

Consolidated Financial Results

Third Quarter, 2021



(November 10, 2021)

SHOWA DENKO K.K.

Motohiro Takeuchi, CFO

Representative Director & Managing Corporate Officer

Overview of CQ3, 2021 Financial Results

1. Sales and operating income (excluding the aluminum segment affected by the business transfer) in the third quarter increased by 15.9 billion yen and 0.1 billion yen from the second quarter respectively.
2. While sales of semiconductor-related products continued to be strong, soaring raw material prices and a decrease in automobile production due to a shortage of semiconductor supply were factors that pushed down our business performance. For fear that these negative factors may continue in the fourth quarter of 2021, we did not change the Group's performance forecast for 2021 which we announced in August 2021.
3. We executed the issuance of new shares and the secondary offering of shares aiming to accelerate investment in our growing businesses, and, at the same time, we improved balance between liability and equity.

Summary (CQ2 (Apr.-Jun.), 2021 vs. CQ3 (Jul.-Sep.), 2021)



(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/ decrease
Net sales	353.7	358.3	4.7
Operating income	26.8	24.4	-2.4
Non-operating income and expenses, net	-1.6	-1.3	0.4
Ordinary income	25.1	23.1	-2.0
Extraordinary profit/loss	-38.7	-8.0	30.7
Income before income taxes	-13.5	15.1	28.6
Income taxes	-1.5	-8.5	-7.0
Net income	-15.0	6.6	21.7
Net income attributable to non-controlling interests	-3.6	-3.6	0.0
Net income attributable to owners of the parent	-18.6	3.1	21.7
EBITDA (Operating income + Depreciation expense + Amortization of goodwill, etc.)	56.3	52.9	-3.4
EBITDA margin%	15.9%	14.8%	-1.1p

Summary of Consolidated Sales and Operating Income by Segment (CQ2, 2021 vs. CQ3, 2021)



(Unit: Billions of Yen)

		CQ2, 2021	CQ3, 2021	Increase/decrease	
Petrochemicals	Sales	69.5	74.4	5.0	7%
	O.I.*	6.2	5.5	-0.7	-11%
Chemicals	Sales	45.4	48.9	3.5	8%
	O.I.	5.8	5.8	0.1	1%
Electronics	Sales	27.7	33.9	6.2	22%
	O.I.	3.8	4.3	0.5	14%
Inorganics	Sales	25.2	25.8	0.6	2%
	O.I.	5.3	5.6	0.3	6%
Aluminum	Sales	25.2	13.9	-11.3	-45%
	O.I.	3.3	0.8	-2.5	-75%
Showa Denko Materials	Sales	160.6	161.4	0.8	1%
	O.I.	5.0	6.0	0.9	19%
Others	Sales	5.5	5.2	-0.2	-5%
	O.I.	-0.1	-0.1	-0.0	-
Adjustments	Sales	-5.3	-5.3	0.1	-
	O.I.	-2.5	-3.6	-1.0	-
Total	Sales	353.7	358.3	4.7	1%
	O.I.	26.8	24.4	-2.4	-9%

(*O.I: Operating income)

Consolidated Sales and Operating Income by Segment (1) (CQ2, 2021 vs. CQ3, 2021)



Petrochemicals

(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	69.5	74.4	5.0
Operating Income	6.2	5.5	-0.7

Olefins: sales and profit increased (market prices up due to a rise in raw naphtha price)
 Organic Chemicals: sales slightly increased, profit decreased (time lag between a rise in product prices and a rise in raw material prices)
 SunAllomer Ltd.: Sales maintained at CQ2, 2021 level, profit decreased (time lag between a rise in product prices and a rise in naphtha price)

Chemicals

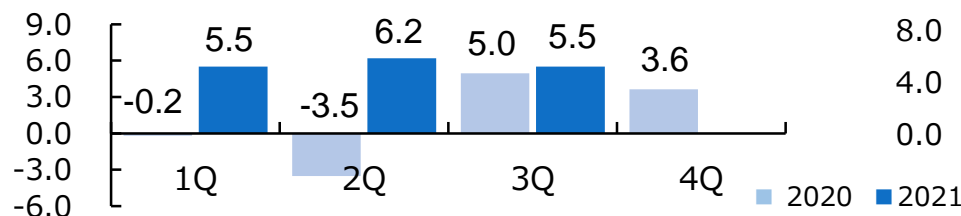
(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/Decrease
Sales	45.4	48.9	3.5
Operating Income	5.8	5.8	0.1

Basic chemicals: sales increased, profit decreased (shipment volumes up but cost up due to a rise in raw materials and fuel prices)
 Electronic chemicals: sales and profit increased (shipment volumes up due to strong demand)
 Functional chemicals: sales slightly decreased, profit decreased (shipment volumes up but there was a time lag between a rise in product prices and a rise in raw material prices)
 Industrial gases: sales and profit increased (shipment volumes up due to seasonal cycle)
 Coating materials: Sales maintained at CQ2, 2021 level, profit decreased

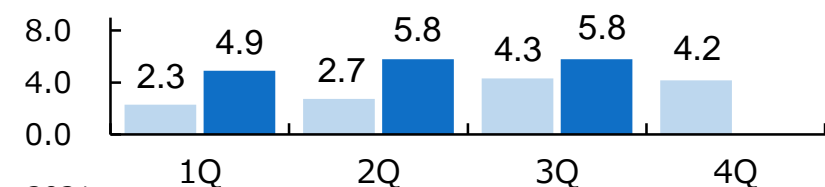
[Quarterly Operating Income]

(Billion yen)



[Quarterly Operating Income]

(Billion yen)



Consolidated Sales and Operating Income by Segment (2) (CQ2, 2021 vs. CQ3, 2021)



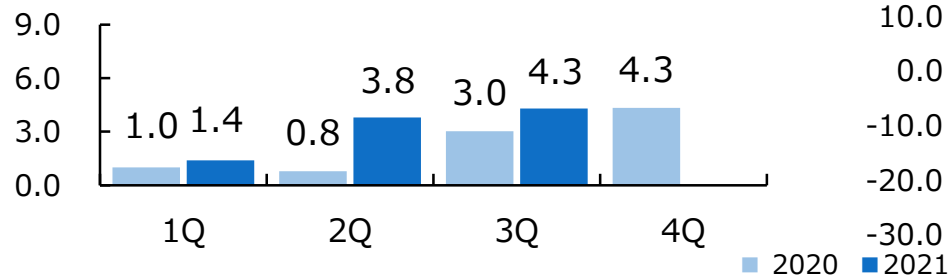
Electronics

(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	27.7	33.9	6.2
Operating Income	3.8	4.3	0.5

HDs: sales increased, profit slightly decreased (shipment volumes up due to steady demand for near line servers for data centers)
 Compound semiconductors: sales and profit increased (shipment volumes up, cost reduction)
 LIB materials: sales maintained at CQ2, 2021 level, profit slightly decreased
 SiC epitaxial wafers: sales and profit increased (shipment volumes up)

[Quarterly Operating Income] (Billion yen)



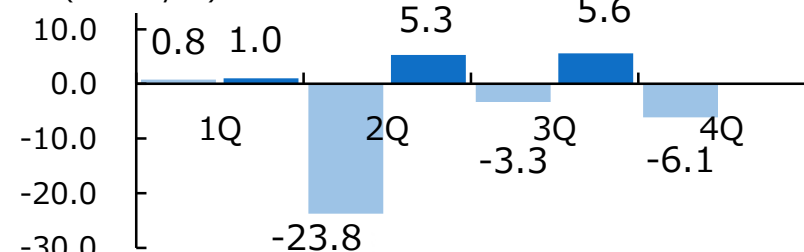
Inorganics

(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	25.2	25.8	0.6
Operating Income	5.3	5.6	0.3

Ceramics: sales decreased, profit increased
 Graphite electrodes: sales increased, profit maintained at CQ2, 2021 level (shipment volumes up but there was a decrease in income from devaluation of inventory caused by an application the "lower of cost or market" accounting method in 2020)

[Quarterly Operating Income] (Billion yen)



Consolidated Sales and Operating Income by Segment (3) (CQ2, 2021 vs. CQ3, 2021)



Aluminum

(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	25.2	13.9	-11.3
Operating Income	3.3	0.8	-2.5

Aluminum specialty components: sales increased, profit decreased (shipment volumes for auto down due to the influence of COVID-19 in Southeast Asia, prices of raw materials up)
 Incorporated sales figures and operating income of Rolled products till mid-CQ3 and those of Aluminum cans till CQ2, due to business transfer

Others

(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	5.5	5.2	-0.2
Operating Income	-0.1	-0.1	-0.0

Showa Denko Materials

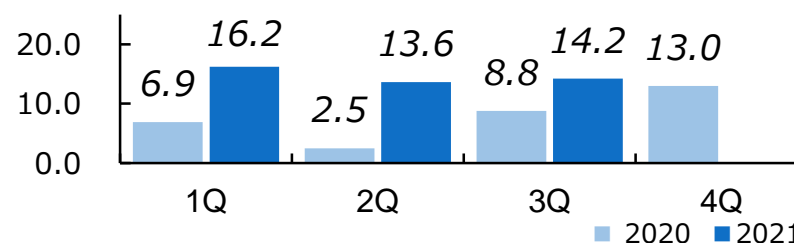
(Unit: Billions of Yen)

	CQ2, 2021	CQ3, 2021	Increase/decrease
Sales	160.6	161.4	0.8
Operating Income	5.0	6.0	0.9
Operating Income*	13.6	14.2	0.6

Information and communication: sales and profit increased (Strong demand for semiconductors)
 Mobility components and Energy storage devices and systems: sales and profit maintained at CQ2 (Automobile production continues to be sluggish due to shortage of semiconductor supply)

[Quarterly Operating Income*]

(Billion yen)



*1Q and 2Q, 2020: Adjusted operating income of former Hitachi Chemical Co., Ltd. (for reference)

From 3Q, 2020: Amounts are excluding amortization of goodwill, etc. and expenses for step-up of inventories due to its consolidation from operating income of Showa Denko Materials segment.

Non-operating income/expenses, Extraordinary profit/loss



Non-operating income/expenses

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease	Main factors
Interest/Dividends income and expenses	-2.7	-6.2	-3.5	Interest expenses increased
Equity in earnings of affiliates	0.5	4.7	4.3	Equity method newly applied to affiliates of Showa Denko Materials from July 2020
Foreign exchange gains or losses	-1.8	3.8	5.7	
Financing expenses	-16.1	-	16.1	
Other	-1.8	-1.0	0.8	
Net	-21.9	1.4	23.3	

Extraordinary profit/loss

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease	Main factors
Gain on sale of businesses	-	9.4	9.4	Transfer of aluminum can business
Loss on sales and retirement of noncurrent assets	-2.2	-2.5	-0.2	
Business structuring expenses	-5.7	-32.8	-27.1	Impairment loss related to transfer of energy storage devices and systems business
Other	-1.8	-32.6	-30.8	Transfer of aluminum rolled products business, Environmental expenses
Net	-9.7	-58.4	-48.7	

Consolidated Balance Sheet



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2020	Sep. 30, 2021	Increase/decrease	Liabilities and net assets	Dec. 31, 2020	Sep. 30, 2021	Increase/decrease
Cash and deposits	199.0	247.3	48.3	Notes and accounts payable	164.4	182.4	18.0
Notes and accounts receivable	271.6	282.0	10.3	Interest-bearing debt	1,060.1	969.3	-90.9
Inventories	190.2	221.2	31.0	Other liabilities	261.0	268.0	7.0
Other current assets	61.8	57.8	-4.0	Total liabilities	1,485.5	1,419.7	-65.9
Total current assets	722.6	808.3	85.6	<u>Total shareholders' equity</u>	372.7	429.3	56.7
<u>Total tangible fixed assets</u>	727.1	691.6	-35.6	incl. Retained earnings	165.6	145.1	-20.5
Goodwill	359.2	323.2	-36.0	<u>Total accumulated other comprehensive income</u>	33.3	63.0	29.7
Other intangible fixed assets	239.2	222.3	-16.9	incl. Valuation difference on available-for-sale securities	3.7	7.6	3.9
<u>Total intangible fixed assets</u>	598.4	545.6	-52.9	incl. Foreign currency translation adjustment	-0.5	23.8	24.3
<u>Investments and other assets</u>	155.4	166.9	11.5	Non-controlling interests	312.1	300.3	-11.8
Total fixed assets	1,481.0	1,404.0	-76.9	Total net assets	718.1	792.6	74.6
Total assets	2,203.6	2,212.3	8.7	Total liabilities and net assets	2,203.6	2,212.3	8.7

Major Indicators

Adjusted net D/E ratio (Times)	1.84	1.36	-0.47p	Equity ratio (%)	18.4	22.3	3.8p
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Adjusted net D/E ratio : $\{(Loans\ payable + Commercial\ papers + Bonds\ payable + Lease\ liabilities) - Cash\ and\ deposits + preferred\ stocks\ as\ equity\ capital \times 50\%\} / (Total\ shareholders'\ equity + preferred\ stocks\ as\ equity\ capital \times 50\%)$

*The assumption that we consider 50% of the total value of issued preferred stocks as equity capital is based on the credit rating given by Japan Credit Rating Agency, Ltd. on April 21, 2020.

Equity ratio: $(Total\ net\ assets - Non-controlling\ interests) / Total\ liabilities\ and\ net\ assets) \times 100$

(Reference)
Summary (Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



(Unit: Billions of Yen)

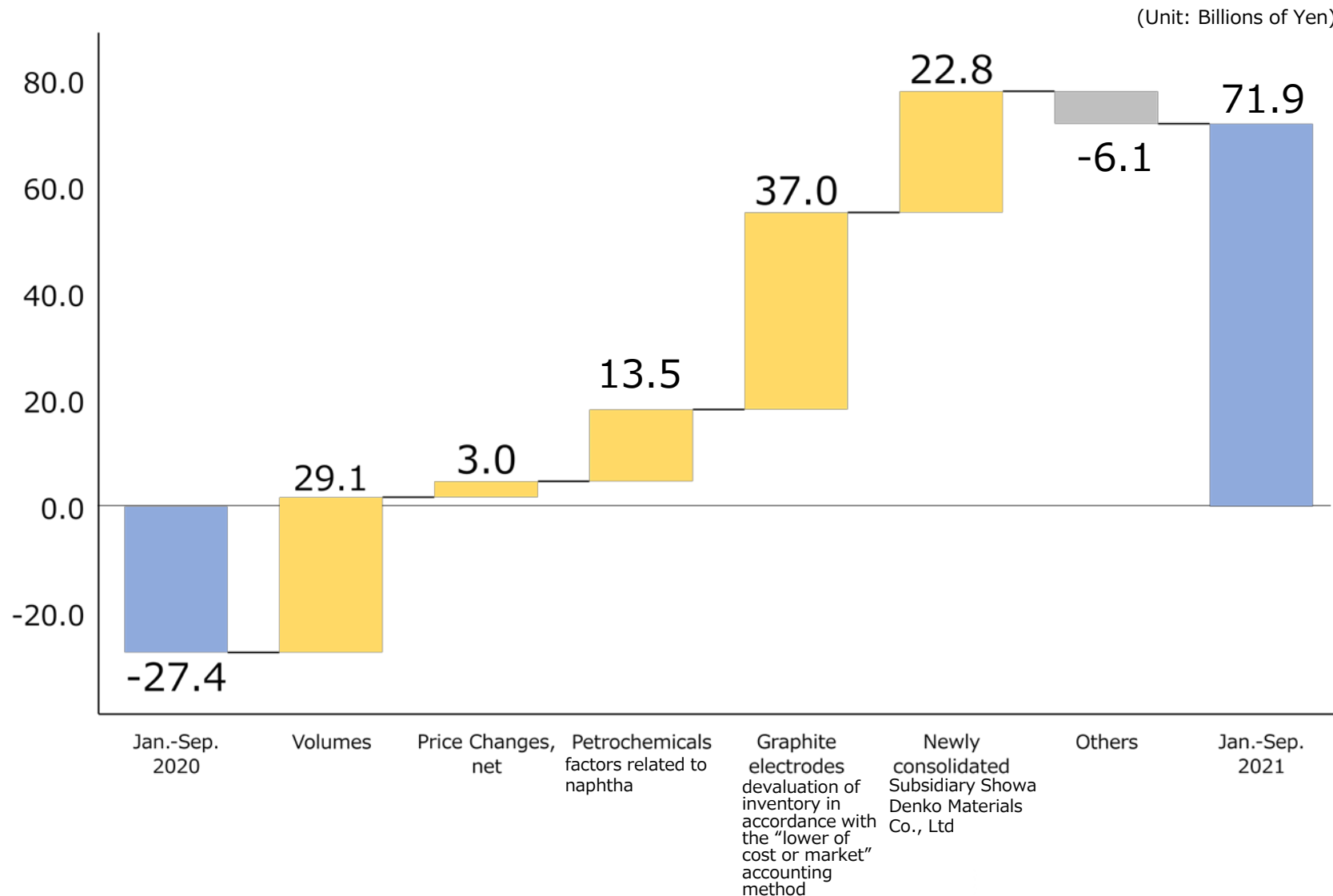
	Jan.-Sep. 2020* ¹	Jan.-Sep. 2021	Increase/ decrease	2021 Forecast* ²
Net sales	636.0	1,051.7	415.7	1,400.0
Operating income	-27.4	71.9	99.3	85.0
Non-operating income and expenses, net* ³	-21.9	1.4	23.3	-3.0
Ordinary income	-49.3	73.3	122.6	82.0
Extraordinary profit/loss* ³	-9.7	-58.4	-48.7	-76.5
Income before income taxes	-58.9	14.9	73.9	5.5
Income taxes	-0.3	-14.1	-13.8	-15.5
Net income	-59.2	0.8	60.0	-10.0
Net income attributable to non-controlling interests	-7.1	-11.1	-4.1	-15.0
Net income attributable to owners of the parent	-66.3	-10.3	56.0	-25.0
EBITDA (Operating income + Depreciation expense + Amortization of goodwill, etc.)	19.5	159.2	139.7	202.5
EBITDA margin%	3.1%	15.1%	12.1p	14.5%

*1 Showa Denko Materials has been consolidated into SDK's financial results since July 2020. At the end of 2020, we finalized tentative accounting values concerning consolidation of Showa Denko K.K. and Showa Denko Materials Co., Ltd. In comparison of the financial results for the first three quarters of 2020 and those of 2021, we used finalized values.*2 Announced on Aug. 3, 2021 *3 Refer to page 8 for the breakdown of non-operating income and extraordinary income

(Reference)

Operating Income Breakdown by Factor

(Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



(Reference)

Summary of Consolidated Sales and Operating Income by Segment (Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



(Unit: Billions of Yen)

		Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease		2021 Forecast*1
Petrochemicals	Sales	142.5	201.7	59.1	42%	265.0
	O.I.*2	1.3	17.2	15.9	1,238%	17.0
Chemicals	Sales	113.0	135.6	22.5	20%	180.0
	O.I.	9.3	16.4	7.1	76%	19.5
Electronics	Sales	68.7	83.3	14.5	21%	115.0
	O.I.	4.8	9.5	4.7	98%	15.5
Inorganics	Sales	61.3	72.2	10.9	18%	100.0
	O.I.	-26.2	11.9	38.1	-	12.0
Aluminum	Sales	58.4	61.7	3.2	6%	75.0
	O.I.	-0.3	6.5	6.7	-	7.5
Showa Denko Materials*3	Sales	144.8	481.6	336.7	233%	650.0
	O.I.	-9.2	18.6	27.7	-	26.5
Others	Sales	80.0	38.9	-41.2	-52%	40.0
	O.I.	0.6	0.1	-0.6	-92%	0.2
Adjustments	Sales	-32.9	-23.1	9.8	-	-25.0
	O.I.	-7.7	-8.1	-0.4	-	-13.2
Total	Sales	636.0	1,051.7	415.7	65%	1,400.0
	O.I.	-27.4	71.9	99.3	-	85.0

*1 Announced on Aug. 3, 2021 *2 O.I: Operating income *3 Showa Denko Materials has been consolidated into SDK's financial results since July 2020. At the end of 2020, we finalized tentative accounting values concerning consolidation of Showa Denko K.K. and Showa Denko Materials Co., Ltd. In comparison of the financial results for the first three quarters of 2020 and those of 2021, we used finalized values.

(Reference)
**Consolidated Sales and Operating Income
 by Segment (1)** (Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



Petrochemicals

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ Decrease
Sales	142.5	201.7	59.1
Operating Income	1.3	17.2	15.9

Chemicals

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ Decrease
Sales	113.0	135.6	22.5
Operating Income	9.3	16.4	7.1

Olefins: sales increased, profit increased substantially (demand recovery from COVID-19, market prices up due to a rise in prices of raw naphtha)
 Organic Chemicals: sales and profit increased (vinyl acetate and ethyl acetate: shipment volumes up due to no SDM in 2021, market prices and raw materials prices up)
 SunAllomer Ltd.: Sales increased, profit decreased (time lag between a rise in product prices and a rise in naphtha price)

Basic chemicals: sales and profit increased (ammonia, chloroprene rubber: shipment volumes up, AN: shipment volumes up, market prices up substantially)
 Electronic chemicals: sales and profit increased (shipment volumes up due to strong demand from semiconductor industry)
 Industrial gases: sales and profit increased
 Functional chemicals: sales and profit increased (shipment volumes for domestic and export up)
 Coating materials: sales and profit increased (shipment volumes up due to steady demand resulting from staying at home)

(Reference)
**Consolidated Sales and Operating Income
 by Segment (2)** (Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



Electronics

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease
Sales	68.7	83.3	14.5
Operating Income	4.8	9.5	4.7

HDs: sales and profit increased
 (shipment volumes up due to steady demand for data centers and PCs)
 Compound semiconductors: sales and profit increased (shipment volumes for export up due to a recovery of demand)
 LIB materials: sales and profit increased (shipment volumes of SPALF™ up due to a recovery of demand)
 SiC epitaxial wafers: sales and profit increased (expansion of demand, shipment volumes up due to long-term supply contracts with several companies)

Inorganics

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease
Sales	61.3	72.2	10.9
Operating Income	-26.2	11.9	38.1

Ceramics: sales and profit increased
 (shipment volumes of abrasives for steel and auto, and those of fine ceramics for electronics up due to demand recovery)
 Graphite electrodes: sales increased (shipment volumes up substantially due to a recovery of demand), profit significantly increased (recovery from the devaluation of inventory caused by an application of the "lower of cost or market" accounting method in 2020)

(Reference)

Consolidated Sales and Operating Income by Segment (3) (Jan.-Sep., 2020 vs. Jan.-Sep., 2021)



Aluminum

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease
Sales	58.4	61.7	3.2
Operating Income	-0.3	6.5	6.7

Aluminum specialty components: sales and profit increased (shipment volumes up due to a recovery of demand for auto and OA/FA industries)

Rolled products: sales maintained at year earlier level, profit increased (incorporated sales figures and operating income till mid-CQ3, 2021, high-purity foil for capacitors: shipment volumes up)

Aluminum cans: incorporated sales figures and operating income till CQ2, 2021

Others

(Unit: Billions of Yen)

	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease
Sales	80.0	38.9	-41.2
Operating Income	0.6	0.1	-0.6

Incorporated sales figures and operating income of SHOKO till CQ1, 2021.

Showa Denko Materials

(Unit: Billions of Yen)

	Jan.-Sep. 2020* ¹	Jan.-Sep. 2021	Increase/ decrease
Sales	144.8	481.6	336.7
	423.1* ²		58.5
Operating Income	-9.2	18.6	27.7
Operating Income* ³	18.2	44.0	25.8

Information and communications have been firm against the backdrop of strong demand for semiconductors, and mobility components are recovering due to an increase in automobile production despite the impact of a shortage of semiconductor supply, and the impact of soaring raw material prices in the entire segment. Despite receiving, a certain amount of profit was secured.

*1 Consolidation from July 2020

At the end of 2020, we finalized tentative accounting values concerning consolidation of Showa Denko K.K. and Showa Denko Materials Co., Ltd. In comparison of the financial results for the first three quarters of 2020 and those of 2021, we used finalized values.

*2 Reference : Sales of Showa Denko Materials from January to September, 2020

*3 Reference :

2020 : Please refer to the graph and note concerning Showa Denko Materials' quarterly operating income on page 7.

2021 : Amounts are excluding amortization of goodwill, etc. due to its consolidation from operating income of Showa Denko Materials segment.

(Reference) Consolidated Companies, Selected Data



Consolidated Companies

Consolidated subsidiaries: 144 (-7 from Dec. 31, 2020)

- 11: Related to transfer of SHOKO, and aluminum rolled products and aluminum can businesses (-8)
Liquidation of affiliated companies engaged in energy storage devices and systems business (-3)
- +4 : Establishment of companies related to transfer of Printed Wiring Board Business and
Energy Storage Devices and Systems Business (+3) and Minaris Regenerative Medicine

Equity method applied: 13 (± 0 from Dec. 31, 2020)

Selected Data

(Average)

	2020		2021	
	Jan.- Sep.	Jul.- Sep.	Jan.- Sep.	Jul.- Sep.
Exchange rates				
	107.6	106.2	108.5	110.1
(¥/US\$)	<i>At Sep. 30, 2020: 105.8 At Dec. 31, 2020: 103.5</i>		<i>At Sep. 30, 2021: 111.9</i>	
(¥/€)	120.9	124.1	129.8	129.8
Domestic naphtha price (¥/KL)	33,350	30,200	46,650	53,500

(Reference)

Capital expenditures/ Depreciation by Segment



(Unit: Billions of Yen)

	Capital expenditures			Depreciation		
	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease	Jan.-Sep. 2020	Jan.-Sep. 2021	Increase/ decrease
Petro-chemicals	3.7	1.6	-2.1	3.1	3.1	-0.0
Chemicals	9.1	8.0	-1.1	7.1	7.4	0.3
Electronics	6.4	8.6	2.2	7.1	7.1	0.0
Inorganics	5.9	5.7	-0.1	6.2	6.1	-0.2
Aluminum	6.2	2.7	-3.5	3.3	2.4	-0.8
Showa Denko Materials*	12.5	25.4	12.9	10.5	33.1	22.6
Others	2.2	2.6	0.4	2.3	2.6	0.2
Total	46.0	54.6	8.5	39.6	61.8	22.2

* Excluding depreciation of intangible fixed assets caused by application of PPA (Purchase Price Allocation)

(Reference)
**Costs of the integration with
 Showa Denko Materials Co., Ltd.**



(Unit: Billions of Yen)

Item		2021		
		Jan.-Sep.	Jul.-Sep.	Full Year Forecast*2
Post-merger integration (PMI) expenses*1	(Operating expenses)	-5.0	-1.9	-9.2
Interest on borrowing related to share acquisition, etc.	(Non-operating expenses)	-6.2	-2.0	-8.1
Preferred stock dividends	(Net income attributable to non-controlling interests)	-9.7	-3.3	-12.9
Total		-20.9	-7.2	-30.2

*1 PMI expenses: expenses related to merger processes such as management and operation to maximize the effect of integration after merger.

*2 Announced on Aug. 10, 2021

(Reference)

Amortization of Goodwill and Intangible Fixed Assets Resulting from PPA*¹ at Showa Denko Materials Co., Ltd.



(Unit: Billions of Yen)

	2021 Amortization amount Initial forecast	2021 Amortization amount Revised forecast* ²			2022 Forecast* ²
		1H	2H	Full Year	Full Year
Intangible Fixed Assets	16.1	8.1	7.8	15.8	15.4
Goodwill	18.3	9.1	8.5	17.6	16.7
Subtotal (Operating expenses)	34.4	17.2	16.3	33.4	32.1
Investments and other assets Equity in earnings of affiliates (Investment securities) (Non-operating expenses)	2.2	1.1	1.1	2.2	2.2
Total	36.6	18.3	17.4	35.7	34.4

*1. PPA (Purchase Price Allocation) is an evaluation procedure, based on Accounting Standard for Business Combination, to distribute acquisition cost incurred during the process of M&A to the acquiring company's assets and liabilities

*2. Announced on Aug. 10, 2021

Amortization of assets in and after 3Q 2021 will decrease due to recording of impairment loss about goodwill and intangible fixed assets as a part of business structure improvement measures following transfer of energy storage devices and systems business in 2Q 2021, and due to transfer of printed circuit board business.

(Reference)

Regarding Corporate bond issuance plan



1. Purpose of this transaction : Partial repayment of non-recourse loans procured at the time of the tender offer for shares in former Hitachi Chemical Company

Since the purpose of the non-recourse loan, which is to control financial risk until the integration, will be achieved by the actual integration in January 2022, we decided to repay part of it in consideration of the current financial environment.

※Plans to partially repay by the end of the year from the transfer price of this corporate bond, power storage device system, and printed wiring board business

2. Overview of this bond (detailed conditions are under consideration)

Preparing to issue 3-year bonds, 5-year bonds, 7-year bonds, 10-year bonds, up to 100 billion yen

Conditions such as issuance amount and interest rate will be decided in late November

Reference: Repayment status of funds raised at the time of the tender offer for shares in former Hitachi Chemical Company (as of the end of September 2021)

Loan Type	The company that raised the funds	Total procurement amount	Repayment amount
Senior loans	Showa Denko	¥ 295 Bil.	¥ 88.5 Bil.
Non-recourse loans	HC Holdings	¥ 400 Bil.	¥ 15.6 Bil.

* Senior loans are to be repaid by the income generated by Showa Denko's business and proceeds from the transfer of Showa Denko's business.

(Reference)

Regarding Issuance of New Shares and Secondary Offering of Shares



1. Purpose of this transaction

Capital raising to support and accelerate our strategic investments mainly in the following 3 areas: “Electronics,” “Mobility,” and “Life Science”

2. Financial impact of this transaction

- Net proceeds : ¥ 82,383 Mil.*¹
- Total number of issued shares : 184,901,292*¹ (increase of 35.19 Mil.)
- Amount of stated capital and additional capital reserves to be increased : ¥ 83,165 Mil. *¹ (Equity ratio : +3.0%*²)
- Adjusted net D/E ratio forecast for the end of December 31, 2021
Announced on Aug. 10 : 1.67 times ⇒ Latest*³ : 1.31 times

*¹ Including third-party allotment of shares paid in October

*² Calculated on the equity capital as the sum of capital and capital surplus at the end of September 2021 and proceeds from third-party allotment of shares paid in October 2021

*³ Reference value calculated by adding the amount raised to cash and deposits and shareholders' equity to the value announced on Aug. 10.

Topics

Segment	Topics
General	Showa Denko Group Challenges to Realize Carbon Neutrality by 2050
	Issuance of new shares and secondary offering of shares
Electronics	Concluded long-term contract to supply SiC epitaxial wafers for power semiconductors
Aluminum	Installed additional lines to produce aluminum heat radiators for xEVs
Showa Denko Materials	Showa Denko Materials started mass production of “MCL-E-795G,” an advanced functional laminate material for printed wiring boards with high packaging reliability
	Announcement regarding transfer of energy storage devices and systems business

*Please refer to financial statements or each press releases for details.

Financial statements: <https://www.sdk.co.jp/english/ir/library/results.html>

News Releases: <https://www.sdk.co.jp/english/news.html>

<https://www.mc.showadenko.com/news/english>

Note

Performance forecast and other statements pertaining to the future as contained in this presentation are 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 influence of the coronavirus disease 2019 (COVID-19) on the world economy, the economic conditions, costs of naphtha and other raw materials, demand for our products such as graphite electrodes and other commodities, market conditions, and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.