

Evolving unique chemical company

Second Quarter, 2011 Financial Results

- Consolidated -

SHOWA DENKO K.K.

August 3, 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 consolidated: 1 Showa Denko Rare-Earth Vietnam Co., Ltd.
- Equity method applied: 17 (No changes in the period)

Selected Data

(Average figure)

	Jan.- Jun. 2010	Jan.- Jun. 2011	Increase
■ Exchange rate:¥/US\$	91.4	82.0	Yen strengthened by ¥9.3/\$
■ Domestic naphtha price: ¥/kl	48,700	55,700	7,000
■ Aluminum LME price: US\$/T	2,160	2,573	413

Exchange rate at December 31, 2010 ¥81.5/US\$, at June 30,2011 ¥80.7/US\$

⇒Yen strengthened by ¥0.8/US\$

Summary

2010 (Jan.1 – Jun.30) v s. 2011 (Jan.1 – Jun.30)

(Unit: Billions of Yen)

	Jan.-Jun. 2010	Jan.-Jun. 2011	Increase
Net Sales	384.1	416.5	32.4
Operating Income	17.7	22.1	4.4
Non-operating income and expense	-3.7	-4.0	-0.3
Interest/Dividend income less expenses	-2.2	-2.1	0.1
Foreign exchange gain or loss	-0.5	-0.5	0.0
Equity in earnings or losses of affiliates	0.7	0.4	-0.3
Ordinary Income	14.0	18.1	4.0
Extraordinary Income	2.9	1.3	-1.6
Extraordinary Loss	-6.2	-8.4	-2.2
Income before income taxes and minority interests	10.8	11.0	0.2
Income Taxes	-1.9	-1.8	0.1
Income before minority interests	8.9	9.2	0.3
Minority Interests in income	-1.2	-1.4	-0.2
Net Income	7.7	7.8	0.1

Extraordinary Profit/Loss

(Unit: Billions of Yen)

	Jan.-Jun. 2010	Jan.-Jun. 2011	Increase
■ Extraordinary Profit	2.9	1.3	-1.6
● Subsidy income	2.0	—	-2.0
● Reversal of provision for retirement benefits	—	0.7	0.7
● Other	0.9	0.7	-0.2
■ Extraordinary Loss	-6.2	-8.4	-2.2
● Loss on sales and retirement of noncurrent assets	-1.6	-0.6	1.0
● Loss on the Great East Japan Earthquake	—	-2.9	-2.9
● Compensation for cancellation of contracts	—	-2.5	-2.5
● Other	-4.6	-2.4	2.2
■ Extraordinary Profit/Loss, Net	-3.2	-7.1	-3.8

Consolidated Sales by Segment

(Unit: Billions of Yen)

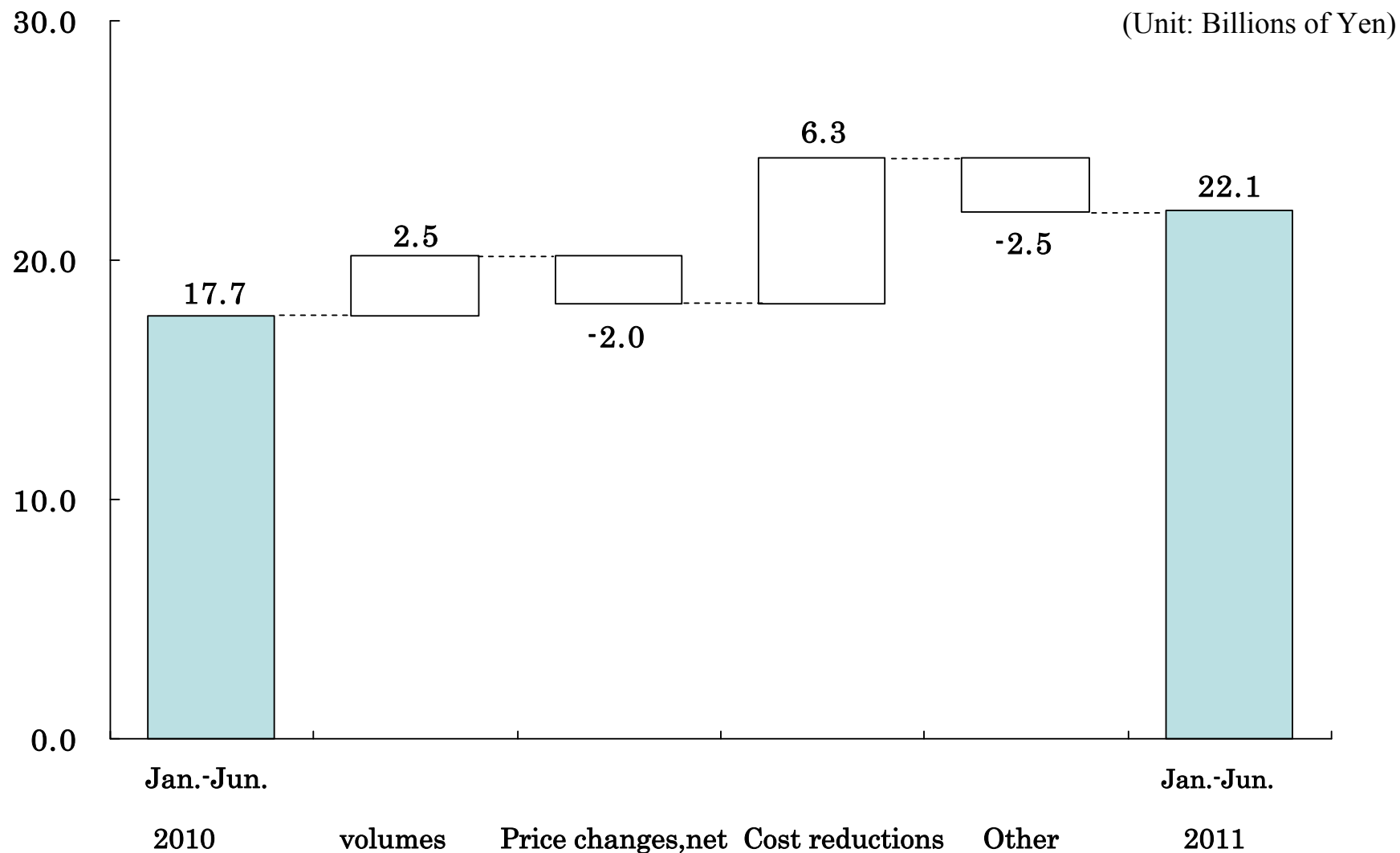
	Jan.-Jun. 2010	Jan.-Jun. 2011	Increase	
Petrochemicals	90.6	127.0	36.4	Olefins: sales increased (shipment volumes up from the year-earlier level, when we conducted SDM* at Oita, price up) Organic chemicals: sales increased (shipment volumes of allyl alcohol up)
Chemicals	65.8	66.3	0.6	AN: sales increased (shipment volumes up, price up) Chloroprene rubber, functional polymer materials: sales increased (price up) Specialty gases: sales increased (shipment volumes up) Ammonia: sales decreased (shipment volumes down)
Electronics	72.9	68.6	-4.3	HDs: sales decreased (weak shipment in 1Q 2011) Compound semiconductors: sales decreased (price down) Rare earth: sales increased (price up)
Inorganics	38.5	40.0	1.6	Ceramics: sales increased (strong sales in electronics applications) Graphite electrodes: sales decreased (shipment volumes up, yen appreciation, price down)
Aluminum	64.7	61.7	-3.0	High-purity foils for capacitors: sales increased (shipment volumes up: capacitor industry's production quickly recovered after the earthquake) Aluminum cylinders for LBP : sales decreased (shipment volumes down) Heat exchangers: sales decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc: sales increased (shipment volumes up) Aluminum cans: sales slightly increased (shipment volumes up)
Others	75.0	76.6	1.5	LiB materials: sales increased (shipment volumes up) SHOKO Co., Ltd.: sales increased (increase in sales of metals)
Adjustment	-23.4	-23.8	-0.4	
Total	384.1	416.5	32.4	

Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	Jan.-Jun. 2010	Jan.-Jun. 2011	Increase	
Petrochemicals	0.2	4.1	3.8	Olefins: profit increased (shipment volumes up from the year-earlier level, when we conducted SDM at Oita, price up) Organic chemicals: profit increased (improved profitability of allyl alcohol)
Chemicals	3.4	2.8	-0.5	AN, functional polymer materials: profit maintained at the year-earlier level Ammonia: profit decreased (shipment volumes down) Specialty gases: profit decreased (price down) Chloroprene rubber: profit increased (price up) IPP: profit decreased (higher fuel cost)
Electronics	7.0	7.5	0.5	HDs: profit decreased (weak shipment in 1Q 2011) Compound semiconductors: profit increased (cost down) Rare earth: profit increased (price up)
Inorganics	4.0	5.6	1.7	Ceramics: profit increased (price up) Graphite electrodes: profit decreased (shipment volumes up, yen appreciation, price down)
Aluminum	4.5	3.6	-0.9	High-purity foils for capacitors: profit increased (shipment volumes up) Aluminum cylinders for LBP: profit decreased (shipment volumes down) Heat exchangers: profit decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc, Aluminum cans: profit maintained at the year-earlier level
Others	0.7	1.5	0.8	LiB materials: profit increased (shipment volumes up) SHOKO Co., Ltd.: profit increased (increase in sales of metals)
Adjustment	-2.0	-3.1	-1.1	
Total	17.7	22.1	4.4	

Operating Income Breakdown by Factor





Summary

2010 CQ2 (Apr.1 – Jun.30) v s. 2011 CQ2 (Apr.1 – Jun.30)

(Unit: Billions of Yen)

	CQ2, 2010	CQ2, 2011	Increase
Net Sales	196.4	223.5	27.1
Operating Income	10.7	12.7	2.0
Non-operating income and expense	-1.8	-2.6	-0.8
Interest/Dividend income less expenses	-0.8	-1.0	-0.2
Equity in earnings or losses of affiliates	0.6	-0.0	-0.6
Foreign exchange loss	-0.8	-0.6	0.2
Ordinary Income	8.9	10.1	1.2
Extraordinary Income	2.6	1.1	-1.6
Extraordinary Loss	-4.8	-4.3	0.4
Income before income taxes and minority interests	6.8	6.9	0.1
Income Taxes	-2.1	-1.0	1.1
Income before minority interests	4.8	5.9	1.1
Minority Interests in income	-0.6	-0.7	-0.1
Net Income	4.2	5.2	1.0



Consolidated Sales by Segment

2010 CQ2 (Apr.1 – Jun.30) v s. 2011 CQ2 (Apr.1 – Jun.30)

(Unit: Billions of Yen)

	CQ2, 2010	CQ2, 2011	Increase	
Petrochemicals	44.5	68.2	23.7	Olefins: sales increased (shipment volumes up from CQ2 2010, when we conducted SDM at Oita, price up) Organic chemicals: sales increased (shipment volumes of allyl alcohol up)
Chemicals	33.4	33.9	0.5	AN, chloroprene rubber, functional polymer materials: sales increased (price up) Specialty gases: sales increased (shipment volumes up) Ammonia: sales decreased (shipment volumes down)
Electronics	36.9	42.1	5.2	HDs: sales increased (shipment volumes up) Compound semiconductors: sales decreased (price down) Rare earth: sales increased (price up)
Inorganics	20.4	20.3	-0.1	Ceramics: sales increased (price up) Graphite electrodes: sales decreased (shipment volumes up, yen appreciation, price down)
Aluminum	34.1	32.0	-2.1	High-purity foils for capacitors: sales increased (shipment volumes up: capacitor industry's production quickly recovered after the earthquake) Aluminum cylinders for LBP: sales decreased (shipment volumes down) Heat exchangers: sales decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc: sales increased (shipment volumes up) Aluminum cans: sales slightly increased (shipment volumes for soft drinks up)
Others	39.2	38.6	-0.6	LiB materials: sales increased (shipment volumes up) SHOKO Co., Ltd.: sales increased (increase in sales of metals) Engineering: sales decreased (business restructured)
Adjustment	-12.0	-11.5	0.5	
Total	196.4	223.5	27.1	



Consolidated Operating Income by Segment

2010 CQ2 (Apr.1 – Jun.30) v s. 2011 CQ2 (Apr.1 – Jun.30)

(Unit: Billions of Yen)

	CQ2, 2010	CQ2, 2011	Increase	
Petrochemicals	-0.0	2.0	2.0	Olefins: profit increased (shipment volumes up from CQ2 2010, when we conducted SDM at Oita, price up) Organic chemicals: profit increased (shipment volumes of allyl alcohol up)
Chemicals	1.4	1.1	-0.2	AN: profit decreased (raw material cost up) Ammonia: profit decreased (shipment volumes down) Specialty gases: profit decreased (price down) IPP: profit decreased (higher fuel cost) Chloroprene rubber, functional polymer materials: profit increased (price up)
Electronics	4.3	5.4	1.2	HDs: profit increased (shipment volumes up) Compound semiconductors: profit decreased (price down) Rare earth: profit increased (price up)
Inorganics	2.7	3.2	0.5	Ceramics: profit increased (price up) Graphite electrodes: profit decreased (shipment volumes up, yen appreciation, price down)
Aluminum	2.9	2.0	-0.9	High-purity foils for capacitors: profit increased (shipment volumes up) Aluminum cylinders for LBP : profit decreased (shipment volumes down) Heat exchangers: profit decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc: profit increased (shipment volumes up) Aluminum cans: profit decreased (cost up)
Others	0.5	0.8	0.3	LiB materials: profit increased (shipment volumes up) SHOKO Co., Ltd.: profit increased (increase in profit of metal business)
Adjustment	-0.9	-1.7	-0.8	
Total	10.7	12.7	2.0	



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2010	Jun. 30, 2011	Increase	Liabilities and Net Assets	Dec. 31, 2010	Jun. 30, 2011	Increase
Cash and deposits	43.6	37.1	-6.5	Notes and accounts payable	114.2	102.3	-11.9
Notes and accounts receivable	135.6	146.5	10.9	Interest-bearing debt	351.0	359.3	8.3
Inventories	100.7	108.0	7.3	Provision for retirement benefits	26.3	25.2	-1.1
Other current assets	32.3	31.0	-1.3	Other liabilities	148.0	152.1	4.1
<u>Total Current Assets</u>	<u>312.2</u>	<u>322.7</u>	<u>10.5</u>	<u>Total Liabilities</u>	<u>639.5</u>	<u>638.9</u>	<u>-0.6</u>
Buildings and structures	87.8	87.9	0.1	Capital stock	140.6	140.6	—
Machinery and equipment	142.7	136.7	-6.0	Capital surplus	62.2	62.2	-0.0
Land	255.2	255.8	0.6	Retained earnings	36.9	39.9	3.0
Other tangible fixed assets	14.2	15.7	1.5	Treasury stock	-0.2	-0.1	0.0
Tangible Fixed Assets	499.8	496.1	-3.8	<u>Total Shareholders' equity</u>	<u>239.5</u>	<u>242.6</u>	<u>3.0</u>
Intangible Fixed Assets	12.2	12.0	-0.2	Valuation difference on available-for-sale securities	-3.7	-3.9	-0.2
Investments and other assets	100.3	96.7	-3.6	Foreign currency translation adjustment, Deferred hedge gains	-16.5	-16.3	0.2
Incl. Investment securities	58.8	60.5	1.7	Revaluation surplus –Land	22.4	22.5	0.1
				<u>Total valuations and adjustments</u>	<u>2.1</u>	<u>2.3</u>	<u>0.2</u>
				Minority Interests	43.3	43.6	0.3
<u>Total fixed assets</u>	<u>612.3</u>	<u>604.7</u>	<u>-7.6</u>	<u>Total net assets</u>	<u>285.0</u>	<u>288.5</u>	<u>3.5</u>
Total Assets	924.5	927.4	2.9	Total Liabilities and Net Assets	924.5	927.4	2.9

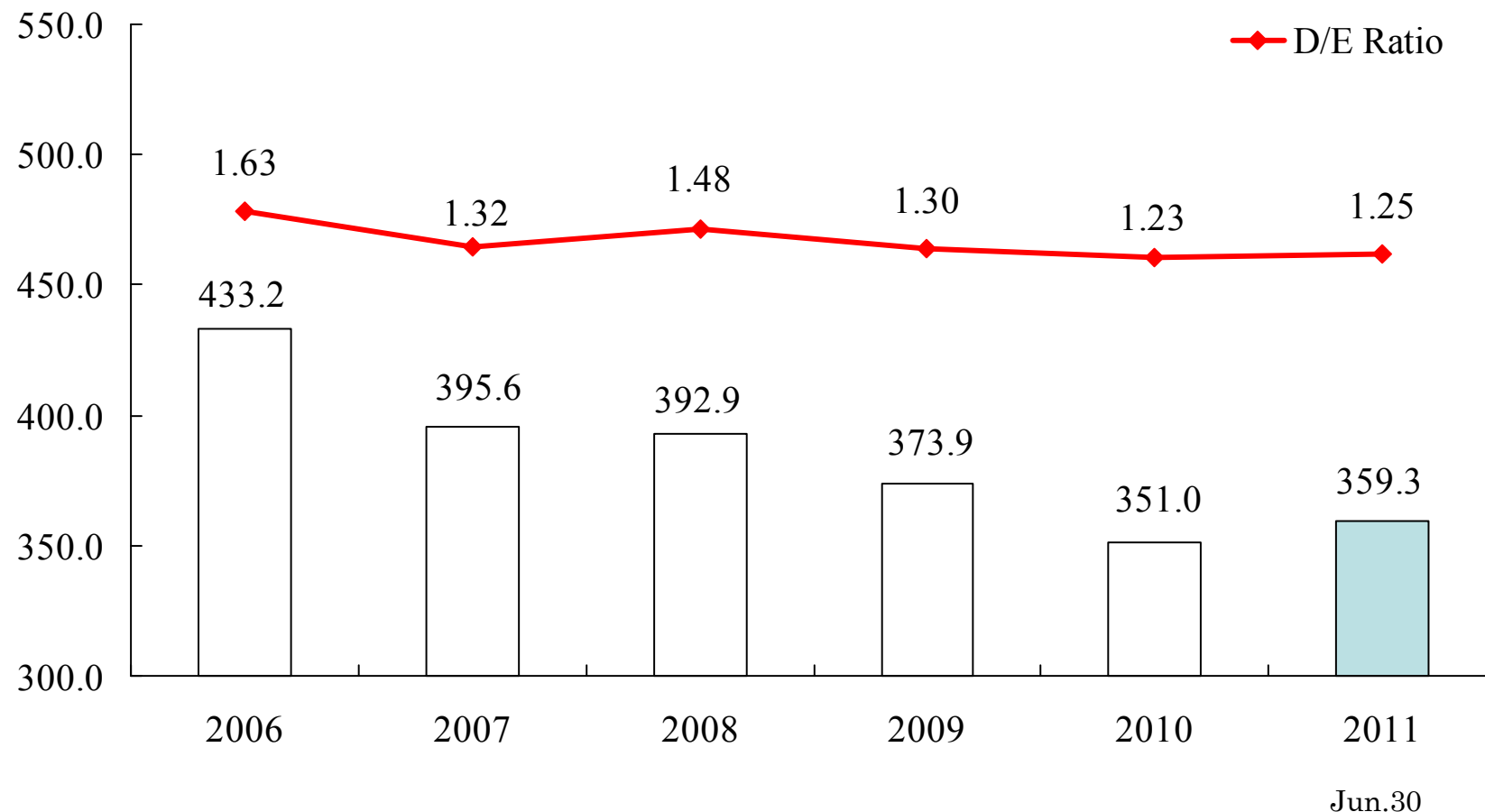
Total Assets Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

	Dec.31, 2010	Jun.30, 2011	Increase
● Total assets	924.5	927.4	2.9
● Interest-bearing debt	351.0	359.3	8.3
● Debt/Equity ratio	1.23times	1.25times	0.02p
● Stockholders' Equity ratio	26.1%	26.4%	0.3p

Interest-bearing Debt

(Unit: Billions of Yen)



Equity ratio	22.7%	26.9%	25.0%	25.5%	26.1%	26.4%
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Consolidated Cash Flows

(Unit: Billions of Yen)

	2010 Jan.-Jun.	2011 Jan.-Jun.	Increase
●CF from Operating Activities	20.0	13.9	-6.1
●CF from Investing Activities	-23.2	-19.2	4.1
●Free CF	-3.2	-5.3	-2.0
●CF from Financing Activities	-18.0	-1.4	16.7
●Others	-1.1	0.0	1.1
Increase of cash and equivalents	-22.4	-6.6	15.7

Selected Data (Consolidated)

(Unit: Billions of Yen)

	Jan.-Jun. 2010	Jan.-Jun. 2011	Increase
● Interest/dividend income less interest expenses	-2.2	-2.1	0.1
● Capital expenditures	34.3	19.6	-14.7
● Depreciation and amortization	24.8	24.8	0.0
● R&D expenditures	10.2	11.0	0.8
● Number of employees	11,409	11,790	381
● Total employment cost	36.2	37.7	1.5



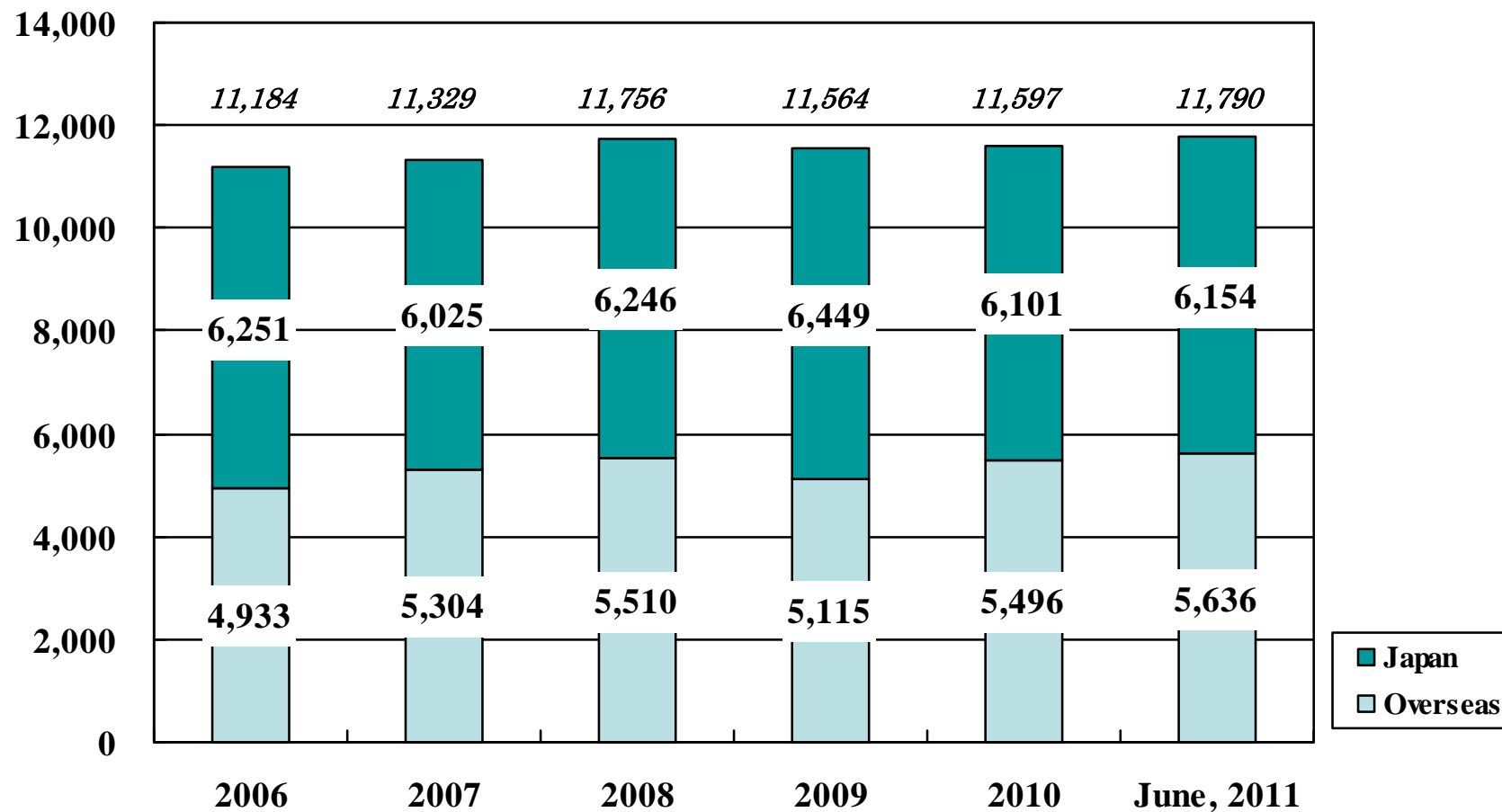
Capital expenditures/ Depreciation by Segment

(Unit: Billions of Yen)

	Jan.-Jun. 2010		Jan.-Jun. 2011		Increase	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Petrochemicals	18.5	2.8	1.3	3.5	-17.3	0.7
Chemicals	3.0	5.0	3.0	4.7	-0.0	-0.2
Electronics	6.4	10.2	9.5	9.8	3.1	-0.5
Inorganics	2.2	1.7	2.1	1.7	-0.1	-0.0
Aluminum	2.1	3.7	2.1	3.4	-0.1	-0.3
Others	2.0	1.4	1.6	1.7	-0.4	0.3
Total	34.3	24.8	19.6	24.8	-14.7	0.0

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

Total number of employees and breakdown by location



Japan	55.9%	53.2%	53.1%	55.8%	52.6%	52.2%
Overseas	44.1%	46.8%	46.9%	44.2%	47.4%	47.8%

2011 Forecast

* There is no change from the forecast announced on Feb. 9, 2011.

(Unit: Billions of Yen except Cash dividends per Share and Net income per Share)

	2010	2011 Forecast*	Increase	2011 Jan.-Jun.
Net Sales	797.2	870.0	72.8	416.5
Operating Income	38.7	45.0	6.3	22.1
Interest/dividend income less interest expenses	-8.3	-7.0	1.3	-4.0
Ordinary Income	30.5	38.0	7.5	18.1
Extraordinary Profit	4.9	-10.0	—	1.3
Extraordinary Loss	-15.6			-8.4
Net Income	12.7	21.0	8.3	7.8
Net Income per Share	¥8.49	¥14.03	¥5.54	¥5.22
Cash dividends per Share	¥3.00	¥3.00	-	-



Consolidated Net Sales by Segment, 2011 Forecast

*There is no change from the forecast announced on Feb. 9, 2011.

(Unit: Billions of Yen)

	2010	2011 Forecast*	Increase	2011 Jan.-Jun.
Petrochemicals	199.6	240.0	40.4	127.0
Chemicals	133.6	135.0	1.4	66.3
Electronics	148.0	180.0	32.0	68.6
Inorganics	78.0	90.0	12.0	40.0
Aluminum	130.1	120.0	-10.1	61.7
Others	154.1	150.0	-4.1	76.6
Adjustment	-46.1	-45.0	1.1	-23.8
Total	797.2	870.0	72.8	416.5



Consolidated Operating Income by Segment, 2011 Forecast

* There is no change from the forecast announced on Feb. 9, 2011.

(Unit: Billions of Yen)

	2010	2011 Forecast*	Increase	2011 Jan.-Jun.
Petrochemicals	2.3	5.0	2.7	4.1
Chemicals	5.6	7.0	1.4	2.8
Electronics	14.9	23.0	8.1	7.5
Inorganics	10.1	10.0	-0.1	5.6
Aluminum	8.5	7.0	-1.5	3.6
Others	2.0	1.0	-1.0	1.5
Adjustment	-4.8	-8.0	-3.2	-3.1
Total	38.7	45.0	6.3	22.1

Selected Data, Forecast

(Unit: Billions of Yen)

	2010 Actual	2011 Forecast*	Increase
● Interest-bearing debt at year end	351.0	360.0	9.0
● Interest/dividend income less interest expenses	-4.4	-4.6	-0.1
● R&D expenditures	20.7	21.3	0.6
● Number of employees	11,597	10,469	-1,128
● Total employment cost	72.2	75.6	3.4
● Exchange rate: ¥/US\$	(1 st half) 91	(1 st half) 82	(1 st half) -9
	(2 nd half) 84	(2 nd half) 80	(2 nd half) -4
● Domestic naphtha price: ¥/kl	(1 st half) 48,700	(1 st half) 55,700	(1 st half) 7,000
	(2 nd half) 43,900	(2 nd half) 58,200	(2 nd half) 14,300
● Aluminum LME price: US\$/T	(1 st half) 2,160	(1 st half) 2,573	(1 st half) 413
	(2 nd half) 2,238	(2 nd half) 2,600	(2 nd half) 362

* 2011 Forecast was revised on Aug. 2, 2011.



Capital expenditures/Depreciation Forecast by Segment for 2011

(Unit: Billions of Yen)

	2010 Actual		2011 Forecast*		Increase	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Petrochemicals	19.6	6.4	3.3	7.1	-16.3	0.7
Chemicals	7.7	9.8	10.2	9.7	2.4	-0.1
Electronics	19.7	21.0	18.4	20.0	-1.2	-1.0
Inorganics	3.6	3.4	8.2	3.6	4.7	0.2
Aluminum	4.4	7.3	6.6	6.9	2.2	-0.5
Others	3.0	3.0	11.6	3.6	8.6	0.6
Total	58.0	50.9	58.4	50.8	0.4	-0.1

* 2011 Forecast was revised on Aug. 2, 2011.



CQ2 Summary (Reference)

CQ1 (Jan.1 – Mar.31), 2011 v s. CQ2 (Apr.1 – Jun.30), 2011

(Unit: Billions of Yen)

	CQ1, 2011	CQ2, 2011	Increase
Net Sales	193.0	223.5	30.5
Operating Income	9.4	12.7	3.4
Non-operating income and expense	-1.4	-2.6	-1.2
Interest/Dividend income less expenses	-1.1	-1.0	0.2
Equity in earnings or losses of affiliates	0.5	-0.0	-0.5
Foreign exchange gain or loss	0.1	-0.6	-0.7
Ordinary Income	7.9	10.1	2.2
Extraordinary Income	0.5	1.1	0.6
Extraordinary Loss	-4.3	-4.3	-0.1
Income before income taxes and minority interests	4.1	6.9	2.8
Income Taxes	-0.8	-1.0	-0.1
Income before minority interests	3.3	5.9	2.7
Minority Interests in income	-0.7	-0.7	0.0
Net Income	2.6	5.2	2.7

Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1, 2011	CQ2, 2011	Increase/ Decrease	
Petrochemicals	58.9	68.2	9.3	Olefins: sales increased (shipment volumes up, SDM of new cracking furnaces in March) Organic chemicals: sales increased (shipment volume of ethyl acetate up)
Chemicals	32.5	33.9	1.4	AN: sales increased (price up) Specialty gases: sales increased (shipment volume up) Ammonia: sales decreased (shipment volume down)
Electronics	26.5	42.1	15.6	HDs: sales increased (shipment volumes rapidly increased in 2Q) Compound semiconductors: sales increased (shipment volume up) Rare earth: sales increased (price up)
Inorganics	19.7	20.3	0.6	Ceramics: sales increased (price up) Graphite electrodes: sales increased (shipment volume from Japan factory up)
Aluminum	29.7	32.0	2.3	High-purity foils for capacitors: sales increased (shipment volumes up: capacitor industry's production quickly recovered after the earthquake) Aluminum cylinders for LBP : sales increased (shipment volumes up) Heat exchangers: sales decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc: sales increased (shipment volumes up) Aluminum cans: sales increased (shipment volumes up)
Others	38.0	38.6	0.6	LiB materials: sales increased (shipment volumes up) SHOKO Co., Ltd.: sales increased (increase in sales of metals)
Adjustment	-12.2	-11.5	0.7	
Total	193.0	223.5	30.5	



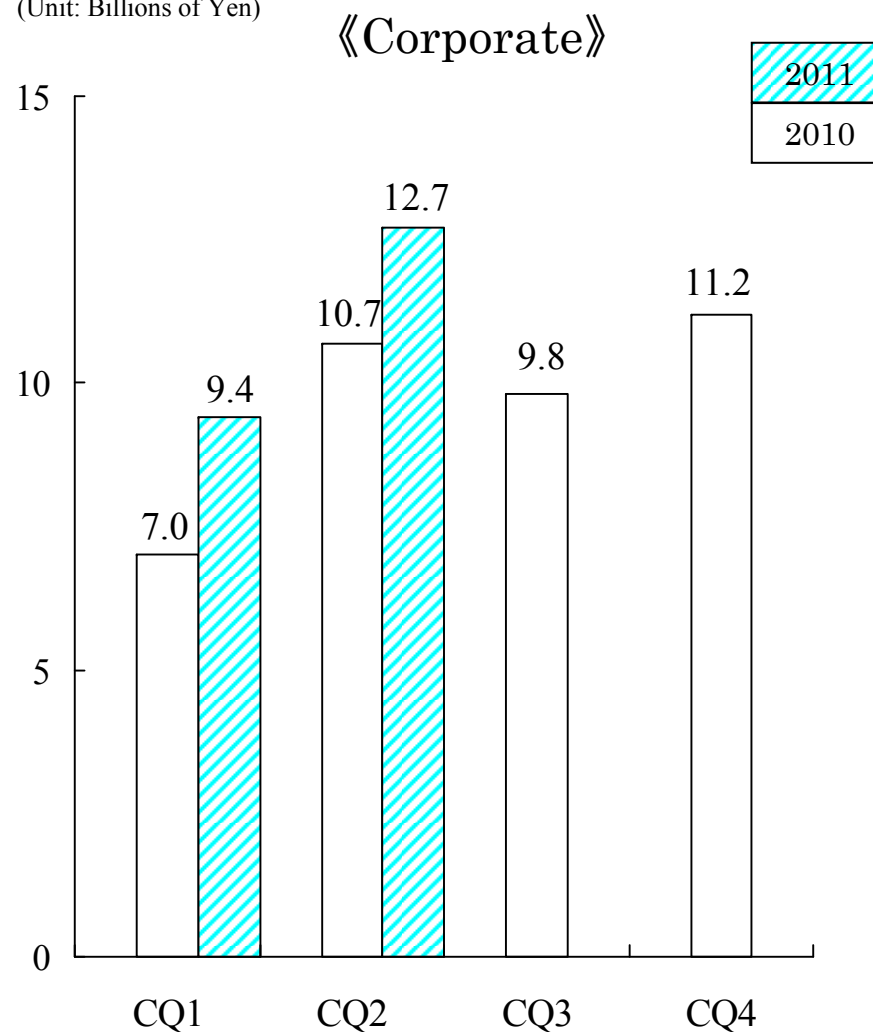
Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1, 2011	CQ2, 2011	Increase/ Decrease	
Petrochemicals	2.1	2.0	-0.1	Olefins: profit decreased (shipment volumes up, export market sales price down) Organic chemicals: profit maintained at CQ1, 2011 level
Chemicals	1.7	1.1	-0.6	Ammonia: profit decreased (shipment volume down) IPP: profit decreased (higher fuel cost) AN: profit increased (price up)
Electronics	2.1	5.4	3.3	HDs: profit increased (shipment volumes up) Compound semiconductors: profit maintained at CQ1, 2011 level Rare earth: profit increased (price up)
Inorganics	2.5	3.2	0.7	Ceramics: profit increased (price up) Graphite electrodes: profit maintained at CQ1, 2011 level
Aluminum	1.6	2.0	0.4	High-purity foils for capacitors: profit increased (shipment volumes up) Aluminum cylinders for LBP: profit increased (shipment volumes up) Heat exchangers: profit decreased (shipment volumes down: auto industry cut production level drastically due to the influence of the earthquake) Shotoc: profit increased (shipment volumes up) Aluminum cans: profit increased (shipment volumes up)
Others	0.7	0.8	0.0	
Adjustment	-1.4	-1.7	-0.4	
Total	9.4	12.7	3.4	

(Reference) Quarterly Operating Income

(Unit: Billions of Yen)

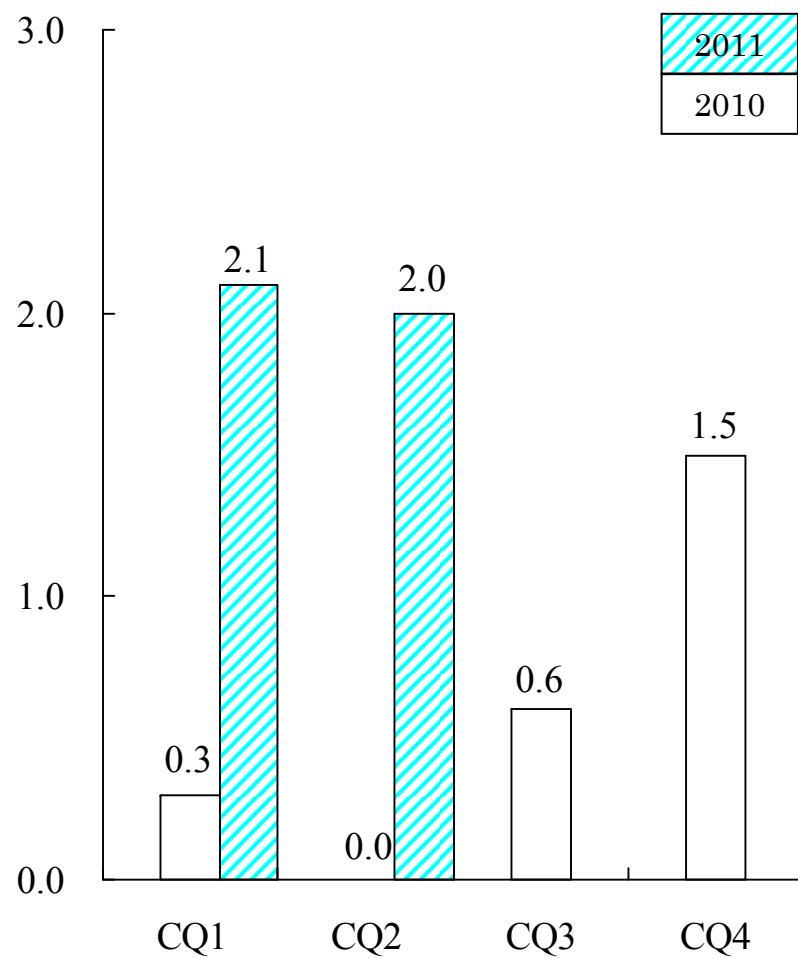


* As from the first quarter 2011, Showa Denko K.K. changed the segment classification and the number of segments will increase from five to six. Segment figures for 2010 are reclassified in accordance with the new segmentation, for the reference purpose only.

Quarterly Operating Income

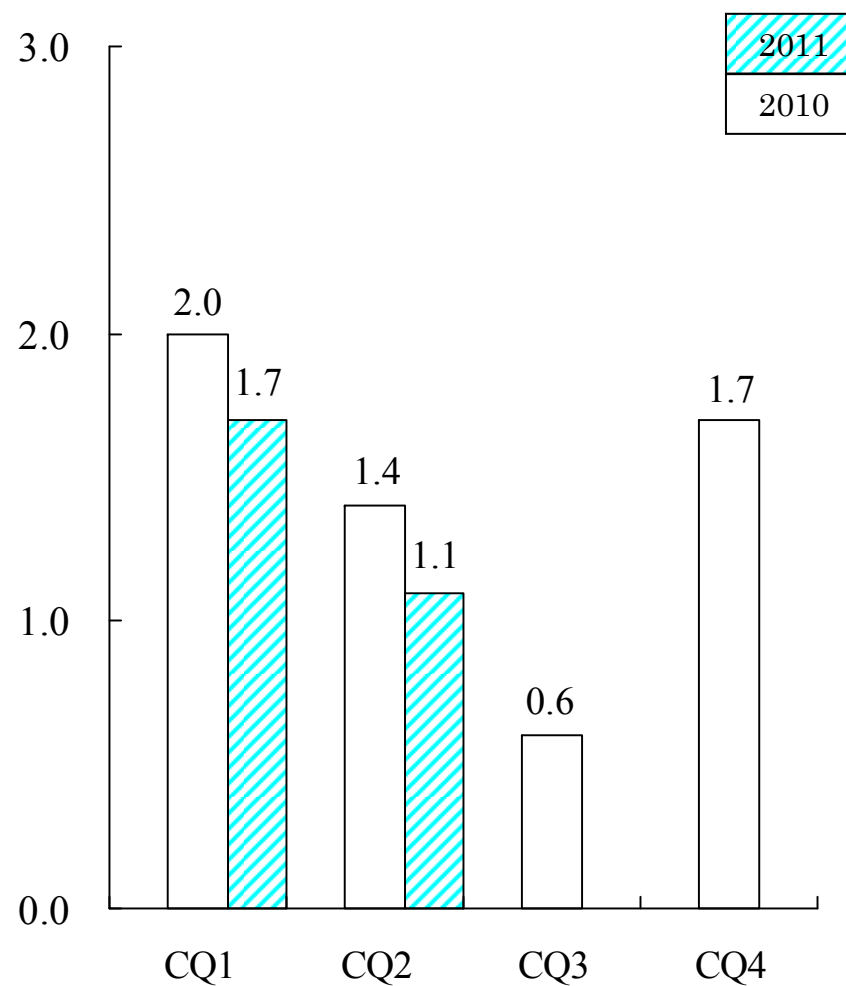
《Petrochemicals》

(Unit: Billions of Yen)

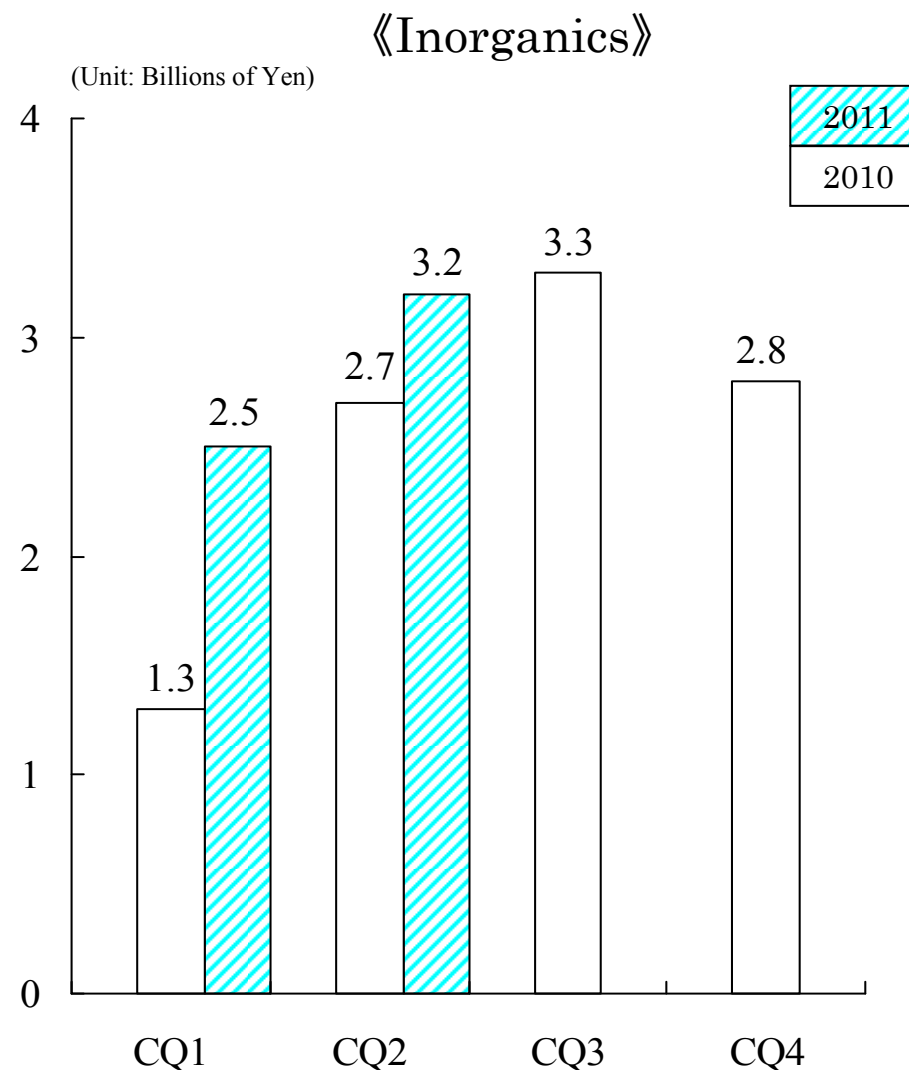
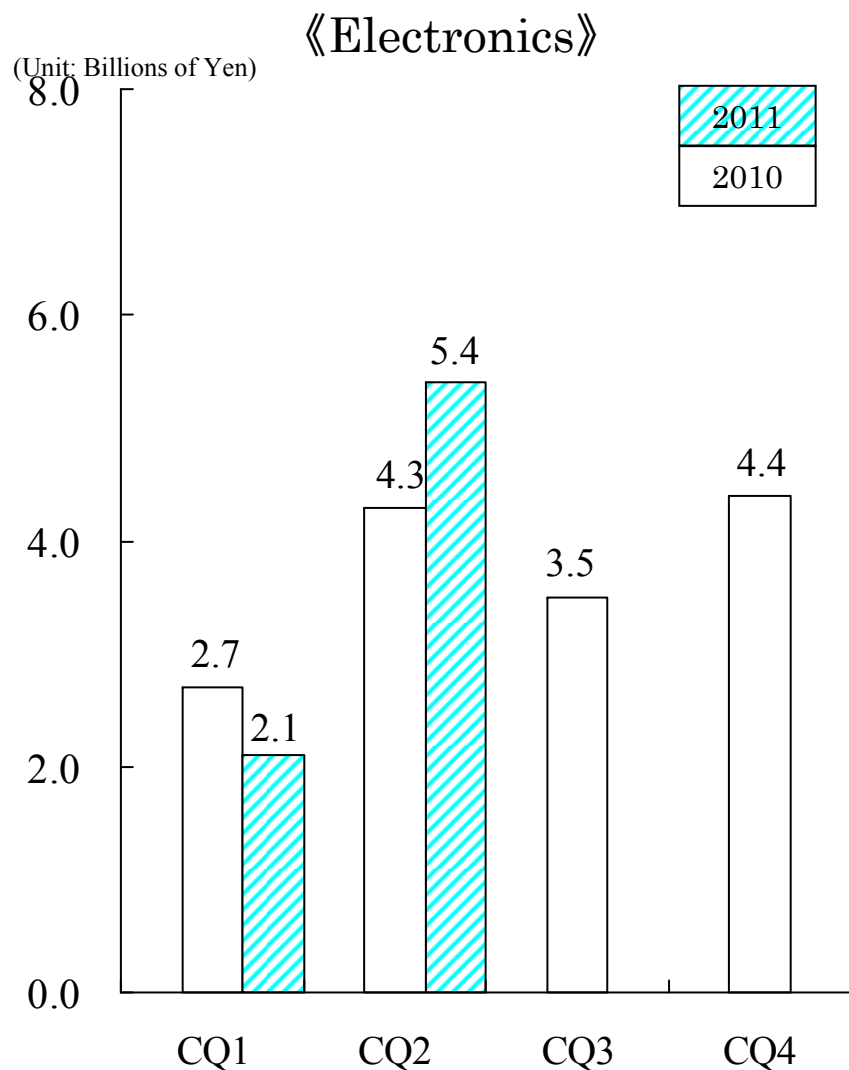


《Chemicals》

(Unit: Billions of Yen)



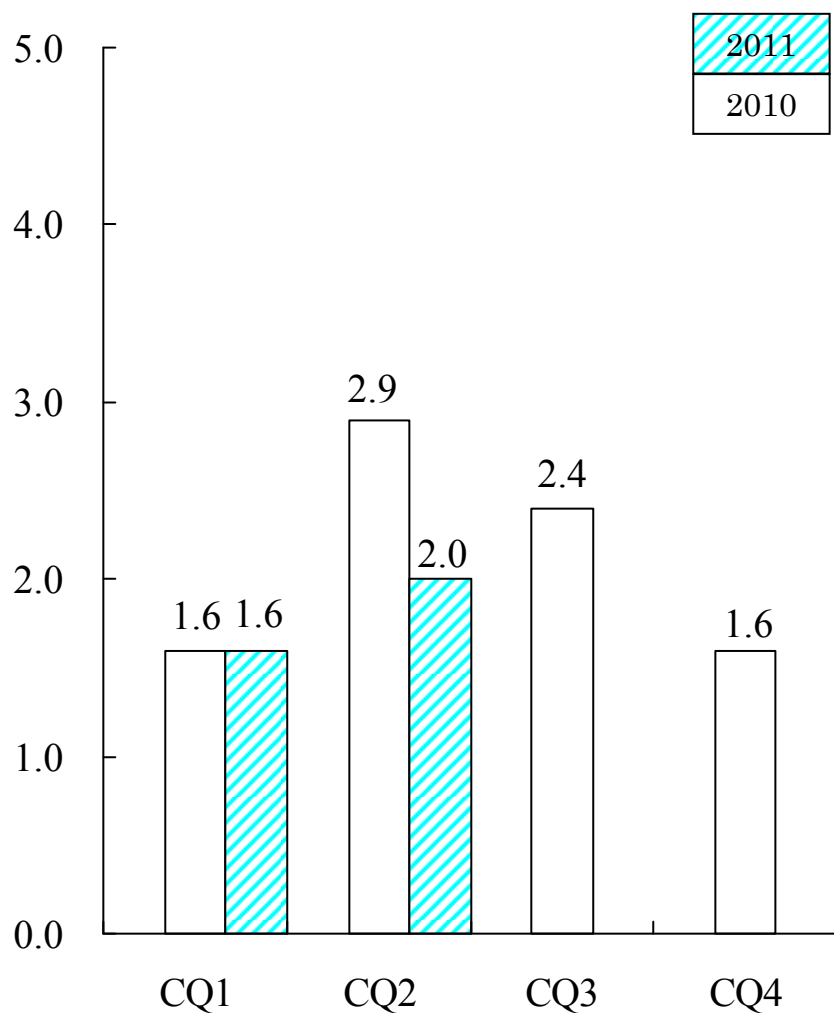
Quarterly Operating Income



Quarterly Operating Income

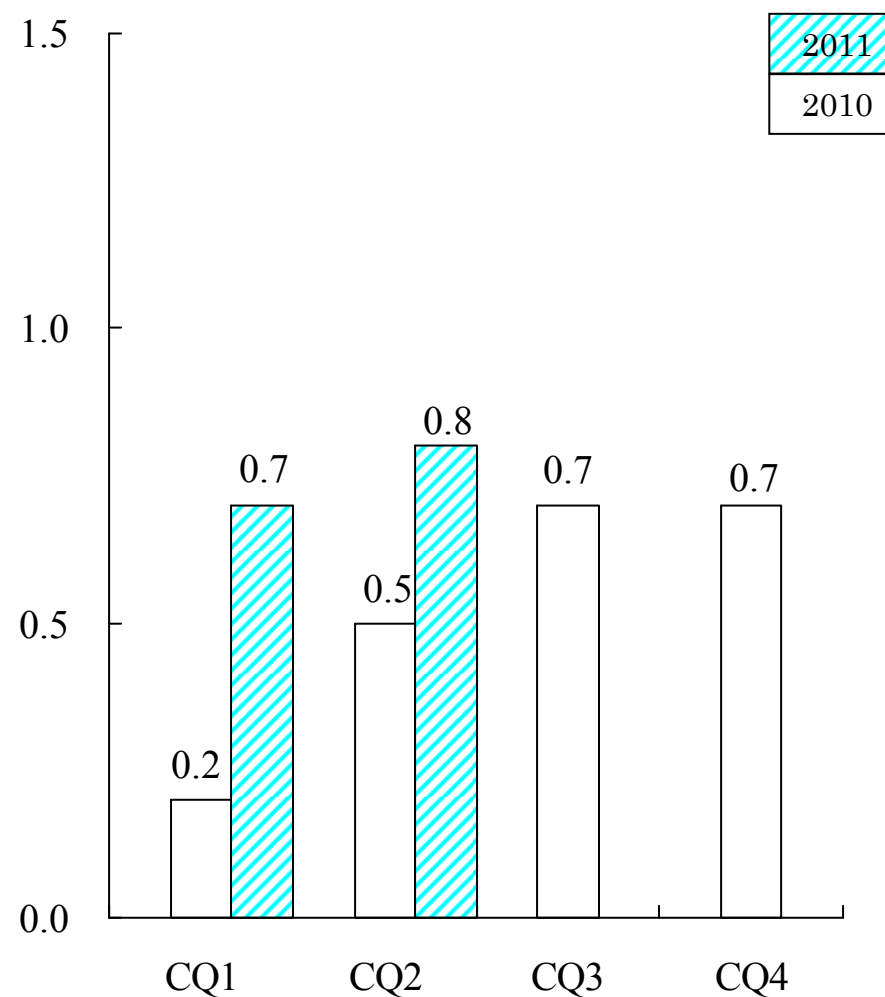
(Unit: Billions of Yen)

《Aluminum》



(Unit: Billions of Yen)

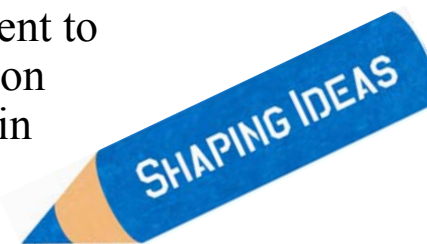
《Others》



■ 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.

■ Corporate

- Tie-up with U.S. firm in development, manufacture and sale of conductive inks
 - ◆ SDK reached agreement with NovaCentrix, of the United States, to cooperate in the promising area of printed electronics. SDK will manufacture and sell conductive inks developed by NovaCentrix through a licensing agreement, and jointly develop conductive inks to be used with NovaCentrix's Photonic Curing™ process technology. The term “printed electronics” refers to the technology to manufacture electronic devices through printing. Compared with conventional methods of separately forming layers of semiconductors, metals and insulating materials, the printed electronics technology enables substantial simplification of manufacturing processes. Conductive inks are already used in part of smart phones and solar cell components. The technology is expected to find wide-ranging applications, including displays, solar cells, and organic EL lighting.

■ 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.

■ Petrochemicals

- Completion of a pilot plant for heat-resistant transparent film SHORAYAL™
 - ◆ SDK decided to name its new heat-resistant transparent film “SHORAYAL™.”

In July, SDK completed a pilot plant within the premises of its Oita Complex, and started operations. SDK developed SHORAYAL™ based on its proprietary resin technology for glass lens applications. The film has high transparency necessary for optical films, and high heat resistance required at the time of production of displays, including touch screens.

■ Chemicals

- Decision to expand production capacity for high-purity ammonia for electronics
 - ◆ SDK will increase production capacity for high-purity ammonia to meet growing demand from the electronics industry. Specifically, production capacities at three sites—Japan, Taiwan, and China—will be increased from the current levels of 1,000 t/y, 1,500 t/y and 500 t/y; to 1,500 t/y, 2,500 t/y and 1,000 t/y, respectively, by the end of 2011. The capacity increase will be carried out through expansions of filling/storage facilities and improvement in production efficiency. As a result, the Showa Denko Group’s total high-purity ammonia production capacity will increase from 3,000 t/y at present, to 5,000 t/y. High-purity ammonia is used as a material gas in the production of liquid crystal display (LCD) panels, gallium-nitride LEDs, and solar cells based on polycrystalline silicon. SDK aims to ensure stable supply of high-purity ammonia, anticipating further growth in the electronics market in East Asian countries.

■ Chemicals

- Decision to split and transfer industrial gas business to subsidiary
 - ◆ SDK decided to split and transfer its industrial gas to its wholly owned subsidiary Showa Tansan Co., Ltd. (STK) effective January 1, 2012. Aiming to further increase the value for customers, SDK decided to integrate its industrial gas business into that of STK, which is closer to customers.

Note: The Group's industrial gas operations cover air separation gases (oxygen, nitrogen, argon, etc.), compressed hydrogen, carbon dioxide and dry ice, etc.

■ Electronics

- Expansion of rare earth magnetic alloy production capacity
 - ◆ In July, SDK increased rare earth magnetic alloy production capacity at its subsidiary Ganzhou Zhaori Rare Earth New Materials Co., Ltd., in Ganzhou, Jiangxi Province, China, from 2,000 tons per year to 3,000 tons per year. Together with another subsidiary in Baotou, Inner Mongolia, its rare earth magnetic alloy production capacity in China amounts to 4,000 tons per year. The two subsidiaries in China are producing neodymium (Nd)-based alloys for high-performance magnets, which are used in motors for hybrid cars and voice coil motors of hard disk drives.

■ 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 its strengths. 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.

- Start of construction of chemical alumina plant in Indonesia
 - ◆ In April, SDK held a ground-breaking ceremony for the chemical alumina plant at a site in West Kalimantan, Indonesia, for the manufacturing/marketing joint venture with Antam, of Indonesia. Chemical alumina is used in electronics and for water purification. PT Indonesia Chemical Alumina, which is owned 20% by SDK, will operate the plant. The plant, with capacity to produce 300,000 t/y of chemical alumina, will start up in 2014. SDK will meet an increasing demand for chemical alumina in the growing markets in the ASEAN region and East Asia by ensuring stable supply of the product based on its accumulated technologies.

■ Aluminum

- Definitive agreement signed on transfer of business in heat exchangers for automotive air conditioners
 - ◆ In June, SDK concluded a definitive agreement with Keihin Corporation (Keihin) to transfer SDK's automotive air-conditioner heat exchanger business to Keihin. SDK and its subsidiaries in U.S.A., Thailand, Czech and China are producing aluminum-based car air-conditioner condensers and evaporators. The two companies had reached basic agreement on the matter in October 2010. Annual sales of the business amount to around ¥28 billion (for the fiscal year ended December 31, 2010). SDK will transfer the business in October 2011 to a new company it has established, and then transfer 60% of the new company's shares to Keihin. The remaining 40% will also be transferred to Keihin within two years after the initial transfer.

■ Others

● Strengthening the LIB materials business

- ◆ The Showa Denko Group will expand its production capacities for materials used in lithium-ion rechargeable batteries (LIBs), namely, artificial-graphite-based anode material (SCMGTM), additive in anodes and cathodes (VGCFTM), and aluminum laminated films for packaging. This is in response to the growing demand for large-sized LIBs for use in cars and storage batteries as well as for small-sized LIBs for use in smart phones and tablet-type devices. In January, SDK started volume production of carbon-coated aluminum foils (trade name: SDXTM) that reduce electrical resistance of LIB electrodes, when used as current collectors for cathode. SDXTM enables quick charge/discharge of heavy current required for automotive LIBs. In addition, adhesion between cathode active materials and current collectors has increased, to 1.5 times the conventional level, leading to improvement in battery performance. Under the new medium-term consolidated business plan PEGASUS, the Showa Denko Group has classified its business in advanced battery materials as one of “Growth Businesses.” The Group aims to achieve annual sales of more than ¥30 billion in 2015 from its four LIB-related materials: SCMGTM, VGCFTM, aluminum laminated films, and SDXTM.