NEWS RELEASE

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SDK Not to Renew Reaction Policy on Large-scale Share Purchases

Showa Denko (SDK) (TOKYO: 4004) has decided, at its Board of Directors' meeting today, not to renew its Reaction Policy on Large-scale Purchases of the Company's Stock Certificates (Takeover Defense) (hereinafter referred to as the "Reaction Policy"), which is due to expire at the close of its 108th ordinary general meeting of shareholders scheduled for March 30, 2017 (the "Ordinary Shareholders' Meeting"). SDK has also decided to propose a partial revision of its Articles of Incorporation to the Ordinary Shareholders' Meeting.

1. Non-renewal of Takeover Defense
   For the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders, the Company believes that, although proposals regarding the large-scale purchases of the Company's shares are made by specific persons, the decision whether to sell the Company's shares in response to such a proposal shall eventually be made based on the opinion of the shareholders which is reached after being given the sufficient information necessary for making an appropriate decision and sufficient time of consideration.

   Based on this basic policy and as its efforts to prevent inappropriate persons from controlling the Company's financial and business policy decisions, the Company introduced the Reaction Policy at the 99th ordinary general meeting of shareholders held on March 28, 2008 after with the approval of the shareholders. After that, the renewal of the Reaction Policy was approved at the 102nd ordinary general meeting of shareholders on March 30, 2011 and the 105th ordinary general meeting of shareholders on March 27, 2014 (the renewed and revised Reaction Policy is hereinafter referred to as the "Current Reaction Policy"). The Current Reaction Policy is valid until the close of the Ordinary Shareholders' Meeting.

   Meanwhile, Japan's Corporate Governance Code calls for a structure for transparent, fair, timely and decisive decision-making by companies and cooperation with shareholders and other stakeholders to increase corporate value over the mid- to long-term. The code also provides that all listed companies should ensure appropriate information disclosure and promote a constructive dialogue with shareholders.

   The Company has carefully studied the changes in social environment following the application of the Corporate Governance Code and other factors as well as their influence. As a result, the Company has decided not to renew the Current Reaction Policy at the close of the Ordinary Shareholders' Meeting.

   The Company will continue its efforts to enhance the Company's corporate value and the common interests of its shareholders. With regard to persons who intend to make large-scale purchases of the Company's stock certificates, the Company will ask them

to provide sufficient information necessary for the shareholders in making an appropriate decision regarding the propriety of such large-scale purchases. At the same time, the Company will disclose the opinion of its Board of Directors, secure sufficient time for consideration by shareholders, and take other steps within the framework of relevant laws, including the Financial Instruments and Exchange Act and the Companies Act.

2. Partial revision of Articles of Incorporation

(1) Purpose

As we have decided not to renew the Current Reaction Policy at the expiration of the term, we will delete Article 18 of our Articles of Incorporation and move up Article 19 and the following articles.

(2) Content

The content of the revision is as shown below:

Current Articles of Incorporation	Proposal for revision
Articles 1 to 17 (texts omitted) (Reaction Policy on Large-Scale Purchases) Article 18 ① This corporation may, by resolution of its board of directors, decide to introduce, amend or abolish a reaction policy (hereinafter referred to as "Reaction Policy") with respect to large-scale purchases of its stock, for the purpose of securing and enhancing its corporate value and the common interests of its shareholders. ② In addition to deciding the matters otherwise stipulated by law or these articles of incorporation, the general meeting of the shareholders of this corporation may, by its resolution, approve the Reaction Policy determined by the board of directors, and amend or abolish the Reaction Policy introduced previously. The resolutions for such approval, amendment or abolishment shall be made subject to Article 16, paragraph 1 hereof. ③ The board of directors may, pursuant to the Reaction Policy stipulated in the preceding paragraph, carry out an allotment of share options without contribution or allotment to shareholders, subject to the following matters and other conditions which the board of directors deems appropriate: 1. Conditions for exercising share options which preclude the exercise of rights by any parties stipulated in the Reaction Policy (hereinafter referred to as "Purchasers"); 2. Provisions regarding acquisition which stipulate that this corporation may, in acquiring a part of the relevant share options, only acquire the share options held by the holders of the share options excluding the Purchasers; and 3. Provisions regarding acquisition which stipulate that this corporation may acquire the relevant share options at different considerations, depending on whether the holder thereof falls within the description of a Purchaser.	Articles 1 to 17 (remain the same) (To be deleted)

Articles 19 to 42 (texts omitted)	Articles 18 to 41 (the same in content)

(3) Schedule

The revision of Articles of Incorporation will be referred to the ordinary general meeting of shareholders scheduled for March 30, 2017.

The revision of Articles of Incorporation will take effect on March 30, 2017.

For more information, contact:
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