NEWS RELEASE

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SDK to produce results of overseas investment projects
—Gist of Explanations Offered at Conference—

Showa Denko K.K. (SDK) (Tokyo:4004) today held a conference in Tokyo to explain its business results in 2014 and business strategy for 2015. The gist of explanations offered at the conference is as follows:

1. Estimated business results in 2014 and performance forecast for 2015 (image)
   (1) Estimated business results in 2014 (announced on December 12)
   SDK announced today a revision of its business results forecast for 2014, because the performance of its petrochemicals segment has been greatly damaged by the large drops in prices of its products due to the fall in crude-oil prices, a large scale of loss margin accrued from the difference between procurement and consumption prices of raw material naphtha, and the performance of its aluminum segment has been badly influenced by strong appreciation in aluminum metal prices, while the performance of its electronics segment remains firm. (For further details, please refer to the press release announced today.)

   (2) Performance forecast for 2015 (image)
   With regard to the world economy, while the US economy looks strong, the desired recovery of European economy has been delayed, and the anticipation of slower economic growth becomes strong in China. Thus the world economy is expected to show slow growth in 2015. As for the outlook for Japanese economy in 2015, a mood of uncertainty is growing because of fluctuations in exchange rates and crude-oil prices, changes in the taxation system including consumption tax, and concerns about rises in electricity rates.

   In view of such a harsh business environment, and based on the assumptions described below, SDK expects to record consolidated net sales of ¥960 billion, operating income of ¥40 billion, and net income of ¥15 billion, a substantial improvement over the estimated results in 2014.

   SDK will formally announce its performance forecast for 2015 simultaneously with the announcement of its 2014 financial results.

【Financial goals】 (Billions of yen)

	2014 Latest forecast	2015 Image	2015 Phase Ⅱ target*
Net sales	885.0	960.0	950.0
Operating income	25.0	40.0	50.0
Net income	5.0	15.0	25.0
ROA	2.5%	4.0%	5.0%

* Phase Ⅱ target for 2015 was announced in December 2013.

[Basic assumptions for 2015]
Exchange rate: ¥115 per US dollar
Japanese economy: Grow slowly
Economy outside Japan:
US economy: Accelerated growth
Chinese economy: Slower growth becomes normality

2. Business strategy for 2015

Under Phase II of its medium-term consolidated business plan PEGASUS, SDK is aiming to become “Unique Chemical Company with Strong Presence on the Global Market.”

During the period of PEGASUS which stared in 2011, SDK strategically implemented restructuring of its businesses and strengthened its revenue bases. In 2015, which is to be the last year of the period of PEGASUS, SDK will firmly produce desired results of overseas investment projects that have already been launched by 2014 in business fields of graphite electrodes, aluminum cans and semiconductor-processing high-purity gases, and will also investigate and launch new projects mainly in businesses of Growth sector.

3. Strategy for main businesses

(1) Base (Growth) sector

① HD media

The shipment volumes of hard disk drives (HDDs) in 2015 will be at the same level as in 2014. The shift from PCs to tablets and smartphones is expected to level off, and demand for PCs will be steady especially in developed countries. With regard to HD media, application shift of HD media from use in PC’s to use in servers is in progress, and, in line with the increase in demand for HD media to be used in near-line servers, the demand for aluminum media has been increasing. Moreover, these days the supply-demand balance in aluminum substrate market is tight.

HD media are key components that decide storage capacities of HDDs. SDK has been pioneering to put the world’s leading-edge HD media of the time onto the market. SDK will continue producing the “best in class” HD media, and further strengthen its HD media business.

② Graphite electrodes

With regard to the supply-demand balance for the electric furnace steel industry, which is the customer for graphite electrodes, it still takes time to solve overproduction of steel in China, and meanwhile, the strong demand for electric furnace steel will continue in US market. SDK expects this market condition will restore the operating rate of graphite electrode production plants worldwide except China to about 80% by 2017.


【SDKC’s new plant】

In 2015, SDK will further promote thorough reduction in the cost of raw materials, and make effort to normalize sales prices of graphite electrodes. SDK already completed the construction of new graphite electrode production facilities to expand the capacity of the plant of Showa Denko Carbon, Ltd. (SDKC) in U.S.A. Mass production of graphite electrodes with the expanded portion of the plant will

start in the first half of 2015. SDK will steadily improve profitability of its graphite electrode business by making the most of the cost competitiveness of the state-of-the-art facilities.

(2) Growth sector

① Aluminum cans



【Hanacans of Vietnam】

Though the domestic demand for beer and beer-like drinks has been gradually decreasing, the demands in overseas markets, especially in Asian countries including China and India, where people's income levels are rising very rapidly, are expected to show high growth rates. This year, SDK acquired a can manufacturing company in Vietnam. SDK plans to establish new production lines for lids of aluminum cans in the plant of that subsidiary in 2015, and will promote full-scale marketing to expand sales of its aluminum cans in Vietnamese market.

Through this expansion of its aluminum can business in Vietnam, SDK aims to increase its global sales of aluminum cans by 30% from that in 2013.

② Semiconductor-processing high-purity gases

Production of semiconductor devices, LEDs and LCD panels in East Asia is expected to continue increasing very rapidly. Semiconductor-processing high-purity gases including ammonia, nitrous oxide, chlorine and hydrogen bromide are essential for production of these electronic devices. SDK is the top manufacturer of these high-purity gases in Asian market, and aims to make this position as firm as a rock and expand its high-purity gas business. In order to attain these targets, SDK positioned the four gases mentioned above as key products, and will promote its Matrix Strategy, in which SDK pursues optimization of combination of each customer's needs and our key high-purity gases produced at our plants in Northeast Asia, where 80% of global demand for these high-purity gases centers. SDK will also promote sophistication of its network of supply chains for the high-purity gases in Asian market, in addition to sales expansion and cultivation of new use of existing product lines, establishment and expansion of plants, and promotion of corporate alliance, merger and acquisition.

③ Functional chemicals

Demand for functional chemicals such as unsaturated polyester resin and vinyl ester resin is expected to increase in Chinese and ASEAN markets in the fields of house building and factory equipment, in addition to car use as main field. SDK will increase production capacities of existing plants in China and Thailand to produce functional chemicals. Moreover, creation of new prospective market is expected for biodegradable plastic Bionolle™ because of planned enforcement of new environmental regulations in Europe and China. SDK will promote expansion of its capacity to produce Bionolle™, aiming to create and cultivate new markets for this product.

④ High-purity aluminum foil

With regard to the high-purity aluminum foil, in Japanese market whose growth is slowing down, SDK will develop products with high-functions to meet our customers' expectations and further improve productivity, aiming to improve its

position in Japan.

As to Chinese market where rapid growth is expected, SDK will increase production capacity of the new plant in Nangtong to 600 t per month in January 2015. The sales volume in China has been growing favorably. SDK will further improve productivity and business efficiency of Nangtong Plant, and increase its sales to manufacturers in China.

(3) Base (Stable) sector

① Petrochemicals

The supply-demand balance in petrochemicals market in 2015 will remain as firm as that in 2014, and the operating rate of our ethylene plant will continue to be at a high level throughout 2015. On the other hand, the state of the raw materials market will continue to be unstable. From the medium- and long-term point of view, there will be a delay in shift to petrochemicals production using shale gas/oil as raw material in the United States, and there will be continuous growth of demand for basic petrochemicals in China, though its economic growth rate will be lower than before. Therefore, the medium- and long-term supply-demand balance in petrochemicals market will also remain firm.

SDK's Oita Complex has facilities that can produce many kinds of derivatives with strong competitiveness, and the supply-demand balance of materials within the Complex is in good and stable condition. SDK will make its utmost efforts to continue safe and stable operation of the Oita Complex at full capacity. Moreover, SDK will continue taking various measures to improve profitability of its organic chemicals business, including adoption of new production method with strong cost competitiveness at the new ethyl acetate plant which was completed and started operation in the last June, alliance with other oil-refining companies in the region, and expansion of derivatives business including SHORAYAL™.

② Ceramics

SDK's ceramics business has various products including abrasives and grinding materials, filling materials, cutting tools with high hardness sintered under ultra-high pressure, high-purity titanium oxide for capacitors, antibacterial and antivirus photocatalyst, and each of these products keeps prestigious position in and outside Japan.

In order to streamline and improve productivity of its production system for ceramics in Japan, SDK merged its two subsidiaries, Showa Denko Ceramics Co., Ltd. (SDC) and Tohoku Metal Chemical Co., Ltd. (TRK), and transferred TRK's business to produce abrasives for mirror plane polishing to SDC's Toyama Plant. Moreover, SDK will merge other two ceramics subsidiaries, Nagoya Kenmazai Kogyo Co., Ltd. and Shiojiri Showa K.K. in January 2015 and launch a new enterprise, Showa Fine Ceramics Co., Ltd. On the other hand, SDK will stop production of chemical alumina at its Yokohama plant and shift that production to a joint venture in Indonesia.

SDK aims to further improve competitiveness of its ceramics products and ceramics business, and attain global top position in the industry.

(4) New Growth sector

SiC power devices are key products to attain energy conservation, and growth of demand for SiC power devices is expected in medium- and long-term perspective.

SDK provides SiC epitaxial wafers for power devices with state-of-the-art quality. SDK will continue striving to further improve product quality of SiC epitaxial wafers, and make efforts to strengthen its supply system of SiC epitaxial wafers, such as the expansion of capacity to produce 6” SiC epitaxial wafers that was completed in October 2014.

4. Formulation of “post-PEGASUS”

SDK will formulate the next medium-term business plan by the end of 2015. Key points in the formulation of the new business plan are expected to be “Return to growth track,” and “Management focusing on sustainability,” including strengthening of safe and stable operation of plants, enhanced corporate governance, and diversity management.

For further information, contact:
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Note: Performance forecast and other statements pertaining to the future as contained in this news release 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 economic conditions, cost of naphtha and other raw materials, demand for our products, market conditions, and foreign exchange rates.