



March 4, 2021

To whom it may concern

Name of Listed Company	Showa Denko K.K.
Code Number	4004 TSE First Section
Name of Representative	Kohei Morikawa, President & CEO Yunia Kagawa
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Notice of Execution of Basic Agreement regarding Tender Offer over Subsidiary

Showa Denko K.K. (hereinafter referred to as the “**Company**”) hereby announces that, as of today, the Company has entered into: (i) a basic agreement (hereinafter referred to as the “**Basic Agreement**”) setting forth the application for 3,160,306 shares of SHOKO CO., LTD. (Code number 8090, listed on the First Section of Tokyo Stock Exchange; hereinafter referred to as “**SHOKO**”), the Company's consolidated subsidiary, among the shares of SHOKO owned by the Company, in a tender offer for the common shares issued by SHOKO (hereinafter referred to as the “**SHOKO Shares**”), that will commence on March 5, 2021, with such tender offer being made by SKT Holdings Ltd. (hereinafter referred to as “**SKTHD**”), a wholly-owned subsidiary of iSigma Business Advancement Fund III Investment LLP (hereinafter referred to as “**iSigma Business Advancement Fund III**”) managed and operated by iSigma Capital Corporation (hereinafter referred to as “**iSigma Capital**”); and (ii) a shareholder agreement (hereinafter referred to as the “**Shareholder Agreement**”) with iSigma Business Advancement Fund III that governs the handling of the SHOKO Shares owned by the Company and SKTHD.

Notes

1. Reasoning Behind Applying for this Tender Offer

SHOKO was founded in May 1947 for the purpose of domestic sales and the import/export of chemicals and fertilizers. SHOKO Shares were listed on the Second Section of the Tokyo Stock Exchange, Inc. (hereinafter referred to as “**TSE**”) in June 1962, and moved on to be listed on the TSE First Section in June 1981. SHOKO expanded its business and products over time, and is now handling various kinds of components and products as a general trading company dealing with chemicals, resins and metal ceramics, etc.

SHOKO considered the 2019- 2021 period to be a stage for establishing a base of sustainable growth

for the future in its mid-term management plan announced in 2018 in order to establish a stable revenue base for the existing business and realize sustainable growth in the mid- and long term. SHOKO developed Project Swing-by to promote reforms and is now working on three reforms; “business structural reform”, “business management reform” and “human resource reform”.

Meanwhile, the Company also aims to become a world-class, functional chemical manufacturer that can realize breakthroughs collectively with the Company’s material technology in the midstream, Showa Denko Materials’ application technology in the downstream, and the assessment and analysis technology of these two as the driving force of growth in electronics, mobility and life science as the Company showed in “The Long Term Vision of the Consolidated New Company (2021 – 2030) announced on December 10, 2020.

The Company has been considering measures to improve corporate value by resolving reform issues in mid-term business plans at SHOKO under a rapidly changing business environment. Under these circumstances, the Company received a proposal from iSigma Capital to improve corporate value at SHOKO. Upon careful consideration of the proposal, the Company has come to the conclusion that SHOKO can further accelerate growth and increase its corporate value through facilitating the development of customers and sales channels, expanding its product lineup, improving profitability by taking advantage of economies of scale, improving management efficiency, and so on, by utilizing the domestic and overseas networks and management know-how of iSigma Capital and its parent company, Marubeni Corporation, as well as its group companies. Therefore, the Company has today determined to enter into the Basic Agreement with SKTHD Holdings.

Further, the Shareholder Agreement has also been executed today with iSigma Business Advancement Fund III in view of the fact that the Company will continue to hold a part of the SHOKO Shares after the tender offer. The Company has agreed on the business operations of SHOKO after this transaction, such as the appointment of certain candidates to become directors of SHOKO, and the handling of the SHOKO Shares after this transaction.

If the tender offer is successful, SHOKO will cease to be one of the Company's consolidated subsidiaries due to the application made by the Company for the tender offer. However, the Company plans to continue the business relationship with SHOKO even after the tender offer is executed.

2. Overview of Shoko Co., Ltd.

(1) Name	Shoko Co., Ltd.	
(2) Address	4-1, Shiba Koen 2-Chome, Minato-ku, Tokyo	
(3) Title and name of representative	Representative Director & President Junichi Inaizumi	
(4) Business description	Sale of chemicals, resins, metals and other industrial materials	
(5) Capital amount	8,021 million yen (as of December 31, 2020)	
(6) Date of incorporation	May 28, 1947	
(7) Major shareholders	Showa Denko Corp.	43.79%

and shareholding ratio*	The Master Trust Bank of Japan, Ltd. (Trust Account)		3.06%
	Japan Trustee Services Bank, Ltd. (Trust Account)		1.34%
	Shoko Co., Ltd. Employees Shareholding Association		1.33%
	Japan Trustee Services Bank, Ltd. (Trust Account 5)		1.30%
	Sompo Japan Insurance Inc.		0.93%
	Mizuho Bank, Ltd.		0.87%
	Takako Nakama		0.84%
	Nobuyuki Nakama		0.71%
	Japan Trustee Services Bank, Ltd. (Trust Account 1)		0.67%
(8)	Relationship between the Company and this Company		
	Capital relationship	The Company holds 43.79%** of the shares outstanding (excluding treasury shares) of SHOKO.	
	Personnel relationship	The Company's employees are seconded to SHOKO.	
	Business relationship	The Company currently provides a loan to SHOKO. Furthermore, the Company and SHOKO are involved in the sale and purchase of chemicals, light metal and ceramic materials.	
	Status as related party	SHOKO is a consolidated subsidiary of the Company, and therefore, SHOKO is regarded as a related party of the Company.	
(9) Consolidated results of operations and financial position of the Target			
Fiscal year	Ended December 2018	Ended December 2019	Ended December 2020
Net assets (million yen)	8,878	10,842	13,433
Total assets (million yen)	60,979	58,141	56,113
Net assets per share (yen)	789.04	965.34	1,198.74
Revenue (million yen)	130,502	119,960	100,726
Operating profit (million yen)	1,882	2,149	1,297
Ordinary profit (million yen)	2,060	2,484	1,625
Net profit attributable to the shareholders of the parent (million yen)	1,527	1,814	2,585
Net profit per share (yen)	139.59	165.85	236.38
Dividend per share (yen)	0.00	0.00	0.00

* The shareholding ratio is based on the shares outstanding (excluding treasury shares) as of June 30, 2020, as stated in the Report for the Second Quarter of the 101st Term submitted by SHOKO on August 12, 2020.

** The shareholding ratio is based on the net shares outstanding (10,938,570 shares), whereby the

treasury shares held by SHOKO (332,898 shares) have been subtracted from the total shares outstanding (11,271,468 shares) as of December 31, 2020, as stated in the Consolidated Financial Results Summary for the fiscal year ended December 2020, which was submitted by SHOKO on February 12, 2021. Please note that the ratio has been rounded off to two decimal places.

3. Outline of SKT Holdings Ltd.,

(1) Name	SKT Holdings Ltd.,	
(2) Address	5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo	
(3) Title and name of representative	CEO and Representative Director Akihiko Watanabe	
(4) Business descriptions	1. Acquisition, holding, administration and disposition of shares 2. Providing services ancillary to the above	
(5) Capital	10,000 yen	
(6) Date of incorporation	October 16, 2020	
(7) Major shareholders and shareholding ratio	iSigma Business Advancement Fund III Investment LLP	100%
(8) Relationship between the Company and this company	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Status as related parties	N/A

4. Number of shares, acquisition price, status of owned shares prior to and after acquisition to apply for this tender offer

(1) Number of shares owned prior to application	4,790,153 shares (Number of voting rights: 47,901) (Ratio of voting rights owned: 44.01%*)
(2) Number of shares planned for subscription	3,160,306 shares (Number of voting rights: 31,603)
(3) Transfer price	2,515,603,576 Yen (796 Yen per share)
(4) Number of shares owned after this tender offer	1,629,847 shares (Number of voting rights: 16,298) (Ratio of voting rights owned: 14.97%*)

* The ratio of voting rights owned sets forth the ratio compared to the number of voting rights (108,850) as of September 30, 2020, as published in the Report for the Third Quarter of the 101st Term submitted by SHOKO on November 13, 2020.

5. Future outlook

In the event that the Company applies for the tender offer in accordance with the Basic Agreement, and when this tender offer is successful, SHOKO will no longer be a consolidated subsidiary of the Company.

While the effect on the Company's results for this term is expected to be minor, an announcement will be made promptly in the case that it becomes clear going forward that there will be a material effect.

End.