

Summary of Questions and Answers at a Briefing on SDK's Third Quarter, 2022 Results

17:00 – 18:00, Monday, November 7, 2022

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

[General]

Q. Why did you revise full-year forecast on extraordinary profit/loss upward by 10 billion yen, compared to the forecast back in 2Q?

A. The main reason is a gain on sales of an unutilized asset planned in 4Q.

[Semiconductor and Electronic Materials segment]

Q. What is the background for the decrease in both sales and income in 4Q (calculated from full-year forecast), compared to those of 3Q?

A. It is mainly due to the inventory adjustments under way by our customers regarding back-end semiconductor materials and HD media, which leads to a decreased sales forecast. On the other hand, front-end semiconductor materials are expected to remain stable, without facing particular adjustments.

Q. What is the latest developments in SiC epitaxial wafer?

A. The business continues to be steady. R&D is also making progress, as evidenced by shipping of 200 mm wafer samples.

[Chemicals segment]

Q. What is behind a decrease in 3Q income compared to that of 2Q? In detail.

A. It is primarily due to an income decrease in Petrochemical business, which suffered from naphtha price drop starting from July and shrinking market spread under loosened supply-demand balance. Secondly Graphite Electrode business also decreased in income, as sales struggled in Europe and higher energy costs.

Q. What is the background for the decrease in both sales and income in 4Q (calculated from full-year forecast), compared to those of 3Q? In sub-segment breakdown.

A. Petrochemicals: sales and income decreases.
Basic Chemicals: sales and income increases, as sales price begins to absorb the material cost increase.
Graphite Electrodes: sales increases while income decreases; sales volume up, energy cost higher.

Q. How is price negotiation with your customers playing out, regarding graphite electrodes?

A. We keep our annual goal unchanged, which is +30% price raise in average compared to last year. We are also negotiating with our customers over a type of contract which we call SSP (Strategic Supply Partnership), with our unchanged goal of 30% of our graphite electrode revenue coming from SSP partners by the end of 2023.

* Performance forecast and other statements pertaining to the future as contained in this presentation are based on the information available as of today and assumptions as of today 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) on the world economy, the international situation, costs of naphtha and other raw materials, demand or market conditions for our products such as graphite electrodes and other commodities and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.