



Evolving unique chemical company

First Quarter, 2011 Financial Results

- Consolidated -

SHOWA DENKO K.K.

April 27, 2011

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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: 41
Newly applied: 1 Showa Denko Rare-Earth Vietnam Co., Ltd.
- Equity method applied: 17
Newly applied, Excluded: none

Selected Data

(Average figure)

	Jan.- Mar. 2010	Jan.- Mar. 2011	Increase
■ Exchange rate:¥/US\$	90.7	82.3	Yen strengthened by ¥8.4/\$
■ Domestic naphtha price: ¥/kl	47,700	52,200	4,500
■ Aluminum LME price: US\$/T	2,195	2,524	329

Exchange rate at December 31, 2010 ¥81.5/US\$, at March 31, 2011 ¥83.2/US\$

⇒ Yen depreciated by ¥1.7/US\$



Summary

2010 (Jan.1 – Mar.31) v s. 2011 (Jan.1 – Mar.31)

(Unit: Billions of Yen)

	CQ1, 2010	CQ1, 2011	Increase	1 st half, 2011 Forecast*
Net Sales	187.7	193.0	5.3	415.0
Operating Income	7.0	9.4	2.3	17.0
Non-operating income and expense	-1.9	-1.4	0.5	-0.3
Interest/Dividend income and expense	-1.3	-1.1	0.2	
Equity Method	0.2	0.5	0.3	
Foreign exchange gain	0.3	0.1	-0.2	
Ordinary Income	5.1	7.9	2.8	14.0
Extraordinary Profit	0.3	0.5	0.2	
Extraordinary Loss	-1.4	-4.3	-2.8	
Income before income taxes and minority interests	4.0	4.1	0.1	
Income taxes	0.2	-0.8	-1.0	
Income before minority interests	4.1	3.3	-0.9	
Minority Interests in income	-0.6	-0.7	0.0	
Net Income	3.5	2.6	-0.9	6.5

*1st half, 2011 forecast announced on Feb.9, 2011.

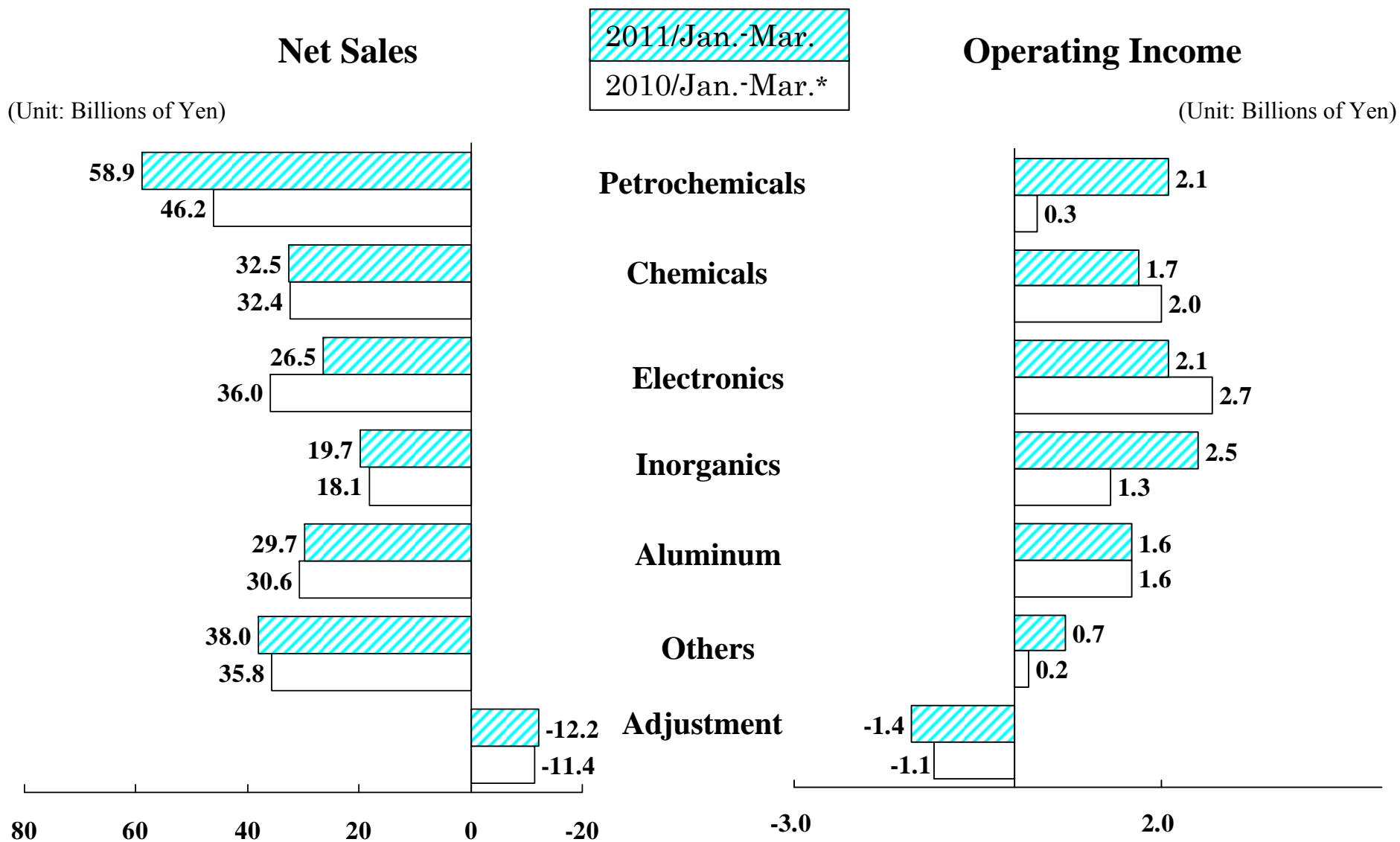
Extraordinary Profit/Loss

(Unit: Billions of Yen)

	CQ1, 2010	CQ1, 2011	Increase
■ Extraordinary Profit	0.3	0.5	0.2
● Gain on the sale of fixed assets	0.1	0.0	-0.1
● Gain on transfer of business	0.2	0.1	-0.2
● Residual gain on invested assets	-	0.2	0.2
● Other	0.0	0.2	0.1
■ Extraordinary Loss	-1.4	-4.3	-2.8
● Loss on fixed assets sold or retired	-0.3	-0.4	-0.0
● Loss on impairment of fixed assets	-0.5	-0.1	0.4
● Loss on the Great East Japan Earthquake	-	-2.6	-2.6
● Other	-0.6	-1.2	-0.6
■ Extraordinary Profit/Loss, Net	-1.1	-3.8	-2.7



Sales and Operating Income by Segment



(note) 2010/Jan.-Mar. segment figures are reclassified by the new segmentation, for the reference purpose only.



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1, 2010	CQ1, 2011	Increase	
Petrochemicals	46.2	58.9	12.7	Olefins: sales increased (shipment volumes increased from CQ1 2010, when we conducted SDM* at Oita, price up) Organic chemicals: sales maintained at the CQ1, 2010 level
Chemicals	32.4	32.5	0.1	Ammonia, specialty gases, functional polymer materials: sales maintained at the CQ1, 2010 level AN, Chloroprene rubber: sales increased (price up)
Electronics	36.0	26.5	-9.5	HDs: sales decreased (shipment volumes down) Compound semiconductors: sales decreased (price down) Rare earth: sales increased (price up)
Inorganics	18.1	19.7	1.6	Ceramics: sales increased (mainly for electronic applications) Graphite electrodes: sales increased (shipment volume up in U.S.)
Aluminum	30.6	29.7	-0.9	High-purity foils for capacitors: sales increased (shipment volumes up, price up) Aluminum cylinder for LBP: sales decreased (shipment volumes down) Heat exchangers: sales decreased (sales down in Japan, U.S. and Europe, sales up in China and Thailand) Shotoc: sales increased (shipment volumes up) Aluminum cans: sales slightly decreased (shipment volumes down)
Others	35.8	38.0	2.1	LiB materials: sales increased (shipment volumes up) SHOKO Co.,Ltd. : sales increased (steady increase in sales of plastics and metals)
Adjustment	-11.4	-12.2	-0.8	
Total	187.7	193.0	5.3	

Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1, 2010	CQ1, 2011	Increase	
Petrochemicals	0.3	2.1	1.8	Olefins: profit increased (shipment volumes up from CQ1 2010, when we conducted SDM* at Oita, price up) Organic chemicals: profit increased (shipment volume of vinyl acetate and allyl alcohol up)
Chemicals	2.0	1.7	-0.3	AN, chloroprene rubber : profit increased (price up) Ammonia, IPP*: profit decreased (higher cost of raw materials and fuel)
Electronics	2.7	2.1	-0.6	HDs: profit decreased (shipment volume down) Compound semiconductors: profit increased (cost reduction) Rare earth: profit increased (shipment volumes up, price up)
Inorganics	1.3	2.5	1.2	Ceramics: profit increased (mainly for electronic applications) Graphite electrodes: profit increased (shipment volumes up in U.S.)
Aluminum	1.6	1.6	0.0	High-purity foils for capacitors: profit increased (shipment volumes up, price up) Aluminum cylinder for LBP: profit decreased (shipment volumes down) Heat exchangers: profit decreased (profit down in Japan and Europe, profit up in China and Thailand, profit unchanged in U.S.) Shotoc: profit decreased (Higher cost of raw materials) Aluminum cans: profit slightly increased
Others	0.2	0.7	0.5	SHOKO Co.,Ltd.: profit increased (steady increase in sales of plastics and metals)
Adjustment	-1.1	-1.4	-0.3	
Total	7.0	9.4	2.3	

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



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2010	Mar. 31, 2011	Increase	Liabilities and Net Assets	Dec. 31, 2010	Mar. 31, 2011	Increase
Cash and deposits	43.6	35.5	-8.1	Notes and accounts payable	114.2	104.9	-9.4
Notes and accounts receivable	135.6	137.8	2.2	Interest-bearing debt	351.0	364.9	13.9
Inventories	100.7	110.8	10.2	Provision for retirement benefits	26.3	26.1	-0.1
Deferred tax assets	3.3	6.6	3.3	Other liabilities	148.0	144.2	-3.8
Other current assets	29.0	24.9	-4.1				
<u>Total Current Assets</u>	<u>312.2</u>	<u>315.6</u>	<u>3.4</u>	<u>Total Liabilities</u>	<u>639.5</u>	<u>640.2</u>	<u>0.6</u>
Buildings and structures	87.8	89.2	1.4	Capital stock	140.6	140.6	—
Machinery and equipment	142.7	142.6	-0.1	Capital surplus	62.2	62.2	-0.0
Land	255.2	255.9	0.7	Retained earnings	36.9	34.7	-2.2
Other tangible fixed assets	14.2	13.9	-0.3	Treasury stock	-0.2	-0.1	0.0
Tangible Fixed Assets	499.8	501.6	1.7	<u>Total Shareholders' equity</u>	239.5	237.3	-2.2
Intangible Fixed Assets	12.2	12.1	-0.1	Valuation difference on available-for-sale securities	-3.7	-4.2	-0.5
Investments and other assets	100.3	95.9	-4.4	Foreign currency translation adjustment, Deferred hedge gains	-16.5	-13.9	2.6
Incl. Investment securities	58.8	58.2	-0.6	Revaluation surplus –Land	22.4	22.4	-0.0
Incl. Deferred tax assets	27.5	24.1	-3.3	<u>Total valuations and adjustments</u>	2.1	4.2	2.1
<u>Total fixed assets</u>	<u>612.3</u>	<u>609.5</u>	<u>-2.8</u>	Minority Interests	43.3	43.5	0.2
				<u>Total net assets</u>	<u>285.0</u>	<u>285.0</u>	0.0
Total Assets	924.5	925.2	0.7	Total Liabilities and Net Assets	924.5	925.2	0.7

Total Assets Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

	Dec.31, 2010	Mar.31, 2011	Increase
● Total assets	924.5	925.2	0.7
● Interest-bearing debt	351.0	364.9	13.9
● Debt/Equity ratio	1.23times	1.28times	0.05p
● Stockholders' Equity ratio	26.1%	26.1%	—

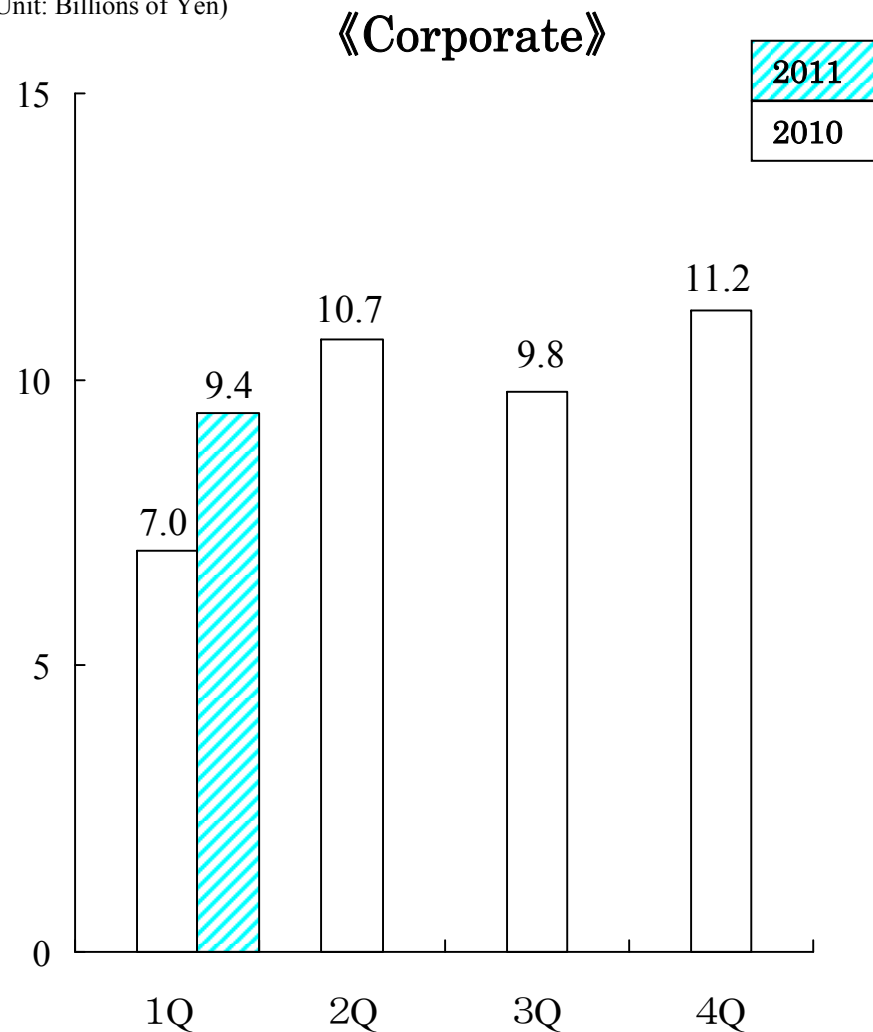
Summary

(Unit: Billions of Yen)

Segment		2010 CQ1 Jan. 1 - Mar.31	2011 CQ1 Jan. 1 - Mar.31	Increase	First half 2011 Forecast
Petrochemicals	Net Sales	46.2	58.9	12.7	110.0
	Operating Income	0.3	2.1	1.8	2.0
Chemicals	Net Sales	32.4	32.5	0.1	65.0
	Operating Income	2.0	1.7	-0.3	3.0
Electronics	Net Sales	36.0	26.5	-9.5	80.0
	Operating Income	2.7	2.1	-0.6	7.5
Inorganics	Net Sales	18.1	19.7	1.6	40.0
	Operating Income	1.3	2.5	1.2	4.0
Aluminum	Net Sales	30.6	29.7	-0.9	65.0
	Operating Income	1.6	1.6	0.0	3.5
Others	Net Sales	35.8	38.0	2.1	75.0
	Operating Income	0.2	0.7	0.5	0.5
Adjustment	Net Sales	-11.4	-12.2	-0.8	-20.0
	Operating Income	-1.1	-1.4	-0.3	-3.5
Total	Net Sales	187.7	193.0	5.3	415.0
	Operating Income	7.0	9.4	2.3	17.0

(Reference) Operating Income (Quarterly)

(Unit: Billions of Yen)

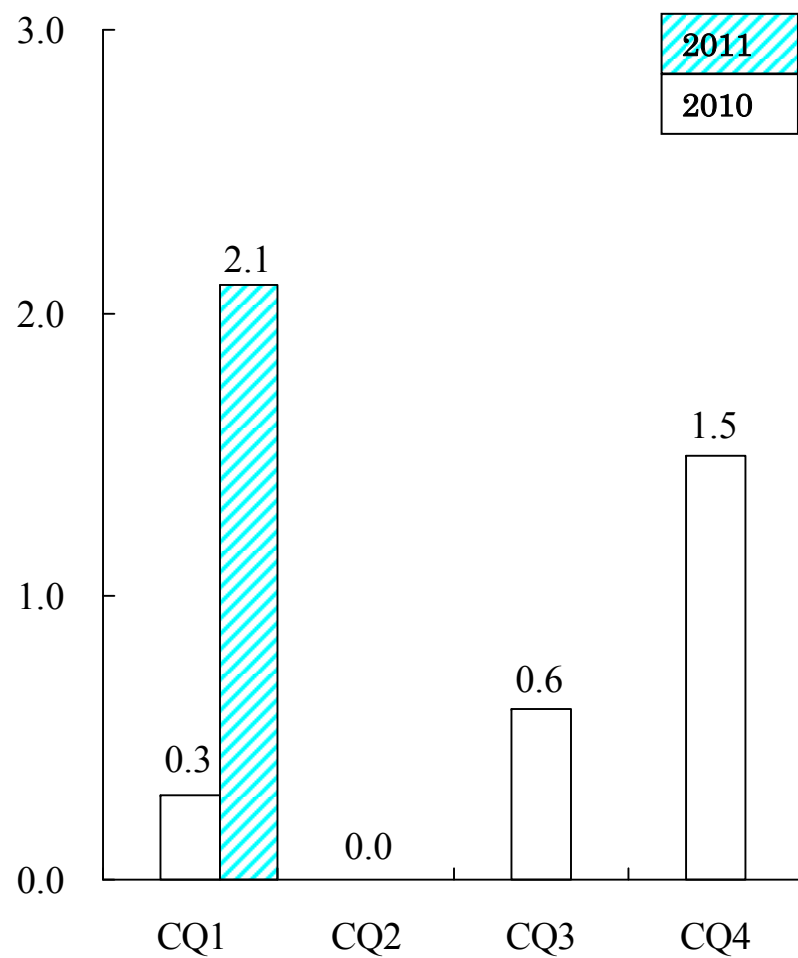


* As from the first quarter 2011, Showa Denko K.K. changed the segment classification and the number of segments will increase from five to six. segment figures for 2010 are reclassified in accordance with the new segmentation, for the reference purpose only.

Operating Income (Quarterly)

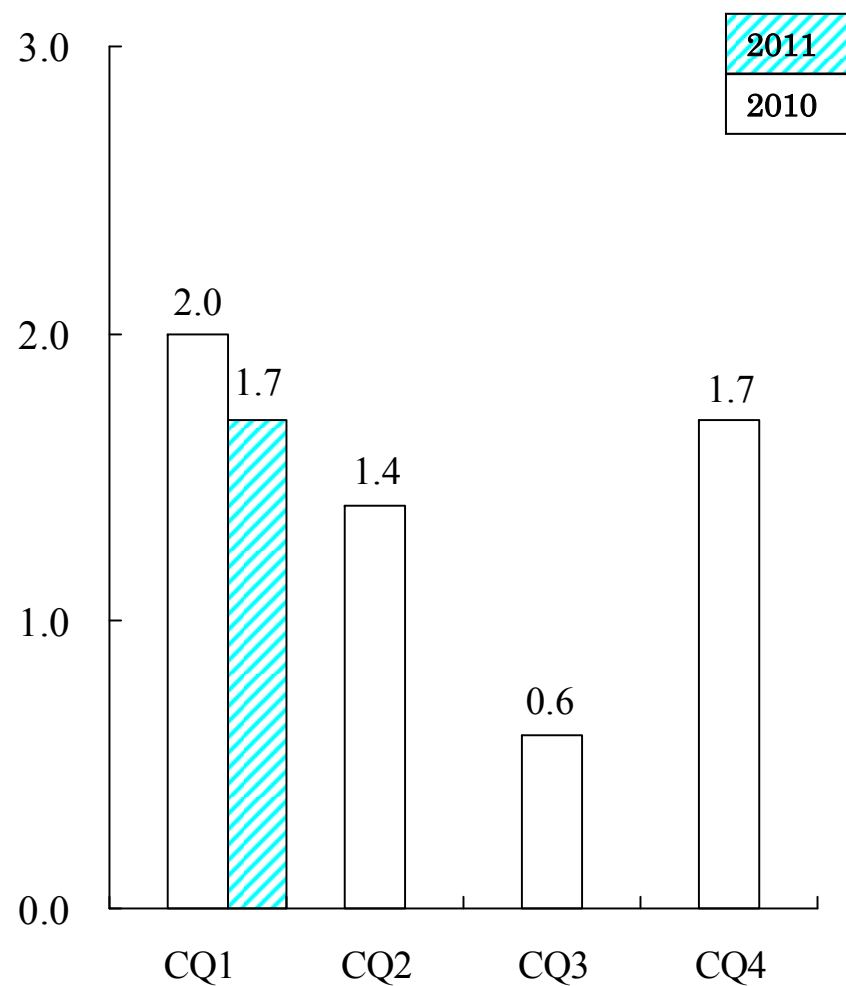
《Petrochemicals》

(Unit: Billions of Yen)



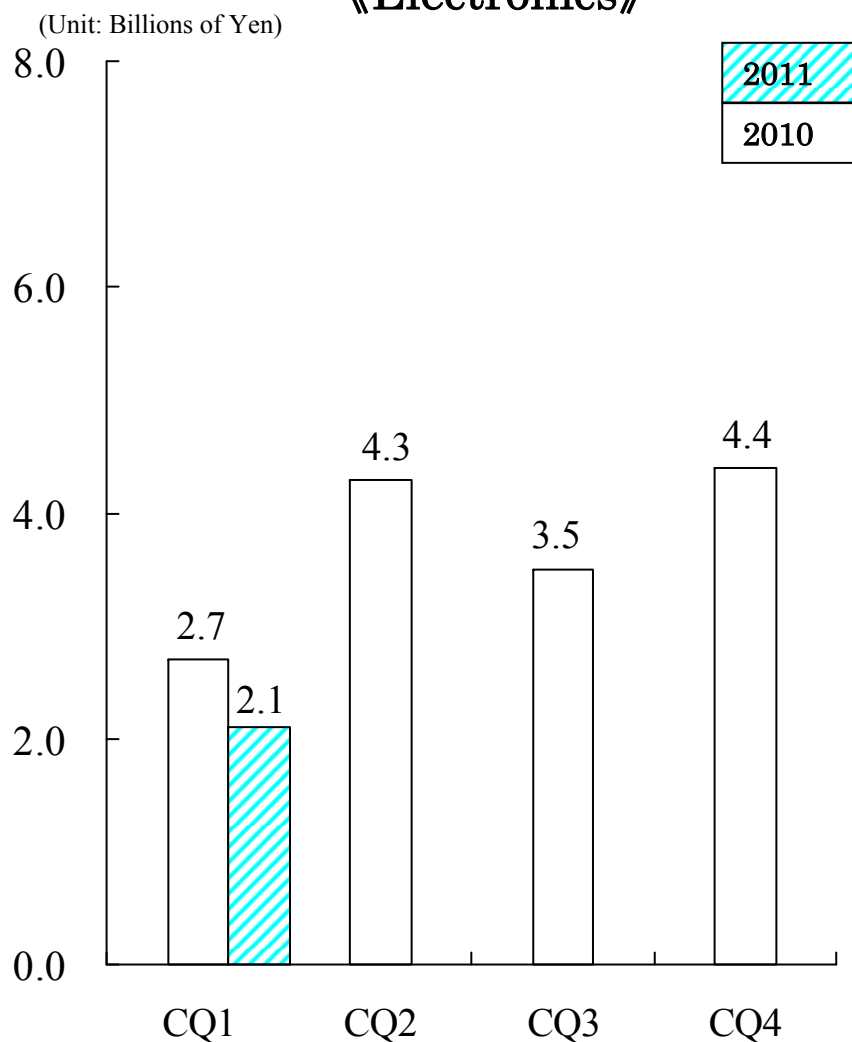
《Chemicals》

(Unit: Billions of Yen)

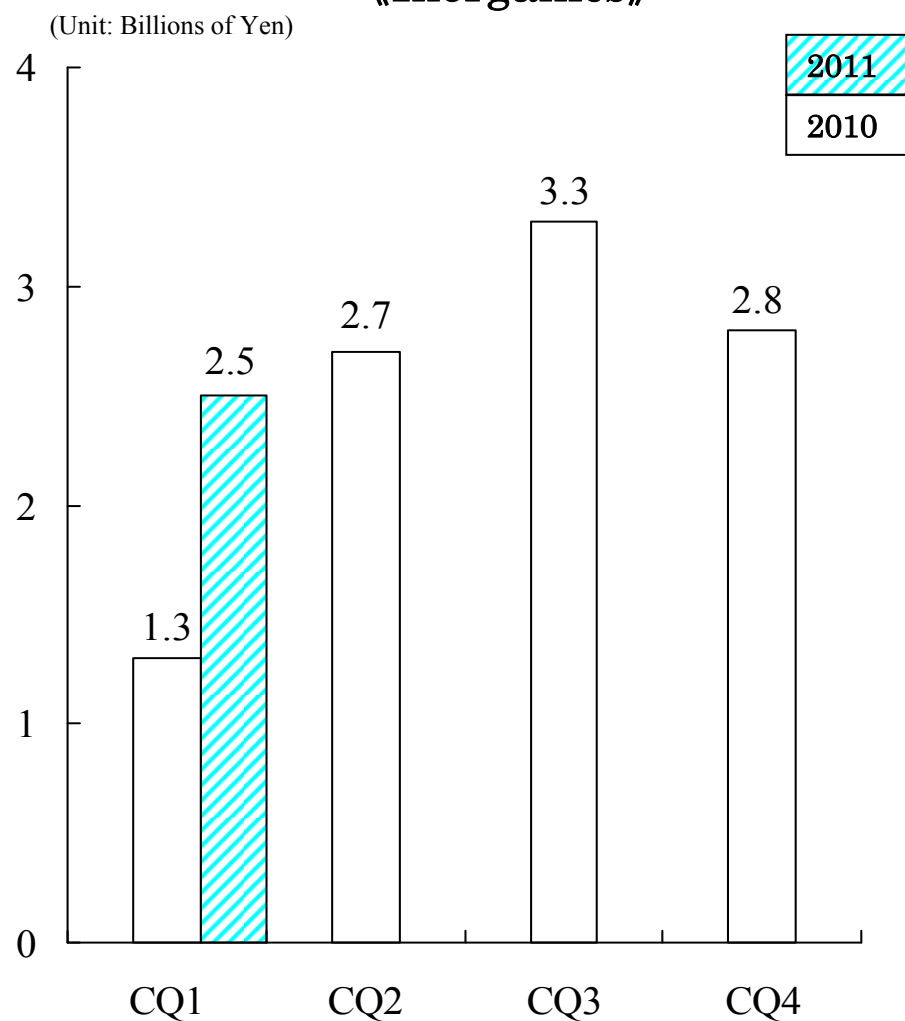


Operating Income (Quarterly)

《Electronics》



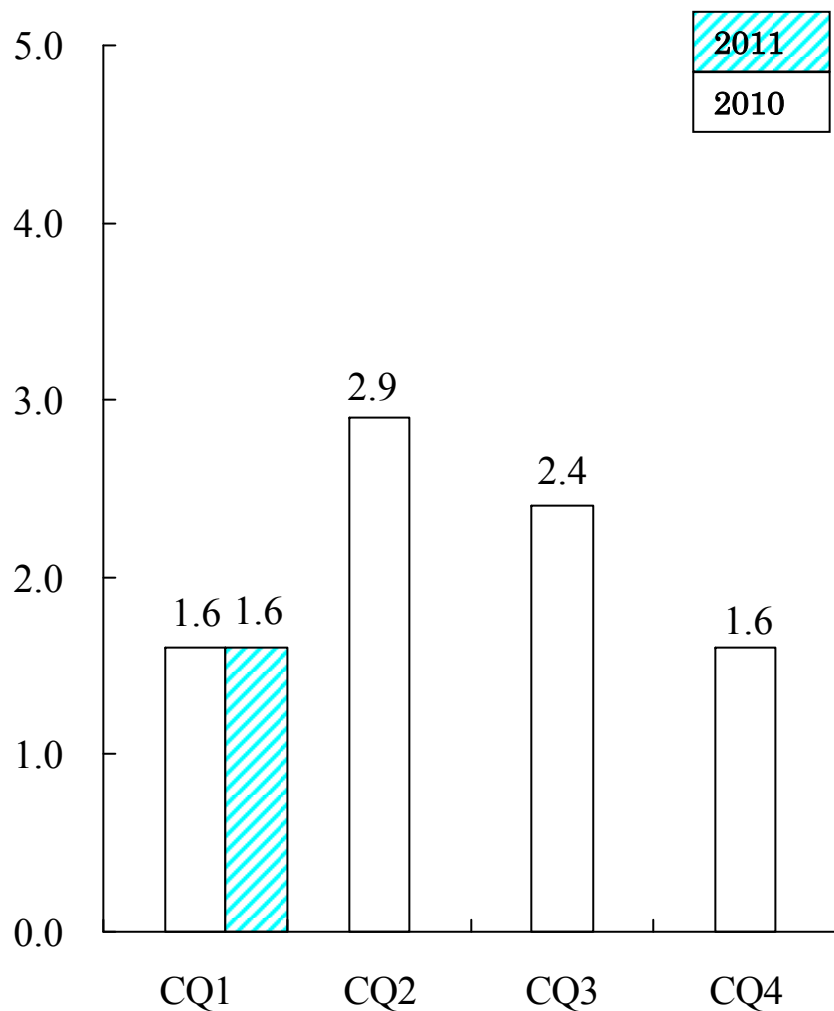
《Inorganics》



Operating Income (Quarterly)

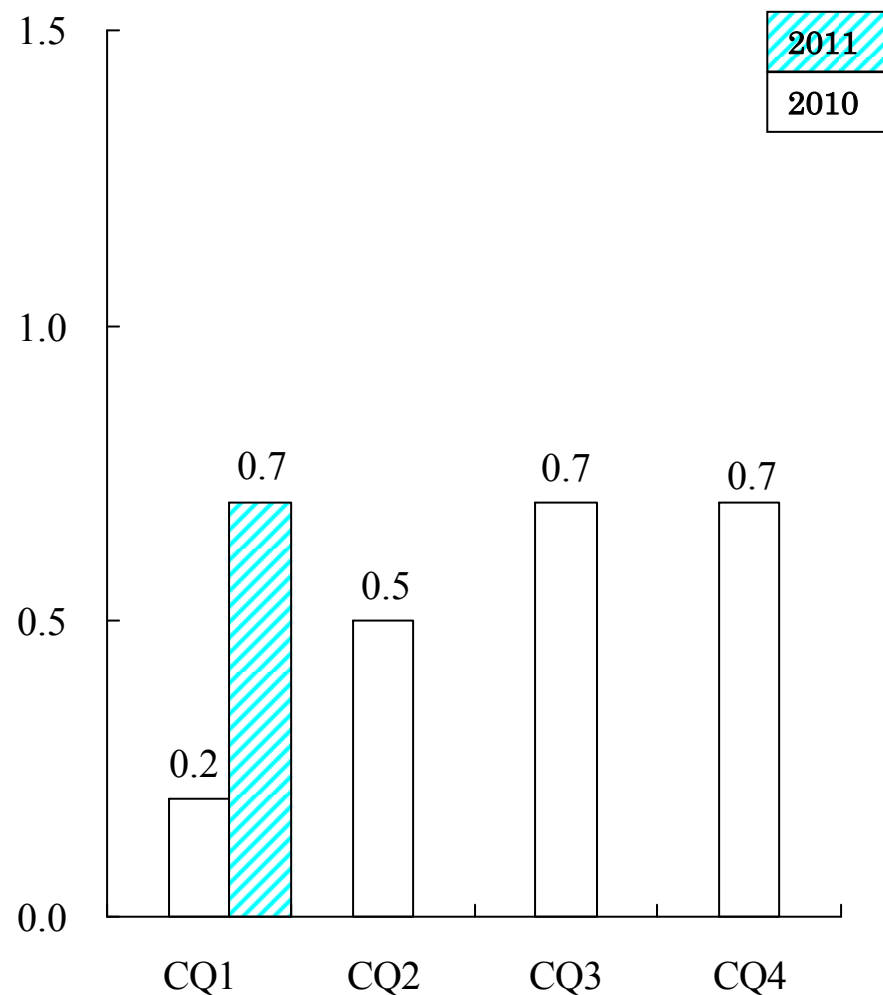
(Unit: Billions of Yen)

《Aluminum》



(Unit: Billions of Yen)

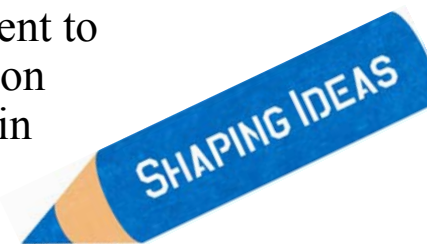
《Others》



■ Corporate

● Establishment of Group's slogan and statement

- ◆ The Showa Denko Group established a new slogan and a statement to declare its policy to “contribute toward creating a society where affluence and sustainability are harmonized,” providing components, materials and solutions as an evolving chemical company with individualized products. The Group started using the slogan and the statement as a means to communicate the policy to its stakeholders, and to make a commitment to carry out the policy. SDK believes the Showa Denko Group's mission is to bring the dreams of humankind into reality through innovation in chemical technology. This belief is summarized into the simple and strong words of “Shaping Ideas.” SDK is using the image of “Pencil” as the symbol of “Shaping Ideas.”



● Restart of operations after the East Japan Earthquake Disaster

- ◆ After the March 11 East Japan Earthquake Disaster and resultant emergency shutdown of relevant production facilities, SDK basically suspended operations at its sites in the Tohoku and Kanto regions through March 16 for safety inspection. After confirmation of the safety of the facilities, SDK resumed production on March 17, centering on basic chemicals necessary for the supply of drinking water, food, medicine and electricity. In resuming production, SDK gave priority to items urgently needed by society. As an independent power producer (IPP), SDK restarted its plant soon after the earthquake, supplying electricity to the electric power company concerned. All production facilities virtually returned to normal operation at the end of March.

■ Petrochemicals

- Establishment of a joint venture for aromatics business
 - ◆ SDK and Nippon Steel Chemical Co., Ltd. (NSC) agreed to establish a joint venture company based on NSC Oita Works' operations in the field of aromatic chemicals, such as styrene monomer, benzene, toluene, and xylene. The joint venture, tentatively named NS Styrene Monomer Co., Ltd., will be established in August 2011. The two companies aim to strengthen the business by achieving a vertical integration covering all stages from raw materials to products, and improving facilities.

■ Chemicals

- Construction of a new plant for eco-friendly, high-purity gas for LCD production
 - ◆ In December 2010, SDK started building a 400 t/y high-purity carbonyl fluoride (COF₂) plant within the premises of its Higashinagahara Plant. The new plant is scheduled for completion in July 2011. The COF₂ gas, with lower environmental impact, is to be used in the production of liquid crystal display (LCD) panels. Compared with sulfur hexafluoride (SF₆), a typical etching gas used for processing LCD glass substrates, COF₂ has lower global warming potential. SDK has reduced production cost and enhanced the purity of its COF₂ product by fully utilizing its proprietary technologies for synthesis and purification, ensuring stable supply of COF₂. SDK will continue developing new eco-friendly products and expanding its product lineup.

■ Inorganics

- Decision to expand graphite electrode production capacity
 - ◆ Based on the forecast of steady growth in global demand for electric steel, SDK decided to expand its graphite electrode production capacity at Showa Denko Carbon, Inc. (SDKC), a consolidated subsidiary in the United States, from 45,000 t/y at present to 75,000 t/y by the end of 2013. The expanded facilities will ensure increased production of large-diameter (30- and 32-inch) graphite electrodes, which are areas of SDK's strengths. The construction work will be completed in the first half of 2013. Together with the 60,000 t/y plant in Omachi, Japan, the Showa Denko Group's total graphite electrode production capacity will reach 135,000 t/y. With the scheduled expansion at SDKC, the Group will establish a flexible supply chain on a global scale, serving the rapidly growing markets in Asia and Latin America, in addition to the existing markets in Japan, the United States and Europe.

■ Others

● Volume production of carbon-coated aluminum foils for LIBs

- ◆ The Showa Denko Group will start volume production and full-scale sales of carbon-coated aluminum foils (trade name: SDXTM) that reduce electrical resistance of lithium-ion battery (LIB) electrodes. SDXTM is produced by coating plain aluminum foils with electrically conductive carbon, using its proprietary technology. The product reduces contact resistance between a cathode material and a collector by approximately 50%.

As a result, rate performance has improved by more than 30%, enabling quick charge/discharge of heavy current. In addition, adhesion to collectors has increased, to 1.5 times the conventional level. This would lead to improvement in productivity at customers. The Showa Denko Group will accelerate R&D and commercialization of advanced battery materials, fully utilizing its rich stock of inorganic, metal and organic chemical technologies.