

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

Third Quarter, 2010 Financial Results

- Consolidated -



SHOWA DENKO K.K.

October 29, 2010

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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: 40
Excluded: 1 Showa Highpolymer Co., Ltd. (Merger, Petrochemicals segment)
- Equity method applied: 17
no change for the period.

Selected Data

(Average figure)

	Jul.- Sept. 2009	Jul.- Sept. 2010	Increase
■ Exchange rate:¥/US\$	93.7	85.9	Yen strengthened by ¥7.8/\$
■ Domestic naphtha price: ¥/kl	41,200	42,600	1,400
■ Aluminum LME price: US\$/T	1,842.6	2,107.5	264.9

Exchange rate at June 30, 2010 ¥88.5/US\$, at September 30, 2010 ¥83.8/US\$

⇒Yen strengthened by ¥4.7/US\$

Summary

CQ3 (Jul. 1 – Sept. 30) 2009 v s. CQ3 (Jul. 1 – Sept. 30) 2010

(Unit: Billions of Yen)

	CQ3, 2009	CQ3, 2010	Increase
Net Sales	185.3	200.3	15.0
Operating Income	6.7	9.8	3.1
Non-operating income and expenses	-4.1	-2.3	1.8
Interest/Dividend income less interest expenses	-1.6	-1.3	0.3
Equity in earnings or losses of affiliates	-0.1	0.3	0.4
Currency exchange gain or loss	-0.9	-0.9	0.0
Ordinary Income	2.6	7.5	4.9
Extraordinary Profit	0.1	0.1	0.1
Gain on the sale of investment securities	0.0	0.1	0.0
Extraordinary Loss	-3.8	-3.8	-0.0
Loss on fixed assets sold or retired	-0.7	-1.1	-0.4
Loss on impairment of fixed assets	-2.1	-0.2	1.9
Net Income before taxes	-1.1	3.9	5.0
Corporate Taxes	1.0	-1.5	-2.5
Minority Interests	-0.3	-0.6	-0.4
Net Income	-0.4	1.7	2.1

Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ3 2009	CQ3 2010	Increase/ decrease	
Petrochemicals	67.2	71.5	4.4	Olefins: sales increased (shipment volumes of cracked fuel oil and other products up) Organic chemicals: sales decreased (shipment volumes of ethyl acetate down)
Chemicals	21.8	21.5	-0.3	AN: sales increased (shipment volumes up, price up) Ammonia: sales increased (shipment volumes up for textile and power industries) Industrial gases: sales decreased (shipment volumes of oxygen and nitrogen maintained at the year-earlier level, withdrawal from hydrochlorofluorocarbon business)
Electronics	38.6	40.3	1.7	HDs: sales maintained at the year-earlier level Compound semiconductors: sales increased (shipment volumes up) Specialty gases: sales increased (shipment volumes up) Rare earth: sales increased (shipment volumes up, price up)
Inorganics	13.5	19.7	6.2	Ceramics: sales increased (shipment volumes up) Graphite electrodes: sales increased (shipment volumes up mainly in U.S.)
Aluminum	44.3	47.2	3.0	Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/specialty products: sales decreased (shipment volumes of aluminum cylinders for LBP up, withdrawal from the business in commodity extrusions for construction) <i>Shotic</i> : sales increased (shipment volumes up) Heat exchangers: sales increased in Japan, U.S., China, and Thailand, sales decreased in Europe Aluminum cans: sales increased (shipment volumes of beverage cans up)
Total	185.3	200.3	15.0	

Consolidated Operating Income by Segment (Unit: Billions of Yen)

	CQ3 2009	CQ3 2010	Increase/ decrease	
Petrochemicals	3.7	1.1	-2.7	Olefins: profit decreased (difference between procurement and consumption prices for raw materials) Organic chemicals: profit decreased (higher cost of raw materials)
Chemicals	0.7	0.4	-0.3	AN: profit increased (price up, shipment volumes up) Ammonia, caustic soda, amino acid: profit decreased (higher cost of raw materials)
Electronics	1.4	3.3	2.0	HDs: profit increased (price up, shipment volumes up) Compound semiconductors: profit increased (shipment volumes up) Rare earth: profit increased (shipment volumes up, price up)
Inorganics	0.5	3.1	2.7	Ceramics: profit increased (shipment volumes up) Graphite electrodes: profit increased (shipment volumes up)
Aluminum	0.8	2.7	1.9	Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/specialty products: profit increased (shipment volumes of aluminum cylinders for LBP up, withdrawal from the business in commodity extrusions for construction) <i>Shotic</i> : profit increased (shipment volumes up) Heat exchangers: profit increased at all locations Aluminum cans: profit decreased (higher cost of raw materials) IPP*: profit decreased
HQ costs, elimination	-0.4	-0.9	-0.5	
Total	6.7	9.8	3.1	

(note) IPP: Power generation business as an independent power provider

Summary

CQ2 (Apr. 1 - Jun. 30) 2010 v s. CQ3 (Jul. 1 - Sept. 30) 2010

(Unit: Billions of Yen)

	CQ2, 2010	CQ3, 2010	Increase
Net Sales	196.4	200.3	3.8
Operating Income	10.7	9.8	-0.9
Non-operating income and expenses	-1.8	-2.3	-0.5
Interest/Dividend income less interest expenses	-0.8	-1.3	-0.5
Equity in earnings or losses of affiliates	0.6	0.3	-0.3
Currency exchange gain or loss	-0.8	-0.9	-0.1
Ordinary Income	8.9	7.5	-1.4
Extraordinary Profit	2.6	0.1	-2.5
Extraordinary Loss	-4.8	-3.8	1.0
Net Income before taxes	6.8	3.9	-3.0
Corporate Taxes	-2.1	-1.5	0.5
Minority Interests	-0.6	-0.6	-0.1
Net Income	4.2	1.7	-2.5

Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ2 2010	CQ3 2010	Increase/ decrease	
Petrochemicals	62.3	71.5	9.3	Olefins: sales increased (shipment volumes up due to Oita SDM* in CQ2) Organic chemicals: sales maintained at the CQ2 level
Chemicals	22.8	21.5	-1.3	AN: sales decreased (shipment volumes down due to Kawasaki SDM in CQ3, price down) Ammonia, chloroprene rubber: sales decreased (shipment volumes down due to SDM)
Electronics	44.2	40.3	-4.0	HDs: sales decreased (yen appreciation) Rare earth: sales increased (price up)
Inorganics	19.8	19.7	-0.1	Ceramics, graphite electrodes: sales maintained at the CQ2 level
Aluminum	47.3	47.2	-0.1	Rolled products, extrusions/specialty products, <i>Shotic</i> : sales maintained at the CQ2 level Heat exchangers: sales decreased in U.S. and Europe, sales in Japan, China, and Thailand maintained at the CQ2 level Aluminum cans: sales increased (shipment volumes up)
Total	196.4	200.3	3.8	

(note) SDM: shutdown maintenance



Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ2 2010	CQ3 2010	Increase/ decrease	
Petrochemicals	0.6	1.1	0.5	Olefins: profit increased (shipment volumes up due to SDM in CQ2) Organic chemicals: profit decreased (cost up)
Chemicals	1.1	0.4	-0.7	AN: profit decreased (shipment volumes down due to SDM in CQ3, price down) Chloroprene rubber, ammonia: profit decreased (shipment volumes down due to SDM)
Electronics	4.2	3.3	-0.9	HDs: profit decreased (yen appreciation) Compound semiconductors: profit increased (improvement in profitability) Rare earth: profit increased (price up)
Inorganics	2.6	3.1	0.6	Ceramics, graphite electrodes: profit increased (shipment volumes up)
Aluminum	2.7	2.7	-0.0	Profit generally maintained at CQ2 level
HQ costs, elimination	-0.5	-0.9	-0.4	
Total	10.7	9.8	-0.9	

Summary

Jan. 1 – Sept. 30, 2009 v s. Jan. 1 – Sept. 30, 2010

(Unit: Billions of Yen)

	Jan.- Sept. 2009	Jan.- Sept. 2010	Increase
Net Sales	472.0	584.4	112.4
Operating Income	-16.2	27.5	43.7
Non-operating income and expenses	-15.6	-6.0	9.6
Interest/Dividend income less and expense	-4.3	-3.4	0.8
Equity in earnings or losses of affiliates	-1.2	1.0	2.3
Currency exchange gain or loss	-0.4	-1.4	-0.9
Other	-9.6	-2.2	7.4
Ordinary Income	-31.8	21.6	53.3
Extraordinary Profit	2.0	3.0	1.0
Gain on the sale of fixed assets	0.0	0.2	0.1
Gain on the sale of investment securities	1.6	0.1	-1.5
Extraordinary Loss	-20.2	-9.9	10.3
Loss on fixed assets sold or retired	-2.1	-2.7	-0.6
Loss on impairment of fixed assets	-10.5	-1.3	9.1
Net Income before taxes	-50.0	14.7	64.6
Corporate Taxes	3.2	-3.4	-6.6
Minority Interests	-0.2	-1.9	-1.6
Net Income	-47.0	9.4	56.4



Consolidated Sales by Segment

(Unit: Billions of Yen)

	Jan.-Sept. 2009	Jan.-Sept. 2010	Increase/ decrease	
Petrochemicals	163.4	198.0	34.6	Olefins, organic chemicals: sales increased (price up)
Chemicals	68.6	66.1	-2.5	AN: sales increased (shipment volumes up, price up) Chloroprene rubber, ammonia: sales increased (shipment volumes up) Showa Tansan Co., Ltd.: sales decreased (change of accounting term conducted in June 2009)
Electronics	81.6	127.1	45.5	HDs: sales increased (shipment volumes up) Compound semiconductors, specialty gases: sales increased (shipment volumes up) Rare earth: sales increased (shipment volumes up, price up)
Inorganics	36.3	56.8	20.5	Ceramics, graphite electrodes: sales increased (shipment volumes up)
Aluminum	122.0	136.3	14.3	Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/specialty products: sales increased (shipment volumes of aluminum cylinders for LBP up) Heat exchangers: sales increased at all locations except for Europe <i>Shotic</i> : sales increased (shipment volumes up) Aluminum cans: sales increased (shipment volumes up)
Total	472.0	584.4	112.4	



Consolidated Operating Income by Segment

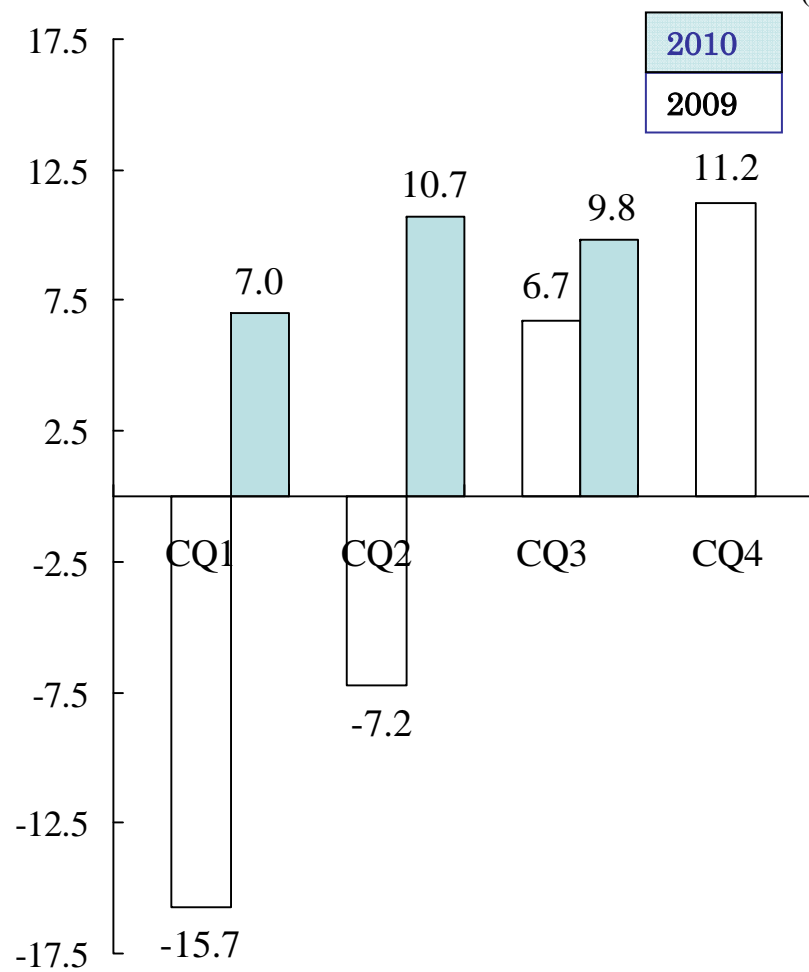
(Unit: Billions of Yen)

	Jan.-Sept. 2009	Jan.-Sept. 2010	Increase/ decrease	
Petrochemicals	5.8	2.7	-3.1	Olefins: profit decreased (shipment volumes down by Oita SDM) Organic chemicals: profit increased (ethyl acetate sales price up)
Chemicals	-0.5	2.6	3.1	AN: profit increased (shipment volumes up, price up) Ammonia, chloroprene rubber: profit increased (shipment volumes up)
Electronics	-14.3	10.1	24.4	HDs: profit increased (shipment volumes up) Compound semiconductors, specialty gases: profit increased (shipment volumes up) Rare earth: profit increased (shipment volumes up, price up)
Inorganics	0.8	6.8	6.0	Ceramics, graphite electrodes: profit increased (shipment volumes up)
Aluminum	-5.9	7.3	13.2	Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/specialty products: profit increased (shipment volumes of aluminum cylinders for LBP up, withdrawal from the business in commodity extrusions for construction) Heat exchangers: profit increased at all locations <i>Shotic</i> : profit increased (shipment volumes up) Aluminum cans: profit increased (shipment volumes up, cost reduction)
HQ costs, elimination	-2.0	-1.9	0.1	
Total	-16.2	27.5	43.7	

Operating Income (Quarterly)

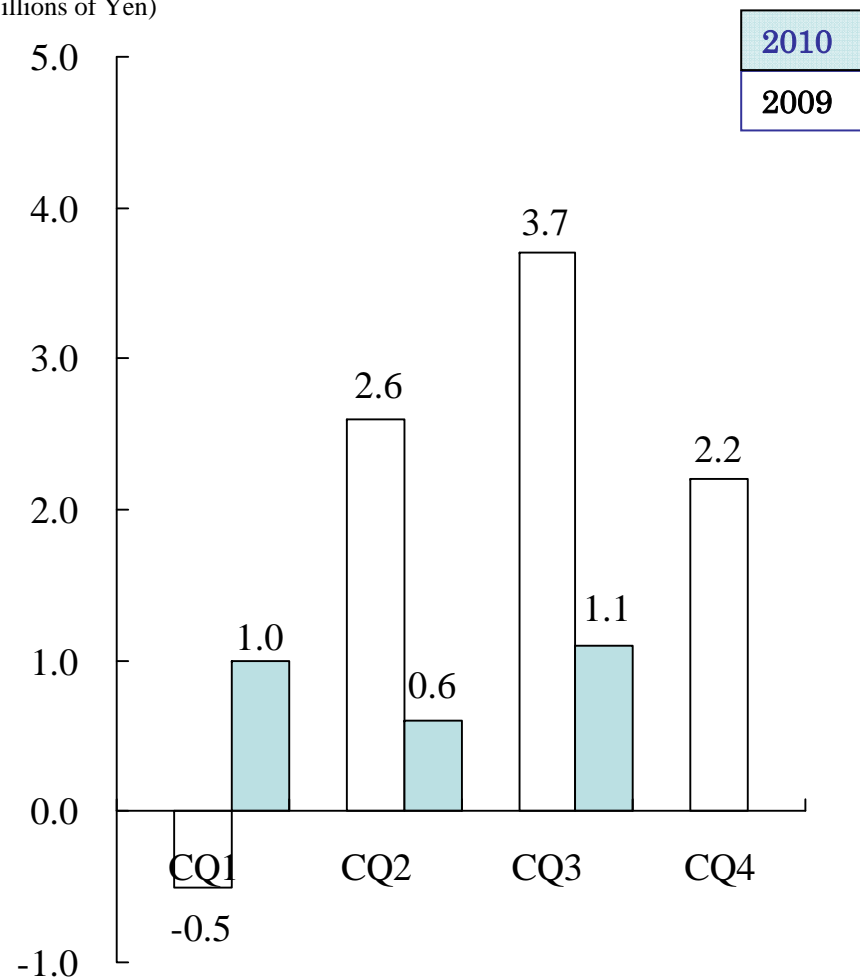
《Corporate》

(Unit: Billions of Yen)



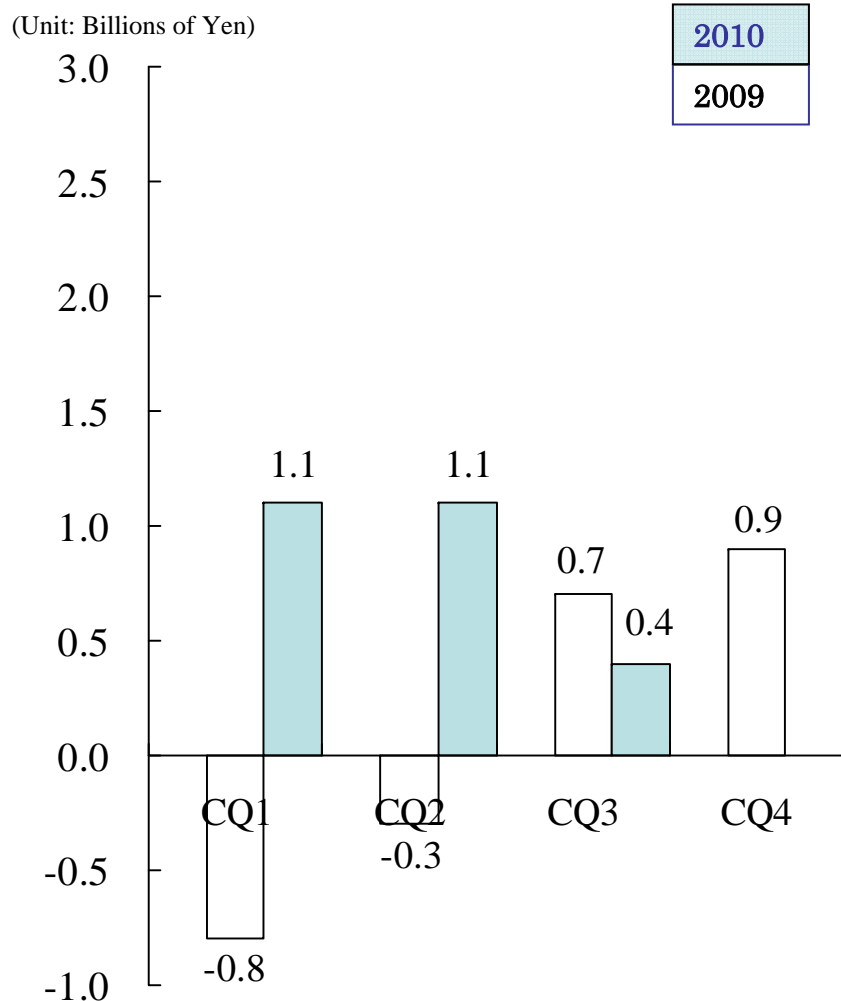
《Petrochemicals》

(Unit: Billions of Yen)

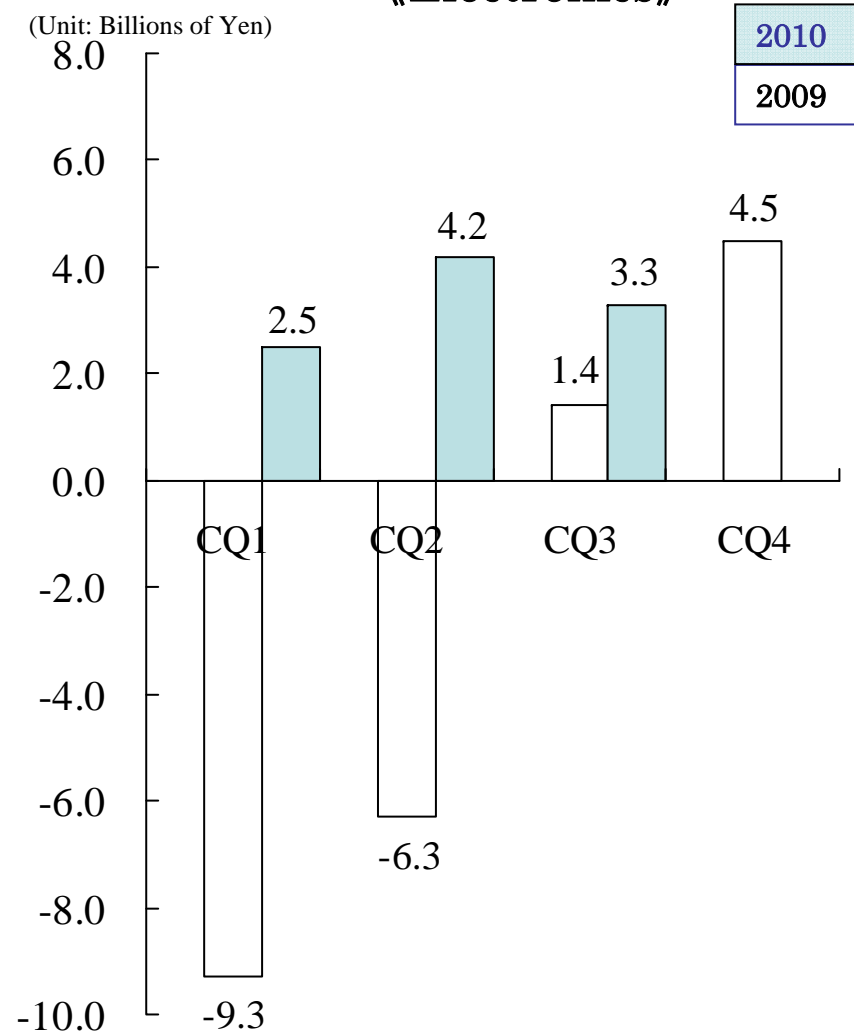


Operating Income (Quarterly)

《Chemicals》



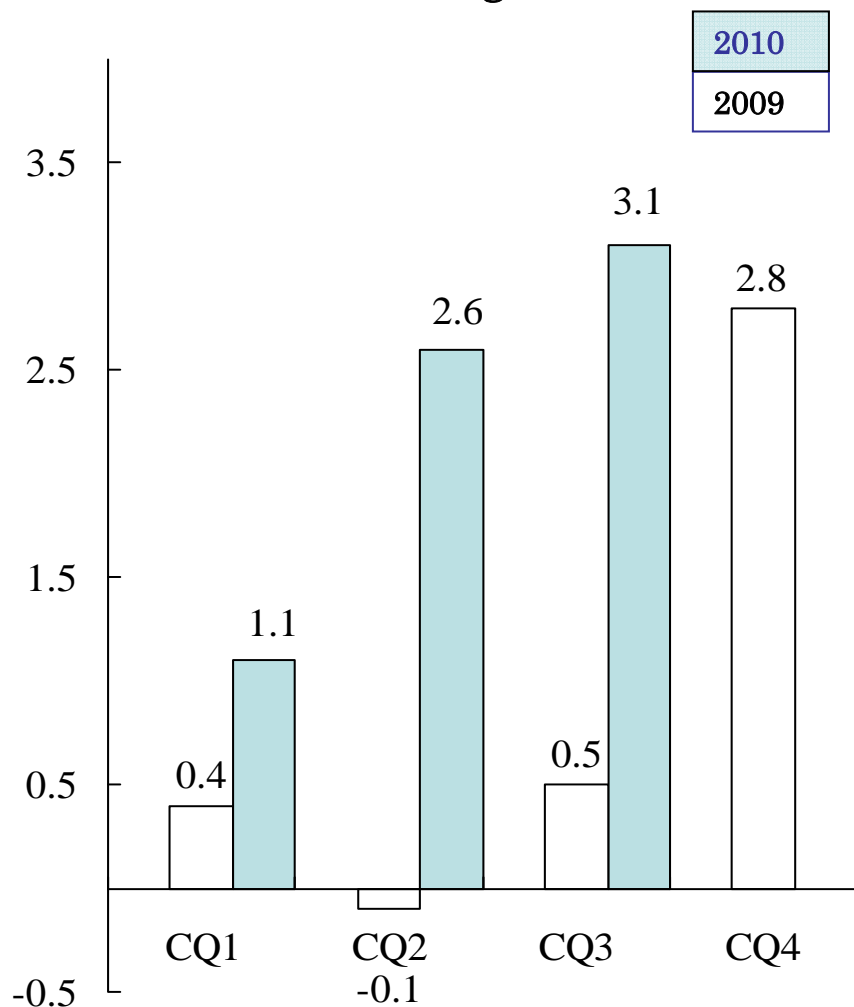
《Electronics》



Operating Income (Quarterly)

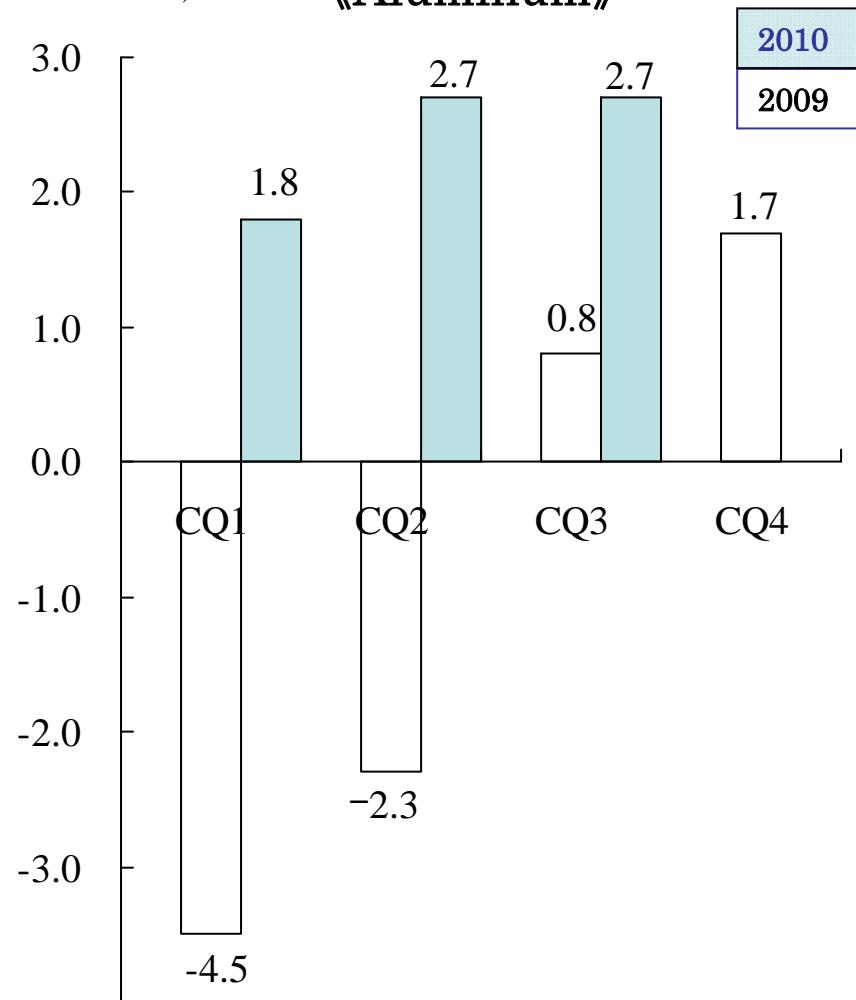
(Unit: Billions of Yen)

《Inorganics》



(Unit: Billions of Yen)

《Aluminum》





Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Jun. 30, 2010	Sept. 30, 2010	Increase	Liabilities and Stockholders' Equity	Jun. 30, 2010	Sept. 30, 2010	Increase
Cash and deposits	40.1	36.3	-3.8	Accounts payable	113.6	112.5	-1.1
Accounts receivable	144.5	134.1	-10.4	Interest-bearing debt	365.6	359.8	-5.8
Inventories	100.2	105.3	5.2	Provision for retirement benefits	26.7	26.4	-0.3
Other current assets	31.1	32.6	1.6	Other liabilities	154.6	138.5	-16.1
<u>Current Assets</u>	<u>315.9</u>	<u>308.4</u>	<u>-7.5</u>	<u>Total Liabilities</u>	<u>660.5</u>	<u>637.2</u>	<u>-23.3</u>
Buildings and structures	90.1	88.6	-1.5	Common stock	140.6	140.6	—
Machinery and equipment	144.4	142.2	-2.2	Capital surplus	62.2	62.2	-0.0
Land	255.3	255.3	0.0	Retained earnings	32.3	34.0	1.7
Other tangible fixed assets	18.4	14.7	-3.7	Treasury stock	-0.2	-0.2	-0.0
<u>Tangible Fixed Assets</u>	<u>508.1</u>	<u>500.8</u>	<u>-7.3</u>	<u>Total Stockholders' equity</u>	<u>234.9</u>	<u>236.6</u>	<u>1.7</u>
Intangible Fixed Assets	12.7	12.3	-0.4	Securities valuation surplus	-4.4	-4.5	-0.0
Investments and other assets	102.8	96.9	-6.0	Foreign currency translation adjustment	-16.1	-16.3	-0.1
Incl. Investment securities	57.2	57.4	0.2	Deferred hedge gains			
				Revaluation surplus –Land	22.0	22.0	—
				<u>Total valuations and adjustments</u>	<u>1.4</u>	<u>1.2</u>	<u>-0.1</u>
				Minority Interest	42.7	43.2	0.5
<u>Total fixed assets</u>	<u>623.6</u>	<u>609.9</u>	<u>-13.7</u>	<u>Total equity</u>	<u>279.0</u>	<u>281.1</u>	<u>2.1</u>
Total Assets	939.5	918.4	-21.2	Total liabilities and equity	939.5	918.4	-21.2

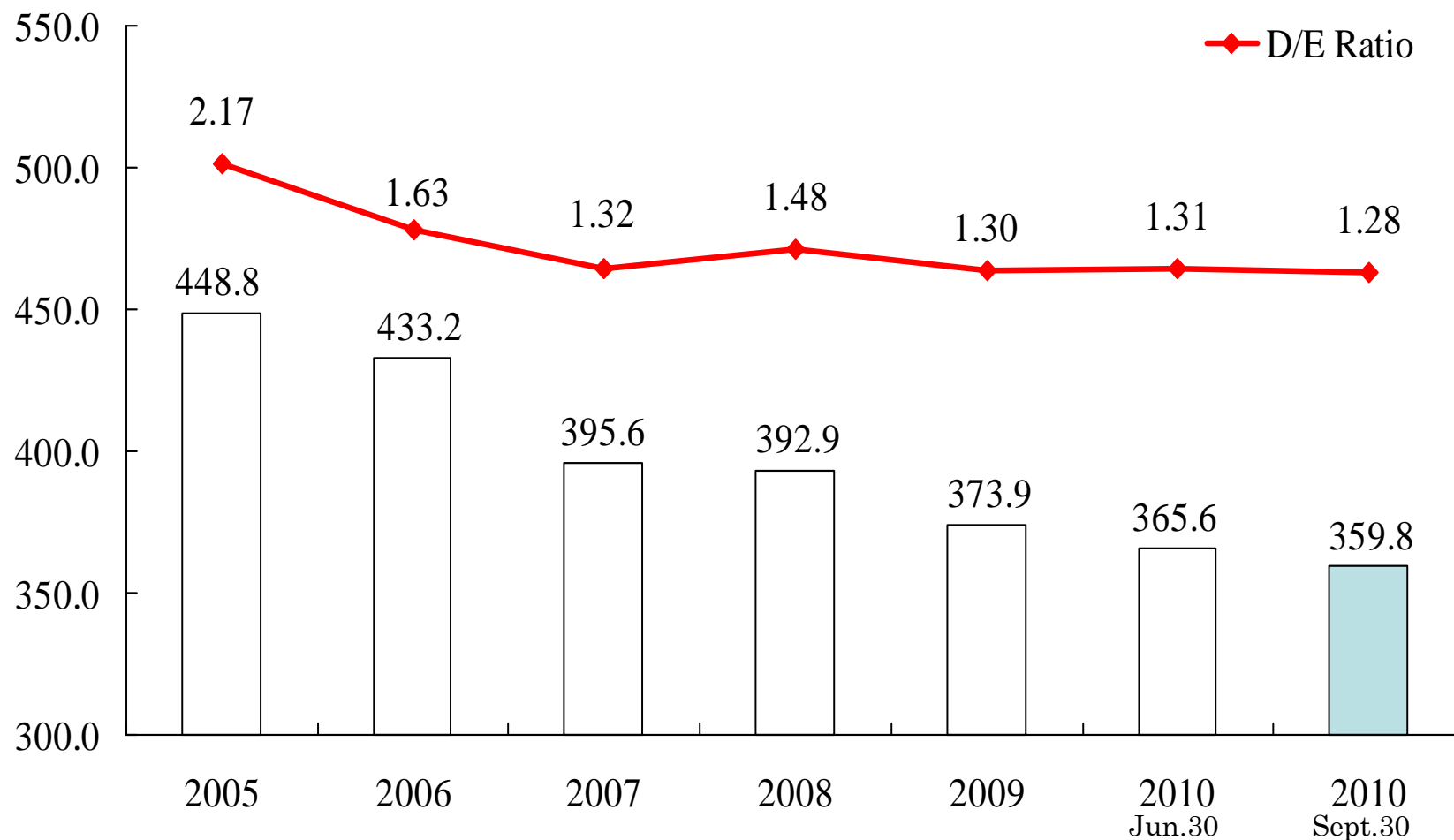
Total Assets Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

	Jun.30 2010	Sept.30 2010	Increase/ decrease
● Total assets	939.5	918.4	-21.2
● Interest-bearing debt	365.6	359.8	-5.8
● Debt/Equity ratio	1.31 times	1.28 times	-0.03p
● Stockholders' Equity ratio	25.2%	25.9%	0.7p

Interest-bearing Debt

(Unit: Billions of Yen)



Equity ratio	21.0%	22.7%	26.9%	25.0%	25.5%	25.2%	25.9%
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■ Petrochemicals

● Decision to build pilot plant for heat-resistant, transparent film for displays

- ◆ SDK has decided to build a pilot plant at its Oita Complex to produce heat-resistant and transparent film for use in displays. The pilot plant is scheduled to start up in June 2011. The film will have high transparency, heat resistance, and surface hardness. SDK will accelerate preparations for full-scale commercialization, expanding its film operations to cover not only the field of displays (touch screens, LCDs) but also optical films that require high performance.

■ Electronics

● Expansion of HD media production capacity in Singapore

- ◆ SDK has decided to further expand its hard disk (HD) media production capacity by 2 million disks per month, installing additional production lines at its fully-owned subsidiary Showa Denko HD Singapore Pte. Ltd. (SHDS). This is in addition to the capacity expansion of 3 million disks per month announced on April 28, 2010. The decision was made in view of the expected growth of demand for hard disk drives (HDDs) owing to increased use in PCs, servers and digital electric appliances. The additional expansion at SHDS will involve capital expenditure of approximately ¥5.5 billion. The Showa Denko Group's total HD media production capacity will be increased from 22 million disks a month at the end of June 2010, to 25 million disks a month by the end of March 2011, and further to 27 million disks a month by the end of June 2011. SDK will continue examining measures to increase its HD media production capacity to meet growing demand.

Topics

■ Electronics

● **Completion of blue LED chip production capacity expansion**

- ◆ SDK has increased its production capacity of blue LED chips at its Chiba site to 340 million units per month, from 200 million units per month. After completion of expansion work in July, SDK started commercial operation of the expanded facility. Demand for blue LEDs is expected to grow due to increased use in such applications as backlight for LCD TVs and general lighting. SDK will promote technical development to further increase output of LED chips and improve production efficiency, thereby providing high-quality, high-performance and energy-saving products that fulfill customers' requirements.

● **Expansion of production capacity for titanium oxide nanoparticles**

- ◆ SDK has decided to expand nanoparticle titanium-oxide production capacity at its fully-owned subsidiary Showa Titanium Co., Ltd., from 180 tons a month at present to 240 tons a month. The product, sold under the trade name of Super-Titania™, is used in the production of multilayer ceramic capacitors (MLCCs). MLCCs are used mainly in electronic devices that require small size and light weight, such as PCs and mobile phones, as well as in such digital electric appliances as flat-panel TVs. Demand for MLCCs is expected to continue growing.

Topics

■ Inorganics

● Decision to build chemical alumina plant in Indonesia

- ◆ SDK and PT. Antam Tbk (Antam), of Indonesia, have agreed to build a chemical alumina plant in West Kalimantan, Indonesia, through a new joint venture PT Indonesia Chemical Alumina (ICA; to be owned 20% by SDK). Chemical alumina is used for the production of various products, including electronic components. The project cost, which is expected to total approx. US\$450 million, will be financed by investments by SDK and Antam as well as ICA's bank loans. Construction will begin in January 2011 for start-up in January 2014. The plant will have the capacity to produce 300,000 t/y of chemical alumina. SDK will take 200,000 t/y of chemical alumina from the new plant and use them to replace the current products from its Yokohama Plant. SDK will expand its chemical alumina operations in the growing Asian market.

■ Corporate

● Acquisition of highest-level environmental rating from DBJ

- ◆ On July 30, SDK received a loan from Development Bank of Japan Inc. (DBJ), after acquiring the highest-level rating from DBJ for its environmental management. The rating was in recognition of SDK's contribution to sustainable growth through the development of ultrabright LED chips and VGCFTM carbon nanotube; implementation of measures against global warming, such as the drastic cut in greenhouse gas emissions through the replacement of naphtha cracking furnaces at Oita Complex; and establishment of aggressive plans for further reductions. The Showa Denko Group attaches high priority to a sustainable growth of society, developing products and technologies that contribute to reductions in environmental impact and cutting emissions of greenhouse gases.