NEWS RELEASE

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SDK to Consolidate Its Shares, Change Number of Shares per Share Unit, and Partially Amend the Articles of Incorporation

Showa Denko (SDK) (Tokyo: 4004) resolved at its board of directors meeting today to submit a proposal for the consolidation of shares, a change in the number of shares per share unit, and a partial amendment to the Articles of Incorporation to SDK's 107th ordinary general meeting of shareholders to be held on March 30, 2016, as described below.

1. Consolidation of Shares

(1) Purpose of consolidation

Japan's stock exchanges announced the "Action Plan for Consolidating Trading Units" with the aim of standardizing the trading units for common stock of all listed domestic corporations at 100 shares. The transition period is set to expire in October 2018.

As a corporation listed in the Tokyo Stock Exchange, SDK respects the objectives of the plan and will change the trading unit (share unit) for SDK's stock from 1,000 shares to 100 shares. Along with the change in the share unit, SDK will also consolidate its shares (ten shares into one share) in order to maintain the level of investment unit considered desirable for SDK's shares by the stock exchanges (50,000 yen or more and less than 500,000 yen).

(2) Details of consolidation

(i) Class of shares to be consolidated:
Common stock

(ii) Consolidation method and ratio
SDK will consolidate every ten shares into one share on July 1, 2016 based on the number of shares held by shareholders listed in the final shareholders' register as of the end of June 30, 2016.

(iii) Decrease in number of shares due to consolidation

Number of outstanding shares before consolidation (as of December 31, 2015)	1,497,112,926
Decrease in number of shares due to consolidation	1,347,401,634
Number of outstanding shares after consolidation	149,711,292

Note: "Decrease in number of shares due to consolidation" and "Number of outstanding shares after consolidation" are theoretical values calculated by multiplying the number of outstanding shares before consolidation by the consolidation ratio.

(iv) Impact of consolidation
The consolidation of shares will decrease the number of outstanding shares to one-tenth of the current number. As net assets and others remain unchanged, the net asset value per share will increase tenfold. Therefore, excluding other factors such as stock fluctuations in the market, there will be no change in the asset value of SDK's shares.

(3) Handling of fractional shares of less than one share

If any fractional shares less than one share are created as a result of the consolidation of shares, such fractional shares will be disposed of together in accordance with the Companies Act and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of their fractional shares.

(4) Decrease in number of shareholders due to consolidation

SDK's shareholder composition based on the shareholders' register as of December 31, 2015 is as follows:

Shareholder Composition

	Number of Shareholders (%)	Number of Shares Held (%)
Total	89,674 (100.00%)	1,497,112,926 (100.00%)
Less than 10 shares	1,248 (1.39%)	3,672 (0.00%)
10 shares or more	88,426 (98.61%)	1,497,109,254 (100.00%)

Note: If the consolidation of shares is conducted based on the shareholder composition above, 1,248 shareholders who only hold less than ten shares (the total number of shares held by those shareholders is 3,672) will lose their status as shareholders. However, these shareholders may use the system of request for additional purchase of shares less than a new share unit or for having shares less than a new share unit purchased by SDK before the effective date of the consolidation of shares. Please contact your servicing securities firm or SDK's shareholders register administrator.

(5) Number of authorized shares as of the effective date for the consolidation of shares

330,000,000 shares

Number of authorized shares will be decreased from 3.3 billion shares to 330 million according to the ratio of the consolidation of shares.

Pursuant to Article 182, paragraph 2 of the Companies Act, the total number of authorized shares as stipulated in Article 6 (Total Number of Shares That Can Be Issued) of the Articles of Incorporation shall be deemed to be changed from the current 3.3 billion shares to 330 million shares on July 1, 2016, the effective date for the consolidation of shares.

(6) Conditions for consolidation

The consolidation of shares is subject to the approval at SDK's 107th ordinary general meeting of shareholders to be held on March 30, 2016 of the proposal for the consolidation of shares and the proposal regarding "3. Partial Amendment to the Articles of Incorporation" below.

2. Change in the Number of Shares per Share Unit

(1) Purpose of change

The number of shares per share unit will be changed in order to respond to the "Action Plan for Consolidating Trading Units" announced by Japan's stock exchanges.

(2) Details of change

SDK will change the number of shares per share unit for common stock from 1,000 to 100.

(3) Date of change

July 1, 2016

(4) Conditions for change

The change is subject to the approval at SDK's 107th ordinary general meeting of shareholders to be held on March 30, 2016 of the proposal regarding "1. Consolidation of Shares" above and the proposal regarding "3. Partial Amendment to the Articles of Incorporation" below.

Reference

The effective date for the consolidation of shares and change in the number of shares per share unit above is July 1, 2016. However, due to procedures for the transfer of shares, the trading unit of SDK's shares on the Tokyo Stock Exchange will be changed from 1,000 shares to 100 shares and the impact of the consolidation of shares will be reflected on share prices as of June 28, 2016.

3. Partial Amendment to the Articles of Incorporation

(1) Purpose of partial amendment

(i) Article 8 of the Articles of Incorporation will be amended in order to change the number of shares per share unit from 1,000 to 100 in accordance with the "Action Plan for Consolidating Trading Units" listed in "1. (1) Purpose of consolidation" above. In addition, SDK will establish supplementary provisions stating that the partial amendment to the Articles of Incorporation shall become effective on the date of effect of the consolidation of shares and such provisions shall be deleted from the Articles of Incorporation after the effective date.

(ii) In line with the change in the scope of an agreement limiting liability upon the enforcement of the "Law for Partial Amendment to the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the provisions of Article 27, paragraph 2 and Article 35, paragraph 2 of the Articles of Incorporation will be partially amended in order to enable non-executive directors and auditors other than outside auditors to fully execute their expected functions. In addition, each auditor has consented to the amendment to the provisions of Article 27, paragraph 2 of the Articles of Incorporation.

(2) Details of partial amendment to the Articles of Incorporation

The details of partial amendment to the Articles of Incorporation are as follows:

(Underline indicates changes.)

Current Articles of Incorporation	Proposed Amendments
Articles 1 to 5 (Text omitted)	Articles 1 to 5 (Same as present text)
(Total Number of Shares That Can Be Issued) Article 6 The total number of shares of the capital stock that can be issued by this corporation shall be 3.3 billion.	(Total Number of Shares That Can Be Issued) Article 6 The total number of shares of the capital stock that can be issued by this corporation shall be 330 million.
Article 7 (Text omitted)	Article 7 (Same as present text)
(Number of Shares of Each Transferable Unit, and Handling of Shares Less Than a Transferable Unit) Article 8 ① The number of shares of each transferable unit of this corporation shall be 1,000. ② (Text omitted)	(Number of Shares of Each Transferable Unit, and Handling of Shares Less Than a Transferable Unit) Article 8 ① The number of shares of each transferable unit of this corporation shall be 100. ② (Same as present text)
Articles 9 to 26 (Text omitted)	Articles 9 to 26 (Same as present text)
(Exemption of Directors from Liabilities) Article 27 ① This corporation may, by resolution of the board of directors and pursuant to the provisions of Article 426, paragraph 1, of the Companies Act, exempt directors (including former directors) from their liabilities for damages caused by their negligence to the extent permitted by laws and regulations. ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with outside directors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.	(Exemption of Directors from Liabilities) Article 27 ① This corporation may, by resolution of the board of directors and pursuant to the provisions of Article 426, paragraph 1, of the Companies Act, exempt directors (including former directors) from their liabilities for damages caused by their negligence to the extent permitted by laws and regulations. ②This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with directors (except for executive directors, etc.) to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.
Articles 28 to 34 (Text omitted)	Articles 28 to 34 (Same as present text)
(Exemption of Auditors from Liabilities) Article 35 ① This corporation may, by resolution of the board of directors and pursuant to the provisions of Article 426, paragraph 1, of the Companies Act, exempt auditors (including former auditors) from their liabilities for damages caused by their negligence to the extent permitted by laws and regulations. ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with outside auditors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.	(Exemption of Auditors from Liabilities) Article 35 ① This corporation may, by resolution of the board of directors and pursuant to the provisions of Article 426, paragraph 1, of the Companies Act, exempt auditors (including former auditors) from their liabilities for damages caused by their negligence to the extent permitted by laws and regulations. ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with auditors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.

Articles 36 to 42 (Text omitted) (New)	Articles 36 to 42 (Same as present text) Supplementary Provisions (Effective Date) Article 1 The effective date for Articles 6 and 8 shall be July 1, 2016. (Handling of Supplementary Provisions) Article 2 Articles 1 and 2 of the Supplementary Provisions shall be deleted on the effective date set out in Article 1 of the Supplementary Provisions.

Note: It shall be deemed that Article 6 (Total Number of Shares That Can Be Issued) of the Articles of Incorporation above is amended on July 1, 2016, the effective date for the consolidation of shares, in accordance with Article 182, paragraph 2 of the Companies Act.

(3) Conditions for partial amendment to the Articles of Incorporation
The partial amendment is subject to the approval at SDK's 107th ordinary general meeting of shareholders to be held on March 30, 2016 of the proposal regarding "1. Consolidation of Shares" above and the proposal for the partial amendment to the Articles of Incorporation.

4. Schedule
(1) Date of resolutions by the board of directors: February 10, 2016
(2) Date of resolutions of the ordinary general meeting of shareholders: March 30, 2016 (planned)
(3) Effective date of consolidation of shares: July 1, 2016 (planned)
(4) Effective date of partial amendment to the Articles of Incorporation
(i) Article 8 (Number of Shares of Each Transferable Unit, and Handling of Shares Less Than a Transferable Unit): July 1, 2016 (planned)
(ii) Article 27 (Exemption of Directors from Liabilities) and Article 35 (Exemption of Auditors from Liabilities): March 30, 2016 (planned)

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