

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

First Quarter, 2007 Financial Results

- Consolidated -

SHOWA DENKO K.K.

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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: 39
 - Excluded from the consolidation: 1
 - Heisei Polymer Co., Ltd. (Sold, Petrochemicals)
- Equity method applied: 23
 - Excluded: 1
 - Shinko Kasei Co., Ltd. (Sold, Petrochemicals)

Selected Data

	CQ1 2007	CQ1 2006	Increase
■ Exchange rate: ¥/US\$	119.5	116.9	Yen weakened by ¥2.6/\$
■ Domestic naphtha price: ¥/kl	48,800	46,100	+2,700
■ Aluminum LME price: US\$/T	2,747	2,444	+303

Summary

Jan. 1 – Mar. 31, 2007 vs. Jan.1 – Mar. 31, 2006

(Unit: Billions of Yen)

	CQ1, 2007	CQ1, 2006	Increase	
Net Sales	229.1	205.4	23.7	11.5%
Operating Income	15.0	15.4	-0.4	-2.6%
[Operating income, net sales ratio]	6.6%	7.5%	-0.9 point	
Interest/Dividend income less interest expenses	-1.6	-1.6	0.0	
Equity Method	1.0	0.6	0.4	
Ordinary Income	10.6	12.8	-2.2	-17.4%
Extraordinary Profit	1.8	0.6	1.2	
Extraordinary Loss	-0.7	-0.5	-0.2	
Net Income before taxes	11.7	12.9	-1.2	
Corporate Taxes	-4.7	-4.1	-0.5	
Minority Interests	-0.6	-0.9	0.3	
Net Income	6.5	7.9	-1.4	-17.7%

Extraordinary Profit/Loss

(Unit: Billions of Yen)

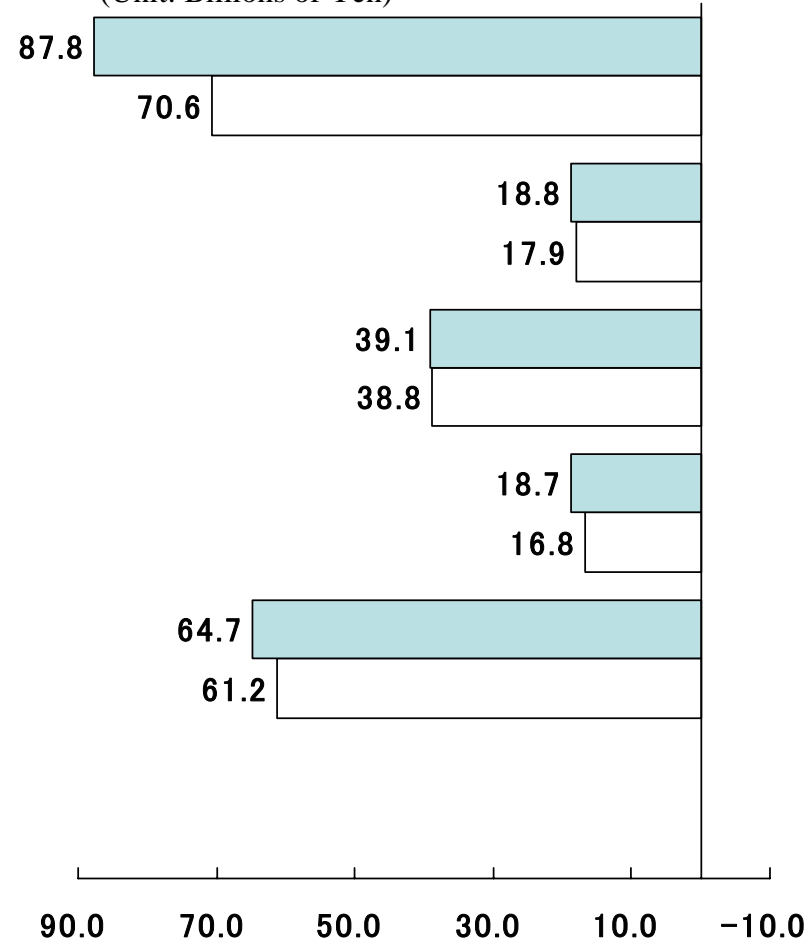
	CQ1 2007	CQ1 2006	Increase
■ Extraordinary Profit	1.8	0.6	1.2
● Gain on the sale of investment securities	0.7	0.0	0.7
● Other	1.1	0.6	0.6
■ Extraordinary Loss	-0.7	-0.5	-0.2
● Disposal of fixed assets	-0.2	-0.2	-0.0
● Other	-0.5	-0.4	-0.1
■ Extraordinary Profit/Loss, Net	1.1	0.1	1.1

Sales and Operating Income by Segment

CQ1, 2007
CQ1, 2006

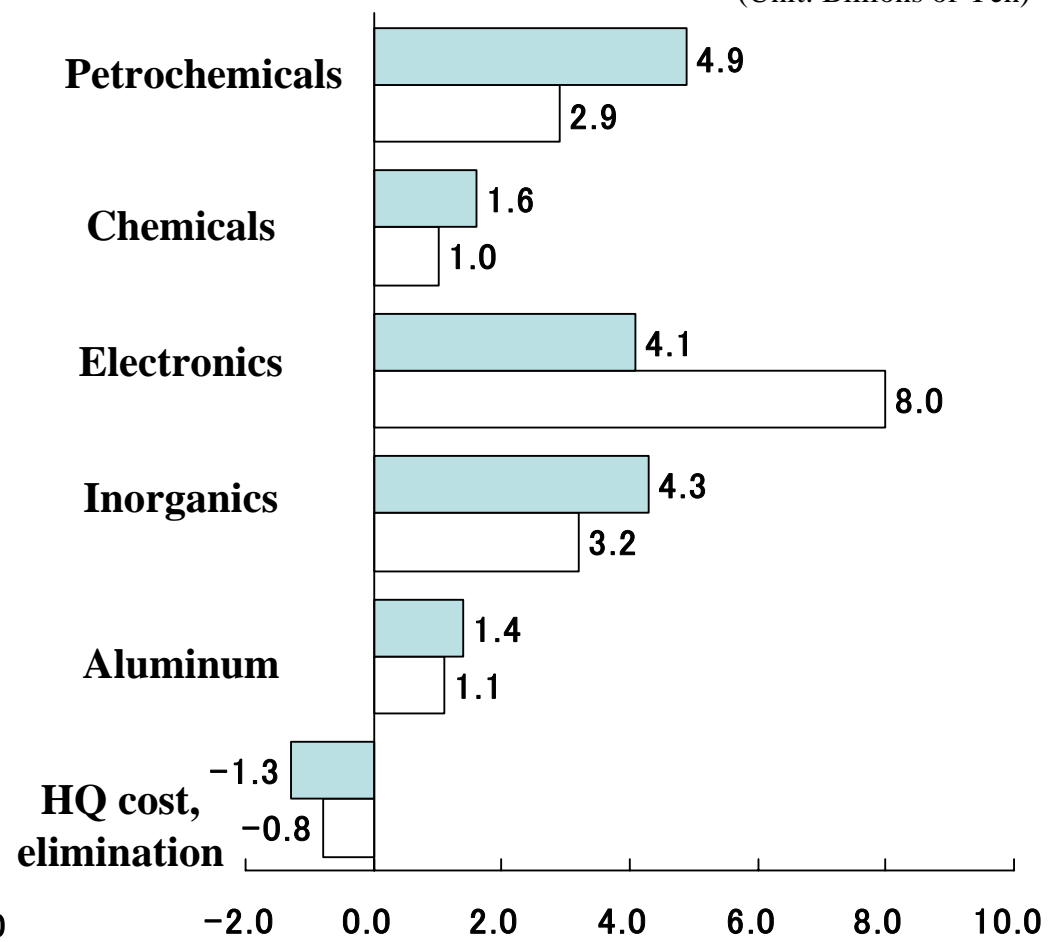
Net Sales

(Unit: Billions of Yen)



Operating Income

(Unit: Billions of Yen)



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1 2007	CQ1 2006	Increase	
Petrochemicals	87.8	70.6	+17.2	Olefins • Organic chemicals: shipment volume increased.
Chemicals	18.8	17.9	+0.8	AN • Caustic soda • Hydrochloric acid : price up <i>Shoprene</i> • <i>Shodex</i> • Amino acids: shipment volume increased.
Electronics	39.1	38.8	+0.3	HDs: maintained at the year-earlier level Compound semiconductors: maintained at the year-earlier level Rare earth: price up. Specialty gases: shipment volume of cleaning agents for LCD panels decreased.
Inorganics	18.7	16.8	+1.9	Ceramics: sales slightly decreased. Carbons: sales increased (graphite electrodes)
Aluminum	64.7	61.2	+3.5	Rolled products: shipment volume increased. Extrusions/ specialty products: shipment volumes increased, price up Heat exchangers: sales increased in Japan. <i>Shotic</i> : price up. Aluminum cans: price up. Alloys: sold.
Total	229.1	205.4	+23.7	

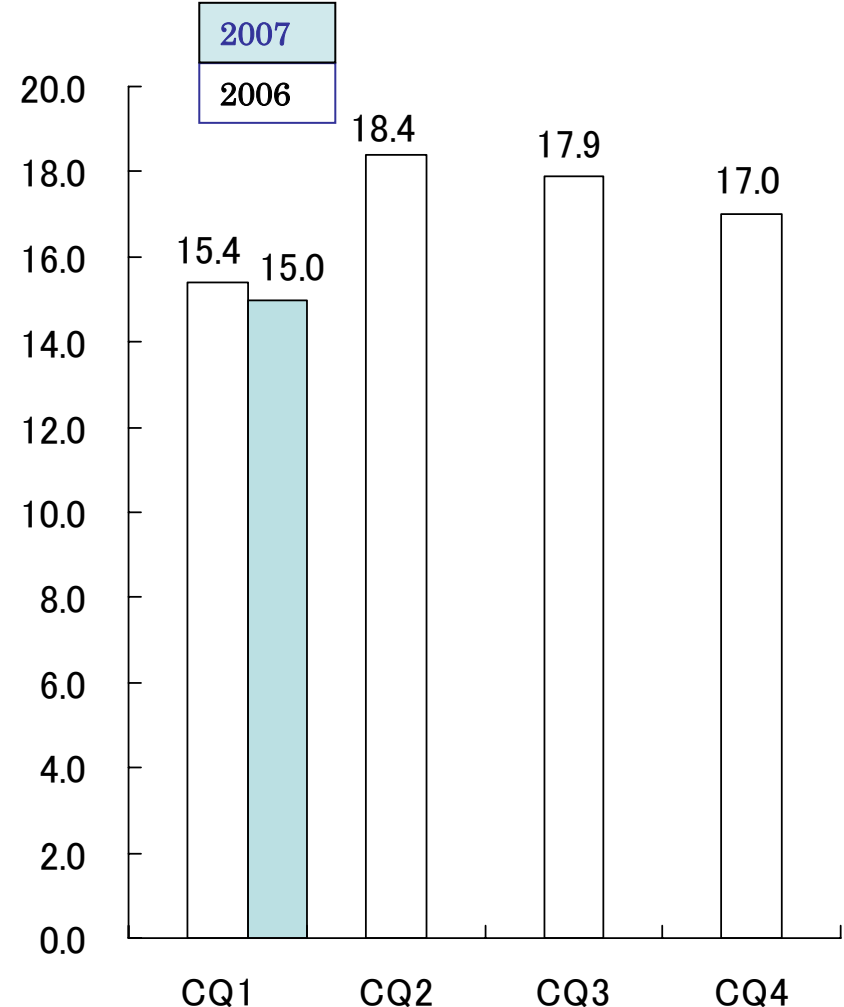
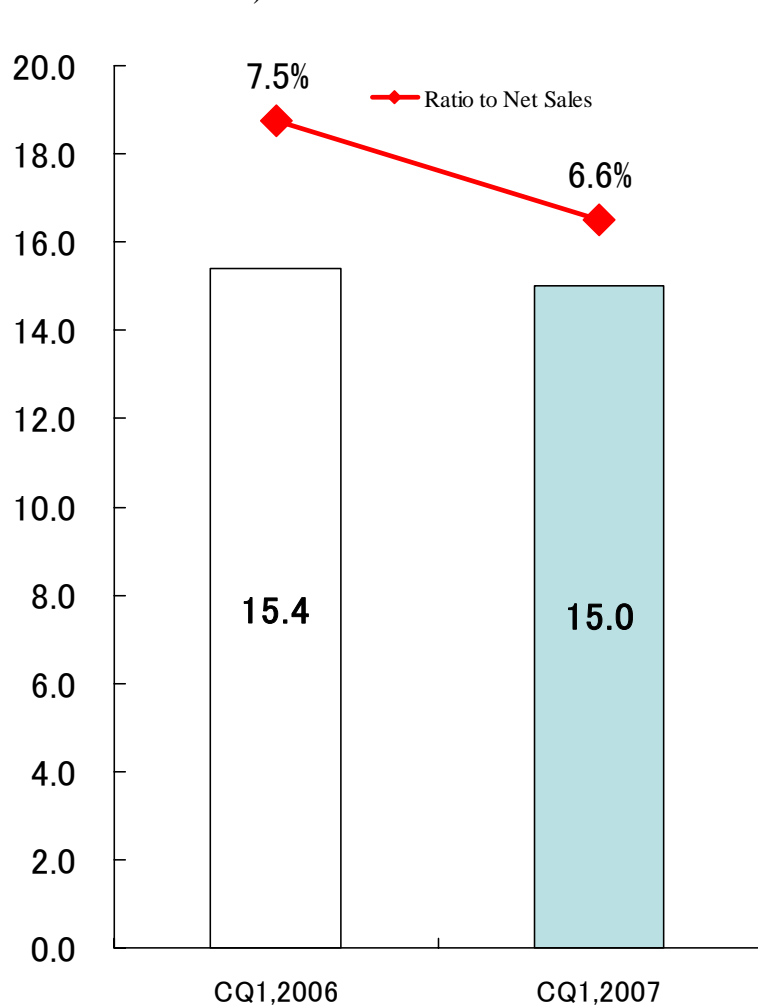
Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1 2007	CQ1 2006	Increase/ decrease	
Petrochemicals	4.9	2.9	+1.9	Olefins: shipment volume increased. Organic chemicals: decreased due to the rise in raw material costs.
Chemicals	1.6	1.0	+0.6	AN: price up <i>Shoprene</i> * <i>Shodex</i> : shipment volumes increased.
Electronics	4.1	8.0	-3.9	HDs: higher costs due to the production shift to higher-capacity HD media. Increased depreciation expenses due to the expansion of HD media production capacity. Compound semiconductors: recovered. Rare earth: price up. Specialty gases: slightly increased.
Inorganics	4.3	3.2	+1.1	Ceramics: maintained at the year-earlier level. Graphite electrode: tight supply continued.
Aluminum	1.4	1.1	+0.3	Aluminum cans: sales price improved. Heat exchangers: shipment volumes increased in Japan. Alloys: sold.
HQ costs, elimination	-1.3	-0.8	-0.4	R&D cost increased.
Total	15.0	15.4	-0.4	

Operating Income, Quarterly

(Unit: Billions of Yen)



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Mar. 31, 2007	Dec. 31, 2006	Increase	Liabilities and Stockholders' Equity	Mar. 31, 2007	Dec. 31, 2006	Increase
Cash and deposits	37.6	55.4	-17.8	Accounts payable	159.8	161.5	-1.7
Accounts receivable	170.6	176.2	-5.7	Interest-bearing debt	434.7	433.2	1.5
Inventories	103.3	86.3	17.0	Accrued pension and severance costs	33.9	34.9	-1.0
Other current assets	32.3	30.5	1.8	Other liabilities	146.0	142.8	3.2
<u>Current Assets</u>	<u>343.7</u>	<u>348.5</u>	<u>-4.8</u>	<u>Total Liabilities</u>	<u>774.4</u>	<u>772.3</u>	<u>2.1</u>
				Common stock	111.1	110.8	0.2
				Capital surplus	27.1	26.9	0.2
Tangible Fixed Assets	562.5	550.0	12.5	Retained earnings	49.2	47.3	1.8
Intangible Fixed Assets	17.8	18.4	-0.6	Treasury stock	-0.2	-0.2	-0.0
Investments and other assets	117.1	121.0	-3.9	<u>Total Stockholders' equity</u>	<u>187.2</u>	<u>184.9</u>	<u>2.3</u>
				Securities valuation surplus	18.7	19.3	-0.5
				Foreign currency translation adjustment • Deferred hedge gains	6.5	7.2	-0.7
				Revaluation surplus –Land	23.9	24.0	-0.1
<u>Total fixed assets</u>	<u>697.3</u>	<u>689.4</u>	<u>7.9</u>	<u>Total valuations and adjustments</u>	<u>49.2</u>	<u>50.5</u>	<u>-1.3</u>
				Minority Interest	30.2	30.1	0.1
				Total equity	<u>266.6</u>	<u>265.5</u>	1.1
Total Assets	1,041.0	1,037.8	3.2	Total liabilities and equity	1,041.0	1,037.8	3.2

Total Assets

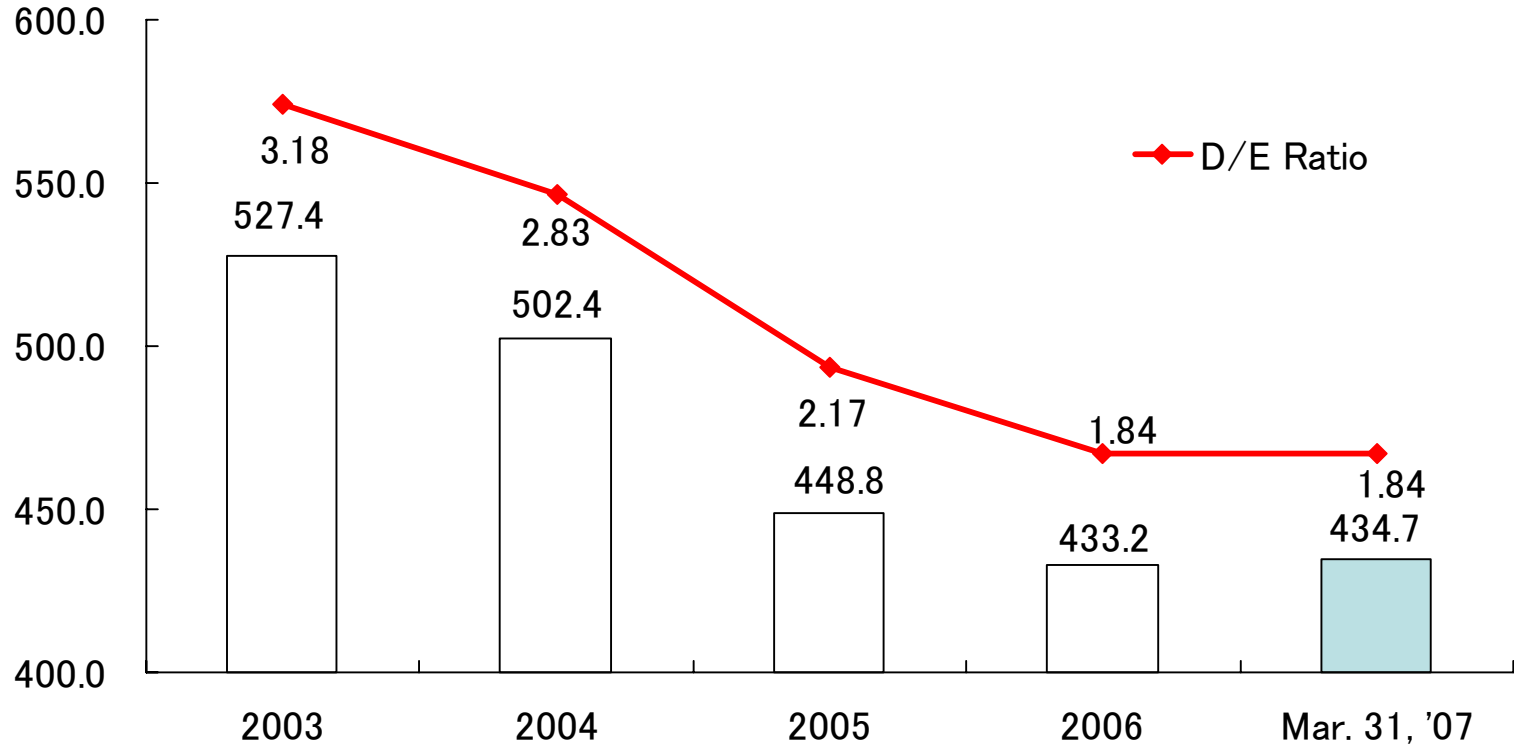
Interest-bearing Debt and D/E ratio

- **Total assets** **¥1,041.0 billion**
(up ¥3.2 billion from Dec. 31, 2006)
- **Interest-bearing debt** **¥434.7 billion**
(up ¥1.5 billion from Dec.31, 2006)
- **Debt/Equity ratio** **1.84 times**
(the same level as at Dec. 31, 2006)
- **Stockholders' Equity ratio** **22.7%**
(the same level as at Dec. 31, 2006)

Interest-bearing Debt

2003 – Mar. 31, 2007

(Unit: Billions of Yen)



Equity ratio	17.7%	18.8%	21.0%	22.7%	22.7%
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Topics

■ Electronics

- **Developing high-performance, large area-emission organic EL panels**
 - ◆ SDK developed singlelayer organic electroluminescent (organic EL) devices based on innovative phosphorescent polymer materials, achieving the highest-level external quantum efficiency and durability of 350,000 hours. SDK is developing a large area-emission panel based on this polymer technology, aiming to commercialize high-performance organic EL panels for use in displays and illumination.

- **New crystal growth technology for nitride-based semiconductors**
 - ◆ SDK succeeded in developing a new process for making high-quality nitride-based compound semiconductors to meet growing demand for use in blue/white LEDs. The process, called “*Hybrid PPD*TM,” enables the production of four-inch epitaxial wafers with high quality. SDK also succeeded, using the *Hybrid PPD*TM process, in developing blue LEDs with the highest-level brightness on the market today. SDK will start commercial shipments of these blue LEDs within this year.

Topics

■ Inorganics

- **Capacity expansion for 30''- and 32''-diameter graphite electrodes**
 - ◆ Last year, SDK began strengthening the production setup of 30-inch-and 32-inch-diameter graphite electrodes for use in electric arc furnace steelmaking. SDK's total production capacity of these large-diameter graphite electrodes will increase from 15,000 tons to 25,000 tons. SDK is investing slightly over ¥1 billion for the said capacity expansion.

- **Establishment of JV for F/S regarding chemical alumina project in Indonesia**
 - ◆ SDK reached formal agreement with PT. ANTAM Tbk of Indonesia, Straits Trading Amalgamated Resources Private Limited of Singapore, and Marubeni Corporation of Japan to establish a joint venture for implementation of a feasibility study for a chemical-grade alumina plant in Indonesia. The name of the joint venture is P.T. Indonesia Chemical Alumina.

Topics

■ Aluminum and other

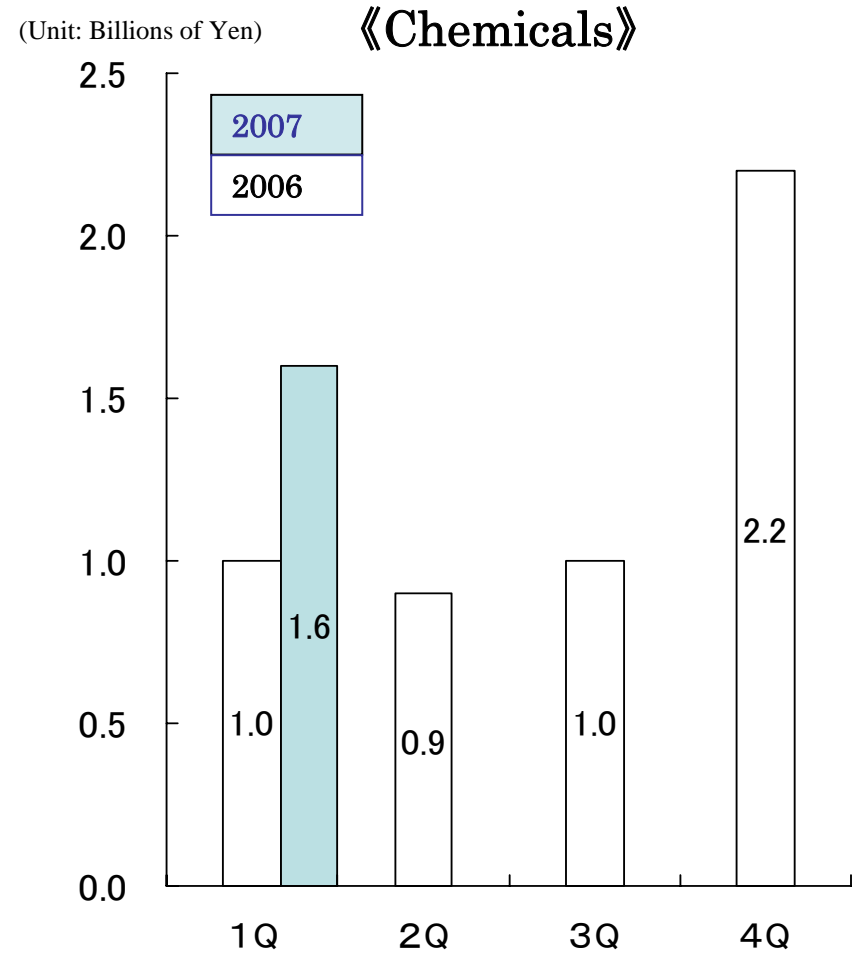
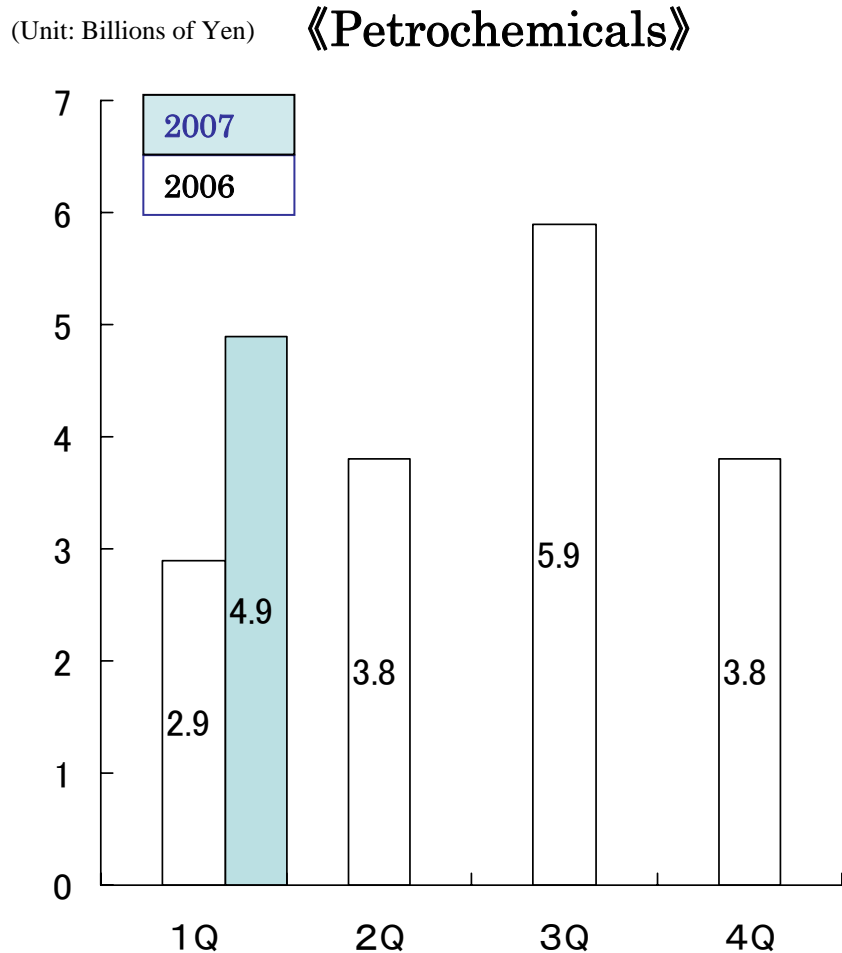
● Expanding automotive heat exchanger business in China

- ◆ SDK decided to increase equity participation in Grand Ocean-Showa Auto Air Conditioning (Dalian) Co., Ltd. and to make it a consolidated subsidiary. Grand Ocean-Showa will expand its production capacity and start producing innovative *NRT III*TM condensers with around 20% higher performance compared with existing products.

● Absorption of Showa Financing K.K.

- ◆ SDK decided to absorb its wholly owned subsidiary Showa Financing K.K. in July this year. By taking over Showa Financing's operations, SDK will enhance the efficiency of financing activities within the Group.

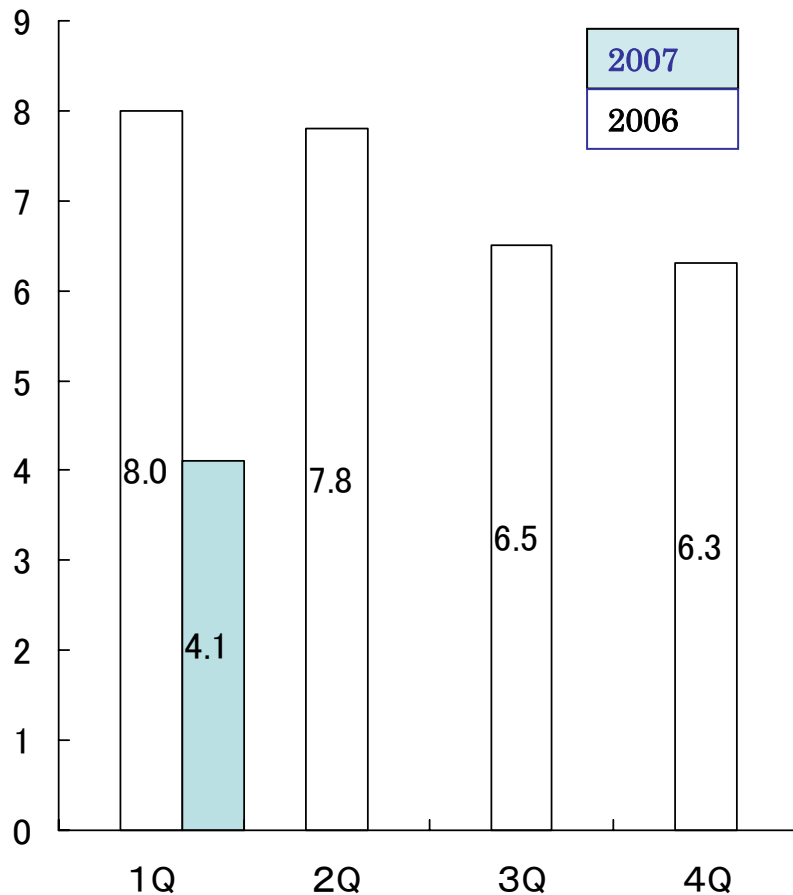
Reference: Operating Income by Segment (Quarterly)



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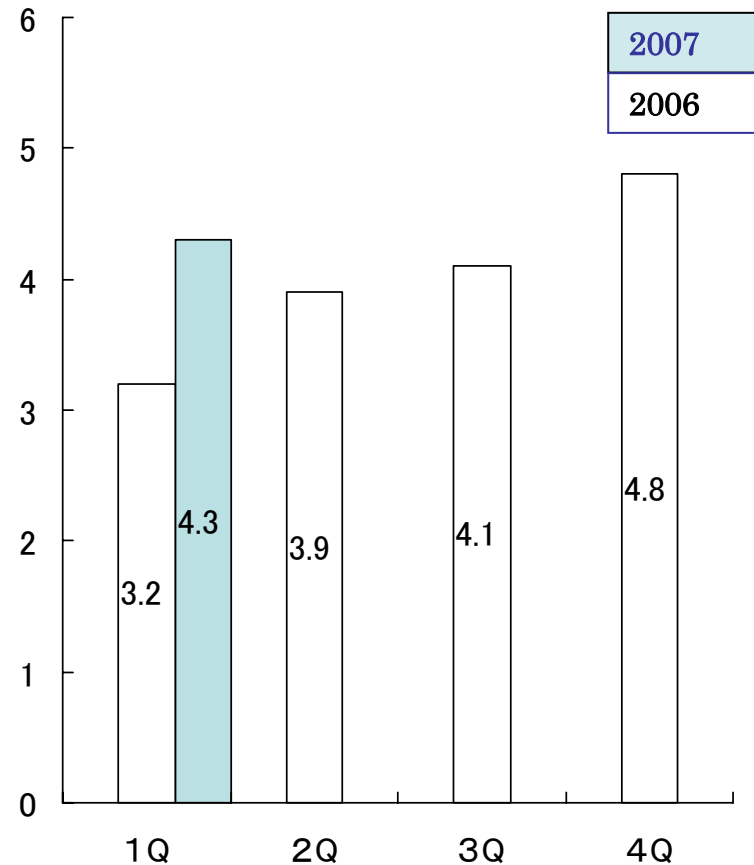
(Unit: Billions of Yen)

《Electronics》



(Unit: Billions of Yen)

《Inorganics》



Reference: Operating Income by Segment (Quarterly)

