



Business Plan PEGASUS Results in 2011 and Strategy for 2012

Evolution into a Company That Creates Added Value

December 7, 2011

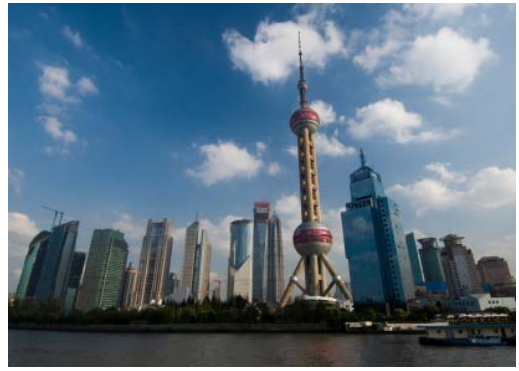
SHOWA DENKO K.K.

Hideo Ichikawa, President and CEO



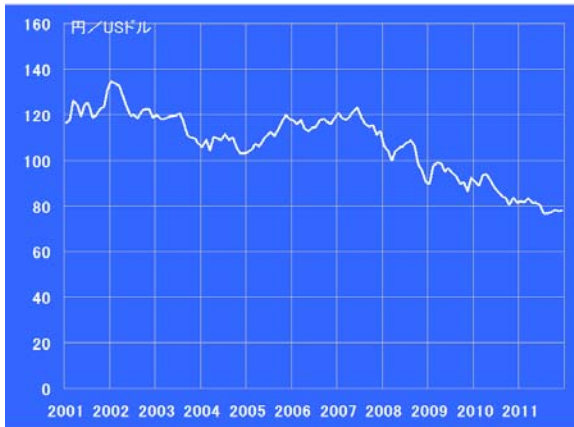
1. Business environment and results in 2011
2. Business strategy for 2012; Performance
3. Overall strategy
4. Business portfolio; Strategy for each segment
5. Summary

1. Business environment - Global



- Fear of slowdown in world economy, triggered by financial crisis in Europe
- Accelerated shift to “BRICs + VIP”
- Stable growth in China due to its easy money policy and other economic measures
- Changes in international relations due to leadership changes

1. Business environment - Domestic



- Yen's exchange rate remaining at historically high levels

- Matured domestic demand



- Meeting demand due to reconstruction efforts after the disaster
- Problems with supply of electric power and energy

1. Results in 2011

- We will achieve initial operating income target under PEGASUS-:
 - Notwithstanding many problems, such as the earthquake disaster, floods in Thailand, and the extreme appreciation of the yen
- Higher speed in solving problems
 - Established management and operation styles by clarifying issues, and setting road maps and milestones

1. Business environment and results in 2011

2. Business strategy for 2012; Performance

3. Overall strategy

4. Business portfolio

5. Summary

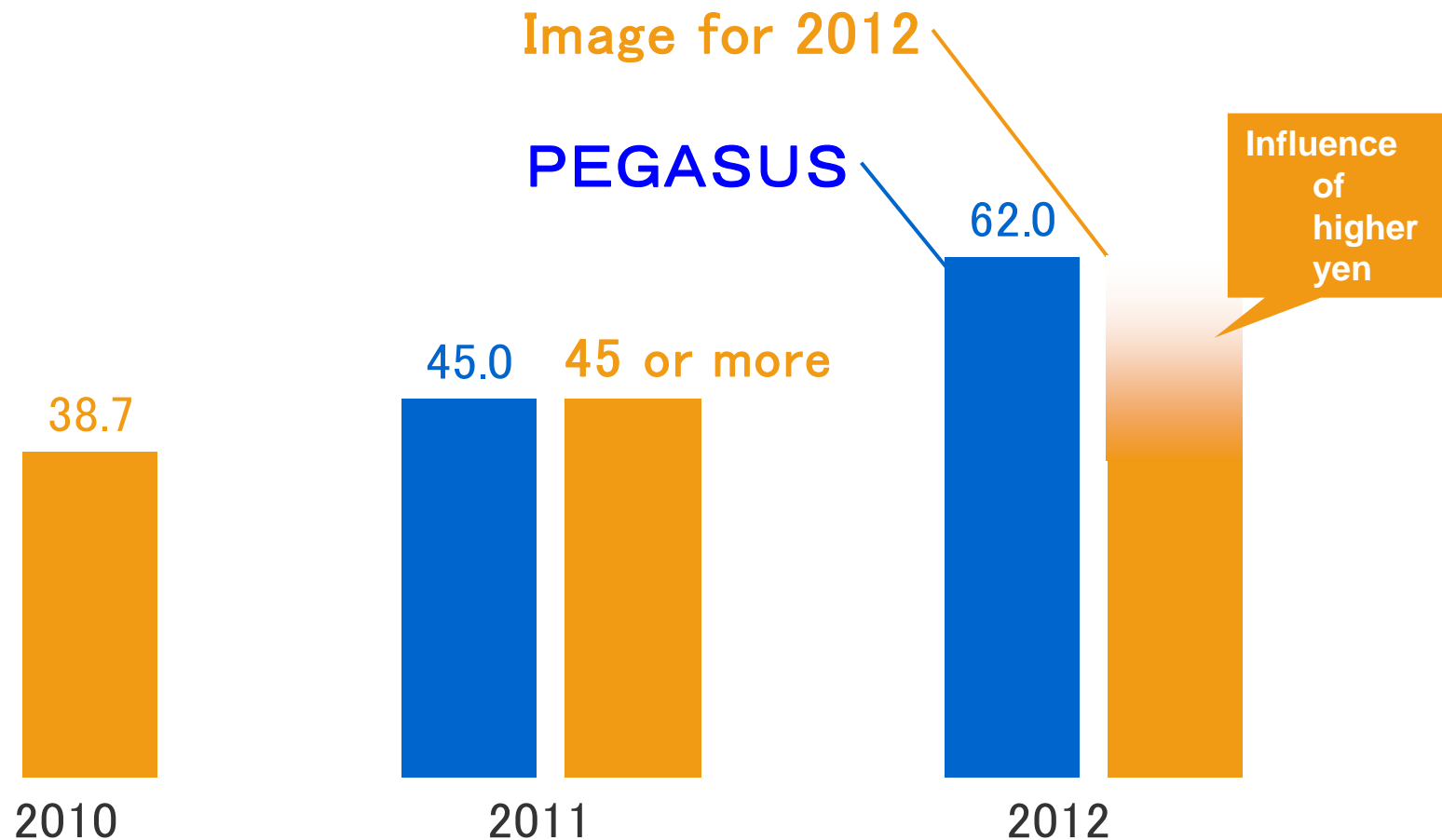
2. Business strategy for 2012

Evolution into a company that creates added value

1. Accelerate globalization: Strengthen our capability to cope with higher yen
2. Optimize our business model
3. Review and strengthen the supply chain
4. Increase the speed in realizing R&D results

2. Expected performance in 2012

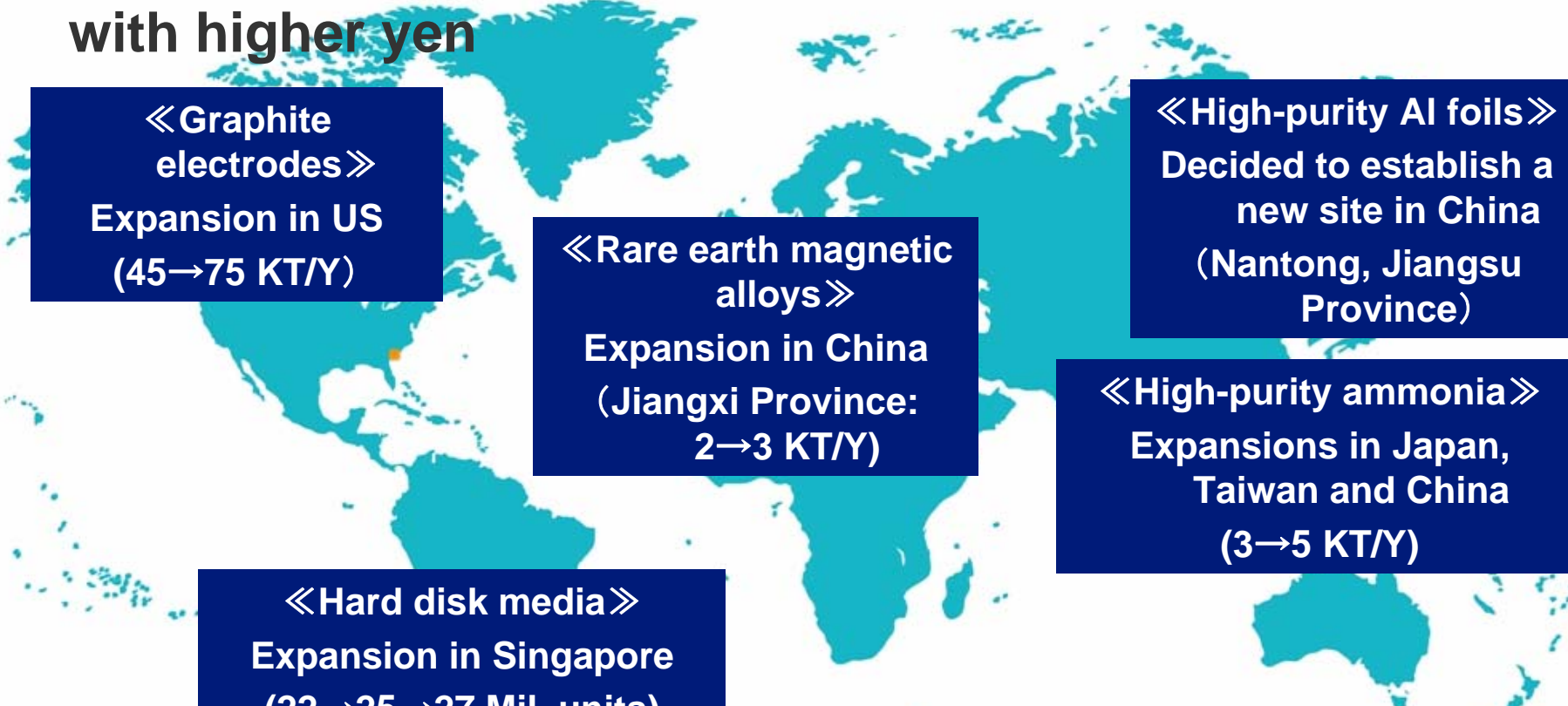
Strengthening resistance to yen's appreciation and exchange rate fluctuations (Operating income in billions of yen)



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3. Overall strategy – Expanding sites on a global scale

Optimize production; Strengthen capability to cope with higher yen



«Graphite electrodes»
Expansion in US
(45→75 KT/Y)

«Rare earth magnetic alloys»
Expansion in China
(Jiangxi Province:
2→3 KT/Y)

«High-purity Al foils»
Decided to establish a
new site in China
(Nantong, Jiangsu
Province)

«High-purity ammonia»
Expansions in Japan,
Taiwan and China
(3→5 KT/Y)

«Hard disk media»
Expansion in Singapore
(22→25→27 Mil. units)
Our total production capacity per
month
* Expanded in April and July, 2011

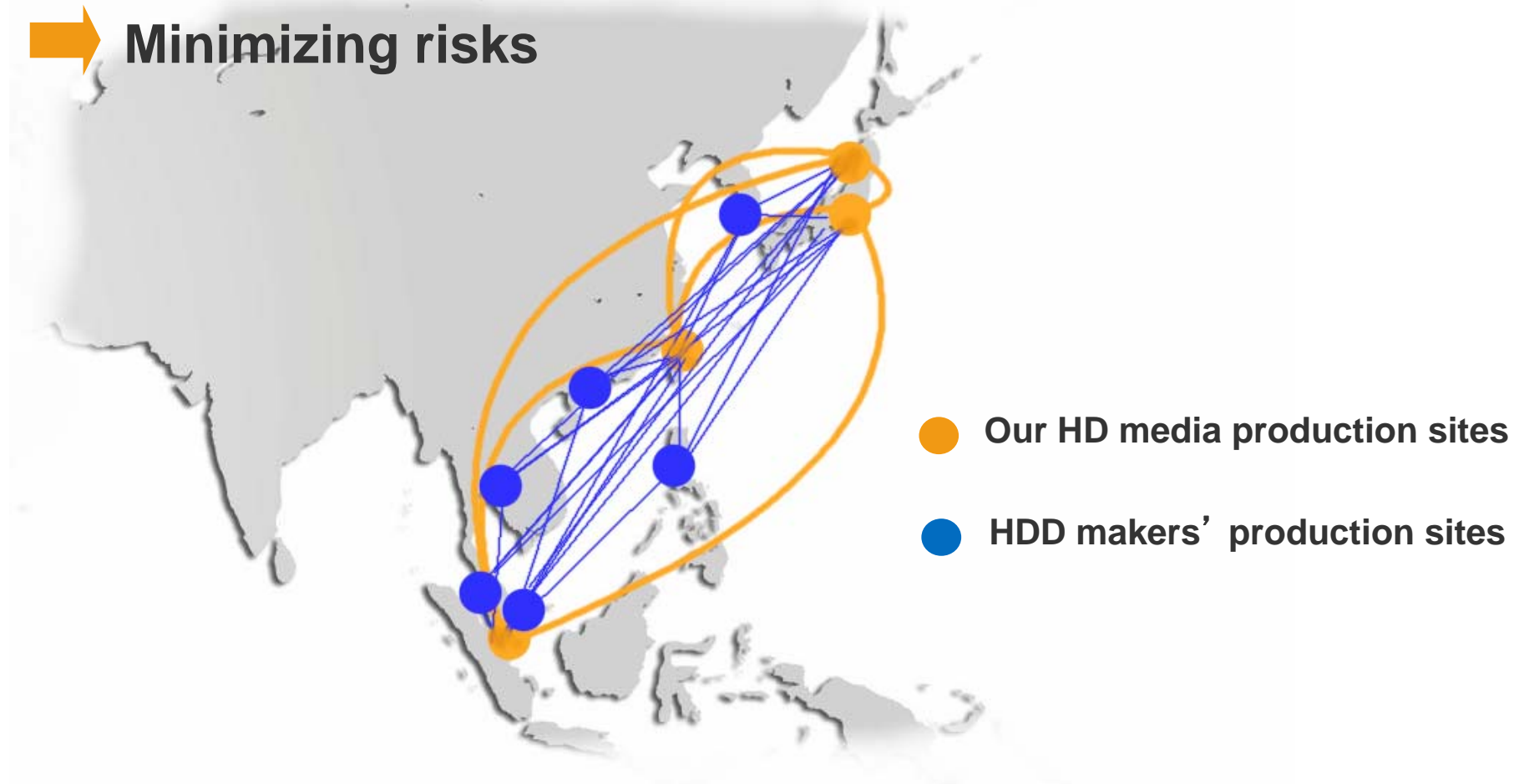
«Chemical alumina»
Building a 300 KT/Y plant in
Indonesia
To be completed in 2014

3. Overall strategy — Improving supply chain management

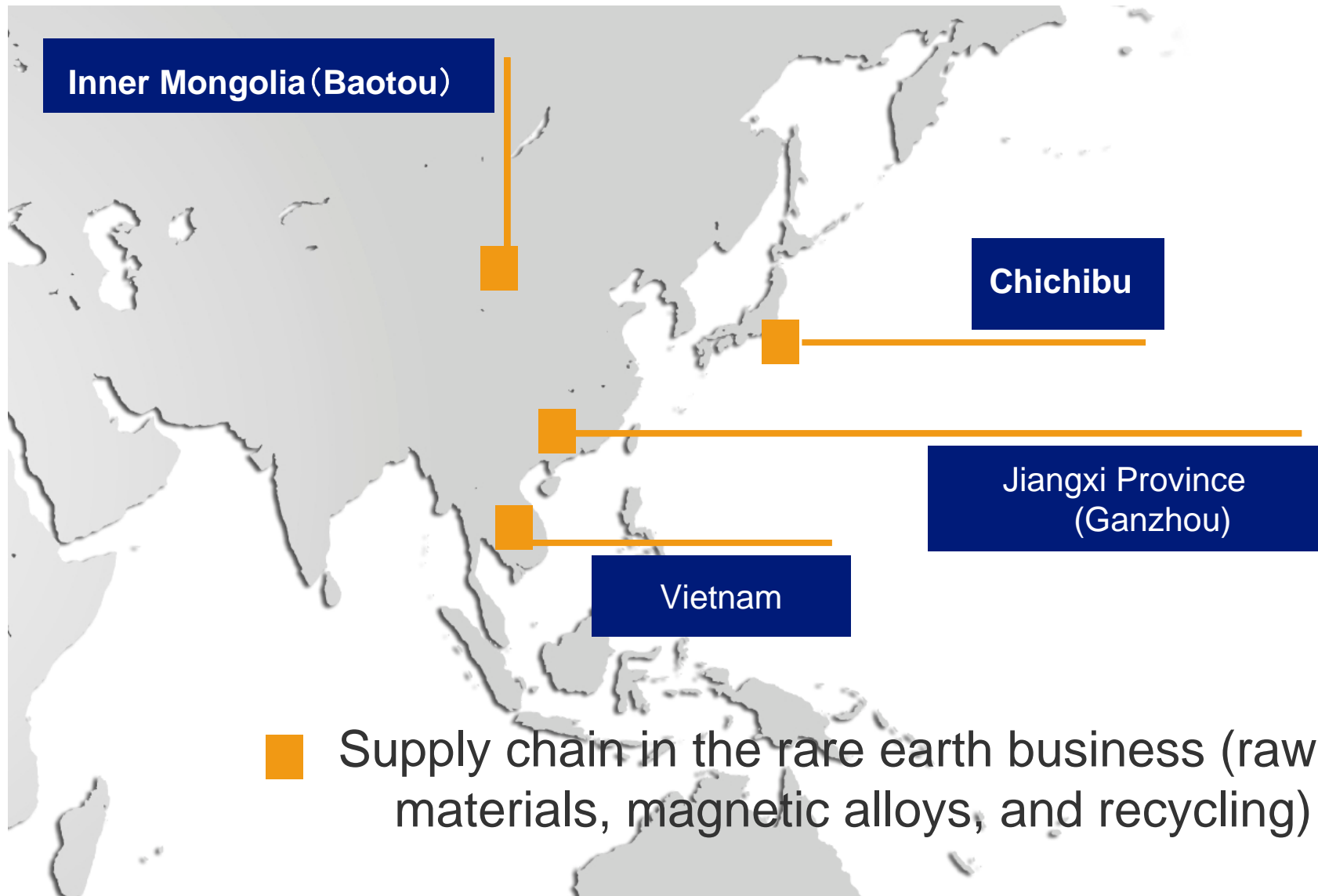
Hard disk media:

A network consisting of four sites in Asia

➔ Minimizing risks

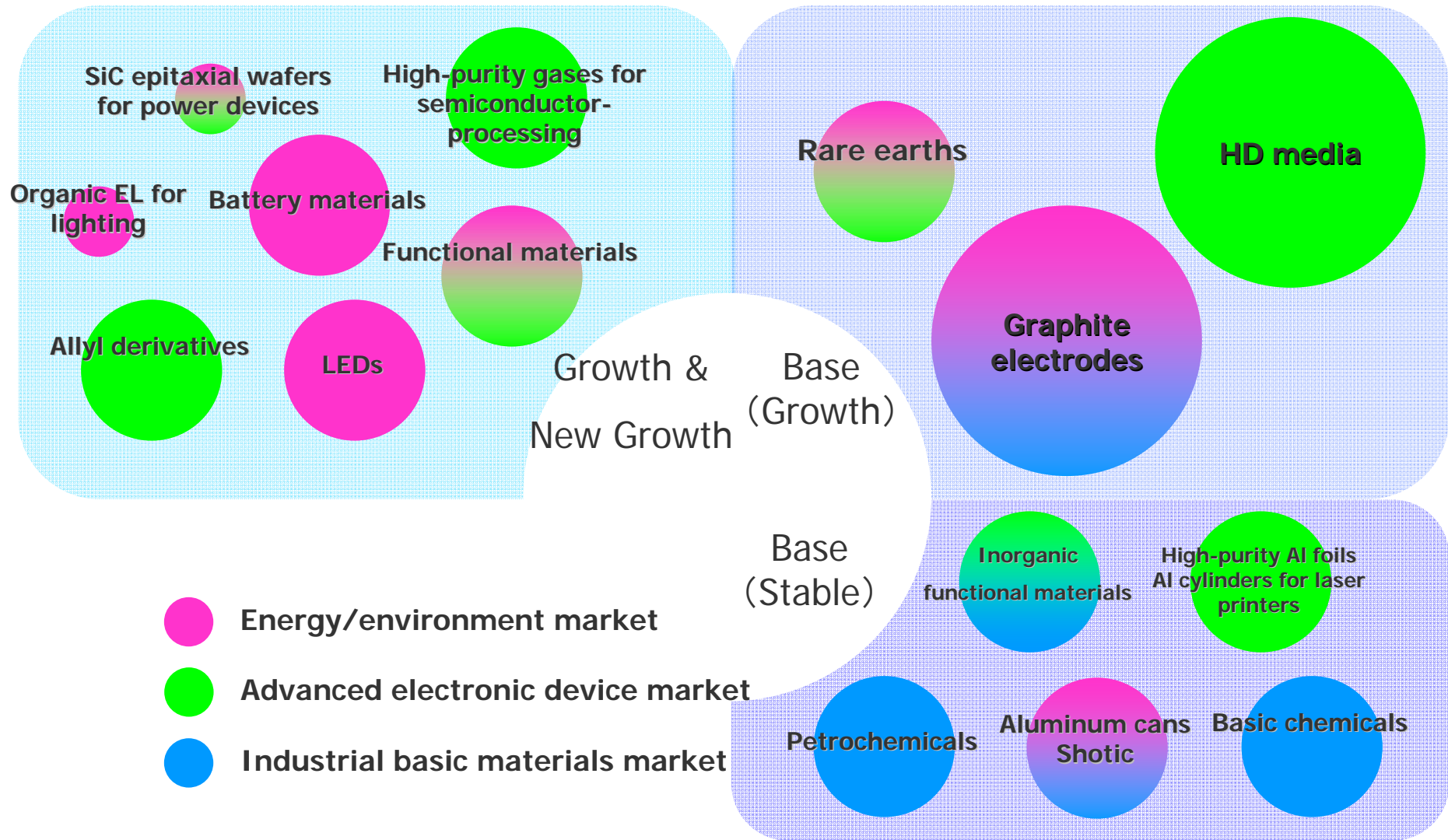


3. Overall strategy — Improving supply chain management



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4. Business portfolio under PEGASUS



4. Base (Growth): Progress in 2011



HD media business

Expanded capacity to 27 mil. disks a month

Set a new record in shipment in CQ3

Volume production of the sixth-generation PMR media



Graphite electrode business

Decided on expansion plans at SDKC in USA

Renewal of Omachi Plant started.



Rare earth magnetic alloy business

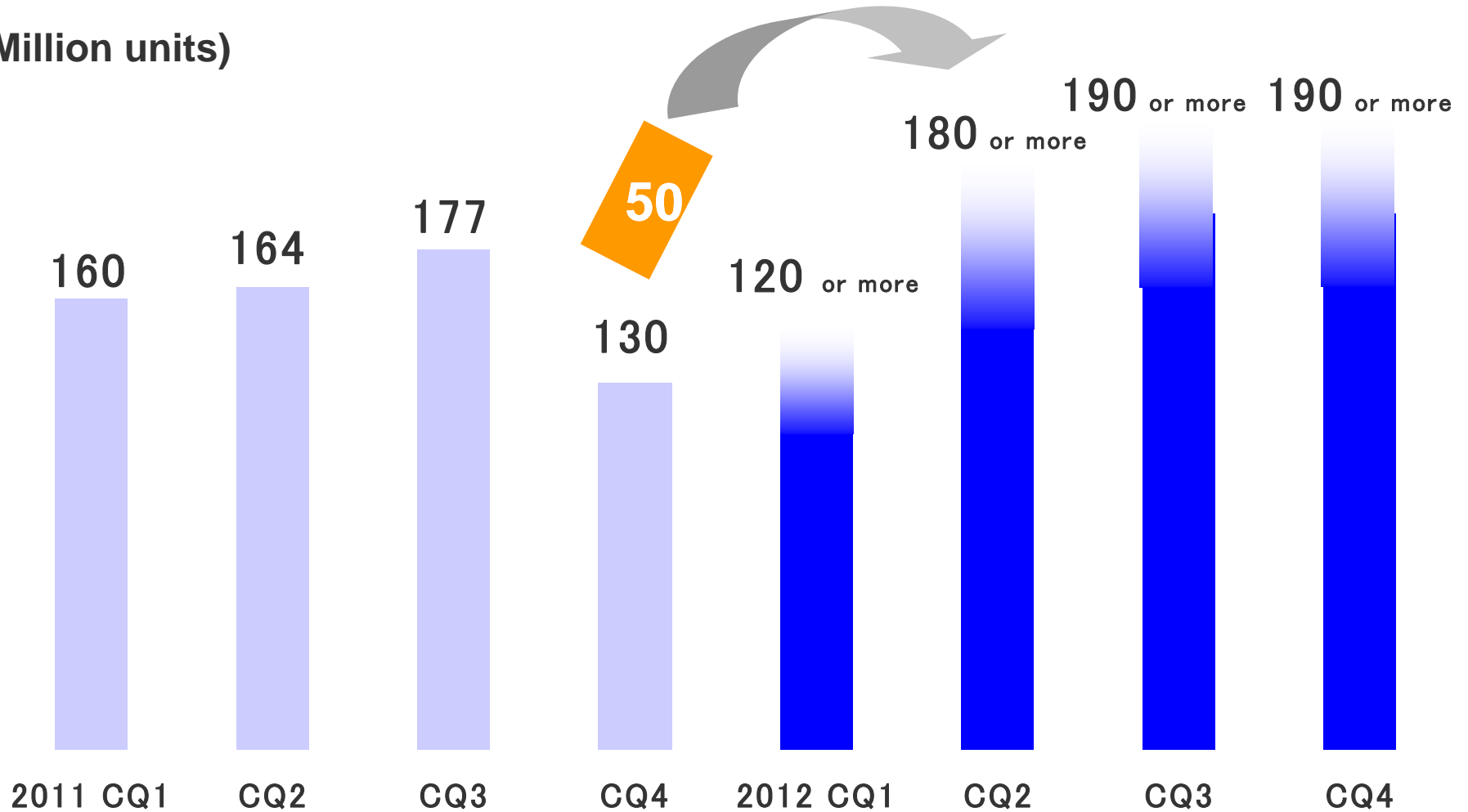
Expanded capacity at our site in Jiangxi Province,
China

The metal recycling plant in Vietnam started full-scale
operation.

4. HD business - Influence of the floods in Thailand

HDD production will recover quickly.

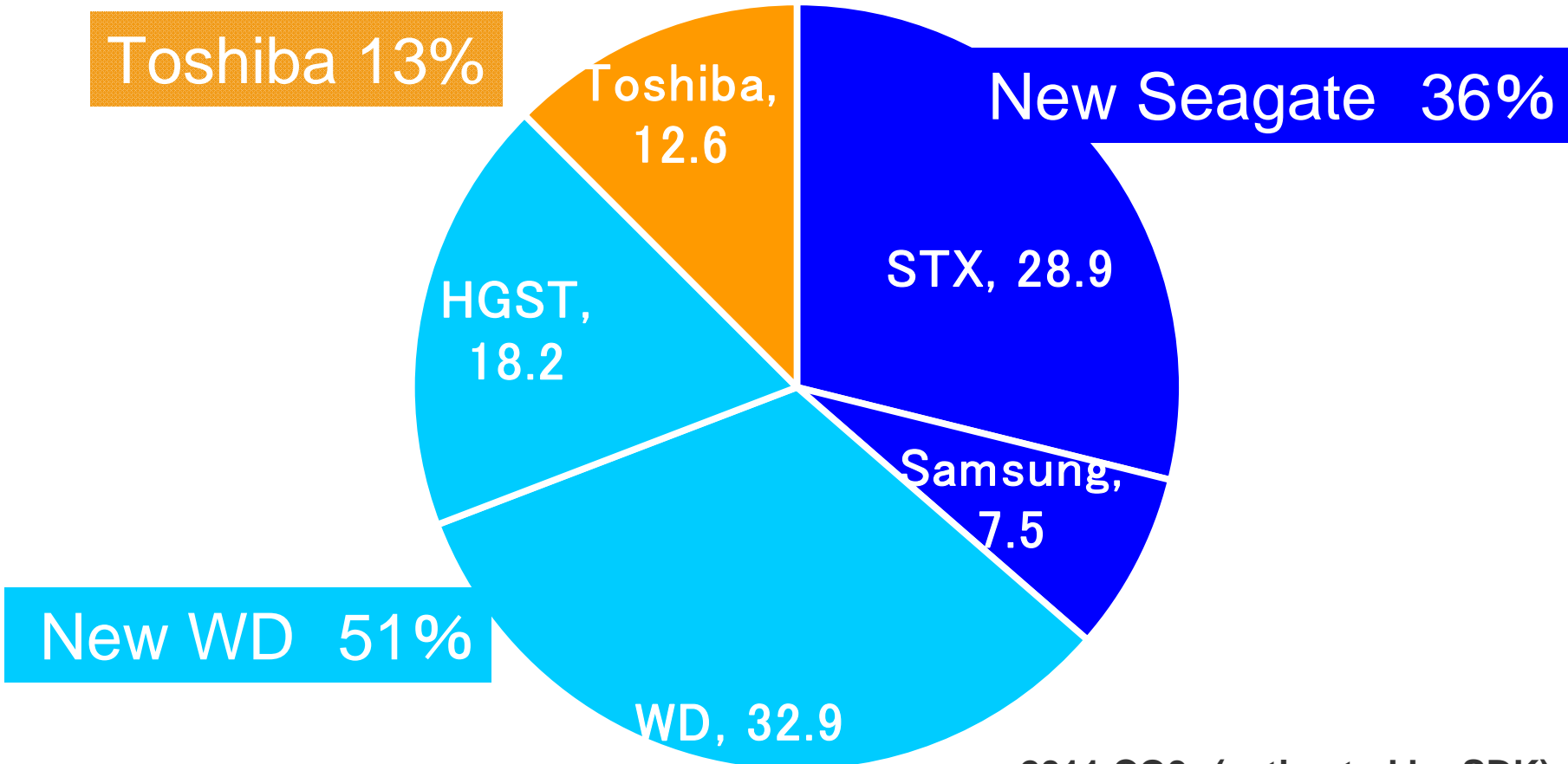
(Million units)



Source: TRENDFOCUS and estimate by SDK

4. HD business - Consolidation of the HDD industry

Starting supply of media to all HDD makers



2011 CQ3 (estimated by SDK)

4. HD business — Strengthening production and lines

- HDD production will recover rapidly.
 - ➔ Make full preparations to meet HD media demand
- Optimizing all production lines; Improving efficiency to increase production capacity and step up high-capacity media production

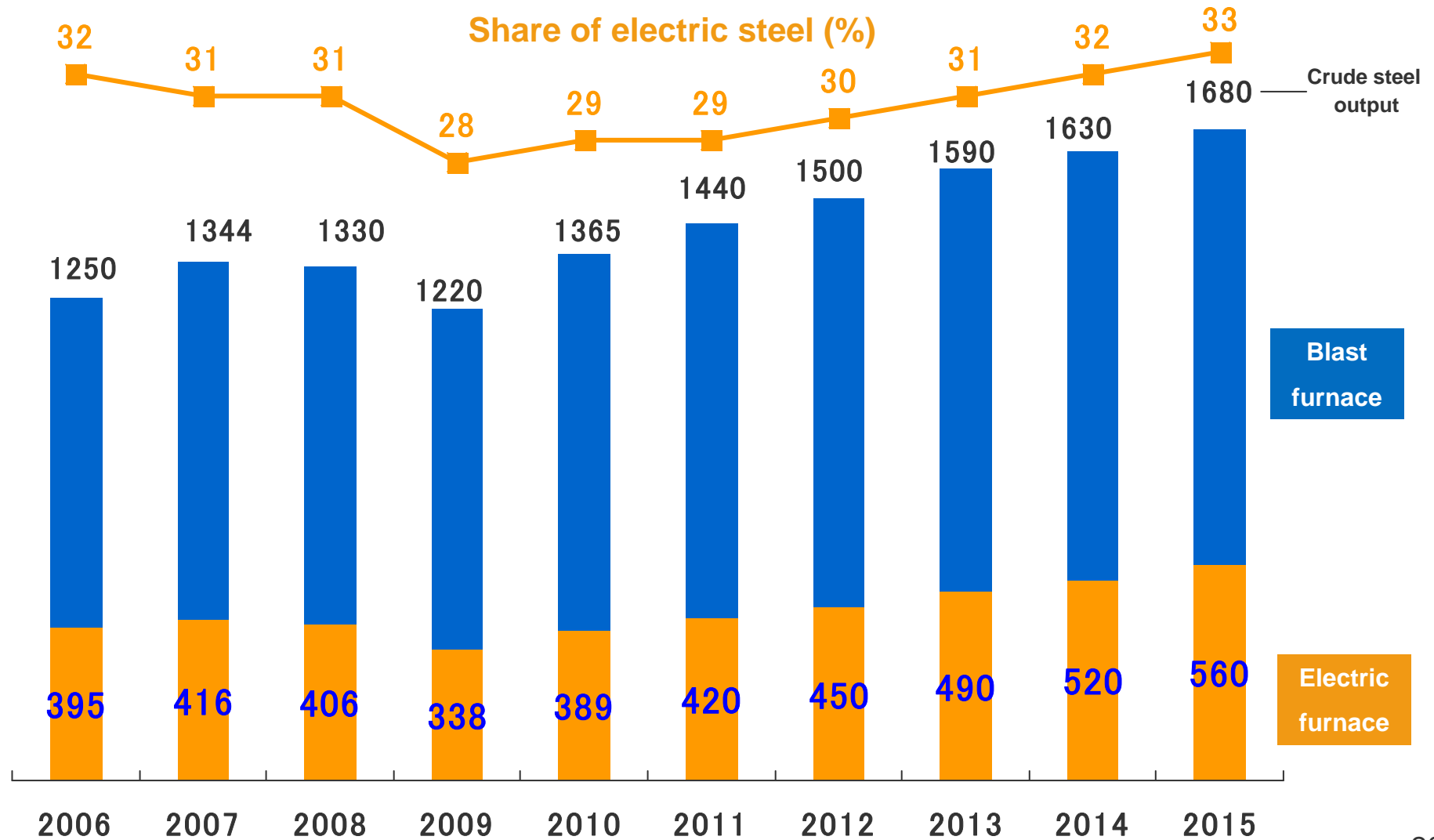
4. HD business — Strategy: Achieve higher storage capacity

SDK' s high-capacity media leading the industry

- The mainstream in 2011: PMR 5G media
 - * PMR 5G: 2.5-inch 320 GB and 3.5-inch 750 GB media
- SDK is taking the lead in commercial production of PMR 6G media.
 - * PMR 6G: 2.5-inch 500 GB and 3.5-inch 1 TB media
- PMR 6G media will become the mainstream in 2012.

4. Graphite electrode business strategy – Environment

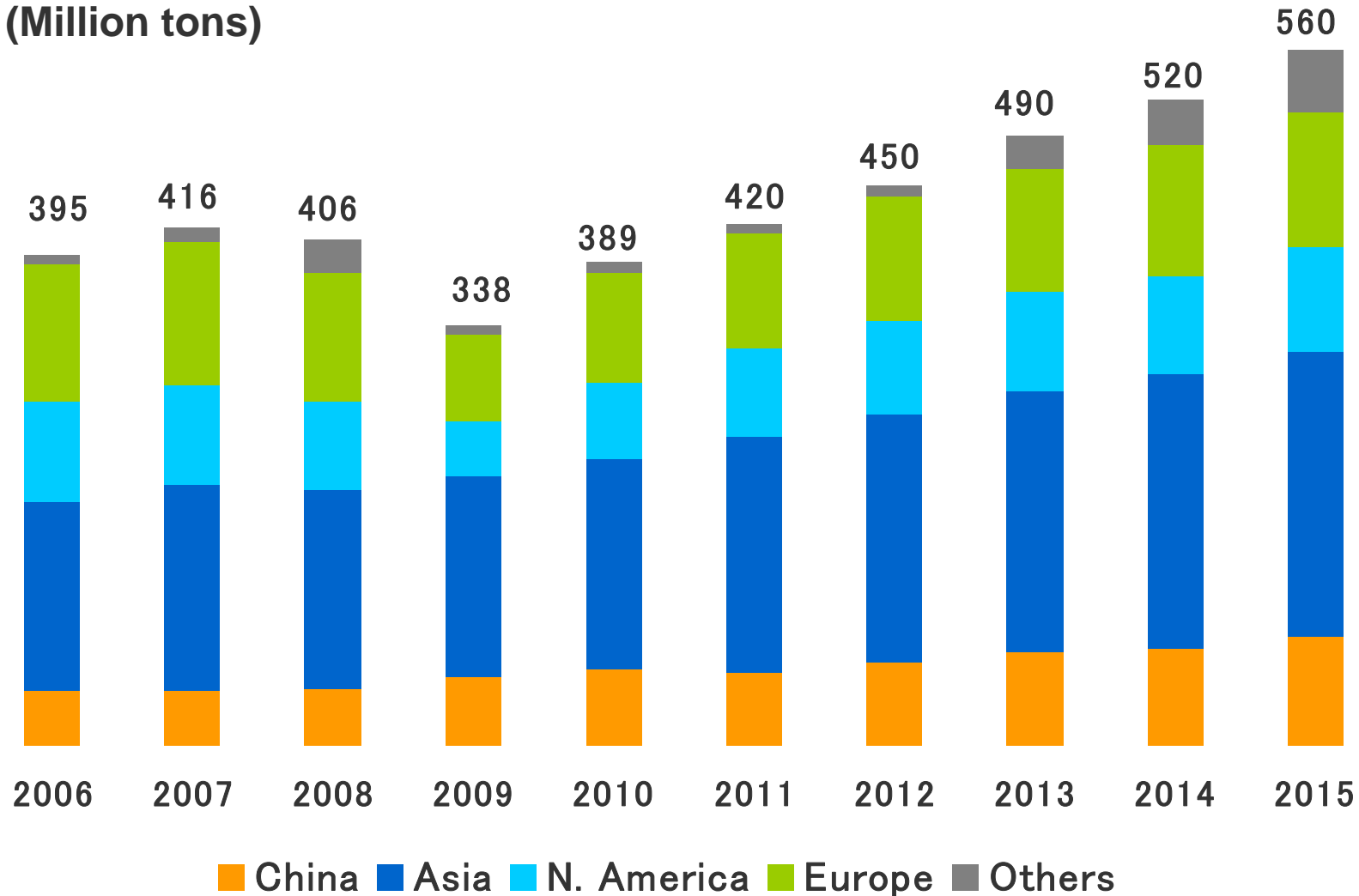
Crude steel output in 2011 surpassing pre-Lehman shock peak (Million tons)



Source: WSA and estimate by SDK

4. Graphite electrode business strategy – Environment

Electric steel demand in the world will grow steadily after 2011.
(Million tons)



Source: WSA and estimate by SDK

4. Graphite electrode business strategy – Expansion



Showa Denko Carbon, Inc., of the U.S.

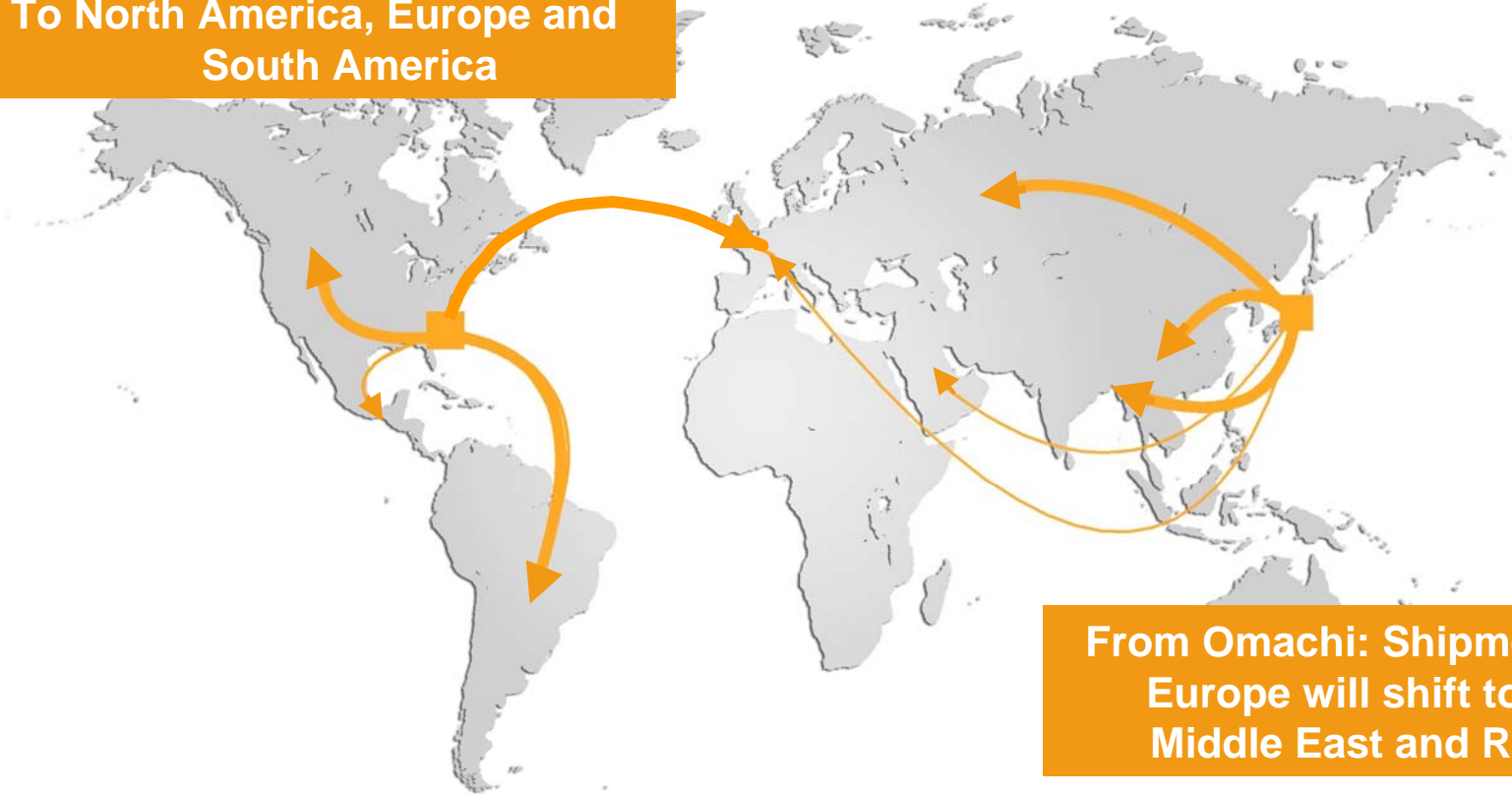
- Expand capacity at Showa Denko Carbon, Inc., of the U.S. (45→75 KT/Y)
- Scheduled for completion in the second half of 2013
- The Group's total capacity will increase to 135 KT/Y.

4. Graphite electrode business strategy – Marketing



4. Graphite electrode business strategy – Marketing

Expansion in U.S. by 30 KT/Y
To North America, Europe and
South America



From Omachi: Shipment to
Europe will shift to Asia,
Middle East and Russia.

4. Graphite electrode business strategy – Improve profitability

- Spread will improve in 2012.
- Procurement of needle coke (raw material)
 - Strong ties with suppliers
- Aiming to soon realize our third production base to benefit from the growth in Asian market

4. Rare earth business — Raw material trends



Rare earth raw material

- Prices soared and then fell. However, raw material prices will remain at high levels for a long period.
- Chinese suppliers stopped production in October. Their operations have partially been resumed.
- In the second half of 2011, we used inventories, including those in the distribution channel.
- We will need to closely watch the supply-demand trends.

4. Rare earth business — Strategy



Showa Denko Rare-Earth Vietnam Co., Ltd.



- Our marketing forecast:
The rare earth magnetic alloy market will continue to grow steadily.
- Diversifying raw material sources
- Development of new magnetic alloys:
Conducting R&D to reduce the amount of dysprosium added in magnetic alloys; Aiming at early commercialization
- Our metal recycling plant in Vietnam has started full-scale operation.

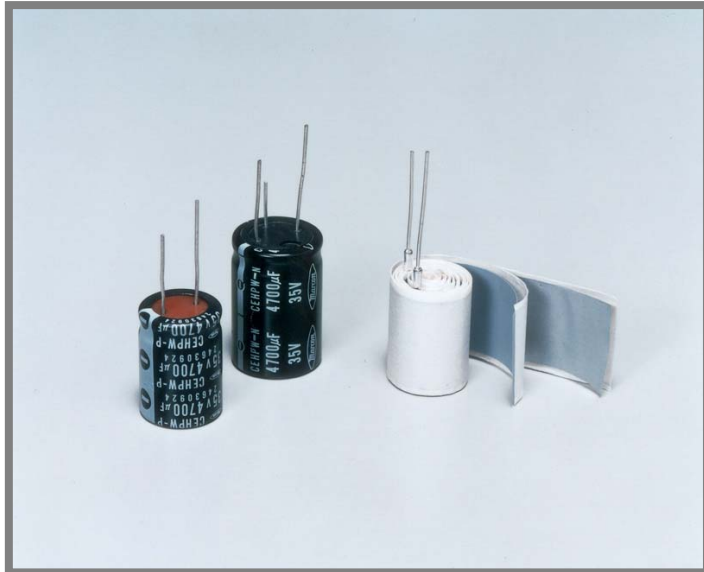
4. Petrochemicals business



NS Styrene Monomer Co., Ltd.

- Established NS Styrene Monomer Co., Ltd.
 - Strengthening BTX/SM businesses at Oita
- Accelerating vertical integration at the Oita Complex
- Expanding high-purity allyl alcohol production capacity to meet growing demand
(Scheduled for completion in April 2012)

4. Aluminum business



Aluminum electrolytic capacitors

Automotive heat exchangers

Our plant in Thailand stopped production due to the floods. The Oyama Plant started backup production.

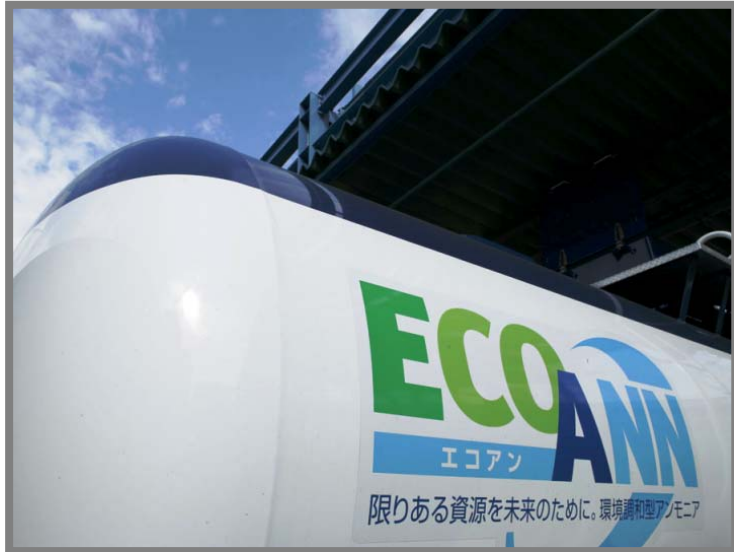
We will complete the transfer of this business.

High-purity aluminum foils

Purification capacity at Sakai Plant will be expanded. Decided to establish a new production site in China.

Strengthening core technologies,
such as purification and casting
Changes in organization for development

4. Chemicals business — Strategy



New system for the industrial gas business

Strengthen marketing activities through consolidation of businesses of Showa Denko and Showa Tansan

High-purity gases for semiconductor/LCD production

Expand sites in Asia; improve product mix; and increase our scale of operations

Reorganization of divisions

To clarify responsibility for businesses

4. Advanced battery materials business



Packaging material based on aluminum laminated films

Existing four items

Expand production capacities for *VGCFTM*, *SCMGTM*, *SDXTM*, and aluminum laminated films

New materials

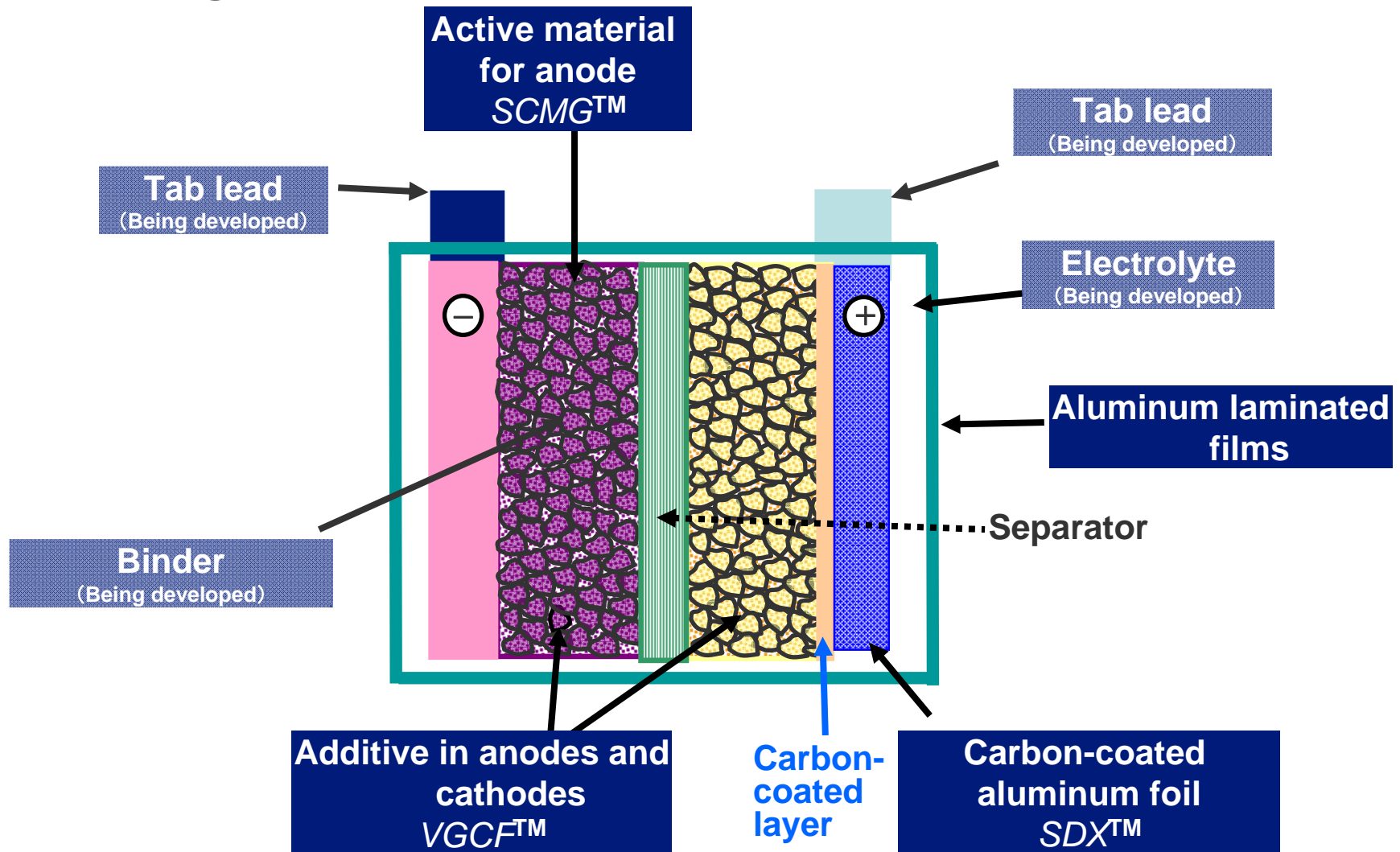
Accelerate R&D of characteristic new materials, such as electrolyte, binder, and tab lead

Sales in 2015:

Aiming to achieve ¥50 billion or more

4. Advanced battery materials

Providing characteristic materials based on our proprietary technologies



Business plan for LIB materials

Expand production capacities and develop new products

	2011	2012	2013 and after
<i>VGCFTM</i>	100 t/y	200 t/y	Step-by-step expansion
<i>SCMGTM</i>	2,000 t/y	3,000 t/y	Step-by-step expansion
<i>SDXTM</i>	Step-by-step expansion		
Aluminum laminated films	1.5 times	Step-by-step expansion	
Tab lead	Sample shipment	Build a commercial plant	Step-by-step expansion
Electrolyte	Sample shipment		Build a commercial plant
Binder	Sample shipment	Build a commercial plant → Step-by-step expansion	

4. SHORAYAL™



SHORAYAL™

- Completed a pilot plant inside the Oita Complex (July 2011)
- Started marketing activities to promote the use of *SHORAYAL™* as glass-substitute material in touch screens of mobile phones
- Accelerating the development, aiming to launch the product in 2012

4. Silicon carbide epitaxial wafers for power devices



SiC epitaxial wafers



- Road map
 - 2012: Consumer electronics market
 - 2015: Railroad market
 - 2017: Automotive market
- Expand production capacity step by step
- Continuous improvement in product quality

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5. Summary: Our prospect for 2012

- Strong demand due to reconstruction efforts after the earthquake disaster
- Reorganization of the supply chain
- Tightening supply of hard disk media
- Growing demand for graphite electrodes
- Bottoming out of the petrochemicals market

**Ideas, hopes and dreams
for your happily ever after.**

