

NEWS RELEASE

SHOWA DENKO K.K.

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April 17, 2007

SDK to Merge Showa Financing K.K.

Showa Denko K.K. (SDK) decided at its board meeting today to merge its wholly owned subsidiary Showa Financing K.K. (SFK) effective July 1, 2007 with a view to enhancing the efficiency of the Group's financing activities.

Since its establishment in 1983, SFK has been serving as the nucleus of the Showa Denko Group's financing activities. Reflecting the steady reductions in the Group's interest-bearing debt, however, the balance of SFK's loans has substantially decreased in recent years. Thus, SDK has decided to take over and integrate SFK's financing operations.

In accordance with Clause 3, Article 796, of the Company Code, SDK will not refer the merger issue to its shareholders' meeting. SFK will not refer the merger issue to its shareholders' meeting either, based on Clause 1, Article 784, of the Company Code.

The merger agreement was signed today. As a result of the merger, SFK will be dissolved on July 1. The merger registration is scheduled for the following day. There is no pre-emptive right or warrant bond issued by SFK.

For further information, contact:
IR & PR Office (Phone: 81-3-5470-3235)

[Reference]

Profile of the two companies to be merged (as of December 31, 2006)

Company name	Showa Denko K.K.	Showa Financing K.K.
Scope of business	Production and sale of petrochemicals, gases, specialty chemicals, electronics, inorganics and aluminum	Provision of funds to companies within the Showa Denko Group
Establishment	June 1, 1939	March 24, 1983
Head office	13-9, Shiba Daimon 1-chome, Minato-ku, Tokyo	13-9, Shiba Daimon 1-chome, Minato-ku, Tokyo
President	Kyohei Takahashi	Yoshikazu Sakai
Capital	110,824 million yen	1,230 million yen
No. of shares issued	1,175,820,425	12,600
Total stockholders' equity	265,492 million yen (Consolidated)	1,703 million yen (Non-consolidated)
Total assets	1,037,823 million yen (Consolidated)	79,311 million yen (Non-consolidated)
Accounting term	Ending December 31	Ending December 31
No. of employees	11,184 (Consolidated)	9 (Non-consolidated)
Major suppliers	Mitsubishi Corp.; Sumitomo Corp.; Idemitsu Kosan Co., Ltd.; Marubeni Corp.	

Major customers	Nippon Steel Chemical Co., Ltd.; Mitsui & Co.; ZEON Corp.; Mitsubishi Corp.	Showa Denko K.K.; Shoko Co., Ltd.; Showa Highpolymer Co., Ltd.; Showa Denko Kenzai K.K.
Major shareholders	Japan Trustee Services Bank: 6.37% Fukoku Mutual Life Insurance: 4.66% The Master Trust Bank of Japan: 4.46% Dai-ichi Mutual Life Insurance: 3.83% Sompo Japan Insurance: 3.54%	Showa Denko K.K.: 100%
Main banks	Mizuho Corporate Bank The Norinchukin Bank Mizuho Trust & Banking Bank of Tokyo-Mitsubishi UFJ Mitsubishi UFJ Trust and Banking	Mizuho Corporate Bank The Norinchukin Bank Mizuho Trust & Banking Bank of Tokyo-Mitsubishi UFJ Mitsubishi UFJ Trust and Banking
Relationship between the two	Showa Denko currently owns 100% of Showa Financing's outstanding shares. Some of Showa Denko directors/employees are concurrently serving as directors/employees of Showa Financing. Showa Financing is providing funds to Showa Denko.	

Financial results for the past three years (Unit: millions of yen, except for per-share values)

Fiscal year	Showa Denko K.K. (Consolidated)			Showa Financing K.K. (Non-consolidated)		
	2004	2005	2006	2004	2005	2006
Net sales	740,706	811,899	914,533	704	423	291
Operating income	52,071	57,191	68,727	200	119	45
Ordinary income	38,912	46,960	57,514	45	189	131
Net income	7,596	15,647	28,836	42	100	77
Net income per share	6.66	13.70	25.01	3,330.6	7,953.3	6,097.7
Dividend per share per year	3.00	3.00	4.00	--	99,500	--
Total stockholders' equity per share	155.53	180.96	200.29	22,588.24	129,041.52	135,139.24

Note: In the table above, net sales figures for Showa Financing represent its operating revenues as a financing corporation.

After the merger

SDK's capital will not change following the merger. The transaction will not have material influence on SDK's consolidated performance. In terms of non-consolidated performance, SDK's income will increase by the amount corresponding to SFK's income.