

July 14, 2014
DENKI KAGAKU KOGYO KABUSHIKI KAISHA
(DENKA)

DENKA to Establish a New Subsidiary in China to Produce ALSINK for High-Speed Rolling Stock

DENKA hereby announces its decision to establish a new manufacturing base in China to produce ALSINK, a highly-reliable thermal conductive plate for the power modules used in high-speed rolling stock.

ALSINK constitutes one of the flagship items handled by DENKA's Electronics & Innovative Products Division and is incorporated in railcars around the world, including those used for high-speed rolling stock, as a high-performance thermal conductive plate that plays an indispensable role in enhancing the reliability of power modules. Going forward, demand for such heat dissipaters is expected to grow worldwide, especially in China, where such major railcar manufacturers as China CNR Corporation Limited and CSR Corporation Limited are driving the market. With this in view, DENKA decided to establish a new subsidiary and plant in Dalian, Liaoning Province. Specifically, the new plant will strive to ensure the stable supply of high-quality products that are equivalent to those produced at the Omuta Plant, one of DENKA's mainstay domestic production bases. We will thereby reinforce the product's supply system with an eye to proactive business expansion.

DENKA is promoting the DENKA100 management plan, which sets out "Focus management resources on new growth drivers and develop next-generation products" and "Create the most optimal production system" as growth strategies. We have positioned ALSINK as a growth driver that bolsters our operations in the environment and energy fields and will secure a production base to manufacture this product in China, where demand is expected to grow, thereby helping create the most optimal production system.

Outline of New Subsidiary

1. Company name: DENKA ELECTRONICS MATERIALS DALIAN Co., LTD. (scheduled)
2. Location: Dalian, Liaoning Province, China
3. Shipment of mass-produced products:
Commences by the end of 2015 (scheduled)
4. Investment: Approx. ¥1 billion (100% made by DENKA)
5. Workforce: Approx. 40 employees (as of 2015)
6. Sales target: Approx. ¥4 billion (fiscal 2017 annual total sales of ALSINK)

About ALSINK

Railcars incorporate the power modules in inverters to control their motors have long used copper heat dissipation plates. However, copper plates are heavy while lacking sufficient durability to withstand cooling-heating cycles over the long term. In response to a growing call for materials that replace copper, especially to meet market requirements regarding long-term product reliability, DENKA developed a Metal Matrix Composite (MMC) that is a composite of aluminum and silicon carbide, hence the name ALSINK. In 2002, DENKA initiated the sale of ALSINK, with its Omuta Plant (Omuta City, Fukuoka Prefecture) serving as its production base for this product.

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