NEWS RELEASE

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August 12, 2020

SDK Revises Forecast of Consolidated Performance for Full-year 2020

Showa Denko (SDK) (TOKYO: 4004) has revised its forecast of consolidated performance for full-year 2020 as described below. (In our earlier news release of May 15, 2020, performance forecast was left "undecided."). The revision is based on SDK's actual business results for the first half of this year, recent economic trends, and forecast of the performance of our newly consolidated subsidiary Hitachi Chemical Company, Ltd. (Hitachi Chemical) for the July-December period.

1. Revised forecast of consolidated business results

(1) For full-year 2020 (Jan. 1 – Dec. 31, 2020)

(Millions of yen, excepting net income per share)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Earlier forecast (A) (Announced on May 15, 2020)	Undecided	Undecided	Undecided	Undecided	Undecided
Revised forecast (B) (Announced on Aug. 12, 2020)	960,000	-30,000	-55,000	-90,000	-616.94
(B) - (A)	-	-	-	-	
Percentage of changes	-	-	-	-	
Reference (2019 results)	906,454	120,798	119,293	73,088	501.03

(2) Reasons for the revision

Following the consolidation of Hitachi Chemical, we have worked out our full-year 2020 consolidated performance forecast, taking into account Hitachi Chemical's expected performance for the July-December period. This forecast reflects expenses related to the acquisition of Hitachi Chemical's shares; the fall in sales volumes of graphite electrodes due to lower demand; the influence of the fluctuations in naphtha prices on the Petrochemicals segment; and the impact of the coronavirus disease 2019 (COVID-19) on respective business segments.

Major assumptions are as follows:

1) Recording of expenses related to the acquisition of shares in Hitachi Chemical

SDK will record expenses of ¥48.2 billion, consisting of ¥26.8 billion operating expenses and ¥21.4 billion non-operating expenses, in 2020 with regard to its acquisition of shares in Hitachi Chemical. "Advisory fee, attorney's fee, temporary expenses pertaining to fund-raising, and registration and license tax" are temporary expenses. "Post-merger integration (PMI) expenses, goodwill amortization expenses, and interest on borrowing related to share acquisition" represent expenses corresponding to the fiscal year 2020.

Advisory fee, attorney's fee, etc.	¥3.5 billion	(Operating expenses)
Post-merger integration (PMI) expenses	¥4.6 billion	(Operating expenses)
Goodwill amortization expenses	¥18.7 billion	(Operating expenses)
Temporary expenses for fund-raising, registration tax, etc.	¥16.1 billion	(Non-operating expenses)
Interest on borrowing related to share acquisition, etc.	¥5.3 billion	(Non-operating expenses)
Total	¥48.2 billion	

2) Exchange rates and naphtha price

Our performance forecast for full-year 2020 is based on the assumption that the foreign exchange rates and naphtha price for the July-December period will be as follows:

Exchange rates: ¥105 to the US dollar; ¥115 to the Euro
Domestic naphtha price: ¥25,100/KL

As for the forecast of dividend payment at the end of the year, we would like to keep it "undecided" in view of the difficulty in predicting the time when the COVID-19 pandemic ends, and the continuation of many uncertain factors regarding our business environment in the second half of the year. As soon as it becomes possible to make a reasonable estimate of the business environment, we will announce a new dividend payment forecast.

Note: The forecast in this document has been worked out based on information available as of today, and assumptions as of today about uncertain factors that can affect our future performance. Actual business results may differ materially from the above forecast due to a variety of risk factors, including, but not limited to, the impact of COVID-19 on the world economy, economic conditions, costs of naphtha and other raw materials, demand and market prices for graphite electrodes and other products, and foreign exchange rates.

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