

Summary of Questions and Answers at a Briefing on SDK's 1st Quarter 2021 Financial Results

18:00 – 19:00, Thursday, May 13, 2021

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*All contents are based on the information available as of the date and time of the briefing.

[Petrochemicals segment]

Q. Your forecast for the performance of the Petrochemicals segment shows that operating income of the segment for the second quarter of 2021 is expected to decrease from that for the first quarter. What do you think is the main cause of this decrease?

A. We expect the price-rise margin of raw naphtha in the second quarter of 2021 will be smaller than that in the first quarter of 2021. Therefore, we expect the Petrochemicals segment will record less amount of operating income for the second quarter due to smaller gain from changes in naphtha prices in the second quarter than that in the first quarter.

[Chemicals segment]

Q. How do you expect the performance of your high-purity electronic gas business will be in the second quarter of 2021?

A. The demand for high-purity electronic gases in the semiconductor industry is strong. The demand for high-purity electronic gases in China in the second quarter will have bullish tendency, while that in the first quarter had slightly bearish tendency due to the lunar New Year.

[Electronics segment]

(SiC epitaxial wafer)

Q. How do you expect the performance of your SiC epitaxial wafer business will be in the second quarter?

A. Sales volumes of SiC epitaxial wafers for export have bearish tendency. However, those for the domestic market have strong tendency, centering on SiC epitaxial wafers for use in railcars. Therefore, we expect our SiC epitaxial wafer business will show almost the same level of performance in the second quarter as that in the first quarter.

Q. On May 6, 2021, SDK announced that the Company and Infineon concluded long term supply contract and cooperative development agreement. Which characteristic of Showa Denko did Infineon rate high?

A. Infineon put high value on our high quality products and outstanding development system. SDK will reduce production costs and improve product quality through execution of cooperative development agreement with Infineon, while coping with increasing demand for our SiC epitaxial wafers.

[Inorganics segment]

Q. How are the sales of your graphite electrodes?

A. Sales of graphite electrodes in the first quarter of 2021 remained at the same level as that in the fourth quarter of 2020. Sales of graphite electrodes in the second quarter will be far in excess of those in the first quarter.

Q. Please tell us about the trend of sales prices of graphite electrodes.

A. Most of the duration of graphite electrode sales contracts is for a half year. Therefore, there is a time lag between the trend in sales prices and that in the demand. Sales prices of graphite electrodes in the first half of 2021 have been hovering around the level that we forecasted at the beginning of this year, and we expect a rise in sales prices of graphite electrodes in the second half of the year.

[Showa Denko Materials segment]

Q. Why did Showa Denko Materials (SDMC) show good business performance in the first quarter of this year?

A. SDMC's information and communication business has been showing good performance since the fourth quarter of 2020 due mainly to the strong demand for semiconductor-related materials, although there were some adverse effect of seasonal factors including a reduction in the number of working days resulting from the New Year's holidays in Japan and the lunar New Year's holidays in China. SDMC's mobility components business maintained good performance because recovery of car production which started in the second half of 2020 continued throughout the first quarter of 2021. Electricity storage device business showed good performance in the first quarter due to strong demand for industrial battery systems around the end of fiscal 2020, which was the first quarter of 2021.

Q. You have forecasted that SDMC's operating income for the second quarter will be lower than that for the first quarter. What are major causes of that reduction?

A. Though we do not expect any major change in our operating performance, we gave consideration to adverse effects of the costs for maintenance of production lines, the costs for integration of SDK and SDMC, and a rise in the material costs when we formulated our performance forecast.

*Performance forecast and other statements pertaining to the future as contained in this material are based on the information available as of the date and time of the briefing 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), the economic conditions, costs of naphtha and other raw materials, demand for our products including graphite electrodes, market conditions, foreign exchange rates, changes in laws and regulations, and lawsuits. As to the financial results for the first quarter of 2021, please refer to the "Consolidated Financial Statements for the First Quarter 2021" which were announced on May 13, 2021.