



NEWS RELEASE

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August 3, 2021

Showa Denko Revises Forecast of Consolidated Performance and Records Extraordinary Loss

Showa Denko (SDK) (TOKYO: 4004) announces that it revises its forecast of consolidated business results for the first half of the year ending on December 31, 2021 and that for the full year ending on December 31, 2021, both of which were announced on July 8, 2021. SDK also announces that it will record extraordinary loss.

1. Revision of forecast of consolidated business results for January 1 – June 30, 2021

(1) Revised forecast of consolidated business results for January 1 – June 30, 2021

(Millions of yen, excepting net income 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 Feb. 17, 2021)	695,000	34,000	35,000	-16,000	-109.68
Revised forecast (B) (Announced on May. 10, 2021)	693,000	47,000	50,000	-14,000	-95.97
(B) – (A)	-2,000	13,000	15,000	2,000	
Percentage of changes	-0.3%	38.2%	42.9%	–	
Reference Results for January 1 – June 30, 2020	326,621	-25,795	-43,225	-54,575	-374.11

(2) Reasons for the revision

Net sales hovers around the level of the previous forecast. However, operating incomes of all segments except the Others segment are expected to increase. Especially in the Showa Denko Materials segment, operating income is expected to increase due to a continuously tight supply-demand situation regarding its semiconductor related business. Also in the Petrochemicals segment, operating income is expected to increase due to higher-than-expected product prices resulting from a rise in raw naphtha price. As a result, our ordinary income is expected to show almost as much increase as that in our operating income. However, net income attributable to owners of the parent is expected to show slight improvement because we expect an increase in the extraordinary loss of about 10 billion yen.

Major factors of the expected extraordinary loss to be recorded are loss on sale of two businesses of the Aluminum segment, which was announced on January 28, 2021, amounting to about 2.5 billion yen and impairment loss in fixed assets of Showa Denko Materials segment's mobility business amounting to 3.5 billion yen.

2. Revision of forecast of consolidated business results for January 1 – December 31, 2021

(1) Revised forecast of consolidated business results for January 1 – December 31, 2021

(Millions of yen, excepting net income 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 July 8, 2021)	1,345,000	68,000	64,000	-14,000	-95.97
Revised forecast (B) (Announced on Aug. 3, 2021)	1,400,000	85,000	82,000	-25,000	-171.37
(B) – (A)	55,000	17,000	18,000	-11,000	
Percentage of changes	4.1%	25.0%	28.1%	–	
Reference Results for January 1 – December 31, 2020	973,700	-19,449	-43,971	-76,304	-523.06

(2) Reasons for the revision

In the Petrochemicals segment, net sales are expected to increase due to higher-than-expected prices of major products including ethylene resulting from a rise in raw naphtha price. In the Inorganics segment, net sales are expected to increase due to an increase in the sales volume of graphite electrodes resulting from tight supply-demand situation. In the Showa Denko Materials segment, net sales are expected to increase due to tight supply-demand situation in the semiconductor related business which is expected to continue into the second half of this year. Operating incomes are expected to increase in all segments except the Others segment, centering on the first half of 2021. As a result, our ordinary income is expected to show almost as much increase as that in our operating income. However, net income attributable to owners of the parent is expected to decrease due to recording of extraordinary loss.

3. Recording of extraordinary loss

In the first half of this year, SDK will record a loss on sale of two businesses of the Aluminum segment, which was announced on January 28, 2021, amounting to about 2.5 billion yen and an impairment loss in fixed assets of Showa Denko Materials segment's mobility business amounting to 3.5 billion yen. In addition, in the second half of this year (July 1 – December 31), SDK expects that the Showa Denko Materials Segment will record additional cost of improvement in its business structure amounting to about 15 billion yen.

[Reference] Segment-wise breakdown of net sales and operating income (consolidated) for the year ending on December 31, 2021

Net sales				(Billions of yen)
Segment	Performance forecast for Jan. 1 – Dec. 31, 2021 (Consolidated)			2020 actual results (Jan. – Dec. 2020)
	Previous forecast (Jan. – Dec. 2021) Announced on July 8, 2021	Revised forecast (Jan.- Dec. 2021) Announced on August 3, 2021	Increase/ decrease	
Petrochemicals	225.0	265.0	40.0	193.4
Chemicals	171.0	180.0	9.0	155.8
Electronics	112.0	115.0	3.0	97.4
Inorganics	87.0	100.0	13.0	82.9
Aluminum	67.0	75.0	8.0	80.2
Showa Denko Materials	631.0	650.0	19.0	302.7
Others	94.0	40.0	-54.0	107.3
Adjustments	-42.0	-25.0	17.0	-46.0
Total	1,345.0	1,400.0	55.0	973.7

Operating income				
Petrochemicals	16.0	17.0	1.0	4.9
Chemicals	18.0	19.5	1.5	13.5
Electronics	13.5	15.5	2.0	9.1
Inorganics	7.5	12.0	4.5	-32.3
Aluminum	6.0	7.5	1.5	0.4
Showa Denko Materials	19.0	26.5	7.5	-6.3
Others	0.7	0.2	-0.5	1.2
Adjustments	-12.7	-13.2	-0.5	-10.0
Total	68.0	85.0	17.0	-19.4

Note: The forecast in this document has been worked out based on information available as of today, and assumptions as of today about uncertain factors that can affect our future performance. Actual business results may differ materially from the above forecast due to a variety of risk factors, including, but not limited to, the impact of COVID-19 on the world economy, economic conditions, costs of naphtha and other raw materials, demand and market prices for graphite electrodes and other products, and foreign exchange rates.

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