NEWS RELEASE

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Showa Denko Revises Forecast of Consolidated Performance, and to Record Impairment Losses (Extraordinary Losses)

Showa Denko (SDK) (TOKYO: 4004) announces that it revises its forecast of consolidated business results for the year ending on December 31, 2020, which was announced on August 12, 2020, taking the latest economic conditions into consideration. SDK also announces that it will record losses due to impairment (extraordinary losses) in its 2020 consolidated financial statements.

1. Revision of forecast of consolidated business results for January 1 – December 31, 2020

(1) Revised forecast of consolidated business results for January 1 – December 31, 2020

(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 Aug. 12, 2020)	960,000	-30,000	-55,000	-90,000	-616.94
Revised forecast (B) (Announced on Feb. 12, 2021)	973,500	-20,000	-44,500	-77,000	-527.83
(B) – (A)	13,500	10,000	10,500	13,000	
Percentage of changes	1.4%	-	-	-	
Reference Results for January 1 – December 31, 2019	906,454	120,798	119,293	73,088	501.03

(2) Reasons for the revision

Our forecast for net sales remains at the same level of the previous forecast. We expect that operating income of the Inorganics segment will decrease due to a reduction in sales volumes and market prices of graphite electrodes. However, we expect that, in the Showa Denko Materials segment, operating income earned by the sales of electronics materials and circuit board materials will increase due to the market growth resulting from expansion of data centers and other electronics related markets. Operating income of the Petrochemicals segment will increase due to an improvement in supply-demand situation in Asia and an increase in prices of products resulting from a rise in raw naphtha price. On the whole, we expect an improvement in the Group's consolidated operating income.

On the basis of the situation above, we also expect improvements in ordinary income and net income attributable of owners of the parent from those in the previous forecast.

With regard to the dividend, we announced on December 25, 2020 that we expect the Company will pay ¥65 per share as year-end dividend.

2. Recording of impairment loss (extraordinary loss)

Our aluminum rolled products business, which is operated in Sakai Ward, Sakai City, and our ceramics business, which is operated in Shiojiri City, Nagano Prefecture, has been showing a decline in profitability. Therefore, we reevaluated these businesses, taking their business outlook into consideration, and have decided to declare impairment of our aluminum rolled products business and ceramics business. We also have decided to declare impairment of assets which are owned by SDK or its consolidated subsidiaries and have become unprofitable or gotten out of use. As a result, we will record impairment losses (extraordinary losses) amounting to about ¥16.1 billion for the 4th quarter of 2020 (The total impairment loss for full year 2020 will be ¥16.6 billion).

(1) Impairment loss in the aluminum rolled products business

Our aluminum rolled products business, which we operate in Sakai Ward, Sakai City, has been showing a decline in profitability. Therefore, we reevaluated the business, taking its business outlook into consideration, and have decided to declare devaluation of fixed assets of the business to the level where we can recover our investment, and will record an extraordinary loss of ¥8.8 billion in the Company's 2020 financial statements.

(2) Impairment loss in the ceramics business

Our ceramics business, which we operate in Shiojiri City, Nagano Prefecture, has been showing a decline in profitability. Therefore, we reevaluated the business, taking its business outlook into consideration, and have decided to declare devaluation of fixed assets of the business to the level where we can recover our investment, and will record an extraordinary loss of ¥6.2 billion in the Company's 2020 financial statements.

[Reference] Segment-wise breakdown of net sales and operating income (consolidated)

Net sales (Billions of yen)

Segment	Performance forecast for Jan. 1 – Dec. 31, 2020 (Consolidated)			2019 actual results (Jan. – Dec. 2019)
	Previous forecast (Jan. - Dec. 2020) Announced on Aug. 12, 2020	Revised forecast (Jan.- Dec. 2020) Announced on Feb. 12, 2021	Increase/ decrease	
Petrochemicals	186.0	193.5	7.5	205.7
Chemicals	155.0	155.5	0.5	157.5
Electronics	100.0	97.5	-2.5	96.4
Inorganics	91.0	83.0	-8.0	230.1
Aluminum	85.0	80.0	-5.0	97.5
Showa Denko Materials	280.0	302.5	22.5	—
Others	109.0	107.5	-1.5	126.2
Adjustments	-46.0	-46.0	0.0	-52.0
Total	960.0	973.5	13.5	906.5

Operating income

Petrochemicals	1.0	5.0	4.0	17.2
Chemicals	13.0	13.5	0.5	13.7
Electronics	9.0	9.0	0.0	4.9
Inorganics	-23.0	-32.5	-9.5	89.3
Aluminum	1.5	0.5	-1.0	1.7
Showa Denko Materials	-20.0	-6.5	13.5	—
Others	1.0	1.0	0.0	1.8
Adjustments	-12.5	-10.0	2.5	-7.8
Total	-30.0	-20.0	10.0	120.8

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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