

1-9-2, Marunouchi, Chiyoda-ku, Tokyo, Japan

July 8, 2021

## **Announcement regarding Transfer of Energy Storage Devices and Systems Business**

Showa Denko Materials Co., Ltd. (President and CEO: Hisashi Maruyama; hereinafter referred to as the “Company”) has determined by its board of directors today that (i) the Company shall have a newly established, wholly owned subsidiary of it named Energy Storage Devices Spin-Off Preparation Co., Ltd. (hereinafter referred to as “NewCo”; its company name shall be hereafter changed upon discussion) succeed the energy storage devices and systems business in which the Company is engaged at its Saitama Works and Nabari Works (hereinafter referred to as the “Business”) through an absorption-type company split (hereinafter referred to as the “Company Split”), thereafter, (ii) the Company 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. (President and Chief Executive Officer: Toru Indo; hereinafter referred to as “SBS”), operated by Sustainable Battery Holdings, Inc. whose largest shareholders are the funds (hereinafter collectively referred to as the “AP Funds”) served by Advantage Partners Inc. (hereinafter referred to as “AP”) (such transfer hereinafter referred to as the “Share Transfer” and, collectively with the Company Split, the “Transaction”).

The Transaction will be concluded on the condition that SBS obtains the clearances and licenses necessary under the domestic and international competition laws and other laws and regulations.

### **1. Purpose of the Transaction**

The Business of the Company Group (collectively meaning the Company, its subsidiaries, and affiliates; the same shall apply hereinafter) originates in the manufacture and sale of storage batteries initiated in 1916 by Nippon Storage Battery MFG. Co., Ltd., the predecessor of Shin-Kobe Electric Machinery Co., Ltd. In 1972, following the Company’s acquisition of a majority of the shares of Shin-Kobe Electric Machinery Co., Ltd., the Company Group made a full-scale entry into the Business. Since this entry, the Company Group has continued in research and development for the Business, focusing on trends in the battery market. As a result, we have gained a particular advantage in product performance driven by our unique technology and established a track record of delivering high-quality batteries for vehicles and industrial use based on such technology to excellent clients, including major automobile companies and major telecommunications carriers both in Japan and abroad. Further, backed up by such advanced technological capabilities and the product appeal of high-quality batteries, we have recently expanded our business overseas such as Thailand and Taiwan and have gradually developed a global system for the Business.

On the other hand, as the Showa Denko K.K. (hereinafter “SDK”) group announced in the “Long-Term Vision for Newly Integrated Company (2021-2030)” published on December 10, 2020, the SDK group aims to realize a SDK group-wide breakthrough by integrating the midstream materials technology of SDK, the downstream application technology of the Company, and the evaluation and analysis technology of both companies to provide customers with

one-stop solutions and new functions as a globally top-level, functional chemical manufacturer and to contribute a sustainable society. In addition, with an aim to realize this vision, the SDK group has developed a highly complementary business portfolio consisting of “Core Growth,” “Next-Generation,” “Stable Earnings,” and “Fundamental Technologies/Materials” businesses. With each of these four business categories demonstrating a high level of competitiveness commensurate with their respective roles, we will continue to provide new functions to the market and realize sustainable growth. In particular, we are ready to aggressively invest in the “Core Growth” and “Next-Generation” businesses, focusing on electronics, mobility, and life science that can lead to the future growth of the SDK group.

In examining the optimal allocation of resource and business portfolio management to realize sustainable growth based on this long-term vision, the Company Group carefully considered all available options for the operation of Business of the Company. As a result, we reached the conclusion that the best option for stakeholders, including clients of the Business, daily end-users of the Company Group’s Business products, and employees engaged in the Business, is to promote the expansion of the Business through business partners that possess or have access to specialized knowledge and management resources for renewable energy and automobile industry etc. that are relevant to the Business. We decided that the best business partner for this endeavor would be SBS, one of the leading investment companies in Japan, with experience in a considerable number of projects similar to the Transaction, and with a variety of expertise. We therefore determined to promote the Business with SBS.

The Company is confident that the realization of the Transaction will enable the NewCo etc. which shall operate the Business subject to the Transaction to (i) gain the support of SBS and its shareholders for the Business operations and utilize their abundant management resources in an aggressive and strategic manner, (ii) execute its flexible and bold business strategies as an independent company, and (iii) thereby achieve further growth and enhanced competitiveness.

## 2. Outline of the Company Split

### (1) Outline of the Company Split

#### (i) Schedule for the Transaction, including the Company Split

SPA (share purchase agreement for the Transaction) Execution Date	July 8, 2021
Date of Incorporation of NewCo	July, 2021 (Expected)
Absorption-Split Agreement Execution Date	September, 2021 (Expected)
Date of the General Meeting of Shareholders to Approve the Absorption Split Agreement (Company and NewCo)	October, 2021 (Expected)
Company Split Effective Date	December 1, 2021 (Expected)
Date of Share Transfer	December 1, 2021 (Expected)

(Note) The Transaction will be concluded on the condition that SBS obtains the clearances and licenses necessary under the domestic and international competition laws and other laws and regulations.

(ii) Company Split Method

Method shall be company split, where the Company shall be the splitting company and NewCo shall be the successor company.

(iii) Details of Allocations in relation to the Company Split

In relation with the Company Split, NewCo will issue ordinary shares and allocate all such shares to the Company. Currently, the details including the number of shares to be issued are yet to be determined.

(iv) Handling of Stock Acquisition Rights and Corporate Bonds with Stock Acquisition Rights in conjunction with the Company Split

Not applicable.

(v) Capital Increase or Decrease due to the Company Split

Currently not determined.

(vi) Rights and Obligations of the Successor Companies

NewCo shall succeed to the assets, liabilities, contractual positions, and other rights and obligations relating to the Business of the Company on the effective date of the Company Split.

(vii) Prospect of Fulfillment of Debts

No issues in the payment of debts borne by NewCo after the effective date of the Company Split have been assessed.

(2) Overview of the Parties to the Company Split (as of July 8, 2021)

	Splitting Company	Successor Company (Note 1)
(1) Name	Showa Denko Materials Co., Ltd.	Energy Storage Devices Spin-Off Preparation Co., Ltd. (Note 2)
(2) Address	1-9-2 Marunouchi, Chiyoda-ku, Tokyo	1-9-2 Marunouchi, Chiyoda-ku, Tokyo
(3) Position and Name of Representative	Hisashi Maruyama, President and Chief Executive Officer	Masato Yoshida, President and Chief Executive Officer
(4) Business Descriptions	Manufacturing, processing, and sale of functional materials and advanced components and systems	Manufacture and sale of energy storage devices and related systems and services
(5) Capital	JPY 15,454 million	JPY 1
(6) Date of Establishment	October 10, 1962	July, 2021 (Expected)
(7) Number of Issued Shares	8 shares	1 share
(8) Fiscal Year-End	December 31	March 31
(9) Number of Employees (Note 3)	6,729 employees	0 employees

(10)	Major Shareholders and Shareholding Ratio	HC Holdings K.K.	100%	Showa Denko Materials Co., Ltd.	100%
(11)	Relationships with the Company				
	Capital Relationships	The Company holds 100% of the shares.			
	Personal Relationships	The Company will dispatch the director to the Successor Company.			
	Business Relationships	No business relationship with the Company since the business is yet to commence.			
	Status of Related Parties	The Successor Company is a consolidated subsidiary of the Company and constitutes a related party.			
(12)	Financial Status and Operating Results of the Splitting Company over the Last Three Years (Note 4)				
		Fiscal Year Ended March 31, 2019 (Consolidated)	Fiscal Year Ended March 31, 2020 (Consolidated)	Fiscal Year Ended December 31, 2020 (Consolidated) (Note 5)	
	Shareholder Equity in Parent Company	JPY 420,095 million	JPY 423,432 million	JPY 408,047 million	
	Total Assets	JPY 708,659 million	JPY 704,425 million	JPY 670,204 million	
	Shareholder Equity per Share of Parent Company (Note 6)	JPY 2,017.54	JPY 52,929,000,000	JPY 51,005,875,000	
	Sales	JPY 681,025 million	JPY 631,433 million	JPY 429,238 million	
	Operating Income	JPY 36,353 million	JPY 23,126 million	JPY 12,510 million	
	Income before Tax	JPY 40,500 million	JPY 23,960 million	JPY 14,821 million	
	Net Income this Period Attributable to Parent Company	JPY 29,451 million	JPY 16,553 million	JPY 7,455 million	
	Comprehensive Income this Period Attributable to Parent Company	JPY 28,397 million	JPY 4,845 million	JPY 14,945 million	
	Basic per Share Net Income (Note 6)	JPY 137.94	JPY 2,050,125,000	JPY 915,125,000	
	Cash Dividends per Share (Note 6)	JPY 60.00	JPY 30.00	JPY 3,750,000,000	

(Note 1) Expected to be established on July, 2021. All of the above items are current projections.

(Note 2) The company name is planned to be changed hereafter.

(Note 3) The number of employees of the Company as of December 31, 2020 is indicated.

(Note 4) Expected to be established in 2021, so no fiscal year has ended.

(Note 5) The fiscal year ended in December 2020 of the Company is a nine-month accounting period due to a change in the fiscal year-end.

(Note 6) The Company has consolidated its 26,027,000 ordinary shares into 1 share effective June 23, 2020. In order to ease the comparison between past figures, for the fiscal years ended March 2020 and December 2020, the Shareholder Equity per Share of Parent Company and Basic per Share Net Income have been calculated assuming that such share consolidation was executed at the beginning of the fiscal year ended March 2020.

(3) Overview of the Business Division Subject to Split

(i) Business Operated by the Splitting Division

Manufacture and sale of energy storage devices and related systems and services

(ii) Operating Results of the Splitting Division

	Results of the Fiscal Year Ending March 31, 2020
Gross Sales	JPY 54,882 million

(iii) Assets and Liabilities Subject to Split (as of March 31, 2020)

Assets		Liabilities	
Item	Amount	Item	Amount
Current Assets	JPY 28,444 million	Current Liabilities	JPY 12,153 million
Fixed Assets	JPY 11,048 million	Fixed Liabilities	JPY 1,124 million
Total	JPY 39,492 million	Total	JPY 13,277 million

(Note) The above amounts are calculated based on the balance sheet as of March 31, 2020. The actual amounts of assets and liabilities succeeded may vary from the above amounts after increases and decreases occurring before the effective date of the Company Split are reflected.

(iv) Status after Company Split (December 1, 2021 (Expected))

	Splitting Company	Successor Company (Note)
(1) Name	Showa Denko Materials Co., Ltd.	Undetermined
(2) Address	1-9-2 Marunouchi, Chiyoda-ku, Tokyo	Undetermined
(3) Position and Name of Representative	Hisashi Maruyama, President and Chief Executive Officer	Masato Yoshida, President and Chief Executive Officer (Expected)
(4) Business Descriptions	Manufacturing, processing, and sale of functional materials and advanced components and systems	Manufacture and sale of energy storage devices and related systems and services
(5) Capital	JPY 15,454 million	Undetermined
(6) Fiscal Year-End	December 31	March 31 (Expected)

(Note) NewCo, which is the Successor Company, will operate the succeeded Business after the Company Split. Subject to the Company Split taking effect, all issued and outstanding shares of NewCo will be transferred to SBS.

### 3. Outline of the Share Transfer

#### (1) Overview of the Major Subsidiaries to be Transferred

##### (i) NewCo

Please see "Successor Company" in "2(2) Overview of the Parties to the Company Split" above.

##### (ii) Energy System Service Japan Co., Ltd.

a. Name	Energy System Service Japan Co., Ltd.
b. Address	6-1-1, Heiwajima, Ota-ku, Tokyo
c. Title and Name of Representative	Tsukasa Fujinami, President and Chief Executive Officer
d. Business	Sale of and services for batteries and electrical equipment and manufacture and sale of and services for golf carts
e. Capital Amount	JPY 150 million
f. Date of Establishment	June 20, 1959
g. Net Assets of the Immediately Preceding Fiscal Year	JPY 3,596 million (as of December 2020)
h. Total Assets of the Immediately Preceding Fiscal Year	JPY 6,590 million (as of December 2020)
i. Major Shareholders and Shareholding Ratio	Showa Denko Materials Co., Ltd. 100%

##### (iii) CSB Energy Technology Co., Ltd.

a. Name	CSB Energy Technology Co., Ltd.
b. Address	11F, No. 150, Section 4, Chengde Road, Shilin District, Taipei, 11167, Taiwan
c. Title and Name of Representative	Chang Yung Kan, Chairman
d. Business	Manufacture and sale of lead-acid batteries
e. Capital Amount	NT\$ 739,570 thousand (JPY 2,921 million) (Note)
f. Date of Establishment	November 28, 1986
g. Net Assets of the Immediately Preceding Fiscal Year	NT\$ 5,428,014 thousand (JPY 21,441 million) (as of December 2020) (Note)
h. Total Assets of the Immediately Preceding Fiscal Year	NT\$ 8,508,051 thousand (JPY 33,607 million) (as of December 2020) (Note)

i. Major Shareholders and Shareholding Ratio	Showa Denko Materials Co., Ltd. 100%
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(Note) Amount in JPY has been calculated based on the exchange rate as of July 7, 2021 of NT\$ 1 = JPY 3.95.

(iv) Thai Energy Storage Technology Public Company Limited

a. Name	Thai Energy Storage Technology Public Company Limited
b. Address	387 Moo 4, Sukhumvit Rd., Phraek Sa Sub-district, Mueang Samut Prakan District, Samut Prakan Province 10280, Thailand
c. Title and Name of Representative	Hiroaki Yamaguchi, Chief Executive Officer
d. Business	Manufacture and sale of lead-acid batteries
e. Capital Amount	THB 784,000 thousand (JPY 2,681 million) (Note)
f. Date of Establishment	October 1, 2020
g. Net Assets of the Immediately Preceding Fiscal Year	THB 2,084,643 thousand (JPY 7,129 million) (as of December 2020) (Note)
h. Total Assets of the Immediately Preceding Fiscal Year	THB 3,781,531 thousand (JPY 12,933 million) (as of December 2020) (Note)
i. Major Shareholders and Shareholding Ratio	Showa Denko Materials Co., Ltd. 97.90% (including ownership of the Company group companies)

(Note) Amount in JPY has been calculated based on the exchange rate as of July 7, 2021 of THB 1 = JPY 3.42.

(2) Outline of Share Transferee

a. Name	Sustainable Battery Solutions, Inc.
b. Address	Toranomon Towers Office 17th floor, 4-1-28 Toranomon, Minato-ku, Tokyo
c. Title and Name of Representative	Toru Indo, Representative Director
d. Business	Management consulting services; acquisition, holding, operation, management, and trade of securities; and supplementary or related services thereto
e. Capital Amount	JPY 250,000
f. Date of Establishment	April 15, 2021

	Sustainable Battery Holdings, Inc. (*) 100%
g. Major Shareholders and Voting Rights	(*) As of today, AP Funds hold 100% of the issued and outstanding shares of Sustainable Battery Holdings, Inc. and plans to increase its capital by the date of the Share Transfer. After the capital increase, the voting rights ratio of Sustainable Battery Holdings, Inc. is expected to be 85.1% for AP Funds and 14.9% for Tokyo Century Corporation.
h. Relationship Between the Company and Transferee	There is no capital, personal, or business relationship between the Company and the transferee.

(3) Number of Shares Transferred and Status of Shares Held Before and After the Transfer

(i) NewCo

a. Shares Held before the Transfer	Undetermined (percentage of voting rights: 100.00%)
b. Number of Shares Transferred	Undetermined (percentage of voting rights: 100.00%)
c. Number of Shares Held after the Transfer	0 shares (percentage of voting rights: 0.00%)

(Note) Transfer price is undisclosed due to confidentiality obligation between SBS.

(ii) Energy System Service Japan Co., Ltd.

a. Shares Held before the Transfer	150,000 shares (percentage of voting rights: 100.00%)
b. Number of Shares Transferred	150,000 shares (percentage of voting rights: 100.00%)
c. Number of Shares Held after the Transfer	0 shares (percentage of voting rights: 0.00%)

(Note) Transfer price is undisclosed due to confidentiality obligation between SBS.

(iii) CSB Energy Technology Co., Ltd.

a. Shares Held before the Transfer	73,957,000 shares (percentage of voting rights: 100.00%)
b. Number of Shares Transferred	73,957,000 shares (percentage of voting rights: 100.00%)
c. Number of Shares Held after the Transfer	0 shares (percentage of voting rights: 0.00%)

(Note) Transfer price is undisclosed due to confidentiality obligation between SBS.



(iv) Thai Energy Storage Technology Public Company Limited

a. Shares Held before the Transfer	40,631,913 shares (percentage of voting rights: 97.90%)
b. Number of Shares Transferred	40,631,913 shares (percentage of voting rights: 97.90%)
c. Number of Shares Held after the Transfer	0 shares (percentage of voting rights: 0.00%)

(Note) Transfer price is undisclosed due to confidentiality obligation between SBS.

Note: Overview of Advantage Partners

Advantage Partners is an independent Japanese service provider committed to developing Japan's private equity investment market since its earliest stage, when it first started providing services for Japan's first buyout focused fund in 1997. The Advantage Partners group provides services to buyout funds focusing on medium-sized Japanese companies, a buyout fund focusing on medium-sized companies throughout Asia, and a private solutions fund supporting the growth of listed companies through minority investments. Advantage Partners affiliated funds possess a rich track record of successful turnaround projects built on investments in over 100 companies through the past 24 years, accumulated investment knowledge and management support expertise, and a large team of high-caliber investment professionals. They engage in investment activities based on the philosophy of "nurturing our portfolio companies into firms that remain resolutely competitive, even after they have left our funds," and "supporting a management process that provides value not only to our funds and the investors that backed them, but that also allows other shareholders, employees, business partners and financial institutions to enjoy economic value even after we have completed our investment." For more information, please visit their website (<https://www.advantagepartners.com/en/>).

Note: Overview of Tokyo Century Corporation

Tokyo Century has developed a business model based on the concept of "Finance x Services x Business Expertise" in collaboration with partner companies within and outside Japan and based on a largely unrestricted management environment free from regulatory constraints. Tokyo Century is developing their business in four (4) areas: "Equipment Leasing" with a broad base of customers; "Mobility & Fleet Management," which covers automobile leasing for individuals/corporations and car rental businesses; "Specialty Financing" for accelerating businesses, such as aviation, real estate, and renewable energy; and "International Business" with locations in over thirty countries and regions, thereby enabling unique financial services that contribute to solving social issues in wide-ranging business areas. Further, they have invested in Advantage Partners (H.K.) Limited, the managing company of the Advantage Partners group, based on a strategic alliance entered into in 2019, and are cooperatively promoting the principal investment business as a partner. For more information, please visit their website (<https://www.tokyocentury.co.jp/en/>).

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