SHOWA DENKO K.K.

# Consolidated Financial Statements

For the first quarter ended March 31, 2021

## Ⅰ. Consolidated Financial Results

May 13th, 2021

(1) Results of operations:

(¥ in millions, US$ in thousands, except for net income attributable to owners of the parent per share)

| | Results for the first quarter (Jan.1–Mar.31) | | | |
|---|---|---|---|---|
| | 2020 | **2021** | Increase (Decrease) | **2021** |
| | ¥ | **¥** | % | **$** |
| Net sales | 171,734 | **339,679** | 97.8 | **3,068,186** |
| Operating income | 2,469 | **20,814** | 742.9 | **188,004** |
| Ordinary income | 3,221 | **25,083** | 678.7 | **226,569** |
| Net income attributable to owners of the parent | 2,699 | **5,191** | 92.4 | **46,891** |
| Net income attributable to owners of the parent per share: Basic | 18.50 | **35.59** | — | **0.32** |
| Net income attributable to owners of the parent per share: Diluted | — | **—** | — | **—** |

Showa Denko K.K. made Showa Denko Materials Co., Ltd. (Showa Denko Materials) a consolidated subsidiary, and started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its consolidated financial statements.

Notes

Important changes in accounting policies : not applicable

Comprehensive income :

Results for the year ended March 31, 2021 ¥33,292 million

Results for the year ended March 31, 2020 ¥−13,034 million

(2) Financial position:

(¥ in millions, US$ in thousands, except for stockholders' equity ratio)

| | Dec.31, 2020 | **Mar.31, 2021** | **Mar.31, 2021** |
|---|---|---|---|
| | ¥ | **¥** | **$** |
| Total assets | 2,203,606 | **2,240,902** | **20,241,190** |
| Total equity | 718,080 | **732,456** | **6,615,985** |
| | % | **%** | **%** |
| Stockholders' equity ratio | 18.4 | **19.0** | **19.0** |

(3) Dividends:

| | 2020 | **2021 Forecast** |
|---|---|---|
| Q1 dividends per share (¥) | — | **—** |
| Q2 dividends per share (¥) | 0.00 | **0.00** |
| Q3 dividends per share (¥) | — | **—** |
| End of Term dividends per share (¥) | 65.00 | **65.00** |
| Annual dividends per share (¥) | 65.00 | **65.00** |

## Ⅱ. Forecast of performance for the year ending December 31, 2021

(¥ in millions, US$ in thousands, except for net income attributable to owners of the parent per share)

| | 1st half | | fiscal year | |
|---|---|---|---|---|
| | ¥ | $ | ¥ | $ |
| Net sales | 695,000 | 6,277,662 | 1,345,000 | 12,148,857 |
| Operating income | 34,000 | 307,109 | 68,000 | 614,217 |
| Ordinary income | 35,000 | 316,141 | 64,000 | 578,087 |
| Net income attributable to owners of the parent | 9,000 | 81,293 | 11,000 | 99,359 |
| Net income attributable to owners of the parent per share: Basic | 61.70 | 0.56 | 75.40 | 0.68 |

*The above forecast was announced on May 10, 2021.

The above forecast is based on the information available at this point of time. Actual results may differ materially due to a variety of reasons, including such economic factors as fluctuations in foreign currency exchange rates as well as market supply and demand conditions.

Note

The U.S. dollar is valued at ¥110.71 throughout this statement for convenience only.

[Business Results and Financial Conditions]
1. Analysis of business results

(1) Summary
With regard to the global economy in the first quarter of 2021 (January 1 – March 31), it was stagnant due to the global restraint on economic activities caused by the pandemic of coronavirus disease 2019 (COVID-19), although there was a sign of recovery in a part of manufacturing industries including the semiconductor-related industry, whose market remained strong. As for the Japanese economy, although consumer spending kept bearish tendency, corporate business sentiment was bottoming out due to an increase in export and business recovery in some manufacturing industries including semiconductor-related industry.

As for the business environment of the Showa Denko Group, although there were some uncertain factors such as continued spread of COVID-19, a global argument over policy on carbon-neutrality, and US-China trade friction, the semiconductor-related industry remained strong, and car production showed a sign of recovery.

Since the beginning of the pandemic of COVID-19 in 2020, the Showa Denko Group has been giving the highest priority to all stakeholders' safety and health, and implementing various measures to prevent further spread of the infectious disease. To be specific, we are taking various measures to give the highest priority to keeping our employees' health and preventing the spread of COVID-19, including teleworking implemented by employees belonging to major plants, divisions and departments, and grant of special holidays. At the same time, in our production bases, we are making utmost efforts to fulfill our corporate social responsibility to continue providing our customers with products essential for infrastructural functions of society.

The Showa Denko Group set up its long-term vision and has been promoting its medium-term consolidated business plan "The TOP 2021" since 2019. It is very important for the Showa Denko Group to enhance the value of the Group and satisfy all stakeholders including shareholders, customers, suppliers, local communities and employees in order that the Group continuously grows and becomes trusted and acclaimed by society. The Showa Denko Group defines this idea as the Group's business philosophy, thereby promoting management to maximize shareholders', customers' and social value.

The Group will strengthen its earning power and reduce the range of fluctuation in income and enhance the value of the Group through successful execution of "The TOP 2021." SDK aims to realize substantial business integration with Showa Denko Materials Co., Ltd. (SDMC) in July 2021 and integration of legal personalities in January 2023. In December 2020, SDK announced "Long-term Vision (2021-2030) for Newly Integrated Company," which aims to establish the basis of business growth far into the future through integration of SDK and SDMC. In terms of the meaning of the Newly Integrated Company's existence (purpose), SDK and SDMC will cooperatively seek to "change society through the power of chemistry." This includes contributing to the sustainable development of global society by creating functions required of the times as an advanced material partner. In addition, the Newly Integrated Company will strive to become "a company that can win the global competition" and "a company that contributes to a sustainable global society," which are the two things the Company aims to achieve in terms of its ideal state in order to fulfill its purpose.

In the first quarter of 2021, the Group recorded consolidated net sales of ¥339,679 million, a significant increase of 97.8% from the same period of the previous year. The sales in the

Electronics segment decreased due to a reduction in shipment volumes of hard disk media. The sales in the Inorganics segment decreased due to a decline in market prices of graphite electrodes, though their sales volumes recovered. The sales in the Others segment also decreased due to a decline in sales volumes. However, sales in the Showa Denko Materials segment significantly increased due to new consolidation of the segment which started at the beginning of the third quarter of 2020. Sales in the Petrochemicals, Chemicals, and Aluminum segments also increased due to an increase in shipment volumes under a gradual recovery of global economy from the impact of COVID-19. Operating income of the Group in the first quarter of 2021 significantly increased by 742.9%, to ¥20,814 million. Operating income in the Others segment slightly decreased. However, operating income in the Petrochemicals increased due to a rise in market prices of products. Operating income in the Showa Denko Materials segment increased due to consolidation throughout the quarter. Operating income in the Chemicals and Aluminum segments also increased. Ordinary income of the Group increased 678.7%, to ¥25,083 million due to an increase in operating income, foreign exchange gain, and equity in earnings of affiliates, despite an increase in interest expenses.

The Group recorded net income attributable to owners of the parent of ¥5,191 million in the first quarter of 2021, an increase of 92.4% from the same period of the previous year. We recorded an extraordinary loss resulting from expenses for execution of environmental measures, and an increase in corporate tax.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 171,734 | 339,679 | 167,945 |
| Operating income | 2,469 | 20,814 | 18,345 |
| Ordinary income | 3,221 | 25,083 | 21,862 |
| Net income attributable to owners of the parent | 2,699 | 5,191 | 2,492 |

(2) A breakdown of net sales and operating income by segment (January 1 - March 31, 2021)

[Petrochemicals segment]
In the Petrochemicals segment, sales increased 5.0%, to ¥57,754 million. In our olefin business, sales increased due to an improvement in supply-demand balance in East Asia resulting from recovery of demand in China and a rise in prices of products including ethylene and propylene resulting from a rise in prices of raw materials. Sales of organic chemicals increased due to a rise in sales volumes of ethyl acetate and vinyl acetate as a result of rebound from the periodic shutdown maintenance of facilities to produce these products that took place in the first quarter of 2020, in addition to the effect of a significant rise in market prices of organic chemicals. As a result, the Petrochemicals segment recorded an operating income of ¥5,533 million, an improvement of ¥5,689 million from the same period of the previous year.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 55,025 | 57,754 | 2,730 |
| Operating income | -156 | 5,533 | 5,689 |

[Chemicals segment]
In the Chemicals segment, sales increased 13.7% from the same period of the previous year, to ¥41,283 million. Sales of basic chemicals increased. Sales of liquefied ammonia increased due to an increase in shipment volumes. Sales of acrylonitrile increased due to a rise in market price. Sales of chloroprene rubber increased due to an increase in export volumes. Sales of functional chemicals increased due to an increase in sales for Japanese market and export. Sales of industrial gases remained at the same level of the year before period. Sales of electronic chemicals increased due to an increase in shipment volumes of products for the semiconductor industry. Sales of coating materials increased due to an increase in shipment volumes. Operating income of the segment increased 112.1%, to ¥4,850 million.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 36,315 | 41,283 | 4,968 |
| Operating income | 2,286 | 4,850 | 2,564 |

[Electronics segment]
In the Electronics segment, sales decreased 8.1% from the same period of the previous year, to ¥21,653 million. Sales of HD media decreased due to a decrease in shipment volumes of media for PCs, though sales of HD media for use in data centers increased. Sales of compound semiconductors increased due to an increase in export. Sales of lithium-ion battery (LIB) materials increased due to an increase in sales volumes of Showa Denko Packaging's aluminum laminate film (*SPALF*™) used as packaging material for LIBs built into cars, PCs, and mobile devices. As for SiC epitaxial wafer business, sales slightly decreased due to a decrease in sales volumes for export, most of which was compensated by an increase in sales volumes for the domestic market. Operating income of the segment increased 41.4%, to ¥1,396 million due partly to an increase in sales volumes of *SPALF*™, which contributed to a cost reduction in the segment.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 23,553 | 21,653 | -1,900 |
| Operating income | 987 | 1,396 | 409 |

[Inorganics segment]
In the Inorganics segment, sales decreased 0.7% from the year before period, to ¥21,228 million. Our graphite electrode business turned into the black for the first time in four quarters due to an increase in sales volumes caused by an increase in the global demand for steel, which started in the second half of 2020, despite a decline in market prices of graphite electrodes from the level of the year before period. Sales of ceramics increased due to an increase in sales volumes of abrasives and fine ceramics for electronics. Operating income of the segment increased 21.2% from the year-before period, to ¥1,027 million.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 21,385 | 21,228 | -157 |
| Operating income | 848 | 1,027 | 179 |

[Aluminum segment]
In the Aluminum segment, sales increased 17.3% from the year before period, to ¥22,493 million. Sales of aluminum specialty components increased due to an increase in demand for our products for use in automotive components, machine tools, and office automation equipment. Sales of rolled products increased due to an increase in shipment volumes of high-purity aluminum foil for capacitors resulting from an increase in production in customer industries including the industrial equipment and automotive parts industries. Sales of aluminum cans increased due to a start-up of operations of a new plant in Vietnam in the second half of 2020, despite a decrease in domestic sales resulting from a reduction in the Group's domestic production capacity. Operating income of the segment increased ¥2,227 million from the year-before period, to ¥2,275 million.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 19,177 | 22,493 | 3,315 |
| Operating income | 48 | 2,275 | 2,227 |

[Showa Denko Materials segment]
We started to consolidate Showa Denko Materials Co., Ltd. and its subsidiaries in the second quarter of 2020, and therefore, we created a new segment for reporting, and started to incorporate sales figures and operating income of the new segment into SDK's consolidated financial statements at the beginning of the third quarter. The Showa Denko Materials segment recorded net sales of ¥159,606 million in the first quarter of 2021. Sales of electronic materials including abrasives for chemical mechanical planarization of the surface of semiconductor chips (CMP slurry), materials for circuit boards including copper clad laminates, and mobility components including molded resins remained strong due partly to the strong demand for semiconductors and recovery of car production in China and other countries. As a result, the segment recorded operating income of ¥7,574 million. Operating income of this segment includes amortization of the goodwill of the former Hitachi Chemical which was reckoned up as a result of acquisition of shares in former Hitachi Chemical and other losses amounting to about ¥8,600 million.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | — | 159,606 | 159,606 |
| Operating income | — | 7,574 | 7,574 |

[Others segment]
In the Others segment, sales decreased 1.5% from the year before period, to ¥28,191 million. SHOKO CO., LTD.'s sales decreased due to a fall in market prices of products and reduced demand. Operating income of the segment decreased 18.5%, to ¥157 million.

(Unit: millions of yen)

| | 1Q 2020 | 1Q 2021 | Increase/decrease |
|---|---|---|---|
| Sales | 28,606 | 28,191 | -416 |
| Operating income | 192 | 157 | -36 |

(3) Major steps taken or decided in the first quarter of 2021

[Electronics segment]

- Decided to increase capacity to produce aluminum platter for hard disks

In January 2021, SDK decided to increase the capacity of production facilities to produce aluminum platters to be used as hard disk media (HD media). The global demand for hard disk drives (HDDs) for use in data centers has been increasing rapidly due to continuous increase in the amount of communicated data. To cope with this situation and secure stable supply of HD media, SDK decided to increase its capacity to produce aluminum platter for HD media by 30%. SDK started installation of additional facilities to produce aluminum platter in February 2021, and will start operation of the new facility around the beginning of 2022. In addition, SDK is now installing these additional facilities in the premises of its consolidated subsidiary Showa Denko HD Yamagata K.K., which is located in Yamagata Prefecture, Japan, in order to diversify and strengthen the Showa Denko Group's supply chain for aluminum platters, most of which is now concentrated in Malaysia. Therefore, this investment program has been selected by the Ministry of Economy, Trade and Industry as a project to be subsidized by a government subsidy program named "the Program for Promoting Investment in Japan to Strengthen Supply Chains." As the largest independent HD media supplier in the world, SDK will continue putting the top-performance HD media into the market before others in accordance with its motto of "Best in Class," supporting expansion and evolution of digitized society, and expanding its HD media business.

[Inorganics segment]

- Invested in AMI Automation

SDK acquired 50% ownership in AMI Automation, headquartered in Monterrey, Mexico, effective on February 5, 2021. AMI Automation provides fully integrated automation and control solutions to a wide range of industries. SDK has an option to acquire the remaining 50% of AMI within 5 years. AMI Automation is a premier international automation and control solutions company providing innovative products and solutions for the automation of industrial processes. AMI, through its Meltshop Solutions division, provides electrode regulation systems and electric arc furnace (EAF) optimization services to improve operating efficiencies, while its Industrial Systems division is an automation and control solution provider for a wide range of industries around the world. AMI's Meltshop Solutions division is a recognized innovator and world leader, with over 30 years dedicated to EAF optimization, using the latest automation and control technologies to make EAFs operate more efficiently. As a result, AMI's electrode regulation systems are utilized to produce almost 90% of EAF steel in North America. SDK has been contributing to improve EAF steelmaking quality and efficiency by providing customized high quality graphite electrodes to customers around the world. In collaboration with AMI's EAF optimization services, SDK will improve graphite electrode performance and provide more solution-based services that improve EAF steelmaking efficiency, energy conservation, and greenhouse gas reduction. In addition, by utilizing AMI's Industrial Systems division's capabilities in our production process, SDK expects more efficient graphite electrode production. SDK's goal is to provide sustainable value to customers' business and strengthen the position as a global leader in the graphite electrode industry.

[Aluminum segment]

- Announcement of execution of master agreement regarding series of transactions to effect, among other matters, the succession of the aluminum can and aluminum rolling businesses, and result in certain consolidated subsidiary ceasing to be a consolidated subsidiary of SDK

In January 2021, SDK announced that the Company decided to execute a master

agreement with a special-purpose company formed by funds managed by affiliates of Apollo Global Management, Inc. (collectively, hereinafter referred to as “Apollo”), regarding a series of transactions, including the succession of the aluminum can business of the Company to Showa Aluminum Can Corp., which is a wholly owned consolidated subsidiary of SDK, and the succession of the aluminum rolling business to Showa Denko Sakai Aluminum Corp., which is a wholly owned non-consolidated subsidiary of SDK, by company splits (absorption-type company split), with tentative effective dates of June 1 2021 and August 2 2021, respectively. Following the completion of the series of transactions under the master agreement, Showa Aluminum Can is expected to no longer be consolidated subsidiary of the Company, and be succeeded by Apollo as an independent company. In light of the rapidly changing business environment, the Company had been examining the optimal allocation of management resources and portfolio management to realize sustainable growth. After careful consideration of all available options, the Company reached the conclusion that the expansion of the aluminum can business and the aluminum rolling business would be best achieved through business partners that have specialized knowledge and management resources to enable future growth of these businesses together with the employees engaged in the respective business. Taking these factors into consideration, the Company decided to execute the transactions set forth in the master agreement with Apollo, which is one of the world’s leading alternative investment managers and has a wealth of experience supporting aluminum-related industries for more than 20 years.

[Showa Denko Materials segment]

- SDMC acquired 100% ownership of Hitachi Chemical Diagnostics System

In April, 2021, Showa Denko Materials Co., Ltd., a consolidated subsidiary of SDK, announced the conversion of its consolidated subsidiary Hitachi Chemical Diagnostics Systems Co., Ltd. (hereinafter “HKDS”) to a wholly owned subsidiary, effective April 1, 2021, following the acquisition of all common shares (remaining shares) of HKDS owned by Kyowa Kirin Co., Ltd. The Showa Denko Materials Group began developing, manufacturing, and selling in vitro diagnostics (diagnostic reagents) such as allergy in the 1980s. With the acquisition of a 66.6 percent stake in Kyowa Medex Co., Ltd. (current HKDS) from Kyowa Hakko Kirin Co., Ltd. (current Kyowa Kirin) in January 2018, the Group has strengthened its diagnostics business by boosting its lineup with HKDS’ products, including diagnostics reagents for hyperlipidemia,*1 diabetes, cancers, and kidney diseases. Showa Denko Materials owned the right to purchase the remaining shares of HKDS and Kyowa Kirin owned the right to sell the remaining shares roughly three years after the share transfer. As initially planned, Showa Denko Materials has acquired the remaining 177,700 shares (33.4%) to make HKDS a wholly owned subsidiary. This 100 percent ownership will allow Showa Denko Materials to make swifter decisions on important matters concerning HKDS’ management, and paves the way for the Group’s diagnostics business to establish an integrated management structure that includes Group company Hitachi Chemical Diagnostics, Inc., which is responsible for operations in the United States. We aim to accelerate our diagnostics business in the US and expand the business into global markets. We will continue to collaborate with Kyowa Kirin from the development to sale of diagnostic reagents for FGF23-related hypophosphatemic rickets and osteomalacia*2 and other products. The Showa Denko Group positions life sciences, including diagnostics, as a “Next-Generation business” driving its future growth. We will further expand our business to boost the growth of the entire Showa Denko Group while contributing to improving the quality of life.

*1. Hyperlipidemia: Hyperlipidemia is a condition with abnormally high levels of LDL (bad) cholesterol and triglycerides and a low HDL (good) cholesterol level in the blood. This condition can lead to arteriosclerosis, which can cause serious cardiovascular diseases such as heart attacks and strokes.

*2. FGF23-related hypophosphatemic rickets and osteomalacia: Hypophosphatemic rickets and

osteomalacia refer to diseases that cause abnormal bone calcification and bone weakening due to low phosphate levels in the blood, and are designated as intractable diseases by the Japanese government. Among these bone diseases are FGF23-related hypophosphatemic rickets and osteomalacia caused by excessive actions of fibroblast growth factor-23 (FGF23), with common forms of the disorders including X-linked hypophosphatemia (XLH) and tumor-induced osteomalacia (TIO). It has been reported that measuring FGF23 is useful in differential diagnosis of these disorders because of their high serum FGF23 levels.

[Others segment]

- Concluded basic agreement regarding tender offer over subsidiary

In March 2021, SDK applied for a tender offer made by SKT Holdings Ltd. (SKTHD) for the common shares issued by SHOKO CO., LTD. (SHOKO), a consolidated subsidiary of SDK handling various kinds of components and products as a general trading company dealing with chemicals, resins and metal ceramics. SKTHD is a wholly-owned subsidiary of iSigma Business Advancement Fund III Investment LLP managed and operated by iSigma Capital Corporation (iSigma Capital), which is a subsidiary of Marubeni Corporation. SDK decided to apply for the tender offer with 3,160,306 shares of SHOKO among the shares of SHOKO owned by SDK, and, on March 4, 2021, SDK and SKTHD entered into a basic agreement setting forth the application for the tender offer and a shareholder agreement that governs the handling of the shares in SHOKO owned by SDK and SKTHD. SDK had been considering measures to improve corporate value by resolving reform issues in mid-term business plans at SHOKO under a rapidly changing business environment. Under these circumstances, SDK received a proposal from iSigma Capital to improve corporate value at SHOKO. Upon careful consideration of the proposal, SDK came to the conclusion that SHOKO can further accelerate growth and increase its corporate value through facilitating the development of customers and sales channels, expanding its product lineup, improving profitability by taking advantage of economies of scale, improving management efficiency, and so on, by utilizing the domestic and overseas networks and management know-how of iSigma Capital and its parent company, Marubeni Corporation, as well as its group companies. Thereafter, the tender offer successfully ended on April 15, 2021, and SHOKO ceased to be one of SDK's consolidated subsidiaries due to the application made by SKD for the tender offer. However, SDK has also concluded the shareholder agreement with iSigma Business Advancement Fund III in view of the fact that SDK will continue hold a part of shares in SHOKO after the tender offer. In the shareholder agreement, SDK has agreed with I Sigma Capital on the business operations of SHOKO and the handling of the common shares issued by SHOKO after this transaction. Therefore, SDK will continue the business relationship with SHOKO even after the execution of the tender offer.

2. Financial conditions for the January 1 – March 31, 2021 period (as compared with the conditions at December 31, 2020)

Total assets at the end of the quarter amounted to ¥2,240,902 million, an increase of ¥37,296 million from the level at December 31, 2020. Total assets increased due partly to increases in accounts receivable-trade and inventories, despite a decrease in intangible assets. Total liabilities increased ¥22,921 million, to ¥1,508,446 million, due partly to an increase in notes and accounts payable-trade, despite a decrease in interest baring debt. Net assets at the end of the quarter increased ¥14,376 million, to ¥732,456 million, due partly to the recording of an increase in foreign currency translation adjustments, despite a decrease in retained earnings resulting from payment of dividends for the previous year and recording of net income for the first quarter of 2021.

3. Performance forecast

The Group's performance forecast for 2021 is not changed from that announced on May 10, 2021, which is as in the table given below. Regarding the assumptions for the performance forecast, please refer to the news release "Showa Denko Revises Forecast of Consolidated Performance, and to Record Extraordinary Loss" announced on May 10, 2021.

(Unit: millions of yen)

| | Net sales | Operating income | Ordinary income | Net income attributable to owners of the parent |
|---|---|---|---|---|
| Forecast of results for the first half of 2021 | 695,000 | 34,000 | 35,000 | 9,000 |
| Forecast of results for full-year 2021 | 1,345,000 | 68,000 | 64,000 | 11,000 |

# Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

| | Dec. 31, 2020 | Mar. 31, 2021 | Mar. 31, 2021 |
|---|---|---|---|
| Assets | ¥ | ¥ | $ |
| Current assets | | | |
| Cash and deposits | 198,982 | 182,272 | 1,646,396 |
| Notes and accounts receivable-trade | 271,628 | 294,075 | 2,656,264 |
| Merchandise and finished goods | 93,947 | 103,279 | 932,882 |
| Work in process | 28,383 | 28,986 | 261,823 |
| Raw materials and supplies | 67,877 | 77,149 | 696,856 |
| Other | 62,917 | 65,472 | 591,379 |
| Allowance for doubtful accounts | (1,092) | (1,136) | (10,257) |
| Total current assets | 722,644 | 750,098 | 6,775,344 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | 142,300 | 144,830 | 1,308,191 |
| Machinery, equipment and vehicles, net | 222,036 | 228,336 | 2,062,468 |
| Land | 264,589 | 264,984 | 2,393,501 |
| Other, net | 98,194 | 98,989 | 894,131 |
| Total property, plant and equipment | 727,119 | 737,139 | 6,658,291 |
| Intangible assets | | | |
| Goodwill | 359,200 | 354,704 | 3,203,903 |
| Other | 239,244 | 235,473 | 2,126,934 |
| Total intangible assets | 598,443 | 590,177 | 5,330,837 |
| Investments and other assets | | | |
| Investment securities | 106,408 | 113,975 | 1,029,494 |
| Other | 56,738 | 57,684 | 521,038 |
| Allowance for doubtful accounts | (7,747) | (8,172) | (73,814) |
| Total investments and other assets | 155,399 | 163,487 | 1,476,718 |
| Total noncurrent assets | 1,480,962 | 1,490,804 | 13,465,845 |
| Total assets | 2,203,606 | 2,240,902 | 20,241,190 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade | 164,356 | 181,297 | 1,637,583 |
| Short-term loans payable | 62,645 | 68,037 | 614,550 |
| Current portion of long-term loans payable | 31,387 | 37,528 | 338,973 |
| Commercial papers | 10,000 | 35,000 | 316,141 |
| Current portion of bonds | 25,000 | 34,995 | 316,096 |
| Provision | 10,604 | 19,313 | 174,444 |
| Other | 108,078 | 106,491 | 961,888 |
| Total current liabilities | 412,071 | 482,660 | 4,359,676 |
| Noncurrent liabilities | | | |
| Bonds payable | 66,929 | 56,938 | 514,299 |
| Long-term loans payable | 839,436 | 799,449 | 7,221,108 |
| Provision | 4,026 | 1,690 | 15,262 |
| Net defined benefit liability | 24,750 | 24,182 | 218,428 |
| Other | 138,314 | 143,528 | 1,296,432 |
| Total noncurrent liabilities | 1,073,455 | 1,025,787 | 9,265,529 |
| Total liabilities | 1,485,526 | 1,508,446 | 13,625,204 |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 140,564 | 140,564 | 1,269,655 |
| Capital surplus | 78,190 | 78,190 | 706,256 |
| Retained earnings | 165,572 | 161,263 | 1,456,628 |
| Treasury stock | (11,657) | (11,659) | (105,308) |
| Total shareholders' equity | 372,669 | 368,358 | 3,327,231 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 3,728 | 6,055 | 54,690 |
| Deferred gains or losses on hedges | 908 | 1,819 | 16,432 |
| Revaluation reserve for land | 29,034 | 29,013 | 262,065 |
| Foreign currency translation adjustment | (506) | 19,523 | 176,347 |
| Remeasurements of defined benefit plans | 128 | 267 | 2,415 |
| Total accumulated other comprehensive income | 33,292 | 56,678 | 511,948 |
| Non-controlling interests | 312,119 | 307,420 | 2,776,806 |
| Total net assets | 718,080 | 732,456 | 6,615,985 |
| Total liabilities and net assets | 2,203,606 | 2,240,902 | 20,241,190 |

# Consolidated Statements of Income

(¥ in millions, US$ in thousands)

| | Results for the first quarter (Jan.1-Mar.31) | | |
|---|---|---|---|
| | 2020 | 2021 | 2021 |
| | ¥ | ¥ | $ |
| Net sales | 171,734 | 339,679 | 3,068,186 |
| Cost of sales | 142,619 | 257,886 | 2,329,383 |
| Gross profit | 29,115 | 81,793 | 738,804 |
| Selling, general and administrative expenses | 26,645 | 60,979 | 550,800 |
| Operating income | 2,469 | 20,814 | 188,004 |
| Non-operating income | | | |
| Interest income | 222 | 168 | 1,514 |
| Dividends income | 308 | 401 | 3,618 |
| Equity in earnings of affiliates | 417 | 1,798 | 16,242 |
| Foreign exchange gains | 561 | 4,647 | 41,973 |
| Miscellaneous income | 897 | 1,808 | 16,326 |
| Total non-operating income | 2,405 | 8,821 | 79,673 |
| Non-operating expenses | | | |
| Interest expenses | 454 | 2,681 | 24,212 |
| Miscellaneous expenses | 1,199 | 1,871 | 16,896 |
| Total non-operating expenses | 1,653 | 4,551 | 41,109 |
| Ordinary income | 3,221 | 25,083 | 226,569 |
| Extraordinary income | | | |
| Gain on sales of investment securities | 201 | 1,254 | 11,327 |
| Other | 1,542 | 360 | 3,250 |
| Total extraordinary income | 1,743 | 1,614 | 14,577 |
| Extraordinary loss | | | |
| Loss on sales and retirement of noncurrent assets | 842 | 575 | 5,195 |
| Environmental expenses | — | 8,958 | 80,914 |
| Business structuring expenses | — | 2,670 | 24,117 |
| Other | 670 | 1,127 | 10,182 |
| Total extraordinary losses | 1,512 | 13,330 | 120,408 |
| Profit before income taxes | 3,452 | 13,367 | 120,738 |
| Income taxes | (328) | 4,178 | 37,740 |
| Net income | 3,780 | 9,189 | 82,999 |
| Net income attributable to non-controlling interests | 1,081 | 3,997 | 36,108 |
| Net income attributable to owners of the parent | 2,699 | 5,191 | 46,891 |

# Consolidated Statements of Comprehensive Income

(¥ in millions, US$ in thousands)

| | Results for the first quarter (Jan.1-Mar.31) | | |
|---|---|---|---|
| | 2020 | 2021 | 2021 |
| | ¥ | ¥ | $ |
| Net income | 3,780 | 9,189 | 82,999 |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | (9,737) | 2,337 | 21,114 |
| Deferred gains or losses on hedges | (1,354) | 906 | 8,180 |
| Foreign currency translation adjustments | (5,428) | 20,214 | 182,589 |
| Remeasurements of defined benefit plans, net of tax | (227) | 146 | 1,317 |
| Share of other comprehensive income of entities accounted for using equity method | (69) | 500 | 4,519 |
| Total other comprehensive income | (16,814) | 24,104 | 217,718 |
| Comprehensive income | (13,034) | 33,292 | 300,716 |
| (Comprehensive income attributable to) | | | |
| Comprehensive income attributable to owners of the parent | (13,909) | 28,598 | 258,312 |
| Comprehensive income attributable to non-controlling interests | 875 | 4,695 | 42,404 |

(Reference)

SEGMENT INFORMATION

Information about sales and operating income :

| 3 Months ended March 31, 2020 | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Others | Elimination | Consolidated |
| **Sales** | | | | | | | | |
| Outside customers | ¥52,627 | ¥32,189 | ¥23,330 | ¥19,749 | ¥17,373 | ¥26,465 | ¥– | ¥171,734 |
| Inter-segment | 2,397 | 4,126 | 223 | 1,636 | 1,804 | 2,141 | (12,328) | – |
| Total | 55,025 | 36,315 | 23,553 | 21,385 | 19,177 | 28,606 | (12,328) | 171,734 |
| Operating income (loss) | (¥156) | ¥2,286 | ¥987 | ¥848 | ¥48 | ¥192 | (¥1,738) | ¥2,469 |

| 3 Months ended March 31, 2021 | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Showa Denko Materials | Others | Elimination | Consolidated |
| **Sales** | | | | | | | | | |
| Outside customers | **¥55,294** | **¥36,961** | **¥21,429** | **¥19,680** | **¥20,419** | **¥159,546** | **¥26,350** | **¥–** | **¥339,679** |
| Inter-segment | **2,460** | **4,322** | **224** | **1,548** | **2,074** | **60** | **1,840** | **(12,529)** | **–** |
| Total | **57,754** | **41,283** | **21,653** | **21,228** | **22,493** | **159,606** | **28,191** | **(12,529)** | **339,679** |
| Operating income (loss) | **¥5,533** | **¥4,850** | **¥1,396** | **¥1,027** | **¥2,275** | **¥7,574** | **¥157** | **(¥2,000)** | **¥20,814** |

| 3 Months ended March 31, 2021 | Thousands of U.S. dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Showa Denko Materials | Others | Elimination | Consolidated |
| **Sales** | | | | | | | | | |
| Outside customers | **$499,449** | **$333,852** | **$193,561** | **$177,761** | **$184,434** | **$1,441,116** | **$238,013** | **$–** | **$3,068,186** |
| Inter-segment | **22,221** | **39,043** | **2,023** | **13,982** | **18,734** | **542** | **16,624** | **(113,170)** | **–** |
| Total | **521,669** | **372,895** | **195,584** | **191,744** | **203,168** | **1,441,658** | **254,637** | **(113,170)** | **3,068,186** |
| Operating income (loss) | **$49,977** | **$43,812** | **$12,611** | **$9,280** | **$20,550** | **$68,417** | **$1,418** | **($18,061)** | **$188,004** |

SHOWA DENKO K.K.

May 13th, 2021

# First Quarter, 2021 Consolidated Financial Results (Summary)

## 1. First Quarter Results

### (1) Summary

(Unit: billions of yen)

| Items | 2020 CQ1 Jan.1 - Mar.31 | 2021 CQ1 Jan.1 - Mar.31 | Increase/ decrease | First Half, 2021 Forecast* |
|---|---|---|---|---|
| Net Sales | 171.7 | 339.7 | 167.9 | 695.0 |
| Operating Income | 2.5 | 20.8 | 18.3 | 34.0 |
| Net Income Attributable to Owners of the Parent | 2.7 | 5.2 | 2.5 | 9.0 |

*Announced on May 10, 2021

Showa Denko K.K. made Showa Denko Materials Co., Ltd. (Showa Denko Materials) a consolidated subsidiary, and started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its consolidated financial statements.

### (2) Net Sales and Operating Income by Segment

(Unit: billions of yen)

| Segment | | 2020 CQ1 Jan.1 - Mar.31 | 2021 CQ1 Jan.1 - Mar.31 | Increase/ decrease | First Half, 2021 Forecast* |
|---|---|---|---|---|---|
| Petrochemicals | Net Sales | 55.0 | 57.8 | 2.7 | 125.0 |
| | Op. Income | -0.2 | 5.5 | 5.7 | 9.0 |
| Chemicals | Net Sales | 36.3 | 41.3 | 5.0 | 84.0 |
| | Op. Income | 2.3 | 4.9 | 2.6 | 9.0 |
| Electronics | Net Sales | 23.6 | 21.7 | -1.9 | 49.0 |
| | Op. Income | 1.0 | 1.4 | 0.4 | 3.5 |
| Inorganics | Net Sales | 21.4 | 21.2 | -0.2 | 47.0 |
| | Op. Income | 0.8 | 1.0 | 0.2 | 4.5 |
| Aluminum | Net Sales | 19.2 | 22.5 | 3.3 | 51.0 |
| | Op. Income | 0.0 | 2.3 | 2.2 | 5.0 |
| Showa Denko Materials | Net Sales | — | 159.6 | 159.6 | 321.0 |
| | Op. Income | — | 7.6 | 7.6 | 10.0 |
| Others | Net Sales | 28.6 | 28.2 | -0.4 | 36.0 |
| | Op. Income | 0.2 | 0.2 | -0.0 | 0.2 |
| Adjustments | Net Sales | -12.3 | -12.5 | -0.2 | -18.0 |
| | Op. Income | -1.7 | -2.0 | -0.3 | -7.2 |
| Total | Net Sales | 171.7 | 339.7 | 167.9 | 695.0 |
| | Op. Income | 2.5 | 20.8 | 18.3 | 34.0 |

Showa Denko K.K. started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its financial statements as "Showa Denko Materials segment."

## 2. Reference

| Items | 2020 CQ1 Jan.1 - Mar.31 | 2021 CQ1 Jan.1 - Mar.31 | Increase/ decrease |
|---|---|---|---|
| Exchange Rate (yen/US$) | 108.9 | 105.9 | Yen appreciated by 3.0 |
| Domestic Naphtha Price (yen/kl) | 44,800 | 38,800 | -6,000 |

(Unit: billions of yen)

| Items | Dec.31, 2020 | Mar.31, 2021 | Increase/ decrease |
|---|---|---|---|
| Total Assets | 2,203.6 | 2,240.9 | 37.3 |
| Interest-Bearing Debt | 1,060.1 | 1,056.3 | -3.9 |

The above forecast is 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 or market conditions for our products such as graphite electrodes and other commodities, and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.