NEWS RELEASE

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Showa Denko Contracts to Transfer Business in Phenolic Resins

Showa Denko (SDK) (TOKYO:4004) concluded today the final agreement with Aica Kogyo Company, Limited (Aica) (TOKYO & NAGOYA:4206) to transfer the phenolic resin business of SDK to Aica. Annual sales of the business were ¥4 billion in 2014.

According to the plan for the future, SDK will establish a new company in May 2015. In September 2015, the new company will take over the phenolic resin business of SDK through absorption-type split and commence business. Then SDK will transfer 85% of the new company's shares to Aica also in September 2015. The remaining 15%, to be owned by SDK, will also be transferred to Aica within two years after the initial transfer.

SDK has been providing its customers with phenolic resins in various states such as liquid, lumps, powder, and grains, for wide-ranging uses including electronic materials, housing equipment, and paints.

The size of the domestic market for industrial phenolic resins has been a little less than 100,000 tons a year for some years now. It is forecast that there will not be a major growth of the domestic market in the future. However, overseas markets for industrial phenolic resins are expected to grow, centering on China and ASEAN region. Under these circumstances, SDK has judged that it will not be easy to pursue growth of its phenolic resin business which has a domestic production facility but no overseas one, and that it is essential for the business to make inroads into overseas markets, taking advantage of SDK's technical superiority.

On the other hand, Aica widely operates its businesses in the fields of chemical products, decorative building panels, and building & housing materials, on the basis of its five technologies, namely, technologies for chemical synthesizing, laminating, veneering, wood processing, and electronics. Moreover, Aica has phenolic resin production bases not only inside but also outside Japan, since Aica acquired and affiliated Dynea Asia Pacific Holding Pte. Ltd. (currently Aica Asia Pacific Holding Pte. Ltd.), a subsidiary of Dynea Chemicals Oy, in 2012.

Thus, SDK and Aica have judged that integration of the strong points of the two companies' business schemes will spur their phenolic resin business to grow further, and SDK has recently decided to transfer its phenolic resin business to Aica.

Under its medium-term consolidated business plan "PEGASUS Phase II," the Showa Denko Group classifies its business in functional chemicals in the category of "Growth" business. After the transfer of its phenolic resin business, the Group will focus its management resources concerning functional chemicals on businesses in functional polymer products including unsaturated polyester resins and specialty chemicals, and will accelerate expansion and strengthening of its functional chemicals business.

Profile of Aica Kogyo Company, Limited

Company name	Aica Kogyo Company, Limited
Head office	2288 Nishi-horie, Kiyosu City, Aichi Prefecture, Japan
President	Yuji Ono
Scope of business	Production and sale of chemical products, decorative building panels, building & housing materials, and functional materials
Capital	¥9,891 million (As of March 31, 2014)
Establishment	October 20, 1936
Total assets (Consolidated)	¥131,812 million (As of March 31, 2014)
Net assets (Consolidated)	¥94,389 million (As of March 31, 2014)
Number of employees (Consolidated)	3,482 (As of March 31,2014)
Major shareholders (As of September 30, 2014)	The Master Trust Bank of Japan, Ltd. (Trust Account): 4.62% Japan Trustee Services Bank, Ltd. (Trust Account): 4.17% NORTHERN TRUST CO. (AVFC) ACCOUNT NONTREATY: 4.11% Aica Kogyo Business Partners' Stock Ownership Association: 3.00% NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT: 2.82% JPMorgan Chase Bank 385174: 2.56% Aica Kogyo Stock Ownership Association: 2.51% Goldman Sachs & Company (Regular Account): 2.33% SUMITOMO LIFE INSURANCE COMPANY: 2.02% The Bank of Toyo-Mitsubishi UFJ, Ltd.: 1.99%

Note: This matter will have slight influence on SDK's performance for 2015.

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