NEWS RELEASE

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Showa Denko to Record Extraordinary Loss, and Revises Forecast of Consolidated Performance

Showa Denko (SDK) (TOKYO: 4004) announces that, following the “Announcement regarding Company Split (Absorption-Type Company Split) and Transfer of Energy Storage Devices and Systems Business through Share Transfer by a Consolidated Subsidiary (Change of Second-Generation Subsidiary)” which was announced today, SDK will record extraordinary loss in its 2021 consolidated financial statements and revises its forecasts of consolidated business results for the first half of the year ending on December 31, 2021 and consolidated business results for the year ending on December 31, 2021, both of which were announced on May 10, 2021.

1. Recording of extraordinary loss

As stated in the “Announcement regarding Company Split (Absorption-Type Company Split) and Transfer of Energy Storage Devices and Systems Business through Share Transfer by a Consolidated Subsidiary (Change of Second-Generation Subsidiary)” which was announced today, Showa Denko Materials Co., Ltd. (SDMC), which is a consolidated subsidiary of SDK, has determined by its board of directors today that: (i) SDMC shall have a newly established, wholly owned subsidiary of it named Energy Storage Devices Spin-Off Preparation Co., Ltd. (hereinafter referred to as “NewCo”) succeed the energy storage devices and systems business in which SDMC is engaged at its Saitama Works and Nabari Works through an absorption-type company split (hereinafter referred to as the “Company Split”), thereafter, (ii) SDMC shall transfer all shares of NewCo and the directly or indirectly owned shares of Energy System Service Japan Co., Ltd., CSB Energy Technology Co., Ltd., Siam Magi Co., Ltd., Thai Energy Storage Technology Public Company Limited, Thai Nonferrous Metal Co., Ltd., 3K Products Company Limited, and Power Plas Company Limited to Sustainable Battery Solutions, Inc., operated by Sustainable Battery Holdings, Inc. whose largest shareholders are the funds served by Advantage Partners Inc. (such transfer hereinafter referred to as the “Share Transfer” and, collectively with the Company Split, the “Transaction”). Taking the Transaction into account, SDK will record an extraordinary loss of about 30 billion yen as expenditure to cover the cost of structural reform related to the Transaction in the Company’s financial statements for the first half of the year ending on December 31, 2021.

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

(2) Reasons for the revision

Regarding the forecast of consolidated business performance announced on May 10, 2021, we plan to record onetime loss about our net income/loss attributable to owners of the parent because we will record extraordinary loss of about 30 billion yen as we explained in the item 1 of this announcement.

As we stated in “The Long-term Vision for the Newly Integrated Company (2021-2030)” which we announced in December 2020, we plan to sell off some of our businesses amounting to about 200 billion yen in business value as part of our medium- to long-term business plan. We have already decided to sell off several businesses and announced our decisions, and the Transaction we announced today made us confident that we can accomplish the plan about restructuring of our business portfolio. We will continue to conduct business portfolio management which will support our sustainable growth and help us to realize our Long-term Vision.

3. 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 May 10, 2021)	1,345,000	68,000	64,000	11,000	75.40
Revised forecast (B) (Announced on July 6, 2021)	1,345,000	68,000	64,000	-14,000	-95.97
(B) – (A)	–	–	–	-25,000	
Percentage of changes	–	–	–	–	
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.

For further information, contact:
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