

# **NEWS RELEASE**

**SHOWA DENKO K.K.**

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## **SDK to Transfer Business in Heat Exchangers for Automotive Air Conditioners**

Showa Denko K.K. (SDK) has reached basic agreement with Keihin Corporation (Keihin) to transfer the automotive air-conditioner heat exchanger business of SDK and its overseas subsidiaries to Keihin. Annual sales of the business are expected to reach approximately ¥27 billion in 2010.

SDK will first establish a new company to take over the business, and then transfer 60% of its shares to Keihin. The remaining 40%, to be owned by SDK, will also be transferred to Keihin within two years after the initial transfer. The two companies will conclude a final agreement in March 2011. The establishment of the new company and the initial transfer will take place by the end of 2011.

SDK has been producing aluminum heat exchangers, including condensers and evaporators, for sale to manufacturers of automobiles and automotive air-conditioning systems. In response to the substantial decline in car production in Japan, the United States and Europe due to the global recession in 2008, SDK carried out structural reform at its heat exchanger production sites in Japan, the United States and Europe. Meanwhile, in response to the growth of the automobile industry in emerging economies, SDK strengthened its supply capability at its heat exchanger production sites in China and Thailand. As a result, SDK has secured profitability of the business.

However, it is not clear when demand will recover in developed countries, and future growth of the global automobile industry is expected to be driven by emerging economies. Furthermore, competition will intensify because of the need to develop eco-friendly products and the trend toward lower-priced cars in emerging markets.

Under the circumstances, SDK has judged that it will be difficult to enhance competitiveness of a stand-alone heat exchanger business, and that it is essential to integrate the business into automotive air-conditioning system operations to ensure further growth.

Thus, SDK has decided to transfer its heat exchanger business to Keihin, a major automotive air-conditioning system maker and one of the main customers for the business.

After the transfer, SDK will further strengthen its Aluminum segment by allocating its resources to the development of high-value-added aluminum products where SDK will be able to have technical advantages and establish a strong presence in the market.

## Profile of Keihin

Company name	Keihin Corporation
Head office	Shinjuku Nomura Bldg. 39F, 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo
President & CEO	Kunimichi Odagaki
Scope of business	Development, production and sale of parts, components and systems for automobiles and transport equipment
Capital	¥6,932 million
Establishment	December 1956
Total assets	¥193,740 million (As of Mar. 31, 2010)
Net assets	¥136,502 million (As of Mar. 31, 2010)
Number of employees	16,009 (Consolidated; As of Mar. 31, 2010)
Major shareholders	Honda Motor: 41.33% Japan Trustee Services Bank: 6.03% (Trust Account) The Master Trust Bank of Japan: 5.21% (Trust Account)

Note: This matter will have no influence on SDK's performance for 2010.

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