NEWS RELEASE

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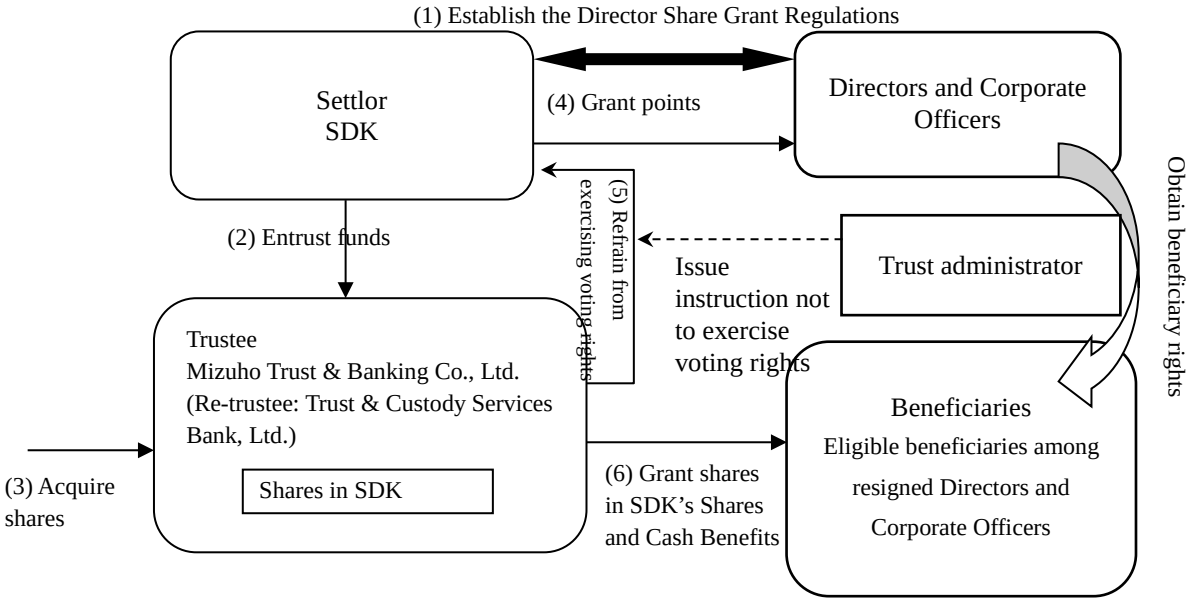
Showa Denko Decides Details of Newly Introduced Board Benefit Trust

Showa Denko (SDK) (Tokyo: 4004) announced on February 10, 2016 its decision to introduce a performance-linked stock compensation scheme called Board Benefit Trust (BBT) ("the Scheme") that includes the establishment of a trust ("the Trust") in accordance with a trust agreement with Mizuho Trust & Banking Co., Ltd. At the 107th Ordinary General Meeting of Shareholders ("the General Meeting of Shareholders") on March 30, 2016, SDK's shareholders approved the introduction of the Scheme as a part of performance-linked variable compensation for directors. Today, SDK resolved at its board meeting that the details of the Scheme should be as follows.

1. Outline of the Trust
   i. Name: Board Benefit Trust (BBT)
   ii. Settlor: Showa Denko K.K.
   iii. Trustee: Mizuho Trust & Banking Co., Ltd.
   (Re-trustee: Trust & Custody Services Bank, Ltd.)
   iv. Beneficiaries: Resigned Directors and Corporate Officers meeting beneficiary requirements set forth in the Director Share Grant Regulations
   v. Trust administrator: A third party with no interest-based relationship with Showa Denko K.K.
   vi. Type of trust: Trust of money other than cash trust (third-party-benefit trust)
   vii. Conclusion date for the trust agreement: May 11, 2016
   viii. Date of money entrustment: May 11, 2016
   ix. Trust period: From May 11, 2016 to the termination of the Trust. (No specific expiration date is set for the Trust, which will remain in effect as long as the Scheme continues to be in force.)

2. Prospected acquisition of shares in SDK by the Trust
   i. Class of shares to be acquired: Ordinary shares of SDK
   ii. Entrusted amount of funds to acquire shares in SDK: ¥400 million
   iii. The maximum number of shares to be acquired: 3,000,000 shares
   iv. Method of acquiring shares in SDK: Stock exchange transactions
   v. Period of acquisition: From May 11, 2016 to May 30, 2016 (Planned)

3. Structure of the Scheme



i. SDK will obtain the approval of the General Meeting of Shareholders for the director compensation under the Scheme, and establish the Director Share Grant Regulations within the scope of the framework approved at the meeting concerned.
ii. SDK will entrust funds to the trustee within the scope approved by the resolution of the General Meeting of Shareholders stipulated in item (i) above.
iii. The Trust will use funds entrusted to it, as stipulated in item (ii) above, as underlying funds to acquire shares in SDK by way of the stock market or by underwriting shares of SDK's treasury stock.
iv. SDK will grant applicable points to Directors and Corporate Officers pursuant to the Director Share Grant Regulations.
v. The Trust, obeying instructions from the trust administrator independent from SDK, will not exercise the voting rights of SDK shares held in the trust account.
vi. The Trust will grant shares in SDK to each of the resigned Directors and Corporate Officers meeting beneficiary requirements set forth in the Director Share Grant Regulations ("Beneficiaries"), based on the number of points assigned to the beneficiary; provided, however, that, with regard to a certain portion of the points, the Trust will pay an amount of money corresponding to the prevailing market price of SDK shares to any Director or Corporate Officer meeting relevant requirements set forth in the above-mentioned regulations.

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