



NEWS RELEASE

SHOWA DENKO K.K.
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Minato-ku Tokyo 105-8518

August 4, 2022

Showa Denko Signs Agreement on Simplified Absorption-type Company Split for Graphite Electrode Business

Showa Denko (SDK) (Tokyo: 4004) today concluded an agreement on absorption-type company split (Absorption-type Company Split) with its wholly-owned subsidiary Shinshu Showa K.K. concerning the graphite electrode business, following today's approval by the Board of Directors. This Absorption-type Company Split is scheduled to take effect on January 1, 2023.

This announcement is a follow-up on the earlier news release of May 26, 2022 entitled "Showa Denko to Consider Simplified Absorption-type Company Split." Since this company split will take place between SDK and its wholly-owned subsidiary, part of items and content is omitted in this disclosure.

1. Background and objectives

SDK's graphite electrode business is conducted through a virtual global-scale controlling organization as well as a regional control system involving North/South America, Europe/Middle East/Africa, and Asia. Each regional unit assumes responsibility for earnings. Furthermore, SDK is working to establish common ground for global operations.

Shinshu Showa is an important subsidiary playing a central role in our graphite electrode manufacturing. Through the company split and use of common ground for global operations, Shinshu Showa will serve as a globalized controlling company. This will enable us to increase the speed of decision-making, stabilize, optimize, and further strengthen our graphite electrode business.

2. Outline of Absorption-type Company Split

(1) Schedules

Board of Directors' meetings at SDK and Shinshu Showa for approval of Absorption-type Company Split Agreement	Aug. 4, 2022
Conclusion of the agreement	Aug. 4, 2022
Shareholders' meeting of Shinshu Showa for approval	Sept. 29, 2022 (planned)
Effective date	Jan. 1, 2023 (planned)

(Note) This company split will fall into the category of Simplified Absorption-type Company Split prescribed in Article 784, paragraph (2), of the Companies Act. Thus, this company split will not be referred to SDK's general meeting of shareholders.

(2) Method of company split

SDK will be the Company Splitting, and Shinshu Showa (SDK's wholly-owned subsidiary) will be the Company Succeeding, in the Absorption-type Split.

(3) Allotment

At the time of this Absorption-type Company Split, Shinshu Showa, the Company Succeeding, will issue 10,000 shares of its common stock. All of them will be allotted to SDK, the Company Splitting.

(4) Share options, and bond with share options, relating to Absorption-type Company Split
Not available

(5) Increase/decrease in capital stock, relating to Absorption-type Company Split
There will be no increase/ decrease in SDK's capital stock.

(6) Rights and obligations that the Company Succeeding succeeds to
Out of SDK's assets, liabilities, contracts, and other rights and obligations (including contractual status) in the area of the graphite electrode business, Shinshu Showa will succeed to rights and obligations prescribed in the Absorption-type Company Split Agreement. As for assumption of obligations, a multiple debt assumption method will be used.

(7) Prospect of performance of obligations by the Company Succeeding
After the Absorption-type Company Split, Shinshu Showa's assets are expected to exceed its obligations. As for earnings forecast after the Absorption-type Company Split, there is currently no prediction of a situation that may affect Shinshu Showa's performance of obligations. Thus, we consider that there will be no problem with the prospect of Shinshu Showa's performance of obligations after the Absorption-type Company Split.

3. Outline of relevant companies

	Company Splitting	Company Succeeding
(1) Name	Showa Denko K.K.	Shinshu Showa K.K.
(2) Address	13-9, Shiba Daimon 1-chome, Minato-ku Tokyo	6850, Omachi, Omachi City, Nagano Pref.
(3) Representative	Hidehito Takahashi, President	Tatsuya Inada, President
(4) Scope of business	Research, development, production and sale of petrochemicals, organic/inorganic chemicals, gases, ceramics, electronic materials, aluminum, carbon, metals, etc.	Contract work relating to production and processing of product
(5) Capital stock	JPY 182,146,130,384	JPY 40,000,000
(6) Date of incorporation	June 1, 1939	March 5, 1981
(7) Total number of issued shares	184,901,292	40,000
(8) Fiscal term	Ending December 31	Ending December 31
(9) Major shareholders and their holding ratios	The Master Trust Bank of Japan Ltd. (Trust Account) (16.38%) KOREA SECURITIES DEPOSITORY- SAMSUNG (5.00%) Custody Bank of Japan, Ltd. (Trust Account) (4.89%) BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (3.06%) STATE STREET BANK AND TRUST COMPANY 510312 (2.70%)	Showa Denko K.K. (100%)
(10) Business results in the latest fiscal term and financial conditions		

Fiscal term	2021 (ended in December)	2021 (ended in December)
Net assets	JPY 818,452 million	JPY 68,105,639
Total assets	JPY 2,142,390 million	JPY 789,278,145
Net assets per share	JPY 2,838.51	JPY 1,703
Net sales	JPY 1,419,635 million	JPY 1,375,569,084
Operating income	JPY 87,198 million	JPY 19,032,489
Ordinary income	JPY 86,861 million	JPY 19,585,259
Net income attributable to owners of the parent	- JPY 12,094 million	JPY 7,240,908
Consolidated net income per share	- JPY 77.40	JPY 181

4. Outline of the business sector to be split

(1) Business scope of the sector to be split
SDK's graphite electrode business

(2) Business results of the sector to be split (for the term ended in December 2021)
(Unit: thousands of yen)

	Business to be succeeded to (a)	Company Splitting, unconsolidated (b)	Ratio (a/b)
Net sales	21,654,076	535,648,811	4.0%
Operating income	4,619,770	35,848,102	12.9%
Ordinary income	5,481,550	49,314,034	11.1%

(3) Item and amount of assets and liabilities to be split (as of December 31, 2021)
(Unit: thousands of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	8,039,156	Current liabilities	42,677
Fixed assets	16,580,161	Fixed liabilities	646,566
Total	24,619,317	Total	689,244

(Note) Figures in the above table have been calculated based on the balance sheet as of December 31, 2021. Actual figures will reflect changes up to the effective date.

5. Situation after the Absorption-type Company Split

The situation of SDK, the Company Splitting, after the Absorption-type Company Split, will be as shown in the table below. As for the situation of Shinshu Showa, the Company Succeeding, please refer to "Outline of relevant companies" in 3. above.

	SDK
(1) Name	Resonac Holdings Corporation
(2) Location	13-9, Shiba Daimon 1-chome, Minato-ku Tokyo
(3) Representative	Hidehito Takahashi, President
(4) Scope of business	Development of Group strategy; overall supervision and management of the Group
(5) Capital stock	JPY 182,146,130,384
(6) Fiscal term	Ending December 31

(Note) SDK will change its trade name to Resonac Holdings Corporation effective January 1, 2023 on condition that the following reorganization measures take effect:

- ① An absorption-type merger based on the agreement dated August 4, 2022 between HC Holdings K.K. (Company Disappearing) and SDMC (Company Surviving)
- ② An absorption-type company split based on the agreement dated August 4, 2022 between SDK (Company Splitting) and SDMC (Company Succeeding)
- ③ An absorption-type company split based on the agreement dated August 4, 2022 between SDMC (Company Splitting) and SDK (Company Succeeding)

6. Future prospect

Since this company split will take place between SDK and its wholly-owned subsidiary, the influence on SDK's consolidated business results will be minimal.

For further information, contact:

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