

First Half, 2021 Consolidated Financial Results (Summary)

I. First Half 2021 Results

1. Summary

(Unit: billions of yen, except for "per share" indicators)

| Items | 1st half, 2020 (Jan.-Jun.) | 1st half, 2021 (Jan.-Jun.) | Increase/ decrease |
|---|-------------------------------|-------------------------------|-----------------------|
| Net Sales | 326.6 | 693.4 | 366.7 |
| Operating Income | -25.8 | 47.6 | 73.4 |
| Net income attributable to owners of the parent | -54.6 | -13.4 | 41.2 |
| Net income attributable to owners of the parent per share | ¥374.11 | ¥91.93 | ¥282.18 |
| Net assets per share | ¥2,890.71 | ¥2,806.14 | ¥84.57 |

Showa Denko K.K. made Showa Denko Materials Co., Ltd. (Showa Denko Materials) a consolidated subsidiary, and started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its consolidated financial statements.

2. Net Sales and Operating Income by Segment

(Unit: billions of yen)

| Segment | | 1st half, 2020 (Jan.-Jun.) | 1st half, 2021 (Jan.-Jun.) | Increase/ decrease | CQ1, 2021 (Jan. - Mar.) | CQ2, 2021 (Apr. - Jun.) |
|-----------------------|------------|-------------------------------|-------------------------------|-----------------------|----------------------------|----------------------------|
| | | Petrochemicals | Net Sales | 95.7 | 127.2 | 31.5 |
| | Op. Income | -3.7 | 11.7 | 15.4 | 5.5 | 6.2 |
| Chemicals | Net Sales | 72.0 | 86.7 | 14.6 | 41.3 | 45.4 |
| | Op. Income | 5.0 | 10.6 | 5.6 | 4.9 | 5.8 |
| Electronics | Net Sales | 44.6 | 49.3 | 4.8 | 21.7 | 27.7 |
| | Op. Income | 1.8 | 5.2 | 3.4 | 1.4 | 3.8 |
| Inorganics | Net Sales | 43.0 | 46.4 | 3.4 | 21.2 | 25.2 |
| | Op. Income | -22.9 | 6.3 | 29.2 | 1.0 | 5.3 |
| Aluminum | Net Sales | 38.8 | 47.7 | 8.9 | 22.5 | 25.2 |
| | Op. Income | -0.2 | 5.6 | 5.8 | 2.3 | 3.3 |
| Showa Denko Materials | Net Sales | - | 320.2 | 320.2 | 159.6 | 160.6 |
| | Op. Income | - | 12.6 | 12.6 | 7.6 | 5.0 |
| Others | Net Sales | 55.6 | 33.6 | -21.9 | 28.2 | 5.5 |
| | Op. Income | 0.5 | 0.1 | -0.4 | 0.2 | -0.1 |
| Adjustments | Net Sales | -23.2 | -17.8 | 5.3 | -12.5 | -5.3 |
| | Op. Income | -6.3 | -4.5 | 1.7 | -2.0 | -2.5 |
| Total | Net Sales | 326.6 | 693.4 | 366.7 | 339.7 | 353.7 |
| | Op. Income | -25.8 | 47.6 | 73.4 | 20.8 | 26.8 |

Showa Denko K.K. started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its financial statements as "Showa Denko Materials segment."

3. Cash Flow

(Unit: billions of yen)

| Cash Flows from: | 1st half, 2020 (Jan.-Jun.) | 1st half, 2021 (Jan.-Jun.) | Increase/ decrease |
|----------------------|-------------------------------|-------------------------------|-----------------------|
| Operating Activities | 5.2 | 55.3 | 50.1 |
| Investing Activities | -792.6 | -10.4 | 782.2 |
| Free Cash Flow | -787.4 | 44.9 | 832.3 |
| Financing Activities | 864.7 | -73.6 | -938.4 |
| Others | -1.6 | 9.1 | 10.7 |
| Net increase in Cash | 75.8 | -19.6 | -95.4 |

| 2021 Revised forecast (Jan.-Dec.) |
|---|
| 120.0 |
| 12.0 |
| 132.0 |
| -160.0 |
| -7.0 |
| -35.0 |

announced on Aug. 10, 2021

4. Reference

(Unit: billions of yen, except for total number of employees, exchange rate, and domestic naphtha price)

| Items | 1st half, 2020 (Jan.-Jun.) | 1st half, 2021 (Jan.-Jun.) | Increase/ decrease |
|--|-------------------------------|-------------------------------|-----------------------|
| Capital expenditures | 24.8 | 35.4 | 10.6 |
| Depreciation and amortization | 19.4 | 41.4 | 22.0 |
| R&D expenditures | 9.7 | 23.7 | 14.0 |
| Gap between interest/dividend income and interest expense | -0.9 | -3.9 | -3.0 |
| Total number of employees | 33,805 | 32,373 | -1,432 |
| Exchange rate (yen/US\$) | 108.3 | 107.7 | 0.6 |
| Domestic naphtha price (yen/kl) | 34,850 | 43,250 | 8,400 |

Yen appreciated

| Items | Dec. 31, 2020 | Jun. 30, 2021 | Increase/ decrease |
|-----------------------|---------------|---------------|-----------------------|
| Total assets | 2,203.6 | 2,142.3 | -61.3 |
| Interest-bearing debt | 1,060.1 | 984.8 | -75.4 |

Showa Denko K.K. made Showa Denko Materials a consolidated subsidiary, considered June 30, 2020 as acquisition date, and started to incorporate Showa Denko Material's financial results into its consolidated financial statements.

II. Forecast for 2021

1. Summary

(Unit: billions of yen, except for "per share" indicators)

| Items | 2020 | 2021 Revised forecast * | Increase/decrease |
|---|----------|-------------------------|-------------------|
| Net Sales | 973.7 | 1,400.0 | 426.3 |
| Operating Income | -19.4 | 85.0 | 104.4 |
| Net income attributable to owners of the parent | -76.3 | -25.0 | 51.3 |
| Net income attributable to owners of the parent per share | ¥-523.06 | ¥-171.37 | ¥351.69 |
| Cash dividends per share | ¥65.00 | ¥65.00 | ¥0.00 |

* announced on Aug. 3, 2021

Showa Denko K.K. made Showa Denko Materials Co., Ltd. (Showa Denko Materials) a consolidated subsidiary, and started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its consolidated financial statements.

2. Net sales and Operating Income by Segment

(Unit: billions of yen)

| Segment | | 2020 | 2021 Revised forecast * | Increase/decrease |
|-----------------------|------------|-------|-------------------------|-------------------|
| Petrochemicals | Net Sales | 193.4 | 265.0 | 71.6 |
| | Op. Income | 4.9 | 17.0 | 12.1 |
| Chemicals | Net Sales | 155.8 | 180.0 | 24.2 |
| | Op. Income | 13.5 | 19.5 | 6.0 |
| Electronics | Net Sales | 97.4 | 115.0 | 17.6 |
| | Op. Income | 9.1 | 15.5 | 6.4 |
| Inorganics | Net Sales | 82.9 | 100.0 | 17.1 |
| | Op. Income | -32.3 | 12.0 | 44.3 |
| Aluminum | Net Sales | 80.2 | 75.0 | -5.2 |
| | Op. Income | 0.4 | 7.5 | 7.1 |
| Showa Denko Materials | Net Sales | 302.7 | 650.0 | 347.3 |
| | Op. Income | -6.3 | 26.5 | 32.8 |
| Others | Net Sales | 107.3 | 40.0 | -67.3 |
| | Op. Income | 1.2 | 0.2 | -1.0 |
| Adjustments | Net Sales | -46.0 | -25.0 | 21.0 |
| | Op. Income | -10.0 | -13.2 | -3.2 |
| Total | Net Sales | 973.7 | 1,400.0 | 426.3 |
| | Op. Income | -19.4 | 85.0 | 104.4 |

* announced on Aug. 3, 2021

Showa Denko K.K. started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its financial statements as "Showa Denko Materials segment."

III. Reference

(Unit: billions of yen, expect for exchange rate and domestic naphtha price)

| Items | 2020 | 2021 Revised forecast * | Increase/decrease |
|---|--|--|---------------------------------------|
| Capital expenditures | 69.1 | 93.8 | 24.8 |
| Depreciation and amortization | 60.6 | 83.9 | 23.3 |
| R&D expenditures | 34.4 | 49.6 | 15.3 |
| Gap between interest / dividend income and interest expense | -4.6 | -8.1 | -3.5 |
| Interest-bearing debt | 1,060.1 | 890.0 | -170.1 |
| Exchange rate (yen/US\$) | (1st half) 108.3 (2nd half) 105.4 | (1st half) 107.7 (2nd half) 108.0 | (1st half) 0.6 (2nd half) 2.6 |
| Domestic naphtha price (yen/kl) | (1st half) 34,850 (2nd half) 30,750 | (1st half) 43,250 (2nd half) 53,000 | (1st half) 8,400 (2nd half) 22,250 |

* details announced on Aug. 10, 2021

Yen appreciated
Yen depreciated

Showa Denko K.K. made Showa Denko Materials a consolidated subsidiary, considered June 30, 2020 as acquisition date, and started to incorporate Showa Denko Materials' financial results into its financial statements.

The above forecast is 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 economic conditions, 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.

Consolidated Financial Statements

For the first half year (January 1 to June 30, 2021)



I. Consolidated Financial Results

August 10th, 2021

(¥ in millions, US\$ in thousands, except for net income attributable to owners of the parent per share)

(1) Results of operations:

| | Results for the first half year (Jan.1–Jun.30) | | | |
|--|--|-----------|------------------------|--------------|
| | 2020 | 2021 | Increase (Decrease) | 2021 |
| Net sales | ¥ 326,621 | ¥ 693,358 | 112.3 % | \$ 6,270,193 |
| Operating income | (25,795) | 47,566 | — | 430,154 |
| Ordinary income | (43,225) | 50,206 | — | 454,021 |
| Net income attributable to owners of the parent | (54,575) | (13,412) | — | (121,284) |
| Net income attributable to owners of the parent per share: Basic | (374.11) | (91.93) | — | (0.83) |
| Net income attributable to owners of the parent per share: Diluted | — | — | — | — |

Showa Denko K.K. made Showa Denko Materials Co., Ltd. (Showa Denko Materials) a consolidated subsidiary, and started on July 1, 2020 to incorporate Showa Denko Materials' sales figures and incomes/losses into its consolidated financial statements.

Notes

Important changes in accounting policies : not applicable

Comprehensive income :

Results for the year ended January 1 to June 30, 2021 ¥21,926 million

Results for the year ended January 1 to June 30, 2020 (¥63,129) million

(¥ in millions, US\$ in thousands, except for stockholders' equity ratio)

(2) Financial position:

| | Dec.31, 2020 | Jun.30, 2021 | Jun.30, 2021 |
|----------------------------|--------------|--------------|---------------|
| Total assets | ¥ 2,203,606 | ¥ 2,142,322 | \$ 19,373,502 |
| Total equity | 718,080 | 712,931 | 6,447,193 |
| Stockholders' equity ratio | 18.4 % | 19.1 % | 19.1 % |

(3) Dividends:

| | 2020 | 2021 Forecast |
|-------------------------------------|-------|---------------|
| Q1 dividends per share (¥) | — | — |
| Q2 dividends per share (¥) | 0.00 | 0.00 |
| Q3 dividends per share (¥) | — | — |
| End of Term dividends per share (¥) | 65.00 | 65.00 |
| Annual dividends per share (¥) | 65.00 | 65.00 |

II. Forecast of performance for the year ending December 31, 2021

(¥ in millions, US\$ in thousands, except for net income attributable to owners of the parent per share)

| | fiscal year | |
|--|-------------|------------|
| | ¥ | \$ |
| Net sales | 1,400,000 | 12,660,517 |
| Operating income | 85,000 | 768,674 |
| Ordinary income | 82,000 | 741,545 |
| Net income attributable to owners of the parent | (25,000) | (226,081) |
| Net income attributable to owners of the parent per share: Basic | (171.37) | (1.55) |

*There is no change from the full-year 2021 performance forecast announced on August 3, 2021.

The above forecast is based on the information available at this point of time. Actual results may differ materially due to a variety of reasons, including such economic factors as fluctuations in foreign currency exchange rates as well as market supply and demand conditions.

Note

The U.S. dollar is valued at ¥110.58 throughout this statement for convenience only.

[Business Results and Financial Conditions]

1. Analysis of business results

(1) Summary

With regard to the global economy in the first half of 2021 (January 1 – June 30), it was stagnant due to the global restraint on economic activities caused by the pandemic of coronavirus disease 2019 (COVID-19), although there was a sign of recovery in manufacturing industries including the semiconductor-related industry, whose market remained strong. As for the Japanese economy, although consumer spending kept bearish tendency, corporate business sentiment was bottoming out due to an increase in export and business recovery centering on manufacturing industries.

As for the business environment of the Showa Denko Group, although there were some uncertain factors such as continued spread of COVID-19, a global argument over policy on carbon-neutrality, and US-China trade friction, the semiconductor-related industry remained strong, and car production showed a sign of recovery. However, a part of the car industry was negatively affected by short supply of semiconductor integrated circuits.

The Showa Denko Group has been giving the highest priority to all stakeholders' safety and health including that of our customers, business acquaintances and employees, and implementing various measures to prevent further spread of COVID-19. To be specific, we are taking various measures including companywide introduction of teleworking. Especially in the head office, through thoroughgoing improvement in business process, the ratio of teleworking has been maintained at the level exceeding the target required by the Japanese government. The Group continues implementing measures which give highest priority to the security of employees' safety and prevention of infection of COVID -19, including grant of special leave when infection is suspected, prohibition on overseas business trip in principle, restrictions on domestic business trip, faithful practice of off-peak commuting through introduction of complete flextime, and prohibition of eating together in principle. At the same time, in our production bases, we are making utmost efforts to fulfill our corporate social responsibility to continue providing our customers with products essential for infrastructural functions of society. Furthermore, the Group has been implementing measures to support employees' vaccination including workplace vaccination at major plants and offices.

Since the beginning of the pandemic of COVID-19 in 2020, the Showa Denko Group has been giving the highest priority to all stakeholders' safety and health, and implementing various measures to prevent further spread of the infectious disease. To be specific, we are taking various measures to give the highest priority to keeping our employees' health and preventing the spread of COVID-19, including teleworking implemented by employees belonging to major plants, divisions and departments, and grant of special holidays. At the same time, in our production bases, we are making utmost efforts to fulfill our corporate social responsibility to continue providing our customers with products essential for infrastructural functions of society.

The Showa Denko Group set up its long-term vision and has been promoting its medium-term consolidated business plan "The TOP 2021" since 2019. It is very important for the Showa Denko Group to enhance the value of the Group and satisfy all stakeholders including shareholders, customers, suppliers, local communities and employees in order that the Group continuously grows and becomes trusted and acclaimed by society. The Showa Denko Group defines this idea as the Group's business philosophy, thereby promoting management to maximize shareholders', customers' and social value.

The Group will strengthen its earning power and reduce the range of fluctuation in income and enhance the value of the Group through successful execution of “The TOP 2021.” Furthermore, aiming to realize integration of legal personalities with Showa Denko Materials Co., Ltd. in January 2023, SDK realized substantial integration of the chain of command and corporate functions in July 2021, and will integrate management organizations in January 2022, which will be one year earlier than the original plan. In December 2020, SDK announced “Long-term Vision (2021-2030) for Newly Integrated Company,” which aims to establish the basis of business growth far into the future through integration of SDK and SDMC. In terms of the meaning of the Newly Integrated Company’s existence (purpose), SDK and SDMC will cooperatively seek to “change society through the power of chemistry.” This includes contributing to the sustainable development of global society by creating functions required of the times as an advanced material partner. In addition, the Newly Integrated Company will strive to become “a company that can win the global competition” and “a company that contributes to a sustainable global society,” which are the two things the Company aims to achieve in terms of its ideal state in order to fulfill its purpose.

In the first half of 2021, the Group recorded consolidated net sales of ¥693,358 million, a substantial increase of 112.3% from the same period of the previous year. The sales in the Others segment significantly decreased due to unconsolidation of SHOKO CO., LTD. resulting from transfer of shares in the company. However, the sales in the Petrochemicals segment increased due to a rise in market prices of products. The sales in the Chemicals, Electronics, Inorganics, and Aluminum segments increased due to recovery of sales volumes from those in the same period of the previous year which were substantially lowered by the spread of COVID-19. The sales in the Showa Denko Materials segment significantly increased due to new consolidation of the segment which started at the beginning of the third quarter of 2020. Operating income of the Group in the first half of 2021 significantly increased by ¥73,361 million, to ¥47,566 million. Operating income in the Others segment decreased. However, operating income in the Petrochemicals increased due to a significant improvement in the raw naphtha price factor. Operating income in the Showa Denko Materials segment increased due to consolidation throughout the first half of the year. Operating income in the Chemicals, Electronics, Inorganics and Aluminum segments also increased. Ordinary income of the Group increased ¥93,430 million, to ¥50,206 million due to non-incurrence of the temporary cost of acquisition of shares in former Hitachi Chemical Company, Ltd., which took place in 2020, and increases in foreign exchange gain and equity in earnings of affiliates, despite an increase in interest expenses.

The Group recorded net loss attributable to owners of the parent of ¥13,412 million in the first half of 2021, an improvement of ¥41,163 million from the same period of the previous year. We recorded extraordinary losses resulting from recording of expenses for execution of environmental measures amounting to ¥9 billion and an expenditure to cover the cost of structural reform related to the transfer of energy storage devices and systems business amounting to ¥30.1 billion.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|---|---------|---------|-------------------|
| Sales | 326,621 | 693,358 | 366,737 |
| Operating income | -25,795 | 47,566 | 73,361 |
| Ordinary income | -43,225 | 50,206 | 93,430 |
| Net income attributable to owners of the parent | -54,575 | -13,412 | 41,163 |

(2) A breakdown of net sales and operating income by segment (January 1 – June 30, 2021)

[Petrochemicals segment]

In the Petrochemicals segment, sales increased 32.9%, to ¥127,217 million. In our olefin business, sales increased due to an improvement in supply-demand balance in East Asia resulting from recovery of demand in China and a rise in prices of products including ethylene and propylene resulting from a rise in prices of raw materials. Sales of organic chemicals increased due to a rise in sales volumes of ethyl acetate and vinyl acetate as a result of rebound from the periodic shutdown maintenance of facilities to produce these products that took place in the first quarter of 2020, in addition to the effect of a significant rise in market prices of organic chemicals. As a result, the Petrochemicals segment recorded an operating income of ¥11,690 million, an improvement of ¥15,357 million from the same period of the previous year, due to a significant improvement in the raw naphtha price factor and a rise in market prices of products.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 95,743 | 127,217 | 31,473 |
| Operating income | -3,667 | 11,690 | 15,357 |

[Chemicals segment]

In the Chemicals segment, sales increased 20.3% from the same period of the previous year, to ¥86,679 million. Sales of basic chemicals increased. Sales of liquefied ammonia increased due to an increase in shipment volumes. Sales of acrylonitrile increased due to a rise in market price. Sales of chloroprene rubber increased due to an increase in export volumes. Sales of functional chemicals increased due to an increase in shipment volumes for Japanese market and export. Sales of industrial gases slightly increased. Sales of electronic chemicals increased due to an increase in shipment volumes of products for the semiconductor industry. Sales of coating materials increased due to an increase in shipment volumes. Operating income of the segment increased 111.4%, to ¥10,611 million.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 72,041 | 86,679 | 14,638 |
| Operating income | 5,020 | 10,611 | 5,591 |

[Electronics segment]

In the Electronics segment, sales increased 10.7% from the same period of the previous year, to ¥49,347 million. Sales of HD media increased due to an increase in shipment volumes of HD media for use in data centers and PCs. Sales of compound semiconductors increased due to an increase in export. Sales of lithium-ion battery (LIB) materials increased due to an increase in sales volumes of Showa Denko Packaging's aluminum laminate film (*SPALF*TM) used as packaging material for LIBs built into cars, PCs, and mobile devices. As for SiC epitaxial wafer business, sales slightly increased due to an increase in sales volumes for the domestic market, despite continued adjustment in shipment volumes for the overseas market. Operating income of the segment increased 192.8%, to ¥5,176 million.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 44,574 | 49,347 | 4,773 |
| Operating income | 1,768 | 5,176 | 3,408 |

[Inorganics segment]

In the inorganics segment, sales increased 7.9% from the year before period, to ¥46,423 million. Our graphite electrode business turned into the black throughout the first half of 2021 due to an increase in sales volumes caused by an increase in the global demand for steel, which started in the second half of 2020, despite a decline in market prices of graphite electrodes from the level of the year before period. Sales of ceramics increased due to an increase in sales volumes of abrasives and fine ceramics for electronics. Operating income of the segment increased to ¥6,297 million, a major increase of 29,202 million from the year-before period.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 43,004 | 46,423 | 3,419 |
| Operating income | -22,905 | 6,297 | 29,202 |

[Aluminum segment]

In the Aluminum segment, sales increased 22.8% from the year before period, to ¥47,712 million. Sales of aluminum specialty components increased due to an increase in demand for our products for use in automotive components, machine tools, and office automation equipment. Sales of rolled products increased due to an increase in shipment volumes of high-purity aluminum foil for capacitors resulting from an increase in production in customer industries including the industrial equipment and automotive parts industries. Sales of aluminum cans increased due to a start-up of operations of a new plant of Hanacans in Vietnam in the second half of 2020, despite a decrease in domestic sales resulting from a reduction in the Group's domestic production capacity. Operating income of the segment increased ¥5,826 million from the year-before period, to ¥5,621 million.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 38,848 | 47,712 | 8,864 |
| Operating income | -205 | 5,621 | 5,826 |

[Showa Denko Materials segment]

We started to consolidate Showa Denko Materials Co., Ltd. and its subsidiaries in the second quarter of 2020, and therefore, we created a new segment for reporting, and started to incorporate sales figures and operating income of the new segment into SDK's consolidated financial statements at the beginning of the third quarter of 2020. The Showa Denko Materials segment recorded net sales of ¥320,179 million in the first half of 2021. Sales of electronic materials including polishing materials for flattening semiconductor circuits (CMP slurry), materials for circuit boards including copper clad laminates, and mobility components including molded resins remained strong due partly to the strong demand for semiconductors and recovery of car production. As a result, the segment recorded operating income of ¥12,605 million. Operating income of this segment includes amortization of the goodwill of the former Hitachi Chemical which was reckoned up as a result of acquisition of shares in former Hitachi Chemical and other losses amounting to about ¥17,200 million.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | — | 320,179 | 320,179 |
| Operating income | — | 12,605 | 12,605 |

[Others segment]

In the Others segment, sales significantly decreased 39.4% from the year before period, to ¥33,647 million due mainly to the unconsolidation of SHOKO CO., LTD. resulting from the transfer of SDK's shares in SHOKO CO., LTD. which took place in this second quarter of 2021. Operating income of the segment decreased 77.9%, to ¥106 million.

(Unit: millions of yen)

| | 1H 2020 | 1H 2021 | Increase/decrease |
|------------------|---------|---------|-------------------|
| Sales | 55,561 | 33,647 | -21,914 |
| Operating income | 481 | 106 | -375 |

(3) Major steps taken or decided in the second quarter of 2021

[General]

- Developed WelQuick™ to bond dissimilar materials quickly
 SDK has developed “WelQuick™,” a film-type binding material to bond dissimilar materials together, such as bonding between resins and metals, with excellent quickness and strength. SDK has already started to provide potential customers with samples of WelQuick™. In recent years, manufacturing industry's requirements for materials such as lightness, heat-resistance and strength have been advanced so much that almost no single material can meet such sophisticated needs. Therefore, there has been a progress in introduction of composite structure into components, in which dissimilar materials such as resins and metals are bound together. WelQuick™ can bond resins and metals. The former includes polycarbonate, polybutylene terephthalate and nylon, while the latter includes aluminum, iron and copper. SDK has confirmed that WelQuick™ can achieve shear adhesive strength*1 of more than 10MPa*2 with more than 40 combinations of base materials. WelQuick™ is a film-type adhesive component, and eliminates the process to apply liquid components which was necessary process for reactive adhesives. Therefore, WelQuick™ is easy to handle, and shortens bonding time to a few seconds by utilizing the phase change*3 between solid and liquid, while bonding with conventional adhesives takes dozens of minutes. Furthermore, films of WelQuick™ can be stored at room temperature for long periods. WelQuick™ does not produce volatile organic compounds (VOCs) when welded. Thus WelQuick™ lowers the burden on the environment. The Showa Denko Group has wide-ranging technologies and materials concerning inorganics, organics and aluminum. By fusing these technologies into one, the Group will provide various business fields, where multi-materialization is in progress, with new solutions, and aim to maximize the value of Customers' Experience.

*1 Shear adhesive strength: Adhesive strength that acts on the surfaces of adhered materials parallel to adhered surfaces when the base materials are pulled to opposite directions to slide laterally.

*2 MPa (Mega Pascal): The SI unit of pressure. If the two sample materials show shear adhesive strength of 10MPa, one square centimeter of adhered surface requires forces of about 100kg to be peeled off.

*3 Phase change: Changes in the state of material (gas, liquid and solid) caused by changes in temperature and pressure. WelQuick™ technology utilizes liquefaction of solid and solidification of liquid.

[Electronics segment]

- Contracted with Seagate to jointly develop HAMR technology-based HD media
 SDK has contracted with Seagate Singapore International Headquarters Pte. Ltd. (Seagate) to jointly develop next-generation hard disk (HD) media for data recording with

Heat Assisted Magnetic Recording (HAMR) technology, which is a next-generation data recording method for hard disk drives (HDDs). Under the joint development contract SDK and Seagate have entered into, Seagate will evaluate the FePt-based new magnetic material developed by SDK and/or SDK/Seagate collaboratively. Seagate has outdistanced other HDD manufacturer in technological development of HAMR-based HDDs. We expect this alliance will further accelerate technological development pioneered by the two companies. As the largest independent HD media supplier in the world, SDK will continue putting the top-performance HD media equipped with next-generation recording technologies including HAMR and MAMR (microwave assisted magnetic recording) into the market before others in accordance with its motto of “Best in Class,” thereby contributing to the expansion of HDDs’ storage capacities.

- SDK and Infineon Technologies concluded supply contract and development agreement about SiC epitaxial wafers

SDK has concluded two-year contracts including optional extension clauses with Infineon Technologies AG (Infineon), a German semiconductor manufacturer providing semiconductor solutions for automotive and industrial use worldwide, to sell SiC materials for power semiconductors and cooperatively develop SiC materials technology. Due to the homogeneity in properties and low density of surface defects, SDK’s SiC epi-wafers, which were launched into the market in 2009, have been adopted by electronic device manufacturers as parts of various devices including power supply for servers of cloud computing systems, inverters for railcars and solar power generation systems, and converters installed in quick charging stands for EVs. SDK expects that the contracts will enable Infineon to apply SDK SiC materials to various power semiconductor products and the two companies to accelerate improvement in quality of products by bringing together the two companies’ knowledge. As the largest independent manufacturer of SiC epi-wafers*, and under a motto of “Best in Class,” the Showa Denko Group will continue coping with rapid expansion of the market for SiC epitaxial wafers and providing the market with high-performance and highly-reliable products, thereby contributing to the proliferation of SiC power semiconductors.

* Estimated by SDK

[Aluminum segment]

- Announcement of execution of master agreement regarding series of transactions to effect the succession of the aluminum can and aluminum rolling businesses and result in certain consolidated subsidiary ceasing to be a consolidated subsidiary of SDK

SDK has decided to execute a master agreement with a special-purpose company formed by funds managed by affiliates of Apollo Global Management, Inc., regarding a series of transactions, including the succession of the aluminum can business of the Company to Showa Aluminum Can Corp., which is a wholly owned consolidated subsidiary of the Company, and the succession of the aluminum rolling business to Showa Denko Sakai Aluminum Corp., which is a wholly owned non-consolidated subsidiary of the Company, by company splits (absorption-type company split), with effective dates of June 24*, 2021 and August 2, 2021, respectively. For detail, please refer to the news release announced on January 28, 2021.

*On May 26, the effective date was changed from June 1, 2021 to June 24, 2021.

[Showa Denko Materials segment]

- Transfer of energy storage devices and systems business

In July 2021, SDK resolved at its Board of Directors meeting that (i) Showa Denko Materials Co., Ltd. (Showa Denko Materials), the Company’s consolidated subsidiary, shall have a newly established, wholly owned subsidiary of it (NewCo) succeed the energy storage devices and systems business in which Showa Denko Materials is engaged at its Saitama

Works and Nabari Works through an absorption-type company split, thereafter, (ii) Showa Denko Materials shall transfer all shares of NewCo and the directly or indirectly owned shares of Energy System Service Japan Co., Ltd., CSB Energy Technology Co., Ltd., Siam Magi Co., Ltd., Thai Energy Storage Technology Public Company Limited, Thai Nonferrous Metal Co., Ltd., 3K Products Company Limited, and Power Plas Company Limited to Sustainable Battery Solutions, Inc., operated by Sustainable Battery Holdings, Inc. whose largest shareholders are funds served by Advantage Partners Inc. For detail, please refer to the news release announced on July 8, 2021.

- Showa Denko Materials established a manufacturing base for automotive molded plastic rear door modules in Wuhan, China

Showa Denko Materials Co., Ltd. (Showa Denko Materials) held an opening ceremony on May 21 to mark the completion of a facility at the Wuhan Branch established by its consolidated subsidiary SD Automotive Products (Zhengzhou) Co., Ltd. (SDAZZ) in the city of Wuhan in Hubei Province, China, in November 2019. The Wuhan Branch will begin mass production of automotive molded plastic rear door modules in the autumn of 2021, following the facility's trial operation. Showa Denko Materials' rear door module is a modularized plastic door component incorporating rear window glass, taillights, and other parts. Our superior resin materials and component structure designs, and molding and bonding technologies are utilized to secure the necessary product strength and rigidity as well as achieve a lighter door weight and a higher degree of design flexibility than conventional steel-made rear doors. These features are well-received, and our modules are adopted primarily for sport utility vehicles. The automobile market is currently recovering from the impact of the novel coronavirus pandemic, and is expected to expand further, with electric vehicles (EVs), hybrid electric vehicles (HEVs), and other electric-powered vehicles projected to dominate more than half the entire automobile market by 2030*. China has already become the world's largest automobile market and continues to expand rapidly as the world's largest EV market as well. Showa Denko Materials aims to establish a system responding to the growing demand with the start of operations at the Wuhan Branch as the second manufacturing base following SDAZZ, while ensuring speedy product deliveries to customers to stabilize its supply chains. The Showa Denko Group positions mobility as a core growth business driving its future growth. The Group will continue to contribute to society as a company that identifies customer needs accurately and provides solutions to the challenges lying ahead.

*Source: IHS Markit

[Others segment]

- Concluded basic agreement regarding tender offer over subsidiary

In March 2021, SDK applied for a tender offer made by SKT Holdings Ltd. (SKTHD) for the common shares issued by SHOKO CO., LTD. (SHOKO), a consolidated subsidiary of SDK handling various kinds of components and products as a general trading company dealing with chemicals, resins and metal ceramics. SKTHD is a wholly-owned subsidiary of iSigma Business Advancement Fund III Investment LLP managed and operated by iSigma Capital Corporation (iSigma Capital), which is a subsidiary of Marubeni Corporation. SDK decided to apply for the tender offer with 3,160,306 shares of SHOKO among the shares of SHOKO owned by SDK, and, on March 4, 2021, SDK and SKTHD entered into a basic agreement setting forth the application for the tender offer and a shareholder agreement that governs the handling of the shares in SHOKO owned by SDK and SKTHD. Thereafter, the tender offer successfully ended on April 15, 2021, and SHOKO ceased to be one of SDK's consolidated subsidiaries due to the application made by SKD for the tender offer. However, SDK has also concluded the shareholder agreement with iSigma Business Advancement Fund III in view of the fact that SDK will continue hold a part of

shares in SHOKO after the tender offer. In the shareholder agreement, SDK has agreed with I Sigma Capital on the business operations of SHOKO and the handling of the common shares issued by SHOKO after this transaction. Therefore, SDK will continue the business relationship with SHOKO even after the execution of the tender offer. For detail, please refer to the news release announced on March 4, 2021.

2. Financial conditions for the January 1 – June 30, 2021 period (as compared with the conditions at December 31, 2020)

a) Situation of assets, liabilities, and net assets

Total assets at June 30, 2021 amounted to ¥2,142,322 million, a decrease of ¥61,284 million from the level at December 31, 2020. Total assets decreased due partly to decreases in cash and deposits, tangible fixed assets and intangible fixed assets including goodwill, despite an increase in inventories. Total liabilities decreased ¥56,134 million, to ¥1,429,391 million, due partly to a significant decrease in interest bearing debt, despite an increase in notes and accounts payable-trade. Net assets at the end of the first half of 2021 decreased ¥5,150 million, to ¥712,931 million, due partly to the recording of net loss attributable to the owners of the parent and a decrease in retained earnings resulting from payment of dividends for the previous year, despite an increase in foreign currency translation adjustment.

b) Situation of cash flows

Net cash provided by operating activities during the first half of 2021 amounted to ¥55,301 million, an increase of ¥50,132 million from the same period of the previous year, due partly to a decrease in the loss before income taxes and minority interests. Net cash used in investing activities decreased ¥782,172 million from the same period of the previous year when SDK acquired shares in former Hitachi Chemical Company, Ltd., to ¥10,393 million. Thus, free cash flow ended up in the proceeds of ¥44,908 million, an increase in proceeds of ¥832,304 million. Cash flows from financing activities ended up in the expenditure of ¥73,646 million, a decrease in the proceeds of ¥938,386 million from the same period of the previous year, due partly to non-existence of financing of cash for acquisition of shares. As a result, after the effects of exchange rate fluctuations are taken into account, cash and cash equivalents at the end of the first half year period decreased ¥19,645 million from the level at December 31, 2020, to ¥178,282 million.

3. Performance forecast

The Group's performance forecast for 2021 is not changed from that announced on August 3, 2021, which is as in the table given below. Regarding the assumptions for the performance forecast, please refer to the news release "Showa Denko Revises Forecast of Consolidated Performance and Records Extraordinary Loss" announced on August 3, 2021.

(Unit: millions of yen)

| | Net sales | Operating income | Ordinary income | Net income attributable to owners of the parent |
|---|-----------|------------------|-----------------|---|
| Forecast of consolidated results for full-year 2021 | 1,400,000 | 85,000 | 82,000 | -25,000 |

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

| | Dec. 31, 2020 | Jun. 30, 2021 | Jun. 30, 2021 |
|---|------------------|------------------|------------------|
| Assets | ¥ | ¥ | \$ |
| Current assets | | | |
| Cash and deposits | 198,982 | 179,579 | 1,623,978 |
| Notes and accounts receivable-trade | 271,628 | 271,687 | 2,456,928 |
| Merchandise and finished goods | 93,947 | 106,715 | 965,044 |
| Work in process | 28,383 | 29,802 | 269,510 |
| Raw materials and supplies | 67,877 | 78,381 | 708,816 |
| Other | 62,917 | 58,651 | 530,392 |
| Allowance for doubtful accounts | (1,092) | (1,102) | (9,967) |
| Total current assets | 722,644 | 723,713 | 6,544,700 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | 142,300 | 142,387 | 1,287,637 |
| Machinery, equipment and vehicles, net | 222,036 | 210,316 | 1,901,932 |
| Land | 264,589 | 255,029 | 2,306,282 |
| Other, net | 98,194 | 94,226 | 852,106 |
| Total property, plant and equipment | 727,119 | 701,957 | 6,347,958 |
| Intangible assets | | | |
| Goodwill | 359,200 | 327,527 | 2,961,899 |
| Other | 239,244 | 227,314 | 2,055,649 |
| Total intangible assets | 598,443 | 554,840 | 5,017,548 |
| Investments and other assets | | | |
| Investment securities | 106,408 | 111,807 | 1,011,097 |
| Other | 56,738 | 50,496 | 456,643 |
| Allowance for doubtful accounts | (7,747) | (491) | (4,444) |
| Total investments and other assets | 155,399 | 161,811 | 1,463,296 |
| Total noncurrent assets | 1,480,962 | 1,418,609 | 12,828,802 |
| Total assets | 2,203,606 | 2,142,322 | 19,373,502 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade | 164,356 | 178,322 | 1,612,604 |
| Short-term loans payable | 62,645 | 62,471 | 564,937 |
| Current portion of long-term loans payable | 31,387 | 34,719 | 313,975 |
| Commercial papers | 10,000 | — | — |
| Current portion of bonds | 25,000 | 29,997 | 271,270 |
| Provision | 10,604 | 22,942 | 207,465 |
| Other | 108,078 | 103,604 | 936,912 |
| Total current liabilities | 412,071 | 432,054 | 3,907,163 |
| Noncurrent liabilities | | | |
| Bonds payable | 66,929 | 46,940 | 424,489 |
| Long-term loans payable | 839,436 | 787,556 | 7,122,051 |
| Provision | 4,026 | 997 | 9,020 |
| Net defined benefit liability | 24,750 | 22,693 | 205,215 |
| Other | 138,314 | 139,151 | 1,258,372 |
| Total noncurrent liabilities | 1,073,455 | 997,337 | 9,019,146 |
| Total liabilities | 1,485,526 | 1,429,391 | 12,926,310 |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 140,564 | 140,564 | 1,271,148 |
| Capital surplus | 78,190 | 78,190 | 707,087 |
| Retained earnings | 165,572 | 141,970 | 1,283,871 |
| Treasury stock | (11,657) | (11,653) | (105,385) |
| Total shareholders' equity | 372,669 | 349,070 | 3,156,721 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 3,728 | 6,905 | 62,447 |
| Deferred gains or losses on hedges | 908 | 2,230 | 20,168 |
| Revaluation reserve for land | 29,034 | 28,929 | 261,613 |
| Foreign currency translation adjustment | (506) | 21,686 | 196,114 |
| Remeasurements of defined benefit plans | 128 | 560 | 5,063 |
| Total accumulated other comprehensive income | 33,292 | 60,311 | 545,406 |
| Non-controlling interests | 312,119 | 303,549 | 2,745,066 |
| Total net assets | 718,080 | 712,931 | 6,447,193 |
| Total liabilities and net assets | 2,203,606 | 2,142,322 | 19,373,502 |

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

| | Results for the first half year (Jan. 1-Jun. 30) | | |
|--|--|----------|-----------|
| | 2020 | 2021 | 2021 |
| | ¥ | ¥ | \$ |
| Net sales | 326,621 | 693,358 | 6,270,193 |
| Cost of sales | 296,724 | 520,848 | 4,710,148 |
| Gross profit | 29,897 | 172,510 | 1,560,045 |
| Selling, general and administrative expenses | 55,692 | 124,943 | 1,129,891 |
| Operating income (loss) | (25,795) | 47,566 | 430,154 |
| Non-operating income | | | |
| Interest income | 399 | 394 | 3,561 |
| Dividends income | 637 | 996 | 9,004 |
| Equity in earnings of affiliates | 436 | 2,957 | 26,738 |
| Foreign exchange gains | 38 | 4,240 | 38,345 |
| Miscellaneous income | 1,634 | 2,916 | 26,366 |
| Total non-operating income | 3,144 | 11,502 | 104,014 |
| Non-operating expenses | | | |
| Interest expenses | 1,973 | 5,321 | 48,121 |
| Financing expenses | 16,075 | — | — |
| Miscellaneous expenses | 2,525 | 3,542 | 32,027 |
| Total non-operating expenses | 20,573 | 8,863 | 80,148 |
| Ordinary income (loss) | (43,225) | 50,206 | 454,021 |
| Extraordinary income | | | |
| Gain on sale of businesses | — | 8,124 | 73,469 |
| Other | 2,086 | 2,414 | 21,829 |
| Total extraordinary income | 2,086 | 10,538 | 95,299 |
| Extraordinary loss | | | |
| Loss on sales and retirement of noncurrent assets | 1,488 | 1,267 | 11,460 |
| Business structuring expenses | 5,278 | 32,767 | 296,317 |
| Other | 1,693 | 26,871 | 243,003 |
| Total extraordinary losses | 8,460 | 60,905 | 550,779 |
| Loss before income taxes | (49,598) | (161) | (1,460) |
| Income taxes | 1,709 | 5,661 | 51,198 |
| Net loss | (51,308) | (5,823) | (52,658) |
| Net income attributable to non-controlling interests | 3,267 | 7,589 | 68,626 |
| Net loss attributable to owners of the parent | (54,575) | (13,412) | (121,284) |

Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

| | Results for the first half year (Jan. 1-Jun. 30) | | |
|---|--|---------------|----------------|
| | 2020 | 2021 | 2021 |
| | ¥ | ¥ | \$ |
| Net loss | (51,308) | (5,823) | (52,658) |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | (6,163) | 3,151 | 28,494 |
| Deferred gains or losses on hedges | (820) | 1,322 | 11,957 |
| Foreign currency translation adjustments | (4,965) | 22,305 | 201,710 |
| Remeasurements of defined benefit plans, net of tax | 188 | 435 | 3,932 |
| Share of other comprehensive income of entities accounted for using equity method | (62) | 536 | 4,846 |
| Total other comprehensive income | (11,822) | 27,749 | 250,938 |
| Comprehensive income | (63,129) | 21,926 | 198,280 |
| (Comprehensive income attributable to) | | | |
| Comprehensive income attributable to owners of the parent | (66,250) | 13,712 | 124,001 |
| Comprehensive income attributable to non-controlling interests | 3,121 | 8,214 | 74,279 |

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

| | Results for the first half year (Jan. 1-Jun. 30) | | |
|--|--|----------|-----------|
| | 2020 | 2021 | 2021 |
| | ¥ | ¥ | \$ |
| Net cash provided by (used in) operating activities | | | |
| Income (loss) before income taxes and minority interests | (49,598) | (161) | (1,460) |
| Depreciation and amortization | 19,429 | 49,495 | 447,594 |
| Impairment loss | 323 | 3,977 | 35,966 |
| Amortization of negative goodwill | 107 | 9,216 | 83,340 |
| Increase (decrease) in net defined benefit liability | (1,535) | (844) | (7,634) |
| Interest and dividends income | (1,036) | (1,389) | (12,565) |
| Interest expenses | 1,973 | 5,321 | 48,121 |
| Financing expenses | 16,075 | - | - |
| Equity in (earnings) losses of affiliates | (436) | (2,957) | (26,738) |
| Loss (gain) on sales and valuation of investment securities | 432 | (996) | (9,006) |
| Loss on retirement of noncurrent assets | 1,219 | 1,200 | 10,852 |
| Loss (gain) on sales of noncurrent assets | (1,298) | (755) | (6,830) |
| Loss (gain) on sales of businesses | - | (8,124) | (73,467) |
| Business structuring expenses | 5,278 | 32,767 | 296,317 |
| Decrease (increase) in notes and accounts receivable-trade | 37,799 | (15,757) | (142,498) |
| Decrease (increase) in inventories | 20,906 | (30,280) | (273,830) |
| Increase (decrease) in notes and accounts payable-trade | (32,029) | 25,709 | 232,489 |
| Other, net | (6,384) | (8,852) | (80,055) |
| Subtotal | 11,225 | 57,568 | 520,596 |
| Interest and dividends income received | 1,450 | 1,748 | 15,808 |
| Interest expenses paid | (1,954) | (4,885) | (44,172) |
| Income taxes paid | (5,553) | 870 | 7,866 |
| Net cash provided by (used in) operating activities | 5,169 | 55,301 | 500,097 |
| Net cash provided by (used in) investing activities | | | |
| Payments into time deposits | (16) | (1,060) | (9,585) |
| Proceeds from withdrawal of time deposits | 204 | 878 | 7,940 |
| Purchase of property, plant and equipment | (25,958) | (33,530) | (303,220) |
| Proceeds from sales of property, plant and equipment | 5,443 | 2,077 | 18,783 |
| Purchase of investment securities | (14) | (2,440) | (22,063) |
| Proceeds from sales of investment securities | 1,466 | 2,288 | 20,688 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (770,760) | - | - |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | - | 13,156 | 118,974 |
| Net decrease (increase) in short-term loans receivable | (1,149) | (880) | (7,956) |
| Payments of long-term loans receivable | (85) | (49) | (444) |
| Collection of long-term loans receivable | 36 | 14,051 | 127,068 |
| Other, net | (1,732) | (4,884) | (44,170) |
| Net cash provided by (used in) investing activities | (792,565) | (10,393) | (93,986) |
| Net increase (decrease) in short-term loans payable | (5,556) | (1,431) | (12,943) |
| Net increase (decrease) in commercial papers | 53,000 | (10,000) | (90,432) |
| Proceeds from long-term loans payable | 581,404 | 1,800 | 16,278 |
| Repayment of long-term loans payable | (17,379) | (51,602) | (466,651) |
| Redemption of bonds | - | (15,000) | (135,648) |
| Proceeds from issuance of common stock | 268,503 | - | - |
| Purchase of treasury shares | (1) | (5) | (45) |
| Proceeds from sales of treasury shares | 1 | 0 | 2 |
| Cash dividends paid | (11,654) | (9,466) | (85,606) |
| Proceeds from stock issuance to non controlling shareholders | - | 29,766 | 269,181 |
| Cash dividends paid to non controlling shareholders | (1,079) | (9,349) | (84,541) |
| Purchase of investments in subsidiaries without change in scope of consolidation | - | (5,293) | (47,866) |
| Other, net | (2,498) | (3,065) | (27,721) |
| Net cash provided by (used in) financing activities | 864,740 | (73,646) | (665,994) |
| Effect of exchange rate change on cash and cash equivalents | (1,577) | 9,093 | 82,226 |
| Net increase (decrease) in cash and cash equivalents | 75,767 | (19,645) | (177,658) |
| Cash and cash equivalents at beginning of period | 121,734 | 197,928 | 1,789,904 |
| Cash and cash equivalents at end of period | 197,501 | 178,282 | 1,612,247 |

(Reference)

SEGMENT INFORMATION

Information about sales and operating income :

| | Millions of yen | | | | | | | | |
|-------------------------|-----------------|-----------|-------------|------------|----------|--------------------------|---------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Showa Denko Materials | Others | Elimination | Consolidated |
| Sales | | | | | | | | | |
| Outside customers | ¥91,028 | ¥64,358 | ¥44,049 | ¥39,995 | ¥35,414 | ¥- | ¥51,777 | ¥- | ¥326,621 |
| Inter-segment | 4,716 | 7,684 | 525 | 3,009 | 3,434 | ¥- | 3,784 | (23,151) | - |
| Total | 95,743 | 72,041 | 44,574 | 43,004 | 38,848 | ¥- | 55,561 | (23,151) | 326,621 |
| Operating income (loss) | (¥3,667) | ¥5,020 | ¥1,768 | (¥22,905) | (¥205) | ¥- | ¥481 | (¥6,287) | (¥25,795) |

| | Millions of yen | | | | | | | | |
|-------------------------|-----------------|-----------|-------------|------------|----------|--------------------------|---------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Showa Denko Materials | Others | Elimination | Consolidated |
| Sales | | | | | | | | | |
| Outside customers | ¥123,849 | ¥80,037 | ¥48,878 | ¥44,230 | ¥45,097 | ¥320,041 | ¥31,226 | ¥- | ¥693,358 |
| Inter-segment | 3,368 | 6,642 | 469 | 2,193 | 2,615 | 138 | 2,421 | (17,845) | - |
| Total | 127,217 | 86,679 | 49,347 | 46,423 | 47,712 | 320,179 | 33,647 | (17,845) | 693,358 |
| Operating income (loss) | ¥11,690 | ¥10,611 | ¥5,176 | ¥6,297 | ¥5,621 | ¥12,605 | ¥106 | (¥4,541) | ¥47,566 |

| | Thousands of U.S. dollars | | | | | | | | |
|-------------------------|---------------------------|-----------|-------------|------------|-----------|--------------------------|-----------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminum | Showa Denko Materials | Others | Elimination | Consolidated |
| Sales | | | | | | | | | |
| Outside customers | \$1,119,997 | \$723,797 | \$442,010 | \$399,984 | \$407,820 | \$2,894,203 | \$282,381 | \$- | \$6,270,193 |
| Inter-segment | 30,454 | 60,062 | 4,241 | 19,828 | 23,648 | 1,248 | 21,894 | (161,375) | - |
| Total | 1,150,451 | 783,859 | 446,252 | 419,812 | 431,468 | 2,895,451 | 304,275 | (161,375) | 6,270,193 |
| Operating income (loss) | \$105,717 | \$95,959 | \$46,807 | \$56,947 | \$50,834 | \$113,990 | \$962 | (\$41,061) | \$430,154 |