

Summary of Q&A with Analysts regarding SDK's 2019 Performance

Date: February 14, 2020 (Friday), from 10:00 to 11:30 a.m.

Respondents: Kohei Morikawa, President and CEO; Motohiro Takeuchi, CFO (Director and Managing Corporate Officer)

*The following answers were based on information available at the time of the meeting.

[Overall]

Q As for the dividend of ¥130 per share, is it a plan before the integration with Hitachi Chemical? Will you change your dividend policy after the integration?

A ¥130 per share is a plan before the integration. As TOB is not yet completed, we are not in a position to talk about a dividend policy after integration. Anyway, we will continue respecting the interests of shareholders. We will clarify our dividend policy when we announce our new medium-term business plan at the end of this year.

Q How about progress in the TOB procedure concerning Hitachi Chemical?

A There is no considerable delay in reviews by competition authorities concerned. As of today (Feb. 14), we hear that there is virtually no problem with reviews in China, either.

Q How do you estimate the influence of the new coronavirus cases on SDK's performance for the first half of the year? How are SDK sites affected?

A Assuming the influence of the new coronavirus cases, we reduced our estimate of operating income for the first half of this year by about ¥5 billion at the stage of working out our performance forecast. The Petrochemicals, Aluminum and Chemicals segments will be mainly affected. There is no change in the volumes of production and incoming orders in the area related to semiconductors and others. Our shipment volumes are not affected at this moment. However, we are concerned that component assembly in China may be delayed.

[Inorganics segment] (Graphite electrodes)

Q The graphite electrode business generated record-high profits in 2017 and 2018. However, that was only momentary and the situation in 2020 should be considered as

normal. How will you carry out structural reform from now?

A At the time of integrating SGL's operations, we explained that we would work to ensure a minimum operating income of ¥10 billion in a considerably difficult business environment. We are now in that situation. In and after 2021, we expect the business will return to stable conditions due to normalization of customer inventories as well as disappearance of temporary negative influence (expected in 2020) of the difference between the receipts and disbursements of raw materials and products. Then, we will see if the business will produce operating income of about ¥50 billion. It is highly likely that the graphite electrode business will be maintained as one of our *KOSEIHA* Businesses.

Q How about the influx of Indian electrodes into the European market? What is the situation in the U.S. and East Asian markets?

A It is true that Indian electrodes are flowing into the European market. We think that European customers do not really understand the value of the Tier 1 product quality. Now is the time to sow seeds for the future. Demand is steady in the U.S. market, but the Asian market is somewhat difficult.

Q Will inventory adjustments be ended in the first half of this year?

A At the end of 2019, we thought that inventory adjustments would be ended in the first half of 2020. However, we now think inventory adjustments will be completed by the end of the third quarter 2020.

Q You are planning to close a site in Germany. How is it different from Omachi Plant?

A The site in Germany is focused on the production of pins for connecting rods. Omachi Plant is producing both rods and connecting pins. While continuing to supply connecting pins to our U.S. site, Omachi Plant will start providing connecting pins to our European sites, too.

* Actual business results may differ materially from the above forecast due to a variety of risk factors, including, but not limited to, the following:

• Economic conditions, costs of naphtha and other raw materials, demand and market prices for graphite electrodes and other products, foreign exchange rates, legal changes, and lawsuits.

As for our assumptions of foreign exchange rates, naphtha prices in Japan, etc., please refer to our financial statements announced on February 13, 2020.