

[Translation]

March 31, 2014

To whom it may concern

Company Name: Showa Denko K.K.
Representative: Hideo Ichikawa
President & CEO
(Code No. 4004, First Section
of Tokyo Stock Exchange)
Contact: Yoshiyuki Kusanagi
General Manager
Public Relations Office,
General Affairs & Human
Resources Department
Telephone: 03-5470-3235

Financing by Subordinated Loan and Repurchase and Cancellation of Subordinated Convertible Bonds due 2014 Issued by the Company and Exchangeable Perpetual Preferred Securities Issued by the Company's Overseas Special Purpose Company

At its Board of Directors' meeting held on March 31, 2014, the Company resolved on financing of an aggregate amount of JPY 24 billion by way of a subordinated loan (the "Subordinated Loan"), and the repurchase and cancellation of the subordinated convertible bonds due 2014 (the "Existing Subordinated CBs") issued by the Company and exchangeable perpetual preferred securities (the "Existing Preferred Securities") (the Existing Subordinated CBs and the Existing Preferred Securities, collectively referred to as the "Existing Hybrid Securities" and together with the Subordinated Loan, collectively referred to as the "Refinancing") issued by SD Preferred Capital Limited ("SD"), the Company's wholly-owned special purpose company.

1. Purpose and Background of the Refinancing

In October 2009, the Company engaged in a financing by way of a combination of a public offering of equity and the issuance of the Existing Hybrid Securities for the purpose of replenishing its capital as well as strengthening its financial structure, aiming for further growth through enrichment and acceleration of its growth area businesses and

strengthening of its core businesses. The Existing Hybrid Securities were of a nature of a debt while at the same time enjoyed a 75% equity credit granted by Japan Credit Rating Agency, Ltd. (the "Rating Company") and have contributed to the improvement of the Company's financial structure.

The Refinancing is in compliance with the Replacement clause (Note 1) of the Existing Hybrid Securities and the Subordinated Loan is expected to be granted an equivalent equity credit by the Rating Company. The Refinancing will enable the Company to effectively maintain its current capital while at the same time to decrease its financial costs. Furthermore, because the Subordinated Loan is not convertible to our common stock, there will be no stock dilution.

Note 1: The Company has represented its intent that it will not redeem, acquire or repurchase the Existing Hybrid Securities unless such redemption, acquisition or repurchase is within the amount financed by securities or debts which the Rating Company has acknowledged as having an at least equivalent, in terms of equity credit, of its common stock or the Existing Preferred Securities, and such financing occurs within 12 months prior to such redemption, acquisition or repurchase.

2. Summary of the Subordinated Loan

(1) Loan Amount	JPY 24 billion
(2) Use of Proceeds	Repurchase and cancellation of the Existing Hybrid Securities
(3) Signing Date	March 31, 2014
(4) Loan Execution Date	April 3, 2014
(5) Repayment date	April 3, 2074; provided, however, that prepayment in full or in part of the principal amount is permitted on any interest payment date after the expiration of five years from the loan execution date and in certain other specified circumstances.
(6) Applicable Interest Rate	

A floating rate of interest, based on six-month Euroyen LIBOR for the first five years; to thereafter step up by 1.0%.

(7) Replacement Clause

The Company has represented its intent that it will not prepay the Subordinated Loan unless such prepayment is within the amount financed by securities or debts (provided such instruments are, in principle, limited to those issued to parties other than the Company's subsidiaries or affiliates) which the Rating Company has acknowledged as having an at least equivalent, in terms of equity credit, of our common stock or the Subordinated Loan, and such financing occurs within 12 month prior to such prepayment.

(8) Constraints on Interest Payment

(a) Mandatory Suspension of Interest

In the event of occurrence of certain financial events, that the distributable amount is smaller than the interest amount or that dividends to the Preferred Shares (as defined in the Subordinated Loan agreement) have not been paid in full or in part, the payment of the interest shall be deferred (such deferred amount plus additional interest thereon will be referred to as the "Mandatory Unpaid Amount").

(b) Optional Suspension of Interest

The Company may, at its discretion, defer all or a portion of the interest on the Subordinated Loan under certain conditions.

(c) Mandatory Payment of Interest

In the event that the Company is to make a distribution of surplus or repurchase or redeem shares (excluding the Preferred Shares) during the period in which any Mandatory Unpaid Amount is outstanding (excluding certain cases including but not limited to repurchases obliged by relevant laws and regulations), the Company will make a practicably reasonable effort as a commercial enterprise to pay the interest and the Mandatory Unpaid Amount relevant to the next succeeding interest payment date of such distribution, repurchase or redemption (the "Mandatory Interest Payment Date") pursuant to the Subordinated Loan agreement and within the scope as set below in (d).

(d) Limitation of Source of Interest Payment

Excluding certain cases, the interest and the Mandatory Unpaid Amount in relation to a Mandatory Interest Payment Date shall only be payable from the amount financed by securities or debt (provided such instruments are, in principle, limited to those issued to parties other than the Company's subsidiaries or affiliates and limited to a certain amount) which the Rating Company has acknowledged as having an at least equivalent, in terms of equity credit, of our common stock or the Subordinated Loan.

(9) Subordination

In the event liquidation proceedings are commenced, the decision to commence bankruptcy proceedings is made, or the decision to commence corporate reorganization, civil rehabilitation, or any other similar proceedings is made outside of Japan against the Company or any such or similar proceedings under non-Japanese laws, the creditor under the Subordinated Loan may request for a repayment under the same seniority as the Company's outstanding Preferred Shares after the repayment of all liabilities in full excluding the Subordinated Loan or other liabilities of the same seniority to the Subordinated Loan.

(10) Equity Credit

Expected to be granted equity credit of "75" by Japan Credit Rating Agency, Ltd.

3. Outline of the Repurchase and Cancellation of the Existing Hybrid Securities

(1) Securities to be Repurchased and Cancelled

Subordinated Convertible Bonds due 2014 issued by the Company and Exchangeable Perpetual Preferred Securities Issued by SD

(2) Purchaser

The Company (for the Existing Subordinated CBs)
SD (for the Existing Preferred Securities)

(3) Date of Repurchase and Cancellation

Scheduled for April 9, 2014 for both the Existing Subordinated CBs and the Existing Preferred Securities

(4) Repurchase Amount (Aggregate Face Amount)

JPY 24 billion for the Existing Subordinated CBs and the Existing Preferred Securities, respectively.

(5) Outstanding Amount after Repurchase and Cancellation

There will be no outstanding amount after the repurchase and cancellation for both the Existing Subordinated CBs and the Existing Preferred Securities.

4. Anticipated Impact to our Performance

The above contemplated transaction will only have a minor effect on the Company's consolidated performance projections for the fiscal period ended December 2014.

The Refinancing will result in a decrease of JPY 24 billion of net assets and an increase of the same amount of interest-bearing-debts on the Company's consolidated balance sheet. This is because the Subordinated Loan will be accounted under "interest-bearing-debts" whereas the Existing Hybrid Securities are accounted under "minority interests" on the Company's consolidated balance sheet.

(Reference)

Summary of the Existing Hybrid Securities

1. Subordinated Convertible Bonds due 2014 issued by the Company

- (1) Issue Date October 14, 2009

- (2) Aggregate Issue Amount JPY 24 billion

- (3) Interest Rate 4.88444% for the first five years; six months Yen LIBOR+500bp for the sixth year and on

- (4) Conversion Price JPY 291

2. Exchangeable Perpetual Preferred Securities Issued by SD

- (1) Issue Date October 14, 2009

- (2) Aggregate Issue Amount JPY 24 billion

- (3) Dividend Rate 4.88444% for the first five years; six months Yen LIBOR+500bp for the sixth year and on

Outline of the Contemplated Refinancing

