

## First Half 2011 Financial Results

### I. First Half 2011 Results

#### 1. Summary

(Unit: billions of yen, except for stockholders' equity/share and net income/share)

Items	1st half, 2010 (Jan.-Jun.)	1st half, 2011 (Jan.-Jun.)	Increase
Net Sales	384.1	416.5	32.4
Operating Income	17.7	22.1	4.4
Net Income	7.7	7.8	0.1
Net Income per share	¥5.15	¥5.22	¥0.07
Net Assets per share	¥157.91	¥163.61	¥5.70

#### 2. Net Sales and Operating Income by Segment

(Unit: billions of yen)

Segment		1st half, 2010 (Jan.- Jun.)	1st half, 2011 (Jan.- Jun.)	Increase	CQ1,2011 (Jan. - Mar.)	CQ2,2011 (Apr.-Jun.)
Petrochemicals	Net Sales	90.6	127.0	36.4	58.9	68.2
	Operating Income	0.2	4.1	3.8	2.1	2.0
Chemicals	Net Sales	65.8	66.3	0.6	32.5	33.9
	Operating Income	3.4	2.8	-0.5	1.7	1.1
Electronics	Net Sales	72.9	68.6	-4.3	26.5	42.1
	Operating Income	7.0	7.5	0.5	2.1	5.4
Inorganics	Net Sales	38.5	40.0	1.6	19.7	20.3
	Operating Income	4.0	5.6	1.7	2.5	3.2
Aluminum	Net Sales	64.7	61.7	-3.0	29.7	32.0
	Operating Income	4.5	3.6	-0.9	1.6	2.0
Others	Net Sales	75.0	76.6	1.5	38.0	38.6
	Operating Income	0.7	1.5	0.8	0.7	0.8
Adjustment	Net Sales	-23.4	-23.8	-0.4	-12.2	-11.5
	Operating Income	-2.0	-3.1	-1.1	-1.4	-1.7
Total	Net Sales	384.1	416.5	32.4	193.0	223.5
	Operating Income	17.7	22.1	4.4	9.4	12.7

#### 3. Cash Flow (Consolidated)

(Unit: billions of yen)

Cash Flows from:	1st half, 2010 (Jan.- Jun.)	1st half, 2011 (Jan.- Jun.)	Increase
Operating Activities	20.0	13.9	-6.1
Investing Activities	-23.2	-19.2	4.1
Free Cash Flow	-3.2	-5.3	-2.0
Financing Activities	-18.0	-1.4	16.7
Other	-1.1	0.0	1.1
Net increase in Cash	-22.4	-6.6	15.7

#### 4. Reference (Consolidated)

(Unit: billions of yen)

Items	1st half, 2010 (Jan.- Jun.)	1st half, 2011 (Jan.- Jun.)	Increase
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
Total assets	939.5	927.4	-12.2
Interest bearing debt	365.6	359.3	-6.3
Gap between interest/dividend income and interest expense	-2.2	-2.1	0.1
Total number of employees	11,409	11,790	381
Exchange rate (yen/US\$)	91	82	Yen strengthened by 9/\$
Domestic naphtha price (yen/kl)	48,700	55,700	7,000

II. Forecast for 20111. Summary

(Unit: billions of yen, except for net income/share and cash dividends/share)

Items	2010	2011 Forecast	Increase
Net Sales	797.2	870.0	72.8
Operating Income	38.7	45.0	6.3
Net Income	12.7	21.0	8.3
Net income per share	¥8.49	¥14.03	¥5.54
Cash dividends per share	¥3.00	¥3.00	-

(Note) 2011 forecast was announced on Feb. 9, 2011.

2. Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2010	2011 Forecast	Increase
Petrochemicals	Net Sales	199.6	240.0	40.4
	Operating Income	2.3	5.0	2.7
Chemicals	Net Sales	133.6	135.0	1.4
	Operating Income	5.6	7.0	1.4
Electronics	Net Sales	148.0	180.0	32.0
	Operating Income	14.9	23.0	8.1
Inorganics	Net Sales	78.0	90.0	12.0
	Operating Income	10.1	10.0	-0.1
Aluminum	Net Sales	130.1	120.0	-10.1
	Operating Income	8.5	7.0	-1.5
Others	Net Sales	154.1	150.0	-4.1
	Operating Income	2.0	1.0	-1.0
Adjustment	Net Sales	-46.1	-45.0	1.1
	Operating Income	-4.8	-8.0	-3.2
Total	Net Sales	797.2	870.0	72.8
	Operating Income	38.7	45.0	6.3

(Note) 1. 2010 segment figures are reclassified by the new segmentation, for the reference purpose only.

2. Amount of "Adjustment" includes company-wide costs which are not allocated to each segment.

3. 2011 forecast was announced on Feb. 9, 2011.

IV. Reference

(Unit: billions of yen, except for total number of employees, exchange rate and domestic naphtha price)

Items	2010	2011 Forecast	Increase
Capital expenditures	58.0	58.4	0.4
Depreciation and amortization	50.9	50.8	-0.1
R & D expenditures	20.7	21.3	0.6
Interest-bearing debt	351.0	360.0	9.0
Gap between interest / dividend income and	-4.4	-4.6	-0.1
Total number of employees	11,597	10,469	-1,128
Exchange rate (yen/US\$)	(1st half) 91 (2nd half) 84	(1st half) 82 (2nd half) 80	(1st half) -9 (2nd half) -4
Domestic naphtha price (yen/kl)	(1st half) 48,700 (2nd half) 43,900	(1st half) 55,700 (2nd half) 58,200	(1st half) 7,000 (2nd half) 14,300

The performance forecast for 2011 is based on the economic conditions and the Company's business policy at this point of time.

Please note that actual results may differ materially from the forecast due to a variety of factors, including changes in the market conditions.

(Reference)

**Reclassification of segment (by applying "management approach")**

As from FY 2011, Showa Denko K.K. changes the segment classification, and the number of segments increased from five to six. The new segmentation reflects our internal business divisions ("management approach") following a change in Japanese accounting standard. For your reference, 2010 segment figures are reclassified according to the new segmentation.

**CO1, CO2, 1st half 2010 (Previous year) Net sales and Operating Income by Segment (Reference)**

(Unit: billions of yen)

Previous segmentation (Before application of management approach)		CQ1, 2010 (Jan.-Mar.)	CQ2, 2010 (Apr.-Jun.)	1st half, 2010 (Jan.- Jun.)
Petrochemicals	Net Sales	64.2	62.3	126.4
	Operating Income	1.0	0.6	1.6
Chemicals	Net Sales	21.8	22.8	44.6
	Operating Income	1.1	1.1	2.2
Electronics	Net Sales	42.6	44.2	86.8
	Operating Income	2.5	4.2	6.8
Inorganics	Net Sales	17.4	19.8	37.1
	Operating Income	1.1	2.6	3.7
Aluminum	Net Sales	41.8	47.3	89.1
	Operating Income	1.8	2.7	4.6
HQ costs and other	Net Sales	—	—	—
	Operating Income	-0.6	-0.5	-1.1
Total	Net Sales	187.7	196.4	384.1
	Operating Income	7.0	10.7	17.7

(Unit: billions of yen)

New segmentation (After application of management approach)		CQ1, 2010 (Jan.-Mar.)	CQ2, 2010 (Apr.-Jun.)	1st half, 2010 (Jan.- Jun.)
Petrochemicals	Net Sales	46.2	44.5	90.6
	Operating Income	0.3	-0.0	0.2
Chemicals	Net Sales	32.4	33.4	65.8
	Operating Income	2.0	1.4	3.4
Electronics	Net Sales	36.0	36.9	72.9
	Operating Income	2.7	4.3	7.0
Inorganics	Net Sales	18.1	20.4	38.5
	Operating Income	1.3	2.7	4.0
Aluminum	Net Sales	30.6	34.1	64.7
	Operating Income	1.6	2.9	4.5
Others	Net Sales	35.8	39.2	75.0
	Operating Income	0.2	0.5	0.7
Adjustment	Net Sales	-11.4	-12.0	-23.4
	Operating Income	-1.1	-0.9	-2.0
Total	Net Sales	187.7	196.4	384.1
	Operating Income	7.0	10.7	17.7

**(Major Changes)**

**【Previous segments】**

Petrochemicals	Olefins, Organic chemicals Former Showa Highpolymer Co., Ltd.
Chemicals	Chemicals (AN, chloroprene rubber, ammonia, industrial gases, etc.)
Electronics	Hard disk Compound semiconductors Rare earth magnetic alloys
	High-purity gases for semiconductor processing
	Others Fine ceramics Advanced battery materials
Inorganics	Ceramics Graphite electrodes
Aluminum	Rolled products (High purity foils for capacitors) Extrusions/specialty products (Aluminum cylinders for LBP) Shotie Heat exchangers Aluminum cans IPP (independent power provider) Showa Denko Packaging Co., Ltd.
	Shoko Co., Ltd. (allocated business-wise)

**【New segments】**

Petrochemicals
Chemicals
Electronics
Inorganics
Aluminum
Others

