NEWS RELEASE

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Showa Denko Revises Forecast of Consolidated Performance, and to Record 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, which was announced on February 17, 2021, taking the latest economic conditions into consideration. Following this revision, SDK also revises its full-year forecast of consolidated business results for the year ending on December 31, 2021. Regarding the latter forecast, we revised the full-year forecast to reflect only the changes in the performance forecast for the first half of 2021.

SDK also announces that it will record an extraordinary losses in its 2021 consolidated financial statements.

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)	630,000	11,000	6,000	-16,000	-109.68
Revised forecast (B) (Announced on May. 10, 2021)	695,000	34,000	35,000	9,000	61.70
(B) – (A)	65,000	23,000	29,000	25,000	
Percentage of changes	10.3%	209.1%	483.3%	–	
Reference Results for January 1 – June 30, 2020	326,621	-25,795	-43,225	-54,575	-374.11

(2) Reasons for the revision

Regarding net sales, although the Others segment's sales is expected to decrease due to unconsolidation of Shoko Co., Ltd. resulting from the sale of SDK's shares in Shoko aiming to tender them into a tender offer, sales in all the other segments are expected to increase from those in the previous forecast. In the Showa Denko Materials' segment, sales of semiconductor related products have been exceeding previous forecast due to tighter supply-demand situation. In the Inorganics segment, sales volumes of graphite electrodes have been exceeding the previous forecast due to an improvement in supply-demand situation. In the Petrochemicals segment, market prices of products have been exceeding the level in the previous forecast due to a rise in raw naphtha prices and strong demand in Asia.

Operating income is expected to increase in all segments excepting the Others segment. In the

Showa Denko Materials segment, operating income is expected to increase due to an increase in sales of electronic materials and circuit board materials resulting from market growth in the semiconductor industry and the data center industry. In addition, operating income from sales of mobility materials has been exceeding the previous forecast due to the recovery of production in the car industry which is stronger than expected. In the Inorganics segment, operating income has been increasing due to an increase in sales volumes of graphite electrodes which exceeds the previous forecast. In the Petrochemicals segment, operating income has been increasing because market prices of products continue exceeding the level in the previous forecast due to strong demand in Asia, a cold wave in the United States in the last winter, and a rise in raw naphtha prices.

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.

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 Feb. 17, 2021)	1,280,000	45,000	35,000	-14,000	-95.97
Revised forecast (B) (Announced on May. 10, 2021)	1,345,000	68,000	64,000	11,000	75.40
(B) – (A)	65,000	23,000	29,000	25,000	
Percentage of changes	5.1%	51.1%	82.9%	–	
Reference Results for January 1 – December 31, 2020	973,700	-19,449	-43,971	-76,304	-523.06

(2) Reasons for the revision

Regarding consolidated performance forecast for full-year 2021, we revised the forecast to reflect only the changes in the performance forecast for the first half of 2021.

Regarding the dividend, we do not revise our forecast that the Company will pay ¥65 per share as year-end dividend.

3. Recording of extraordinary losses

At Kitakata Plant, which is located in Kitakata City, Fukushima Prefecture, SDK currently manufactures aluminum specialty components. Recently, at the Plant, we found groundwater contamination by fluorine and other chemicals exceeding environmental standard, which was caused by a business operated in the past. Therefore, SDK has decided to conduct construction work to establish environmental measures as countermeasures against the groundwater contamination in order to conform to the Soil Contamination Countermeasures Act. To cover the expense for the construction work, we have decided to record an extraordinary loss of about 9 billion yen in the Company's consolidated financial statements for the first quarter of 2021. In addition, we also have decided to record an extraordinary loss of about 2.7 billion yen in the Company's consolidated financial statements for the same period, in order to reflect the special early retirement allowance incurred due to the structural reform in the Showa Denko Materials segment.

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

Net sales (Billions of yen)

Segment	Performance forecast for Jan. 1 – June 30, 2021 (Consolidated)			2020 actual results (Jan. – June 2020)
	Previous forecast (Jan. - June 2021) Announced on Feb. 17, 2021	Revised forecast (Jan.- June 2021) Announced on May 10, 2021	Increase/ decrease	
Petrochemicals	96.0	125.0	29.0	95.7
Chemicals	79.0	84.0	5.0	72.0
Electronics	47.0	49.0	2.0	44.6
Inorganics	37.0	47.0	10.0	43.0
Aluminum	42.0	51.0	9.0	38.8
Showa Denko Materials	300.0	321.0	21.0	–
Others	53.0	36.0	-17.0	55.6
Adjustments	-24.0	-18.0	6.0	-23.2
Total	630.0	695.0	65.0	326.6

Operating income

Petrochemicals	4.5	9.0	4.5	-3.7
Chemicals	6.5	9.0	2.5	5.0
Electronics	2.5	3.5	1.0	1.8
Inorganics	0.0	4.5	4.5	-22.9
Aluminum	2.5	5.0	2.5	-0.2
Showa Denko Materials	1.0	10.0	9.0	–
Others	0.5	0.2	-0.3	0.5
Adjustments	-6.5	-7.2	-0.7	-6.3
Total	11.0	34.0	23.0	-25.8

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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