

# **NEWS RELEASE**

**SHOWA DENKO K.K.**

*13-9, Shiba Daimon 1-chome  
Minato-ku, Tokyo 105-8518*

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## **SDK to Withdraw from Commodity Aluminum Extrusions Business and Rationalize Operations by Reducing Personnel**

Showa Denko K.K. (SDK) decided at its board meeting today to withdraw from the business in commodity aluminum extrusions (centering on building materials) and reduce personnel in the Aluminum segment. These measures are part of SDK's efforts to fundamentally reform and strengthen its aluminum business in response to drastic changes in the economic conditions since last year. Outlines of these measures were included in SDK's "strategic concepts for 2011 and thereafter" announced on July 30.

SDK has decided to withdraw from the commodity aluminum extrusions business because demand for aluminum-based building materials has substantially declined due to the stagnant construction market and lower capital expenditures, reflecting the deterioration in corporate earnings.

SDK has made strenuous cost reduction efforts, including increases in production efficiency. However, there is no prospect of improvement in profitability amid continued deterioration in the business environment. SDK will contact its customers to explain the situation, and stop production of its commodity aluminum extrusions for building materials by the end of this year. Extrusion production lines at the Hikone Plant will be closed. In areas other than commodity and building materials, SDK will continue its aluminum extrusions business.

In addition to the said withdrawal, SDK will optimize production setup for its heat exchangers business, taking measures such as reassignment of employees. Thus, SDK will reduce personnel in the Aluminum segment, including employees for administrative functions.

Specifically, SDK will invite applications for voluntary retirement concerning employees at the Hikone and Oyama plants. The scope of voluntary retirement is not specified because the Company takes into consideration reassignments and natural attrition. Applications will be accepted by the end of this year.

SDK expects to record extraordinary losses of ¥1.5 billion pertaining to impairment of fixed assets (production facilities at the Hikone Plant, etc.) following the withdrawal from the commodity aluminum extrusions business. SDK also expects to record extraordinary losses of ¥3.7 billion as extra retirement benefits pertaining to the invitation of applications for voluntary retirement. These extraordinary losses are already included in the performance forecast for 2009 announced on July 30.

SDK is proceeding with drastic structural reform and optimization of production setup. By implementing these measures in 2009 and 2010, we will recover our profitability, which dropped in the second half of 2008, and prepare for the return to the track of sustainable growth in and after 2011.

[Reference] Performance forecast for full-year 2009 (Announced on July 30, 2009)

Consolidated basis (Millions of yen; %)

	Net sales	Operating income	Ordinary income	Net income
Performance forecast for 2009	670,000	- 17,000	- 34,500	- 46,500
2008 results	1,003,876	26,792	9,793	2,451

For further information, contact:  
IR & PR Office (Phone: 81-3-5470-3235)