

## **Summary of Questions and Answers at a Briefing on SDK's First Half 2021 Financial Results**

10:00 – 11:30, Wednesday, August 11, 2021

Briefer: Kohei Morikawa, Representative Director, President and CEO

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

### **[General]**

**Q. You said the Group is confident that it has almost completed consideration to sale of businesses as a part of the Group's business portfolio reform. Does the Group have already finished the process to consider sale of businesses which the Group examined before?**

A. Yes. We thought it would be necessary for us to sell businesses amounting to about 200 billion yen in enterprise value, and we have already decided to sell businesses of about 70% to 80% of our target value. Thus we think we have completed consideration to sale of major businesses. However, we think we should continue reworking our business portfolio, and we will continue taking necessary measures.

**Q. How is your latest shareholder return policy?**

A. As we stated in the "Long-term Vision for Newly Integrated Company (2021~2030)," our current basic shareholder return policy is that we will maintain stable dividend as far as possible until our net D/E ratio comes close to 1.

### **[Electronics segment]**

**Q. How far do you expect the progress in adoption of HD media for MAMR and HAMR technologies by HDD manufacturers will be in the near future?**

A. We plan to start mass production of MAMR-technology-based HD media in the second half of 2021. In addition, we will accelerate development of technology to mass produce HAMR-technology-based HD media farther.

**Q. How much increase do you expect in your sales volumes of HD media in the second half of 2021?**

A. We expect an increase of about 40% in our sales volumes of HD media in the second half of this year from those in the first half.

**Q. How do you expect the growth of the market for SiC epitaxial wafers will be in the near future?**

A. We expect that, in the near future, there will be many fields where SiC-based power semiconductors with higher quality and performance are desired. In this movement, we expect SiC-based power semiconductors will be adopted more and more widely due to their high cost performance. However, SiC-based power semiconductors will not fully replace conventional silicon-based power semiconductors due to the latter's advantage to have lower costs.

### **[Inorganics segment]**

**Q. How do you expect market prices of graphite electrodes and raw needle coke of this year will be? And how is your forecast of sales volumes of graphite electrodes for the second half of this year, compared to those in 2017?**

A. Sales prices of graphite electrodes in the first half of this year were a little less than double of those in 2017. In the 4th quarter of this year, we expect they will be a little higher than double of those in 2017. Market price of needle coke in the first half of this year was about double of that in 2017. That in the second half of this year will be three times as much as that in 2017. We expect that sales volumes of our graphite electrodes in the second half of this year will be 20% to 30% higher than those in the first half of this year.

**Q. Why do you expect a serious rise in market prices of graphite electrodes in the fourth quarter of this year?**

A. In July 2021, we raised sales prices of our graphite electrodes for large customers in the US by about 10%. In July 2021, we started to receive additional orders for graphite electrodes from our customers in Europe over those originally contracted for the second half of this year. Regarding these additional orders, we will raise sales prices of graphite electrodes which will be delivered in the fourth quarter of 2021 to be 30% to 40% higher than those in the first half of this year. In the Asian market, we are negotiating with our customers for sales-price increase because there has been a rise in market price of raw needle coke.

**Q. Why do you expect your graphite electrode business will show an increase in sales and a decrease in operating income?**

A. Though we had a recovery in the first half of 2021 from the devaluation of inventory caused by an application of the "lower of cost or market" accounting method in 2020, we will not have such leverage in the second half of 2021. This is the reason why we expect an increase in sales and a decrease in operating income in the second half of this year. However, the demand for graphite electrodes will remain strong.

**[Showa Denko Materials segment]**

**Q. The semiconductor industry is expected to remain prosperous for a good while. How do you foresee growth of your semiconductor-related materials business will be in and after the second half of 2021?**

A. We expect Showa Denko Materials' semiconductor-related materials business for 2021 will show an increase in net sales by about 20% from that in 2020.

We think this business has been showing good performance because Showa Denko Materials has successfully had a good harvest of steady investment in semiconductor-related materials business. The semiconductor industry is expected to maintain strong growth for a good while, and we will make our semiconductor-related materials business continue taking full advantage of the semiconductor industry's growth.

\*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 half of 2021, please refer to the "Consolidated Financial Statements for the First Half 2021" which were announced on August 10, 2021.