

Consolidated Financial Results

First Quarter, 2022

(May 11, 2022)



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Summary

1. In the first quarter of 2022, net sales decreased by ¥ 31.7 billion from the same period of the previous year due mainly to business transfer. However, against the background of strong demand for semiconductors, net sales earned by ongoing businesses, excluding the impact of the business transfer, increased by ¥ 19.2 billion from the same period of the previous year.
2. Operating income decreased by ¥ 5.5 billion due to business transfer, periodic shutdown maintenance at Oita Complex, a rise in raw material costs, etc.
3. For the purpose of reducing financial costs, we repaid LBO loan before maturity date by refinancing.

Summary (CQ1, 2021 vs. CQ1, 2022)

(Unit: Billions of Yen)

	Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ Decrease
Net sales	339.7	308.0	(31.7)
Operating income	20.8	15.4	(5.5)
Non-operating income and expenses, net	4.3	4.6	0.3
Ordinary income	25.1	19.9	(5.2)
Extraordinary profit/loss	(11.7)	(2.3)	9.4
Income before income taxes	13.4	17.6	4.3
Net Income	9.2	12.1	2.9
Net income attributable to owners of the parent	5.2	8.4	3.2
EBITDA (Operating income + Depreciation expense + Amortization of goodwill, etc.)	50.0	42.1	(7.9)
EBITDA margin (%)	14.7%	13.7%	(1.1p)

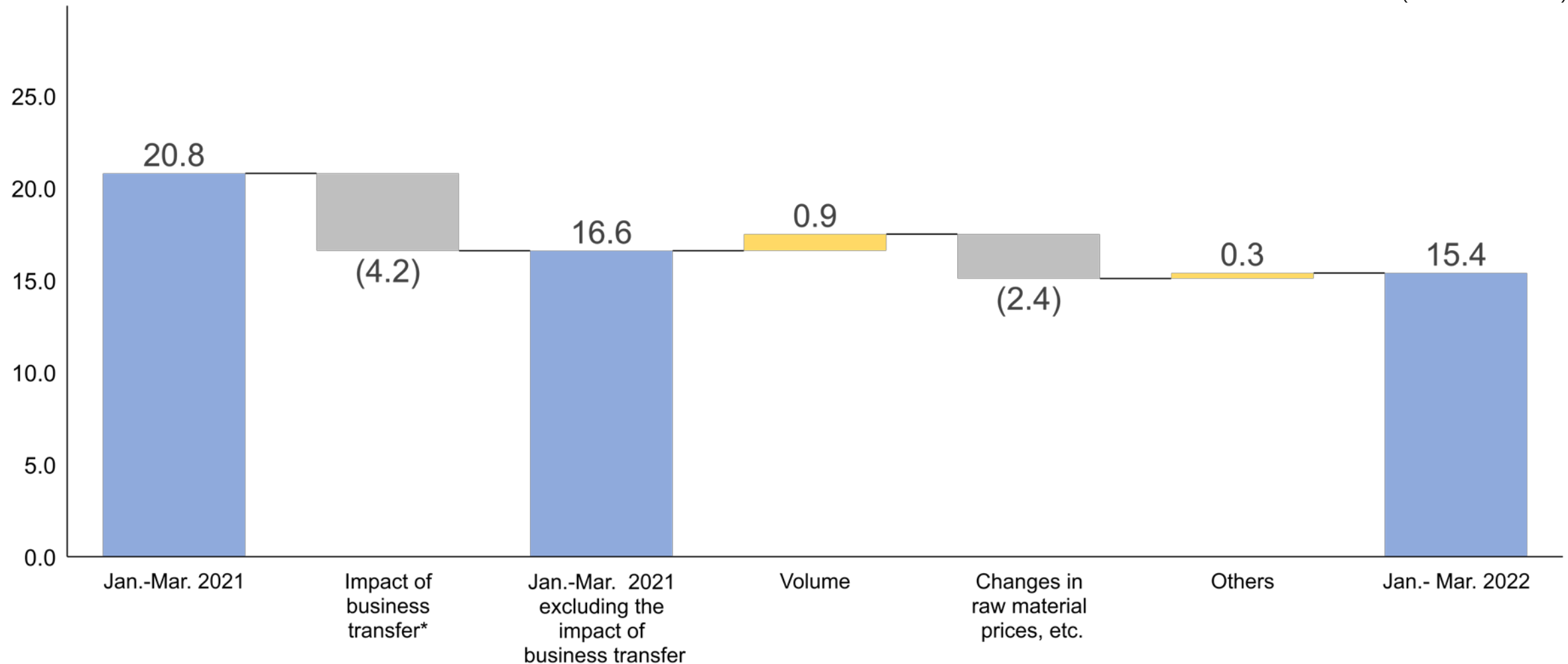
(Ref.) Based on ongoing businesses (Unit: Billions of Yen)

	Jan.-Mar. 2021*	Jan.-Mar. 2022	Increase/ decrease
Net sales	288.8	308.0	19.2
Operating income	16.6	15.4	(1.2)
EBITDA	43.0	42.1	(0.9)
EBITDA margin%	14.9%	13.7%	(1.2p)

*These data are for reference where we excluded results of businesses transferred in 2021, which are aluminum cans, rolled aluminum products, food wrap, printed wiring boards, and energy storage devices. (Not covered by auditing)

Operating Income Breakdown by Factor (CQ1, 2021 vs. CQ1, 2022)

(Unit: Billions of Yen)



* Excluding the impact of deconsolidation of Shoko Co., Ltd.

Summary of Consolidated Sales and Operating Income by Segment* (CQ1, 2021 vs. CQ1, 2022)



(Unit: Billions of Yen)

		Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/decrease	
Semiconductor and Electronic Materials	Sales	91.1	107.3	16.2	18%
	Operating Income	8.3	12.9	4.6	56%
Mobility	Sales	46.3	44.4	(2.0)	(4%)
	Operating Income	1.1	0.4	(0.7)	(68%)
Innovation Enabling Materials	Sales	30.3	34.3	4.0	13%
	Operating Income	4.2	2.9	(1.3)	(31%)
Chemicals	Sales	86.5	95.1	8.6	10%
	Operating Income	7.1	2.2	(4.9)	(68%)
Others/ Adjustments	Sales	85.5	26.9	(58.6)	(69%)
	Operating Income	0.1	(3.0)	(3.2)	-
Total	Sales	339.7	308.0	(31.7)	(9%)
	Operating Income	20.8	15.4	(5.5)	(26%)

* Change of disclosure segment from Jan. 2022. Please refer to Page 12.

Sales and Operating Income by Segment (CQ1, 2021 vs. CQ1, 2022) Semiconductor and Electronic Materials



(Unit: Billions of Yen)

	Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ decrease		Performance Overview
Sales	91.1	107.3	16.2	18%	<p>Although the segment was affected by the transfer of the Printed Wiring Board business in 2021 and a rise in raw materials costs, sales of semiconductor related materials and HD media increased due to strong demand. Thus sales and operating income of the segment increased.</p> <ul style="list-style-type: none"> •Front-end Semiconductor Materials: Sales of electronic chemicals and CMP slurry increased due to strong demand for semiconductors. •Back-end Semiconductor Materials: Sales increased due to good sales of die bonding materials and copper clad laminates caused by strong demand for semiconductors. •Device Solutions: Sales significantly increased due to strong demand for HD media for use in data centers and an increase in shipment volumes of SiC epitaxial wafers.
Front-end Semiconductor Materials	17.7	23.4	5.7	32%	
Back-end Semiconductor Materials	42.7	46.9	4.2	10%	
Device Solutions	16.5	29.7	13.2	80%	
Operating Income	8.3	12.9	4.6	56%	

[Main Products]

- Front-end Semiconductor Materials : Electronic chemicals, CMP slurry
- Back-end Semiconductor Materials : Epoxy molding compounds, Die bonding materials, Copper clad laminates, Photosensitive dry films, Photosensitive solder resists
- Device Solutions : HD media, SiC epitaxial wafers, Compound semiconductors

Sales and Operating Income by Segment (CQ1, 2021 vs. CQ1, 2022)

Mobility



(Unit: Billions of Yen)

	Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ decrease		Performance Overview
Sales	46.3	44.4	(2.0)	(4%)	<p>Sales and profit decreased due to sluggish production of cars caused by short supply of semiconductors and a rise in raw material prices.</p> <ul style="list-style-type: none"> •Automotive Products: Although sales of plastic molded products increased, sales of friction materials and powder metal products decreased due to sluggish car production. •Lithium-ion Battery Materials: Sales of aluminum laminate film (SPALF™) and carbon nanofiber additives for cathodes and anodes of LIBs increased. However, sales of carbon anode materials decreased significantly.
Automotive Products	35.9	35.6	(0.3)	(1%)	
Lithium-ion Battery Materials	9.9	8.9	(1.0)	(10%)	
Operating Income	1.1	0.4	(0.7)	(68%)	

[Main Products]

- Automotive Products : Plastic molded products, Friction materials, Powder metal products
- Lithium-ion Battery Materials : Aluminum laminate film (SPALF™), Carbon nanofiber added to cathodes and anodes of LIBs, Anode materials

Sales and Operating Income by Segment (CQ1, 2021 vs. CQ1, 2022)

Innovation Enabling Materials / Chemicals



(Unit: Billions of Yen)

		Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ decrease		Performance Overview
Innovation Enabling Materials	Sales	30.3	34.3	4.0	13%	Sales of each business such as functional chemicals, aluminum specialty components increased, but profit of the segment decreased because of a rise in raw material prices.
	Operating Income	4.2	2.9	(1.3)	(31%)	
Chemicals	Sales	86.5	95.1	8.6	10%	<ul style="list-style-type: none"> •Petrochemicals: Sales decreased and profit significantly decreased (shipment volumes down due to once-in-four-year shutdown maintenance and depreciation of raw material naphtha inventory) •Basic Chemicals & Industrial Gases: Sales increased due to a rise in product prices, but profit decreased due to a substantial rise in prices of raw materials and fuel. •Graphite Electrodes: Sales and profit increased due to increases in shipment volumes and product prices
	Petrochemicals	55.3	52.2	(3.1)	(6%)	
	Basic Chemicals & Industrial Gases	15.3	17.7	2.4	16%	
	Graphite Electrodes	15.8	25.1	9.3	59%	
	Operating Income	7.1	2.2	(4.9)	(68%)	

[Main Products]

- Innovation Enabling Materials : Functional chemicals, Functional resins, Coating materials, Ceramics, Aluminum specialty components
- Petrochemicals : Olefins, Organic chemicals

Non-operating income/expenses, Extraordinary profit/loss

Non-operating income/expenses

(Unit: Billions of Yen)

	Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ Decrease	Main factors
Interest/Dividends income and expenses	(2.1)	(1.3)	0.8	Interest expenses decreased
Equity in earnings of affiliates	1.8	1.1	(0.6)	
Foreign exchange gains or losses	4.6	5.0	0.4	
Other	(0.1)	(0.3)	(0.3)	
Net	4.3	4.6	0.3	

Extraordinary profit/loss

(Unit: Billions of Yen)

	Jan.-Mar. 2021	Jan.-Mar. 2022	Increase/ Decrease	Main factors
Environmental expenses	(9.0)	-	9.0	
Business structuring expenses	(2.7)	-	2.7	
loss on disaster	-	(0.8)	(0.8)	Hyuga Nada earthquake-related expense
Other	(0.1)	(1.5)	(1.4)	
Net	(11.7)	(2.3)	9.4	

Consolidated Balance Sheet

Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2021	Mar. 31, 2022	Increase/Decrease	Liabilities and net assets	Dec. 31, 2021	Mar. 31, 2022	Increase/Decrease
Cash and deposits	236.2	224.6	(11.6)	Notes and accounts payable	207.7	203.5	(4.3)
Notes and accounts receivable	278.6	255.8	(22.9)	Interest-bearing debt	850.6	850.1	(0.5)
Inventories	203.9	228.2	24.3	Other liabilities	265.6	259.1	(6.5)
Other current assets	79.8	84.9	5.1	Total liabilities	1,323.9	1,312.7	(11.2)
Total current assets	798.5	793.4	(5.1)	<u>Total shareholders' equity</u>	433.6	430.2	(3.4)
Total tangible fixed assets	659.5	676.9	17.4	incl. Retained earnings	143.3	140.0	(3.4)
Goodwill	311.8	307.7	(4.0)	<u>Total accumulated other comprehensive income</u>	80.4	102.6	22.2
Other intangible fixed assets	210.7	207.4	(3.4)	incl. Valuation difference on available-for-sale securities	2.8	3.7	0.8
<u>Total intangible fixed assets</u>	522.5	515.1	(7.4)	incl. Foreign currency translation adjustment	38.4	59.5	21.1
<u>Investments and other assets</u>	161.8	162.2	0.4	Non-controlling interests	304.5	302.1	(2.4)
Total fixed assets	1,343.9	1,354.2	10.3	Total net assets	818.5	834.9	16.5
Total assets	2,142.4	2,147.6	5.2	Total liabilities and net assets	2,142.4	2,147.6	5.2

Major Indicators

Adjusted net D/E ratio (Times)	1.15	1.14	(0.02p)	Equity ratio (%)	24.0	24.8	0.8p
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Adjusted net D/E ratio : $\{(\text{Loans payable} + \text{Commercial papers} + \text{Bonds payable} + \text{Lease liabilities}) - \text{Cash and deposits} + \text{preferred stocks as equity capital} \times 50\%\} / (\text{Total shareholders' equity} + \text{preferred stocks as equity capital} \times 50\%)$

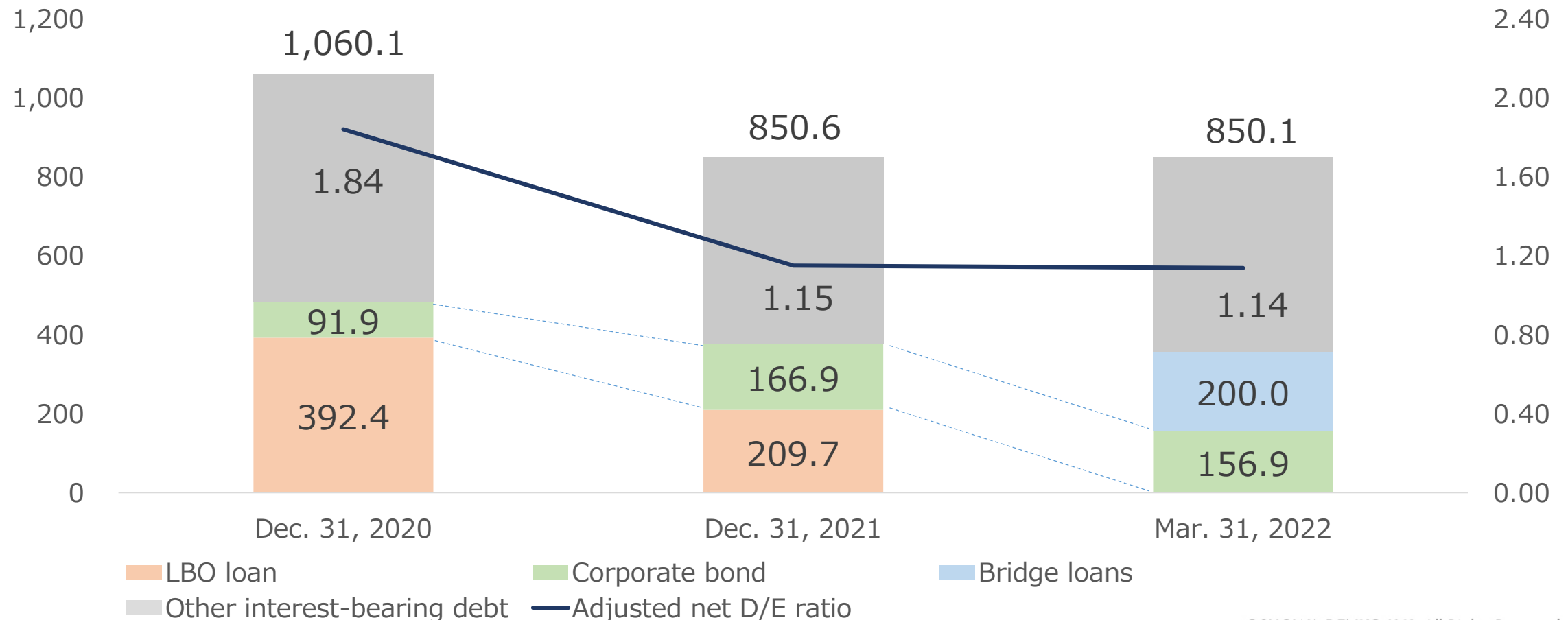
*The assumption that we consider 50% of the total value of issued preferred stocks as equity capital is based on the credit rating given by Japan Credit Rating Agency, Ltd. on April 21, 2020.
Equity ratio: $(\text{Total net assets} - \text{Non-controlling interests}) / \text{Total liabilities and net assets} \times 100$

Changes in interest-bearing debt balance

We are making progress in interest-bearing debt reduction and early repayment of LBO loan, aiming to strengthen our financial standing and reduce financial cost.

(Unit: Billions of Yen)

(Unit: Times)



(Reference) Changes in segmentation for disclosure (from Jan. 2022)



<Relationship between new segments and major products>

Old \ New	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others
Petrochemicals	-	-	-	Olefins, Organic Chemicals, Polymer	-
Chemicals	Electronic chemicals	-	Functional chemicals, Coating materials	Industrial gases, Basic chemicals	-
Electronics	HD media, Compound semiconductors	Lithium-ion battery (LIB) materials	-	-	-
	SiC epitaxial wafers		-	-	-
Inorganics	-	-	Ceramics	Graphite electrodes	-
Aluminum	-	-	Aluminum specialty components	-	-
Showa Denko Materials	Information and communication (Electronics materials, Wiring boards Materials)	Mobility components (Automotive products, Carbon anode materials for LIBs)	Mobility components (Varnishes, Functional Resins)	-	Life Science
Others	-	-	-	-	Others

Note: each business is colored by based on business portfolio of the Long-term vision.

■ : "Core Growth" business ■ : "Fundamental Technologies/Materials" business ■ : "Stable Earnings" business ■ : "Next-Generation" business

(Reference)

Sales, Operating Income, and Depreciation by Segment, 2022 Forecast



(Unit: Billions of Yen)

Segment	Item	2021 Full Year* ¹	2022 Forecast* ²	Increase/Decrease	Item	2021 Full Year* ¹	2022 Forecast* ²	Increase/Decrease
Semiconductor and Electronic Materials	Sales	391.8	430.0	38.2	Depreciation* ³	38.3	38.8	0.5
	Operating Income	46.9	53.0	6.1	Amortization of goodwill	13.3	13.3	0.0
Mobility	Sales	173.8	190.0	16.2	Depreciation* ³	18.5	16.5	(2.0)
	Operating Income	(2.0)	6.0	8.0	Amortization of goodwill	2.1	2.1	0.0
Innovation Enabling Materials	Sales	141.3	140.0	(1.3)	Depreciation* ³	7.9	7.9	(0.0)
	Operating Income	13.8	13.0	(0.8)	Amortization of goodwill	0.7	0.8	0.1
Chemicals	Sales	431.0	480.0	49.0	Depreciation* ³	16.2	16.7	0.5
	Operating Income	37.9	34.0	(3.9)	Amortization of goodwill	0.0	0.0	0.0
Others/ Adjustments	Sales	121.4	110.0	(11.4)	Depreciation* ³	12.0	13.0	1.0
	Operating Income	(22.9)	(22.0)	0.9	Amortization of goodwill	0.6	0.6	(0.0)
Total	Sales	1,259.3	1,350.0	90.7	Depreciation* ³	92.9	92.9	0.0
	Operating Income	73.7	84.0	10.3	Amortization of goodwill	16.8	16.8	0.1

*1 Before auditing. These data are for reference where we excluded results of businesses transferred in 2021, including aluminum cans, rolled aluminum products, food wrap, printed wiring boards, and energy storage devices. *2 Announced on Feb. 14, 2022 *3 Including depreciation of intangible fixed assets caused by application of PPA (Purchase Price Allocation)

(Reference) Consolidated Companies, Selected Data, Costs of the integration with Showa Denko Materials Co., Ltd.



Consolidated Companies

Consolidated subsidiaries: 125 (+ 1 from Dec. 31, 2021)

+ 1: Showa Denko Materials' Ceramics business spin-off Preparation company (newly established)

Equity method applied: 13 (± 0 from Dec. 31, 2021)

Selected Data

Item	(Average)	
	Jan.-Mar. 2021	Jan.-Mar. 2022
Exchange rates		
(¥/US\$)	105.9	116.2
	<i>At Mar. 31, 2021 : 110.7</i>	<i>At Mar. 31, 2022 : 122.4</i>
(¥/€)	127.7	130.4
Domestic naphtha price (¥/KL)	38,800	64,600

Costs of the integration

(Unit: Billions of Yen)

Item	Jan.-Mar. 2022
Post-merger integration (PMI) expenses* (Operating expenses)	(0.8)
Interest on borrowing related to share acquisition, etc. (Non-operating expenses)	(1.2)
Preferred stock dividends (Net income attributable to non-controlling interests)	(3.2)
Total	(5.2)

*PMI expenses: Expenses related to merger processes such as management and operation to maximize the effect of integration after merger.

Topics

Segment	Topics
General	Showa Denko Introduces Machine Learning Operations into AI-based Prediction Systems for Accelerating Materials Development
	Showa Denko Decides Firm Name of the Newly Integrated Company
	Showa Denko Group Starts to Consider Transformation into Holding Company Structure
	SDK to Revise Amount of Director Compensation (in Money) Following Revision of Director Compensation Scheme and to Partially Revise Performance-Linked Stock Compensation Scheme
Semiconductor and Electronic Materials	Showa Denko Drastically Accelerates Exploration of Optimal Formulation of Semiconductor Materials with Quantum Computing Technology
	Showa Denko Launches Mass Production of 6-inch SiC Single Crystal Wafers

*Please refer to each press releases for details.

News Releases: <https://www.sdk.co.jp/english/news.html>

<https://www.mc.showadenko.com/news/english>

Note

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.