

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

16:00 – 17:30, Monday, February 14, 2022

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

[General]

Q. What is your idea about reform in your business portfolio?

A. We will design our business portfolio on the basis of three standards, namely, 1) Fitness for strategy, 2) Are we the best owner of the business? and 3) Profitability and capital efficiency. We will operate our business portfolio in a well-disciplined manner, aiming to make shares in SDK get clear of conglomerate discount.

Q. In the business field of semiconductor materials, what do you want to realize as synergy of integration of Showa Denko and Showa Denko Materials?

A. For example, with regard to CMP slurry, we are developing next-generation products by utilizing SDK's ceramics technology. In addition, we have expanded our capacity to produce CMP slurry by utilizing facilities with which SDK produced CMP slurry in the past. Furthermore, we can shorten the time required to simulate performance of new combination of resins in the process to develop materials for semiconductors through utilization of quantum computing technology.

Q. Would you please explain your scenario for the growth of your Mobility business?

A. Regarding our Mobility business, we expect that the market for products related to CASE (Connected, Autonomous/Automated, Shared, Electronic) and EVs will grow rapidly. Therefore, we will invest our resources intensively in these fields and realize rapid growth of our Mobility business.

Q. Prices of raw materials and fuels are soaring. How will you respond to this situation?

A. We will pass the jump in material and fuel costs on to the prices of products. We will do this in all businesses which are affected by the soaring material and fuel costs.

[Petrochemicals segment]

Q. In your performance forecast for 2022, Petrochemicals segment's operating income is expected to decrease by 18 billion yen. Please explain breakdown of this decrease.

A. Opportunity loss caused by periodic shutdown maintenance of the plant will be 5 billion yen. We also

expect that gain from appreciation in naphtha inventory will be zero in 2022, though that in 2021 was 9 billion yen. The decrease in the spread between prices of raw naphtha and petrochemical products is also expected to squeeze operating income of the segment.

[Inorganics segment]

Q. What is your idea about sales prices and sales volume of graphite electrodes in 2022?

A. Our target is to raise the prices of graphite electrodes by 30 % or more from those in 2021. In 2022, we expect to have full capacity operation of our graphite electrode production facilities, centering on our major production sites. We also expect to have high sales volume of graphite electrodes corresponding to this high operating rate of our facilities, starting from the second quarter of 2022.

Q. How is the progress in formularization of sales prices of your graphite electrodes?

A. We are promoting formularization of sales prices. Our short-term target in formularization of graphite electrode prices is to formularize 30% of our sales by 2023. We hope that we reduce volatility in profitability of graphite electrodes, and make our graphite electrode business maintain satisfactory profitability.

Q. How is your medium- to long-term forecast for operating income of your graphite electrode business?

A. Starting from 2022, Carbon business is to be a part of the Chemicals segment. We expect the demand for graphite electrodes will continue to increase toward 2030 due to construction of new/additional electric furnaces. Under such market condition, we hope we maintain satisfactory profitability of our graphite electrode business.

[Showa Denko Materials segment]

Q. Why operating income of the segment in the fourth quarter reduced from that in the third quarter?

A. Recovery of car production was lower than expected. There was also a loss on valuation of operating assets of SDMC's subsidiary in Germany, which reduced operating income of SDMC's Mobility business.

*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 assumptions about foreign exchange rates, domestic naphtha price and other factors for the forecast of financial results for 2022, please refer to the "Consolidated Financial Statements for 2021" which were announced on February 14, 2022.