, dir

Yen Amount: In million Yen, unless otherwise stated

## **SUMMARY**

FINANCES	FAIR	A/SALES	Y 780,387 M
PAYMENTS	REGULAR	CAPITAL	Y 140,564 M
TREND	SLOW	WORTH	Y ^296,560 M
STARTED	1939	EMPLOYS	3,631

## **COMMENT**

PETROCHEMICAL MFR.

FINANCIAL SITUATION COSIDERED FAIR AND GOOD FOR ORDINARY BUSINESS ENGAGEMENTS.

MAX CREDIT LIMIT: YEN 16,396.2 MILLION, 30 DAYS NORMAL TERMS.

## **HIGHLIGHTS**

The subject company was established by the merger of Nihon Denki Kogyo, aluminum smelter and Showa Hiryo KK, fertilizer producer, Tokyo. This is a comprehensive mfr of chemicals: petrochemicals, organic/inorganic chemicals, electronic materials, aluminum cans, other. Placing stronger emphasis on electronic and information materials, and specialty chemicals. Emphasizing hard disk business both domestically and overseas. Has 12 factories domestically and 20 overseas, including 6 factories in China. As growing fields, the firm is strengthening the businesses dealing high-purity gas for semiconductors & materials for lithium-iron batteries. Clients are major general trading houses, mfrs, other. Goods are both imported and exported thru general trading houses.

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## **FINANCIAL INFORMATION**

The sales volume for Dec/2017 fiscal term amounted to Yen 671,159 million, a 13.47% fall from Yen 775,732 million in the previous term. The recurring profit was posted at Yen 38,690 million and the net profit at Yen 12,305 million, respectively, compared with Yen 32,050 million recurring profit and Yen 921 million net profit, respectively, a year ago.

For the current term ending Dec 2018 the recurring profit is projected at Yen 106,000 million and the net profit at Yen 65,000 million, on a ^13.53% rise in turnover, to Yen 900,000 million.

The financial situation is considered FAIR and good for ORDINARY business engagements. Max credit limit is estimated at Yen 16,396.2 million, on 30 days normal terms.

## **REGISTRATION**

**Date Registered:** Jun 1939  
**Regd No.:** 0104-01-014518 (Tokyo-Minatoku)  
**Legal Status:** Limited Company (Kabushiki Kaisha)  
**Authorized:** 3,300 million shares  
**Issued:** 1,497,101,292 shares  
**Sum:** Yen 140,564 million

**Major shareholders (%):** Master Trust Bank of Japan T (6.1), Japan Trustee Services T (5.1), Company's Treasury Stock (4.6), Fukoku Mutual Life Ins (3.6), Morgan Stanley & Co (2.4), Daiichi Life Ins (2.4), MSCO Customer Securities (2.2), Japan Trustee Services T (2.0), Sampo Japan Nipponkoa Ins (2.6), Northern Trust (AVFC) Norway (1.9): foreign owners (34.6)

**No. of shareholders:** 51,248

**Listed on the S/Exchange (s) of:** Tokyo

Nothing detrimental is known as to the commercial morality of executives.

**Related companies:** Showa Highpolymer Co, Showa Denko Aluminum Can Corp, Showa Co, other

## **OPERATION**

**Activities:** Manufactures petrochemicals, chemicals, electronics, other:

**(Sales Breakdown by Divisions):**

**Petrochemicals Div (31%):** ethylene, propylene, C4 Faction, cracked fuel oil;

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**Organic Chemicals Div (17%):** acetaldehyde, acetic acid, vinyl acetate, ethyl acetate, alkyl alcohol, alkyl ester resin, liquefied aluminum, nitrogen, amino acid, functional resins;

**Electronics Div (15%);**

**Inorganic Chemicals Div (8%):** ceramics for electronics industries, grinding materials, artificial graphite electrodes, fine carbon;

**Aluminum Div (12%):** hydroxide aluminum, aluminum ingots, aluminum, aluminum metals, aluminum sheets, aluminum foil, aluminum moldings, aluminum cylinders for LBP, aluminum cans, heat exchangers;

Others: (16%)

**Overseas Sales Ratio (35%)**

**Clients:** [Mfrs, wholesalers] Nippon Steel, Marubeni Corp, Sumitomo Corp, Mitsui & Co, Mitsubishi Corp, Zeon Corp, Asahi Brewery, other

No. of accounts: 2,000

Domestic areas of activities: Nationwide

**Suppliers:** [Mfrs, wholesalers] Marubeni Corp, Idemitsu Petrochemicals, Nippon Oil, Sumitomo Corp, Zeon Corp, Mitsui & Co, Hitachi Ltd, Nippon Petrochemicals, other.

**Payment record:** Regular

**Location:** Business area in Tokyo. Office premises at the caption address are owned and maintained satisfactorily.

**Bank References:**

Mizuho Bank (H/O)

Norin Chukin Bank (H/O)

Relations: Satisfactory

**FINANCIALS**

Terms Ending:	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Annual Sales	762,000	671,159	775,732	872,785
Recur. Profit	43,500	38,690	32,050	21,731
Net Profit	21,000	12,305	921	2,929
Total Assets		932,698	940,494	1,009,843
Current Assets		335,007	331,525	378,360
Current Liabs		310,792	331,093	380,958
Net Worth		296,560	296,513	299,599
Capital, Paid-Up		140,564	140,564	140,564
Div.Ttl in Million (¥)		4,713	4,713	4,939
<b>&lt;Analytical Data&gt;</b>	(%)	(%)	(%)	(%)
S.Growth Rate	13.53	-13.48	-11.12	2.95

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Current Ratio	..	107.79	100.13	99.32
N.Worth Ratio	..	31.80	31.53	29.67
R.Profit/Sales	5.71	5.76	4.13	2.49
N.Profit/Sales	2.76	1.83	0.12	0.34
Return On Equity	..	4.15	0.31	0.98

**Notes:** Forecast (or estimated) figures for the 31/12/2017 fiscal term.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.63
UK Pound	1	INR 90.67
Euro	1	INR 80.17
Yen	1	INR 0.61

**Note:** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIS
<b>Report Prepared by :</b>	NIT

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)