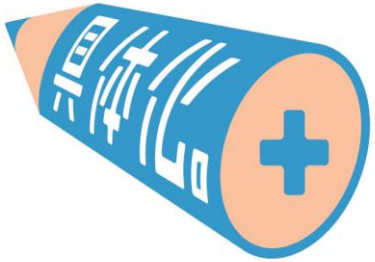
PROJECT 2020+



Acquisition of Graphite Electrode Business of SGL Carbon SE

October 20, 2016

SHOWA DENKO K.K.

Hideo Ichikawa, President & CEO

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Agenda

1. Summary of the Agreement
2. SDK’s GE Business and Business Plan
3. Description of SGL GE
4. Strategic Rationale and Integration Plan
5. Transaction Overview

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Summary of the Agreement

Acquisition of Global #2 GE player[1], SGL GE

- SDK entered into a Sale and Purchase Agreement with SGL Carbon SE (“SGL”) on October 20, 2016, to acquire the Graphite Electrode business of SGL (“SGL GE“)
- Enterprise Value: EUR350 million
- Illustrative Equity Value: Approximately JPY 15.6 billion[2] (Incl. Advisory Fees, as of Oct 20th 2016)
- Closing Date: Early to Mid-2017 (Expected)

1. In terms of Capacity
2. With Exchange rate of EUR1.00 = JPY 115.
   The Equity Value will be finalized, in accordance with the price adjustment stated in the Agreement, based on the Balance Sheet as of the closing.

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SDK's GE Business and Business Plan

SDK's GE Business

- Produce and supply high-quality GE products from 3 sites around the world
- Quality competitiveness in ultra large diameter products

Current Business Plan

- Establish an optimal production platform to match with demand for GE
- Cost restructuring to establish cost competitive platform: JPY 8 billion (vs. FY15; Goal for FY18 under business plan and additional cost cut in FY16)

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- **Acquisition of SGL GE**

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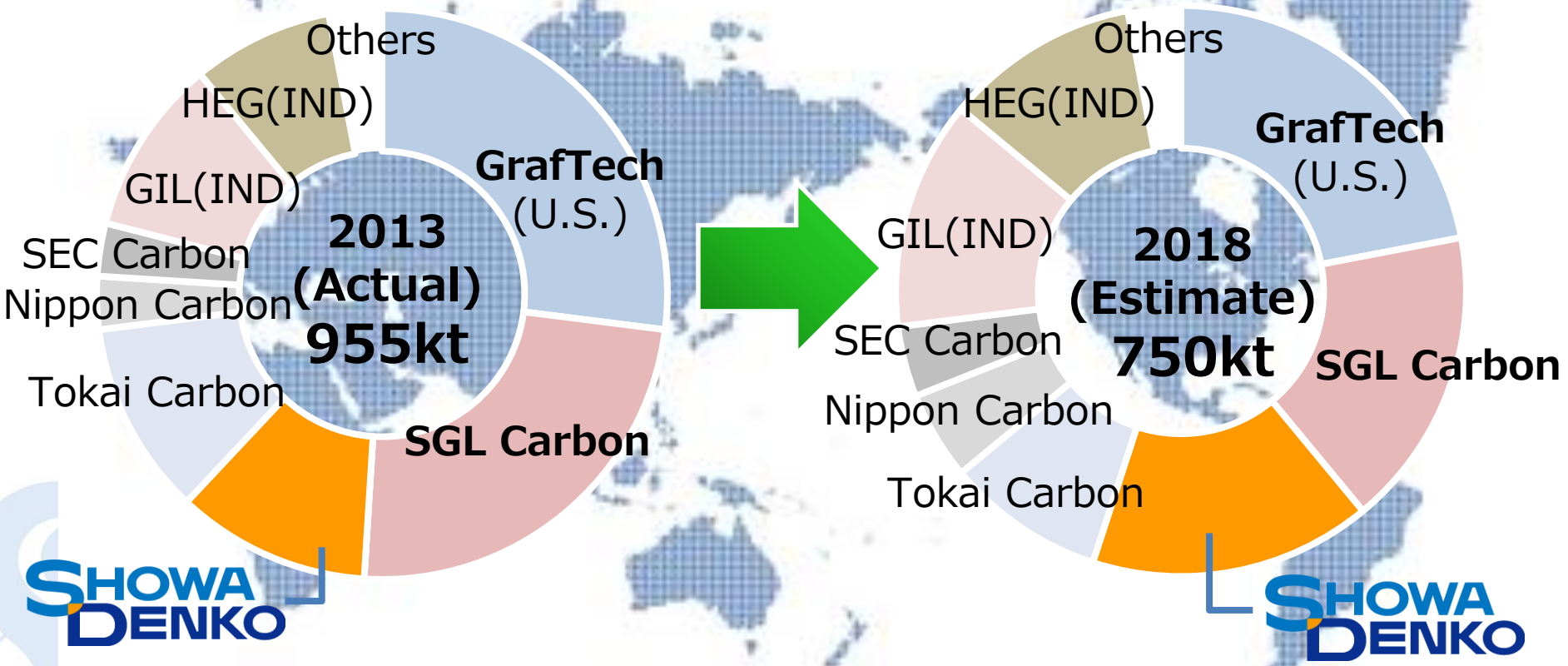
Global GE Players (by Capacity)

GE players are currently reducing their capacity due to oversupply in the market



Note: The capacity does not include Chinese players
Source: Each company's disclosure materials

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Description of SGL GE ①

Company Name	SGL GE Holding GmbH
HQs	Meitingen, Germany
Business	Manufacture and sale of graphite electrode
Representative	Klaus Unterharnscheidt, Managing Director
Summary Financials (2015)	Sales: EUR 375 million EBITDA: EUR 22 million Net Assets: EUR 150 million (as of Jun 30, 2016)
Paid-in Capital	EUR 25,002
Operating Sites	Germany, Austria, Spain, the U.S. (2 sites), and Malaysia
Employees	Approximately 900

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Description of SGL GE ②

【History of SGL GE】

～1950's

・1878: Predecessor company Gebr. Siemens & Co was founded as a subsidiary of Siemens AG in Meitingen

・1896: "Planiawerke AG für kohlefabrikation" in Ratibor, Poland, was founded

・1928: Planiawerke merged with Gesco to form "Siemens Planiawerke AG für Kohlefabrikate"

1960's～2000's

・1967: Merged with Hoechst's electrode manufacturing

・1992: Merged with Great Lakes Carbon (US)

・1993: Merged with Pechiney Grafite (France)

2010's

・2012: Banting, Malaysia plant started production of graphite electrode and cathode

・2014: Closed Lachute (Canada) and Narni (Italy) plants

・2015: SGL Carbon SE decided to carve-out the Performance Products business unit ("PP")

・2016: Closed Griesheim (Germany) plant

・2016: SGL Group completed the carve-out of PP

Operating Sites (Total Capacity: 150kt (as of October 20,2016)**)**

Site	Country	Site	Country
La Coruna	Spain	**Hickman**	U.S.A.
Banting	Malaysia	**Ozark**	U.S.A.
Steeg	Austria	**Meitingen**	Germany

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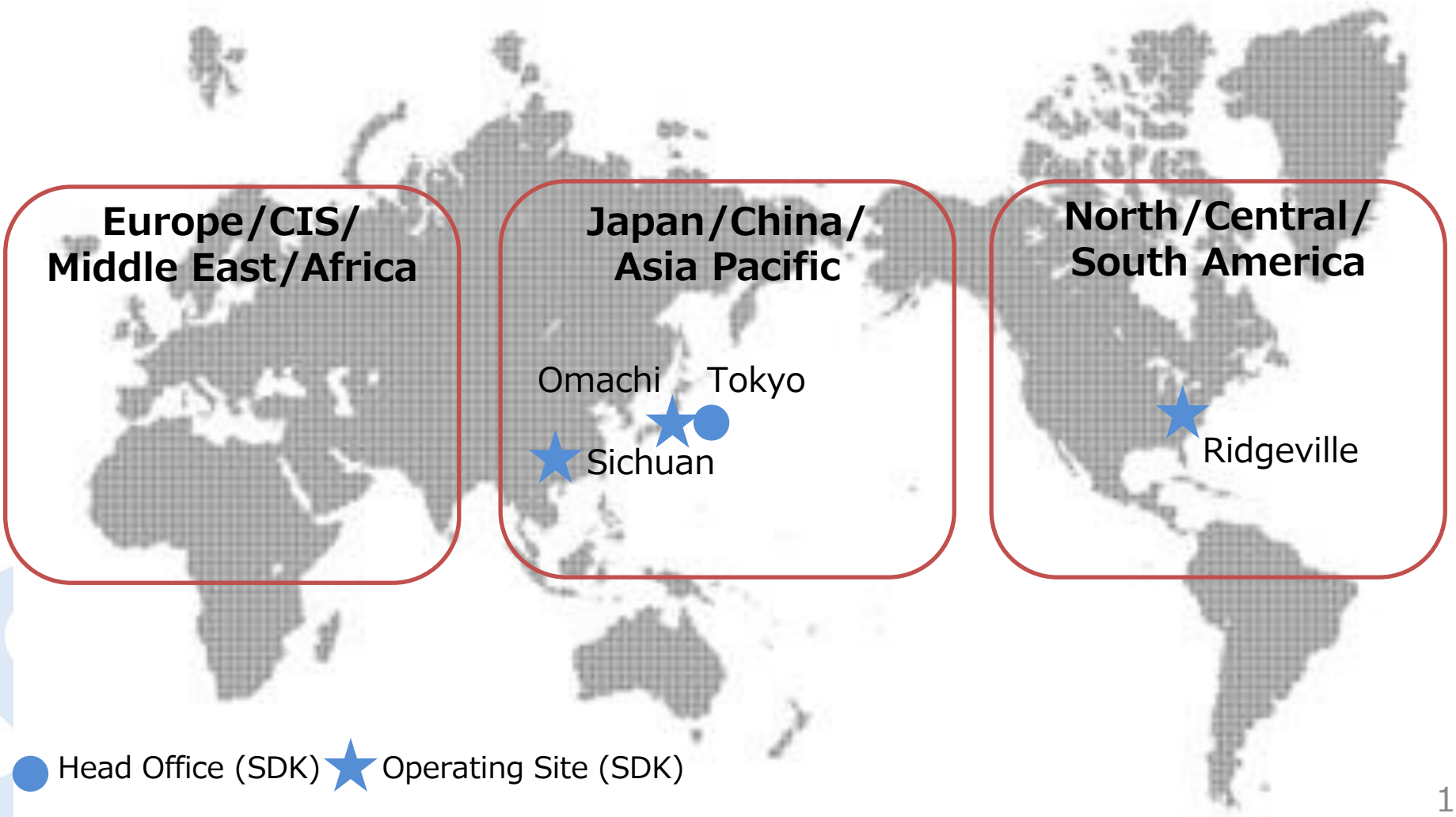
Operating Platform (SDK)

Produce high-quality GE from Japan, the U.S. and China



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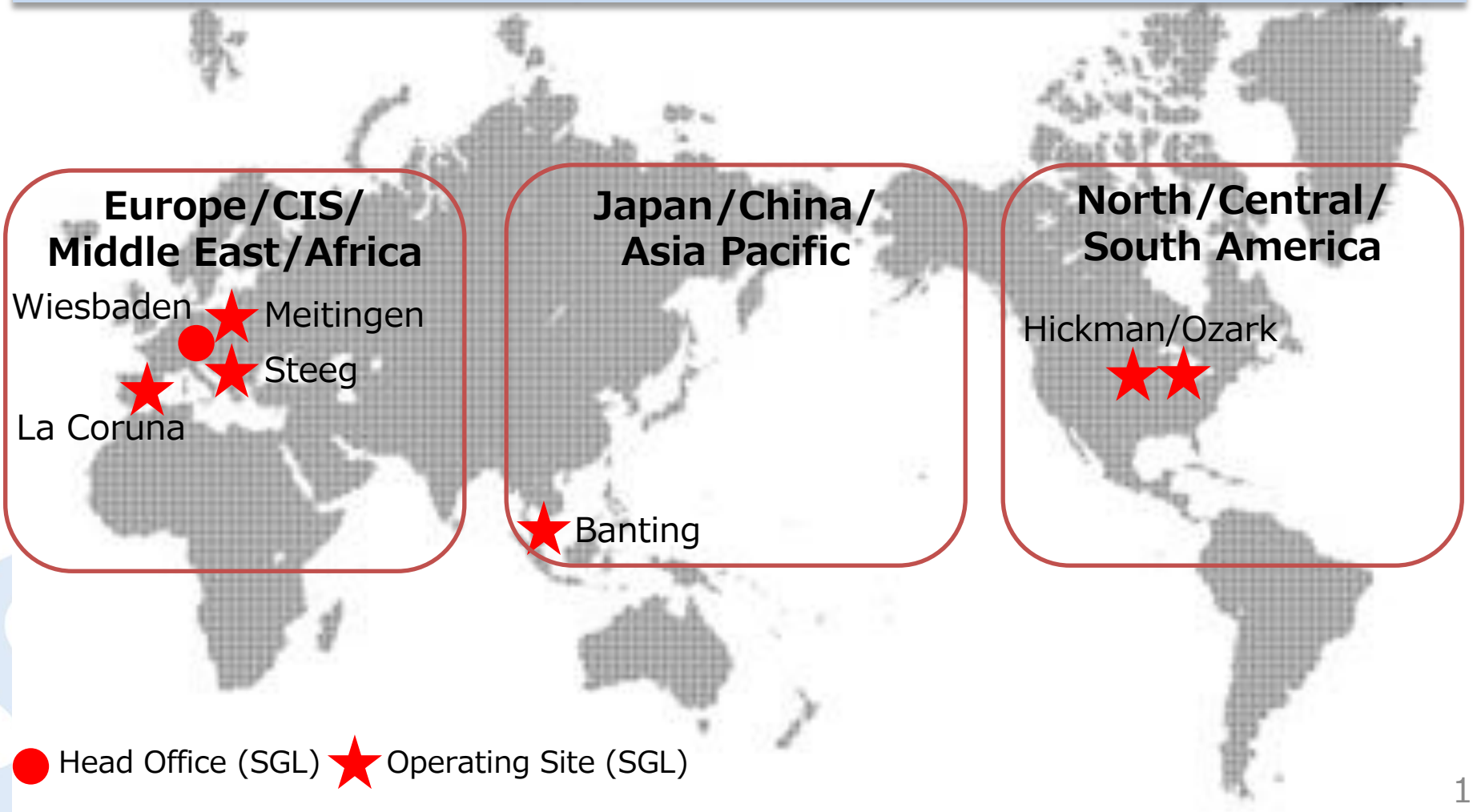
Operating Platform (SGL)

In addition to Europe and the U.S., SGL owns a new, state-of-the-art facility in South East Asia



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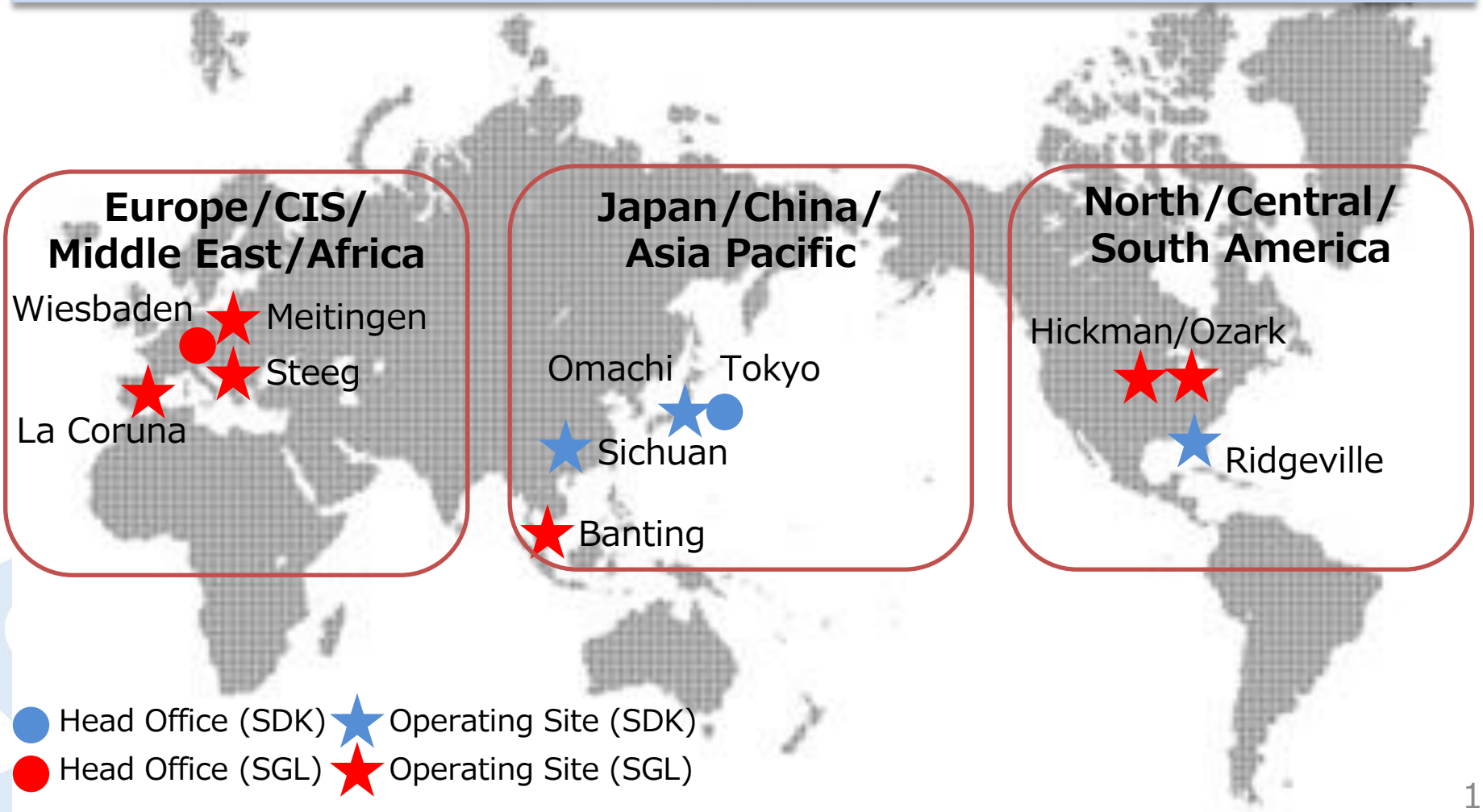
Operating Platform (SDK+SGL)

The integrated platform covers all over the world, establish the leading GE supplier



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Strategic Rationale and Integration Plan

To become the global leader of GE business, in terms of quality and cost competitiveness

- Integrate the GE businesses of SDK and SGL, to maximize synergies and to produce highest-quality GE products globally

Integration Plan

- Enhance the cost competitiveness by introducing the best practices of both companies
- Reduce fixed costs by integrating headquarters functions
- Establish an optimal global logistics and supply chain
- Establish the brand equity and the highest quality by integrating technologies
- Optimize the process from procurement of raw materials to final products

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Transaction Overview

Illustrative Equity Value	• Approximately JPY 15.6 billion* *With Exchange rate of EUR1.00 = JPY 115. The Equity Value will be finalized, in accordance with the price adjustment stated in the Agreement, based on the Balance Sheet as of the closing.
Financing	• Cash on hand and bank loans
Shareholder Returns	• Maintain dividend payout ratio of 30% that was announced in the Medium-Term Business Plan • Aim to enhance shareholder returns by continuous growth of the integrated GE business
Timeline	• BOD Approval: October 20, 2016 • Signing: October 20, 2016 • Expected Closing: Early to Mid-2017
Necessary steps to closing	• Approval of the relevant authorities under the applicable competition laws of the relevant countries including the U.S. and Germany • Other closing conditions

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Disclaimer Regarding Forward-Looking Statements

Any statements made in this communication that are not descriptions of historical facts, including those relating to the anticipated timing, closing conditions, completion and success of the proposed transaction, and the potential effects and benefits of the transaction on SDK and any other statements about future expectations, are forward-looking statements that are based on management's beliefs, certain assumptions and current expectations and evaluated as such. Forward-looking statements are based on, among other things, opinions, assumptions, estimates and analyses that are inherently subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to differ materially from those expressed or implied by the forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward looking statements. These risks and uncertainties include, but are not limited to, general economic and market conditions and the satisfaction of the conditions to the consummation of the proposed transaction. Further, forward-looking statements speak only as of the date they are made, and SDK does not undertake any obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, except as required by laws.

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