NEWS RELEASE

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SDK Obtains Competition Authorities' Approval for SGL GE Acquisition and Decides to Transfer U.S. Business to Tokai Carbon

Showa Denko (SDK) (TOKYO: 4004) has obtained approval from all required competition authorities, including Germany and the United States, for its acquisition of SGL GE Holding GmbH (SGL GE) effective September 27, 2017 (US time). The transaction was announced earlier in our news release of October 20, 2016 entitled "Acquisition of the Graphite Electrode Business of SGL Carbon SE."

The U.S. competition authorities approved the acquisition on condition that SGL GE's graphite electrode business in the U.S. is sold, and SDK decided at its board meeting today to transfer that business to Tokai Carbon Co., Ltd. (Tokai Carbon), which the U.S. competition authorities have approved as the purchaser, after the closing.

SDK expects to acquire all shares in SGL GE on October 2, 2017. Soon after the acquisition, SDK will conclude an agreement with Tokai Carbon concerning the transfer of SGL GE's U.S. business. The business transfer will be completed in early November 2017.

By making SGL GE a subsidiary, SDK will obtain graphite electrode production bases in Europe and Southeast Asia, in addition to the existing bases in Japan, USA and China. As a result, SDK will become the leading supplier of graphite electrodes and will aim to further strengthen and expand the business. Showa Denko Carbon, Inc., SDK's subsidiary in the U.S., expects to increase the operating rate of its new facilities and reduce costs. SDK will also aim to quickly achieve the effect of global-scale integration of SGL GE with existing operations, thereby strengthening cost competitiveness. Thus, SDK will work to increase durability of the business and pursue further growth under the fiercely competitive business environment.

SDK will separately announce the final price for the SGL GE acquisition and the influence of the acquisition on SDK's fiscal 2017 performance as soon as the details are finalized.

1. Outline of business transfer
   (1) Business to be transferred

Name	SGL GE Carbon Holding LLC
Location	160, Greentree Drive Suite 101, Dover, DE, USA
Representative	Scott L. Carlton, President
Business	Production, sale, and R&D of graphite electrodes in the U.S.
Capital stock	$100
Establishment	February 3, 2016
Sales (2016)	$80.8 million
Production capacity	30,000 t/year [Hickman (early part of the process) and Ozark (latter part of the process) combined] (Accounting for 20% of SGL GE's total capacity of 150,000 t/year)
Employees	Approx. 140

Note: The above sales amount is based on a simple addition of indexes for SGL GE Carbon Holding LLC and its affiliates.

(2) Transfer method, enterprise value, and price

After SDK's acquisition of all SGL GE shares, SDK will transfer all shares in SGL GE Carbon Holding LLC (SGL GE's subsidiary for running its business in the U.S.) to Tokai Carbon. The enterprise value of the U.S. business is estimated at ¥16.5 billion and the share transfer price will be ¥12.9 billion (based on the exchange rate of ¥110 to the dollar).

Note: The price may change depending on the amount of actual assets, etc. at the time of share transfer.

2. Schedules

Sept. 28, 2017	Decision of SDK's board of directors
Oct. 2, 2017	SDK expects to acquire all shares in SGL GE.
Oct. 2, 2017	SDK and Tokai Carbon expect to conclude an agreement concerning the transfer of SGL GE Carbon Holding LLC shares.
Early Nov. 2017	All SGL GE Carbon Holding LLC shares will be transferred to Tokai Carbon.

3. Outline of the buyer

Name	Tokai Carbon Co., Ltd.	
Location	2-3, Kita-Aoyama 1-chome, Minato-ku, Tokyo	
Representative	Hajime Nagasaka, President and CEO	
Business	Production and sale of carbon black, graphite electrode, fine carbon, friction materials, and industrial furnace & related products	
Capital stock	¥20,436 million	
Establishment	April 1918	
Total assets (consolidated) (as of June 30, 2017)	¥158,903 million	
Net assets (consolidated) (as of June 30, 2017)	¥118,561 million	
Major shareholders and shareholding ratio (As of June 30, 2017)	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.57%
	Japan Trustee Services Bank, Ltd. (Trust Account)	7.03%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.53%
	Mitsubishi Corp.	3.00%
	Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2.79%
	The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	2.62%
	DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	2.13%
	Deutsche Bank AG, Frankfurt (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	2.00%
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.80%
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.61%

[Reference]

Outline of SGL GE

Name	SGL GE Holding GmbH
Location	Werner-von-Siemens-Str. 18, 86405 Meitingen, Germany
Representative	Klaus Unterharnscheidt, Managing Director
Business	Production, sale, and R&D of graphite electrodes
Establishment	December 11, 2015
Production bases	Six plants [in Germany, Austria, Spain, USA (two sites), and Malaysia]
Employees	Approx. 900

For more information, contact:
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