

# NEWS RELEASE

SHOWA DENKO K.K.

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## SDK to Split and Transfer GaN LED Business

Showa Denko K.K. (SDK) decided at its board meeting today to split and transfer its gallium-nitride (GaN) LED epitaxial wafer/chip business to its wholly owned subsidiary TS Opto Co., Ltd. (TS Opto). SDK and TS Opto today concluded an absorption-type company split agreement.

(Since this is a case of “simplified absorption-type company split” involving SDK and its wholly owned subsidiary, part of the details are omitted from the scope of disclosure.)

### 1. Purpose of company split

GaN LEDs are used in many applications, including LCD TV/PC backlight and illumination, and their demand is expected to grow in the coming years. As the market requires more energy-saving and lower-cost product, it is necessary for GaN LED manufacturers to improve LED brightness and production efficiency while expanding supply capacity.

Under the circumstances, SDK had already reached basic agreement with Toyoda Gosei Co., Ltd. (Toyoda Gosei), a world leader in the GaN LED business, to establish a joint venture in order to strengthen the business. This time, SDK has decided to transfer its GaN LED business to TS Opto effective December 1, 2012 through an absorption-type company split, and transfer 70% of common shares in TS Opto to Toyoda Gosei on the same date, thereby making TS Opto a joint venture between SDK and Toyoda Gosei. The absorption-type company split is a measure to achieve the above-mentioned goal.

### 2. Outline of company split

#### (a) Schedules

Today, SDK approved the absorption-type company split agreement at its board meeting, and TS Opto approved the same agreement at its shareholders' meeting. Also today, the agreement was concluded between the two companies. The agreement is scheduled to take effect on December 1, 2012.

Note: This transaction falls under the category of a simplified company split for SDK, which is the splitting company. Thus, SDK will not refer the company split agreement to its shareholders' meeting for approval.

#### (b) Method of split

This will be an absorption-type company split, with SDK serving as the splitting company and TS Opto as the succeeding company.

#### (c) Allotment of TS Opto shares following the company split

TS Opto will deliver 19,400 common shares to SDK at the time of the absorption-type company split.

- (d) Handling of share options and bonds with share options, for the splitting company While SDK has issued Euro-Yen convertible bonds with warrants (with subordination clause) due 2014, this transaction will have no influence.
- (e) Change in capital stock following the split  
There will be no increase or decrease in the amount of SDK's capital stock.
- (f) Rights and obligations to be transferred  
With regard to the rights and obligations pertaining to SDK's GaN LED business, TS Opto will succeed to rights and obligations as defined in the absorption-type company split agreement.
- (g) Prospect for the discharge of liabilities  
As for the liabilities TS Opto will assume following the absorption-type company split, we consider that there will be no problem with regard to their discharge.

3. Profile of the two companies involved in the company split agreement (As of October 23, 2012)

	Splitting company	Succeeding company
Company name	Showa Denko K.K.	TS Opto Co., Ltd.
Head office	13-9, Shiba Daimon 1-chome, Minato-ku, Tokyo	5-1, Yawata Kaigan Dori, Ichihara City, Chiba Prefecture
President	Hideo Ichikawa	Masakazu Maki
Scope of business	Production and sale of petrochemicals, gas products, specialty chemicals, electronics, inorganics, aluminum, etc.	Production and sale of GaN LEDs, etc.
Capital stock	¥140,564 million	¥5 million
Establishment	June 1, 1939	August 29, 2012
No. of shares issued	1,497,112,926	200
Accounting term	Ending December 31	Ending March 31
Major shareholders (As of December 31, 2011)	The Master Trust Bank of Japan: 6.02% (Trust Account) Japan Trustee Services Bank: 4.61% (Trust Account) Fukoku Mutual Life Insurance: 3.68% Dai-ichi Life Insurance: 3.01% National Mutual Insurance Federation of Agricultural Cooperatives: 3.00%	Showa Denko: 100%
Net assets	¥295,745 million (Consolidated)	¥10 million
Total assets	¥941,303 million (Consolidated)	¥10 million
Net assets per share	¥168.33 (Consolidated)	¥50,000
Net sales	¥854,158 million (Consolidated)	--
Operating income	¥47,357 million (Consolidated)	--
Ordinary income	¥40,018 million (Consolidated)	--
Net income	¥16,980 million (Consolidated)	--
Net income per share	¥11.35 (Consolidated)	--

Note: Figures for the sections from net assets through net income per share for SDK are based on its statement of accounts for the fiscal year ended December 31, 2011.

4. Outline of the business division to be split
- (a) Scope of business subject to split:  
SDK's production of GaN LED epitaxial wafers and chips

- (b) Performance of the business division to be split (as of December 31, 2011):  
Net sales: ¥5,322 million  
(While sales activities will not be transferred to TS Opto, SDK will stop selling GaN LEDs as of the effective date, in principle.)
- (c) Items of assets and liabilities to be split, and their amounts (as of December 31, 2011):  
Current assets: None                                      Current liabilities: ¥182 million  
Noncurrent assets: ¥1,500 million                      Noncurrent liabilities: None

#### 5. Situation of the listed company and the succeeding company after split

	Listed company	Succeeding company after absorption-type company split
Company name	Showa Denko K.K.	TS Opto Co., Ltd.
Head office	13-9, Shiba Daimon 1-chome, Minato-ku, Tokyo	5-1, Yawata Kaigan Dori, Ichihara City, Chiba Prefecture
President	Hideo Ichikawa	Masakazu Maki
Scope of business	Production and sale of petrochemicals, gas products, specialty chemicals, electronics, inorganics, aluminum, etc.	Production and sale of GaN LEDs, etc.
Capital stock	¥140,564 million	¥490 million
Accounting term	Ending December 31	Ending March 31

#### 6. Future prospect

This company split will have only slight influence on SDK's consolidated and non-consolidated performance. There is no change in our consolidated performance forecast for 2012 due to this absorption-type company split.

[Reference] SDK's performance forecast for 2012 and actual results in 2011

(In millions of yen, except net income per share)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Business results in 2011 (Consolidated)	854,158	47,357	40,018	16,980	¥11.35
Performance forecast for 2012 (Consolidated)	790,000	42,000	36,000	18,000	¥12.03

Note: The performance forecast for 2012 was announced on August 1, 2012.

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