

We aim to establish ourselves as the “unique chemical company with individualized products.”

First Quarter, 2006 Financial Results

- Consolidated -

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This presentation contains statements relating to management’s projections of future profits and expectations for the Company’s product development program. The Company cannot guarantee that these expectations and projections will be realized or correct. Please note that actual results may differ materially from the forecast due to a variety of factors, including changes in the market conditions. The timely commercialization of products under development by the Company may be disrupted or delayed by a variety of factors, including market acceptance, and the introduction of new products by competitors. The foregoing list of factors is not inclusive.

Consolidated Companies

- Consolidated subsidiaries: 43
 - Newly consolidated: 1
 - Taiwan Showa Chemicals Manufacturing Co., Ltd.
 - Excluded from the consolidation: none
- Equity method applied: 24
 - Newly applied: none
 - Excluded: none

Selected Data

	CQ1 2006	CQ1 2005	Increase
■ Exchange rate: ¥/US\$	116.9	104.5	Yen weakened by ¥12.4/\$
■ Domestic naphtha price: ¥/kl	46,100	33,200	+12,900
■ Aluminum LME price: US\$/T	2,444	1,887	+557

Summary

Jan. 1 – Mar. 31, 2006 vs. Jan.1 – Mar. 31, 2005

(Unit: Billions of Yen)

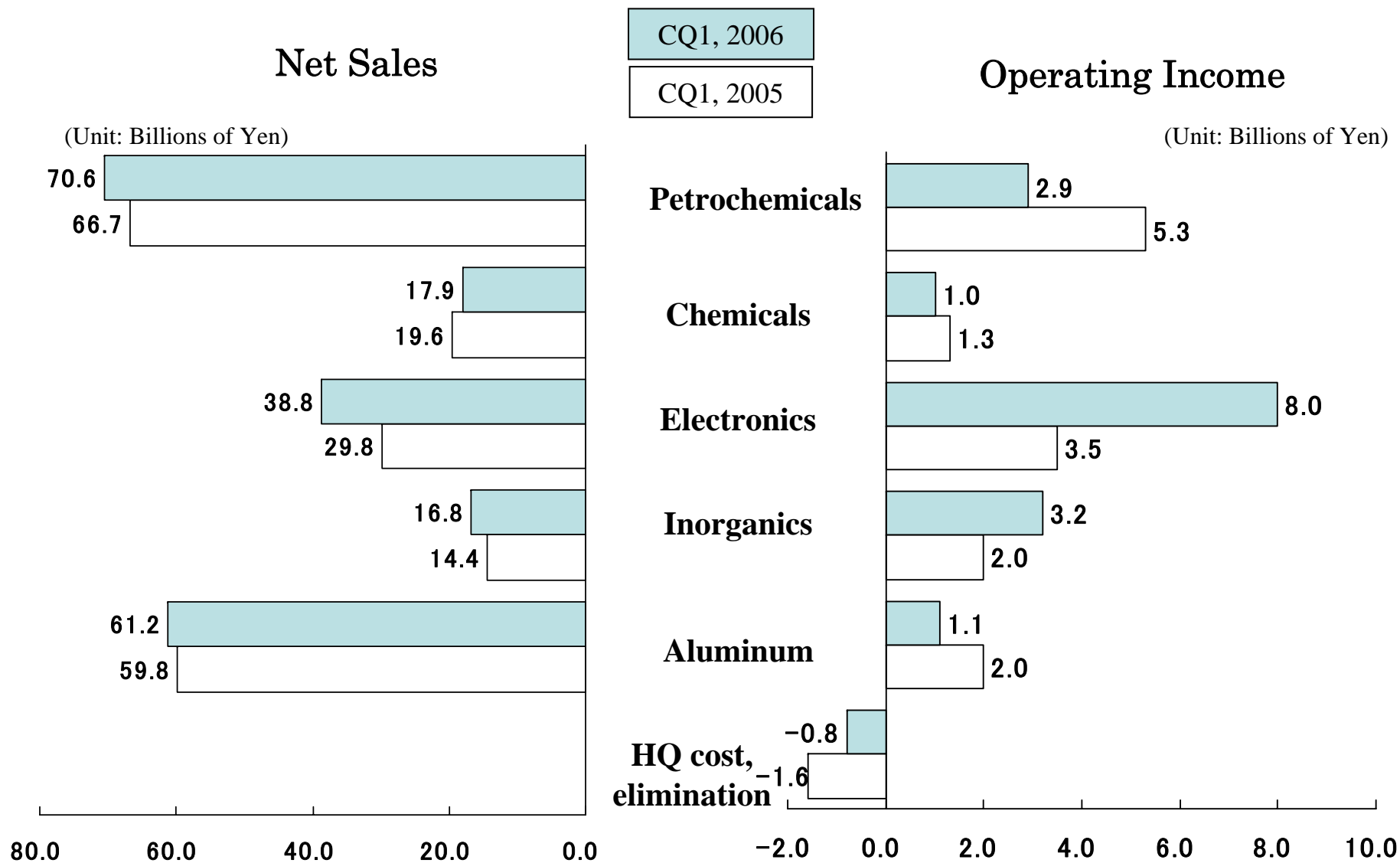
	CQ1, 2006	CQ1, 2005	Increase	
Net Sales	205.4	190.2	15.2	8.0%
Operating Income	15.4	12.5	2.9	23.4%
[Ratio to net sales]	7.5%	6.6%	+0.9 point	
Interest/Dividend income less interest expenses	-1.6	-2.2	0.6	
Equity Method	0.6	0.9	-0.3	
Ordinary Income	12.8	10.4	2.5	23.7%
Extraordinary Profit	0.6	3.8	-3.2	
Extraordinary Loss	-0.5	-0.4	-0.1	
Net Income before taxes	12.9	13.8	-0.9	
Corporate Taxes	-4.1	-0.1	-4.0	
Minority Interests	-0.9	-0.5	-0.3	
Net Income	7.9	13.1	-5.3	-40.1%

Extraordinary Profit/Loss

(Unit: Billions of Yen)

	CQ1 2006	CQ1 2005	Increase
■ Extraordinary Profit	0.6	3.8	-3.2
● Gain on the sale of investment securities	0.0	2.9	-2.8
● Other	0.6	0.9	-0.4
■ Extraordinary Loss	-0.5	-0.4	-0.1
● Loss on sale or disposal of fixed assets	-0.2	-0.1	-0.1
● Other	-0.4	-0.3	-0.0
■ Extraordinary Profit/Loss, Net	0.1	3.4	-3.3

Sales and Operating Income by Segment



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1 2006	CQ1 2005	Increase	Increase by Business
Petrochemicals	70.6	66.7	+3.9	Olefins: maintained at the year-earlier level (volume down due to maintenance shutdown, but price up) Organic chemicals: price up
Chemicals	17.9	19.6	-1.7	Sold SDS Biotech K.K., in the first half of 2005. AN: price up Shoprene • PAS • amino acids: continued brisk demand. vitamin C: slightly decreased .
Electronics	38.8	29.8	+9.0	HDs: sales volume increase. Compound semiconductors: maintained at the year-earlier level Specialty gases: volume up
Inorganics	16.8	14.4	+2.4	Ceramics: alumina price up Carbons: graphite electrodes in tight supply in domestic and overseas markets
Aluminum	61.2	59.8	+1.4	Ingots: sales slightly increased (price up) Shotoc: sales volume increased Heat exchangers: sales volume increased in Japan and North America
Total	205.4	190.2	+15.2	

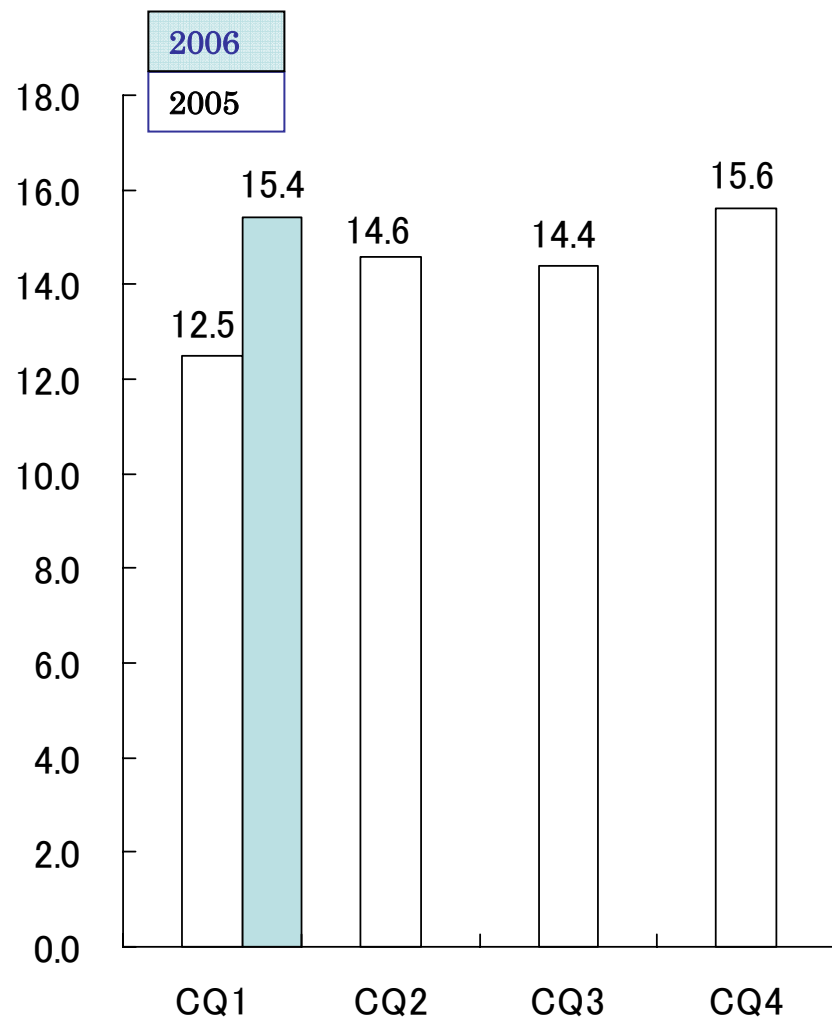
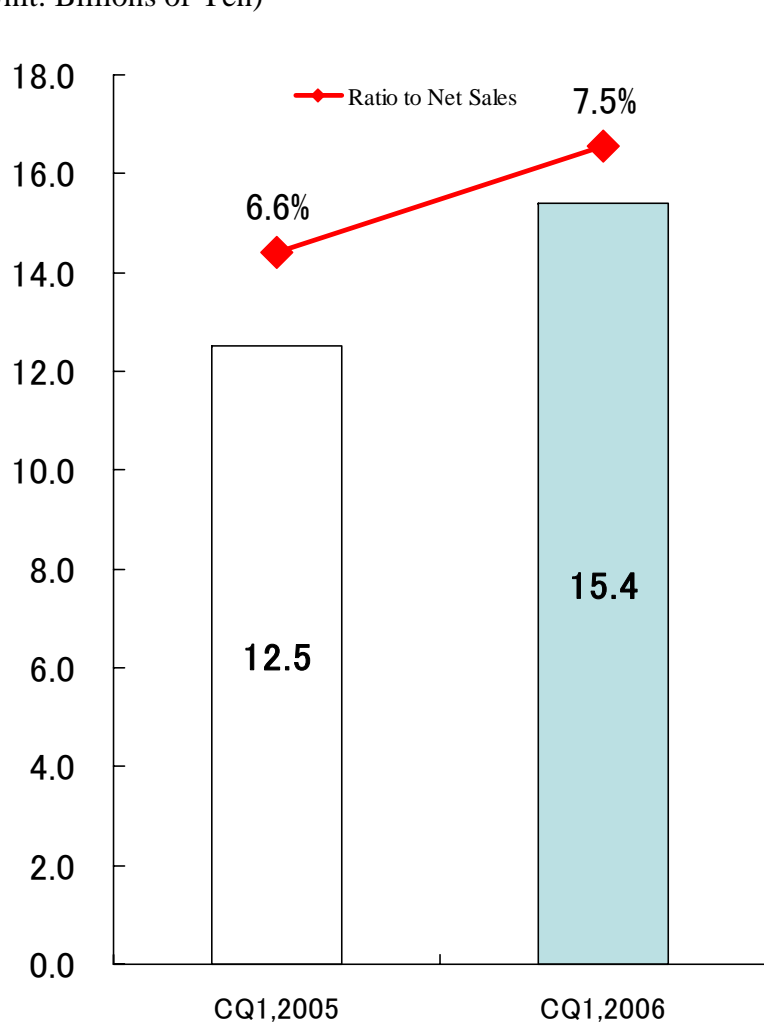
Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1 2006	CQ1 2005	Increase	Increase by business
Petrochemicals	2.9	5.3	-2.3	Olefins: volume down due to maintenance shutdown
Chemicals	1.0	1.3	-0.3	Sold SDS Biotech's K.K, shipment volumes of vitamin C for feed additive decreased. AN: rise in the raw material costs.
Electronics	8.0	3.5	+4.5	HD: volume increase thanks to capacity expansion Compound semiconductors: sales volume slightly increased. Specialty gases: sales volume increase. Rare earth: operating income decreased slightly due to a rise in the raw material costs.
Inorganics	3.2	2.0	+1.3	Ceramics: maintained at the year-earlier level. Graphite electrode: increased due to steady demand.
Aluminum	1.1	2.0	-0.9	Aluminum cans, rolled products: operating income dropped due to the rise raw material costs.
HQ costs, elimination	-0.8	-1.6	+0.7	
Total	15.4	12.5	+2.9	

Operating Income, Quarterly

(Unit: Billions of Yen)



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Mar. 31, 2006	Dec. 31, 2005	Increase	Liabilities and Stockholders' Equity	Mar. 31, 2006	Dec. 31, 2005	Increase
Cash and deposits	29.3	37.3	-8.0	Accounts payable	124.2	140.2	-15.9
Accounts receivable	145.6	161.1	-15.4	Interest-bearing debt	445.8	448.8	-3.1
Inventories	80.8	77.3	3.4	Other liabilities	159.2	141.4	17.8
Other current assets	42.7	42.4	0.3	<u>Total Liabilities</u>	<u>729.2</u>	<u>730.4</u>	<u>-1.2</u>
<u>Current Assets</u>	<u>298.3</u>	<u>318.0</u>	<u>-19.7</u>	Minority Interests	47.8	49.1	-1.2
Tangible fixed assets	515.2	510.9	4.3	Common stock	110.5	110.5	0.1
Intangible fixed assets	23.6	24.3	-0.6	Additional paid -in capital	11.2	11.1	0.1
Investments and other	135.3	133.0	2.3	Retained earnings	26.3	21.9	4.4
<u>Total fixed assets</u>	<u>674.2</u>	<u>668.2</u>	<u>6.0</u>	Revaluation surplus -Land	24.2	42.3	-18.2
				Evaluation surplus -Investment securities	21.4	19.5	1.9
				Foreign currency translation adjustments	2.1	1.6	0.5
				Treasury stock	-0.1	-0.1	-0.0
				<u>Total stockholder's equity</u>	<u>195.4</u>	<u>206.7</u>	<u>-11.3</u>
Total Assets	972.5	986.2	-13.7	Total liabilities, minority interests and Stockholders' equity	972.5	986.2	-13.7

Total Assets

Interest-bearing Debt and D/E ratio

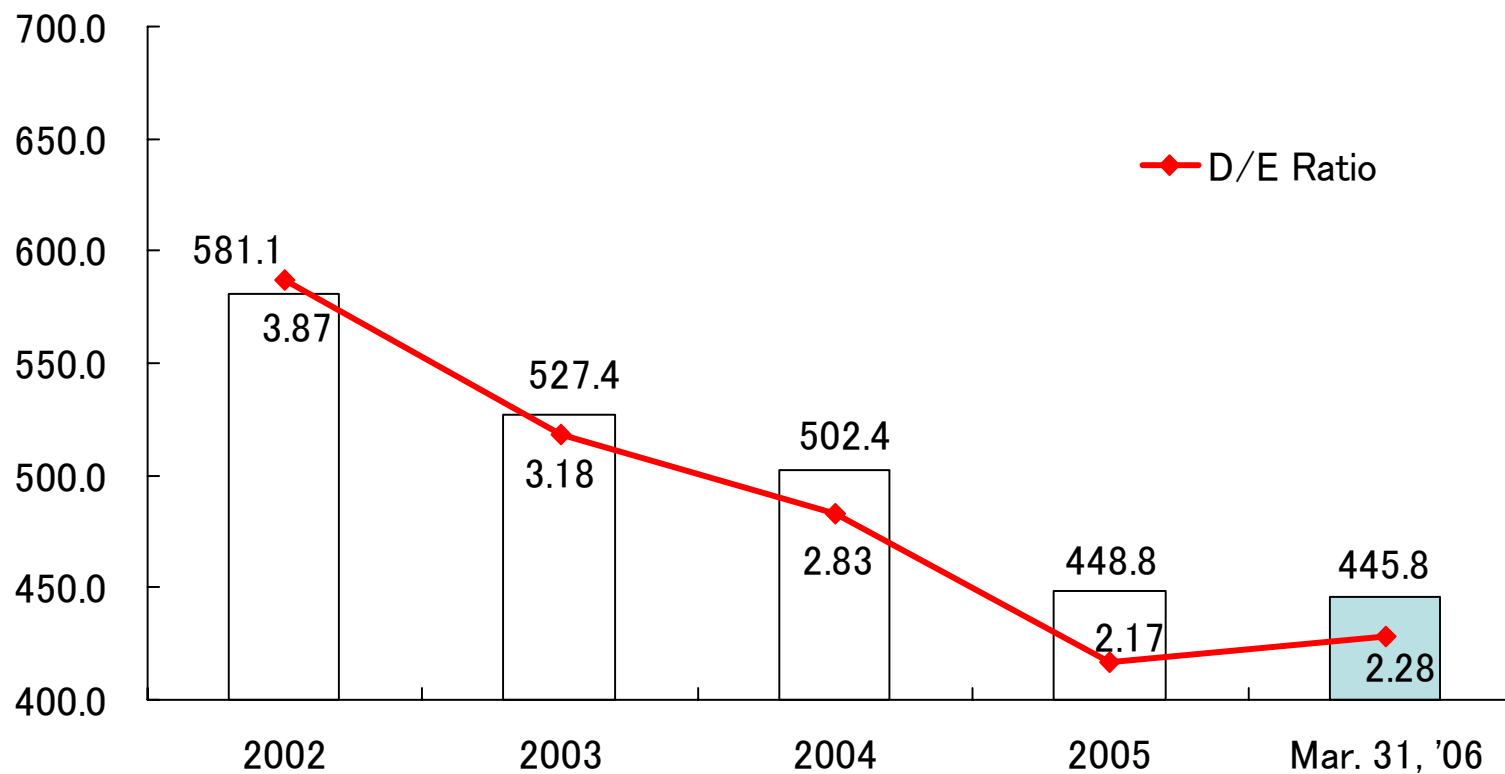
- **Total assets** **¥972.5 billion**
(Down by ¥13.7 billion from Dec. 31, 2005)
- **Interest-bearing debt** **¥445.8 billion**
(Down by ¥3.1 billion from Dec.31, 2005)
- **Debt/Equity ratio** **2.28times**
(Up 0.11 point from Dec. 31, 2005) (note)
- **Stockholders' Equity ratio** **20.1%**
(Down 0.9 point from Dec. 31, 2005) (note)

(note) Stockholder's equity decreased due mainly to the fall in land revaluation reserve following adoption of move conservative accounting standards.

Interest-bearing Debt

2002 – Mar. 31, 2006

(Unit: Billions of Yen)



Equity ratio	15.2%	17.7%	18.8%	21.0%	20.1%
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Topics

■ Petrochemicals

● Further diversification of ethylene feedstock and capacity expansion

- ◆ SDK modified its ethylene plant to increase the use of non-naphtha feedstock, and increased the production capacity by 24,000 tons/year.

● Expansion of Acetic Acid/Vinyl Acetate production capacities

- ◆ SDK increased its production capacity of acetic acid from 100,000 tons per year to 130,000 tons per year, and that of vinyl acetate from 120,000 tons per year to 175,000 tons per year, respectively.

● Development of a new grade of *Pichit* moisture removal sheet

- ◆ SDPP, a consolidated subsidiary of SDK, developed a new grade of *Pichit* moisture removal sheet for perishable foods. The new grade features a good design suitable for use as a gift.

● Establishment of a new company for production of PP bands

- ◆ Heisei Polymer Co., Ltd., a consolidated subsidiary of SDK, established a joint venture with Tsukasa Chemical Industry Co., Ltd. and Dan Sangyo K.K. to jointly produce polypropylene-based bands for use as binding tapes.

Topics

■ Chemicals

- **Launch of “gentle-to-hair” new curling agent**
 - ◆ SDK started selling “gentle-to-hair” new curling agent, which efficiently gives natural curling, under the trade name of *Spiera*.

- **Launch of new additive for photo-curing resins**
 - ◆ SDK started selling multifunctional-thiol-based compounds for addition to photo-curing resins to improve their performances. The product, sold under the trade name of *Karenze MT*, represents the world’s first commercial production of multifunctional-thiol-based compounds for this application.

Topics

■ Electronics

● HD media production capacity expanded

to 13.75 million disks per month

- ◆ SDK expanded its hard disk (HD) media production capacity by 3.05 million disks a month, to 13.75 million disks a month.

● SDK's 0.85-Inch HD Media adopted in Toshiba's mobile phone

- ◆ SDK's 0.85-inch-diameter hard disk media, the smallest in the world, has been adopted by Toshiba Corporation in its latest mobile phone "MUSIC-HDD W41T."

● Building New HD media plant in Singapore

- ◆ SDK is building a new HD media plant in Singapore for start-up in November 2006.
- ◆ SDK's HD media production capacity will increase to 24 million per month by the end of 2008.

Topics

■ Inorganics

- **Increased production of 30"- and 32"-diameter graphite electrodes**
 - ◆ To meet growing demand from electric arc furnace steelmakers, we decided to increase our production of large-sized graphite electrodes. SDK is providing both 30-inch-diameter and the world's largest 32-inch-diameter electrodes.

- **Development of large-sized sintered compacts of CBN**
 - ◆ In April, SDK started selling sintered compacts of cubic boron nitride to be used mainly for cutting automotive parts. The compacts can be provided in thicknesses at the highest levels in the world.

- **Joint F/S for alumina project in Indonesia**
 - ◆ SDK reached agreement with PT. ANTAM Tbk of Indonesia, Straits Trading Amalgamated Resources Private Limited of Singapore, and Marubeni Corporation on implementation of a joint feasibility study for a chemical-grade alumina plant in Indonesia.

Topics

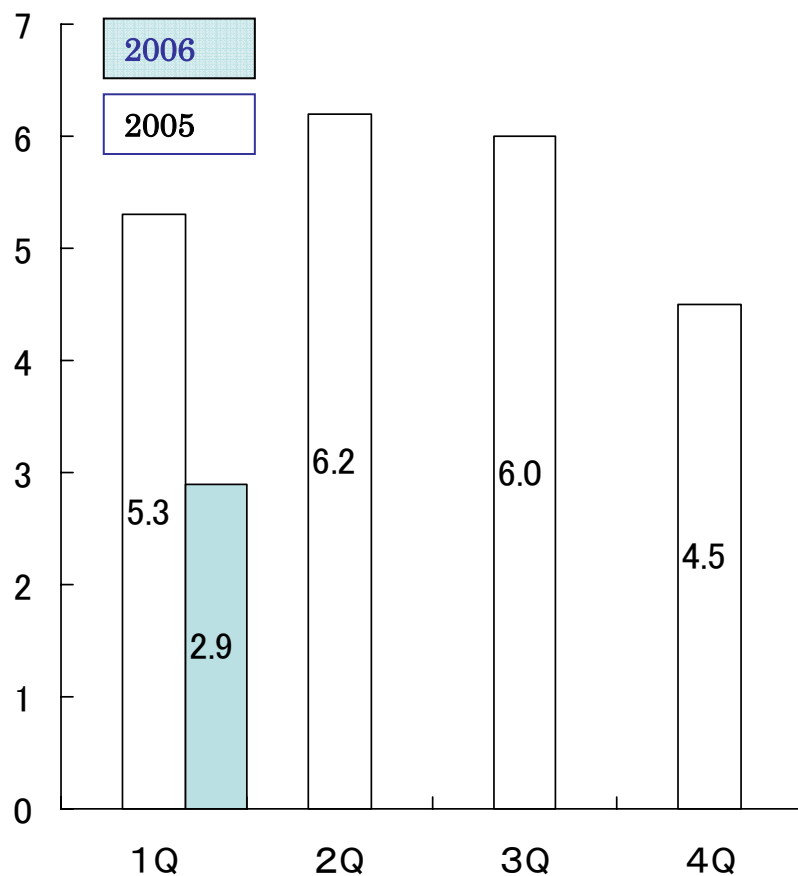
■ Aluminum

- **New plant for aluminum cylinders for laser printers**
 - ◆ SDK decided to increase its production capacity of aluminum cylinders for laser printers by constructing a new plant in Oita based on the latest technology and improving processes at existing plants. The decision was made in view of the growing demand for color laser printers.

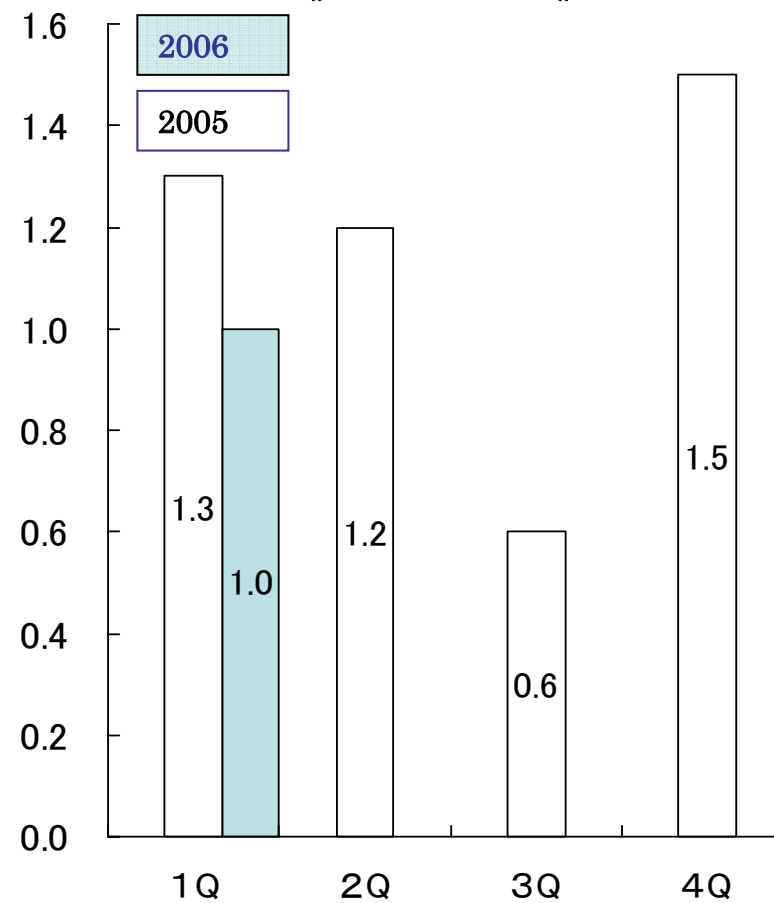
- **Decision to dissolve Showa Aluminum Fabrication**
 - ◆ In March, we decided to dissolve Showa Aluminum Fabrication Co., Ltd., an affiliate engaged in the production of aluminum baseball bats.

Reference: Operating Income by Segment (Quarterly)

(Unit: Billions of Yen) 《Petrochemicals》



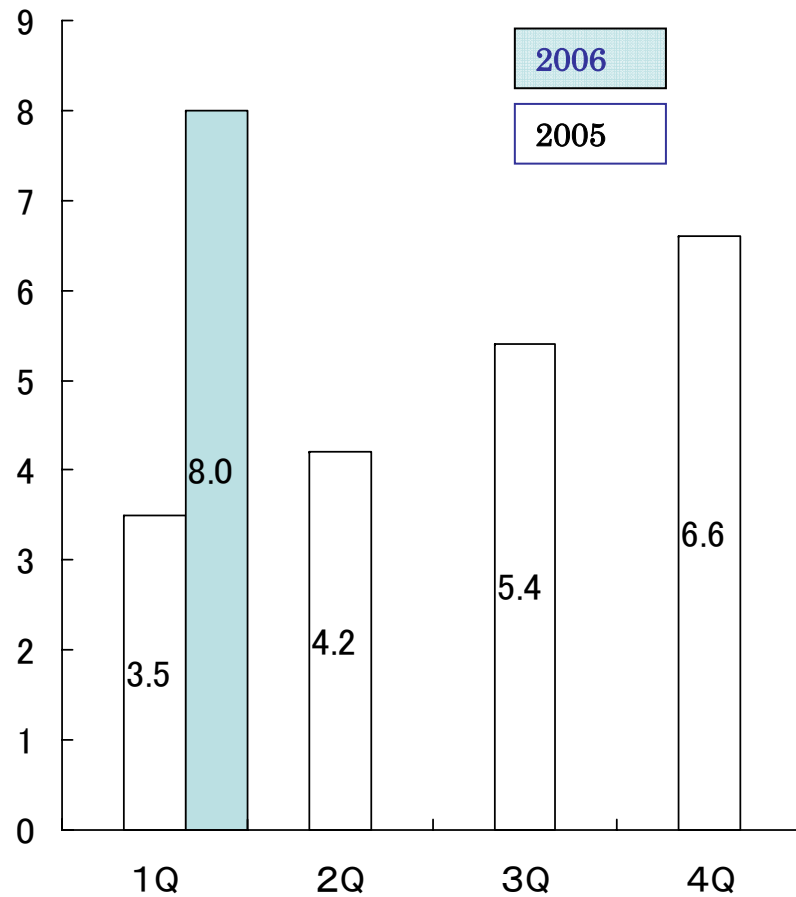
(Unit: Billions of Yen) 《Chemicals》



Reference: Operating Income by Segment (Quarterly)

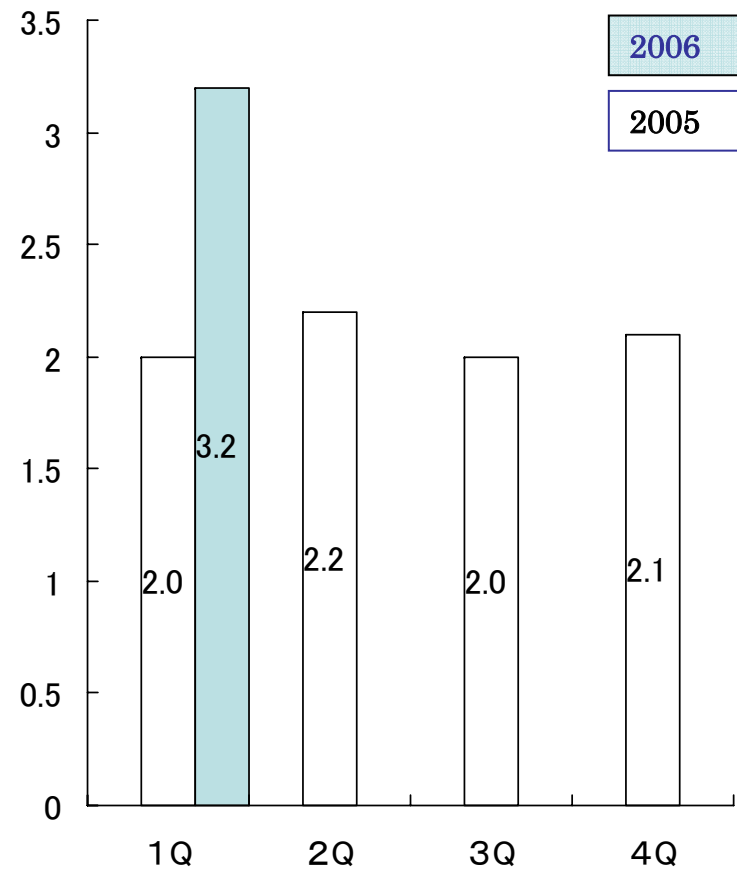
(Unit: Billions of Yen)

《Electronics》



(Unit: Billions of Yen)

《Inorganics》



Reference: Operating Income by Segment (Quarterly)

