

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

3rd Quarter, 2007 Financial Results

- Consolidated -

SHOWA DENKO K.K.

October 31, 2007



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
 - Showa Financing K.K. (Merger)

- Equity method applied: 22
 - Newly applied: none
 - Excluded: none

Exchange rates, Naphtha & Aluminum Prices

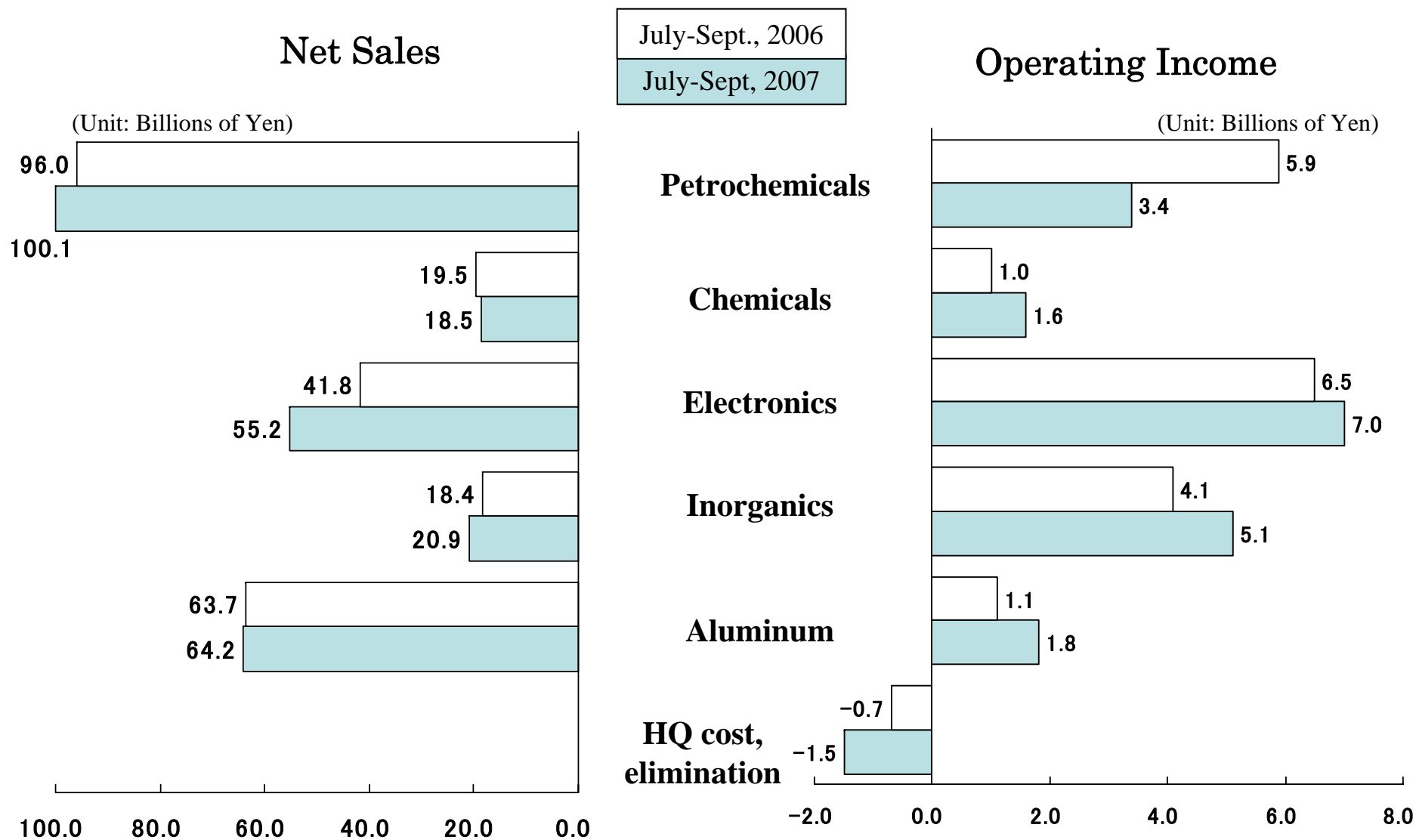
	July-Sept. 2006	July-Sept. 2007	Increase
■ Exchange rate (yen/US\$)	116.3	117.9	The Yen fell by 1.6yen
■ Naphtha (domestic)	54,100yen/KL	59,600yen/KL	+5,500yen
■ Aluminum (LME)	US\$2,527.7/T	US\$2,605.6/T	+US\$77.9

July-Sept. 2007 Summary

(Unit: Billions of Yen)

	July-Sept. 2006	July-Sept. 2007	Increase	
Net Sales	239.4	258.9	19.5	8.1%
Operating Income [Ratio to net sales]	17.9 7.5%	17.5 6.7%	-0.5 -0.8 point	-2.6%
Ordinary Income	15.6	12.1	-3.6	-22.9%
Extraordinary Profit	1.0	0.0	-1.0	
Extraordinary Loss	-0.7	-0.6	0.1	
Net Income before taxes	16.0	11.5	-4.5	-27.9%
Corporate Taxes	-5.4	-5.1	0.3	
Minority Interests	-0.7	-0.5	0.2	
Net Income	9.9	5.9	-4.0	-40.3%

Sales and Operating Income by Segment



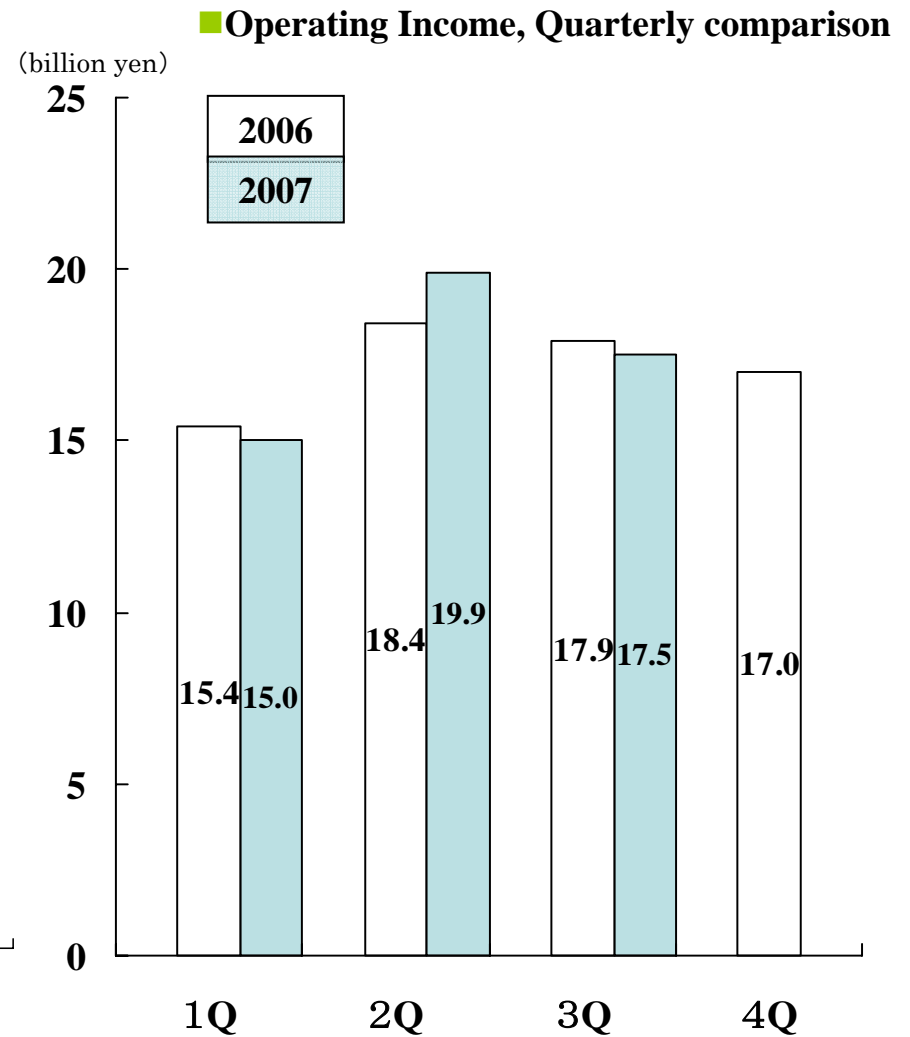
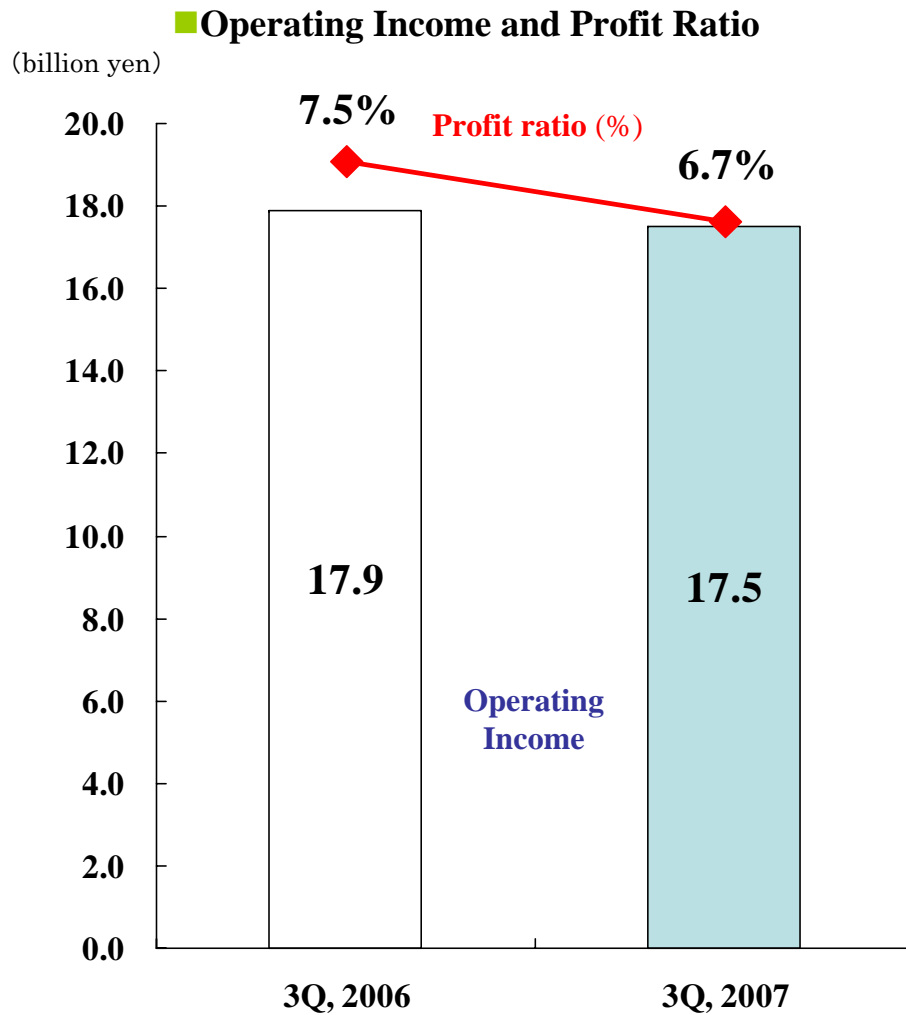
Consolidated Sales by Segment (Unit: Billions of Yen)

	July- Sept. 2006	July- Sept. 2007	Increase	Increase by Business
Petrochemicals	96.0	100.1	+4.0	Olefins and Organic Chemicals: High plant utilization continued and sales price up reflecting a rise in the raw material costs.
Chemicals	19.5	18.5	-0.9	AN and <i>Shoprene</i> : price up. Industrial gases : decrease.
Electronics	41.8	55.2	+13.4	HDs: volume increase thanks to new capacity expansion. Compound semiconductors: sales slightly increased due to the rise in shipment volumes. Rare earth: shipment volumes increased, price up.
Inorganics	18.4	20.9	+2.5	Ceramics: maintained at the year-earlier level. Carbons: sales increased. (graphite electrode in tight supply in domestic and overseas markets.)
Aluminum	63.7	64.2	+0.4	Rolled products: high-purity foils for capacitors increased. Extrusions: sales fell as a result of lower shipment volumes for construction material applications. Heat Exchangers: sales increased in Japan and Europe, decreased in North America. Aluminum Cans: volume increased, price up.
Total	239.4	258.9	+19.5	

Consolidated Operating Income by Segment (Unit: Billions of Yen)

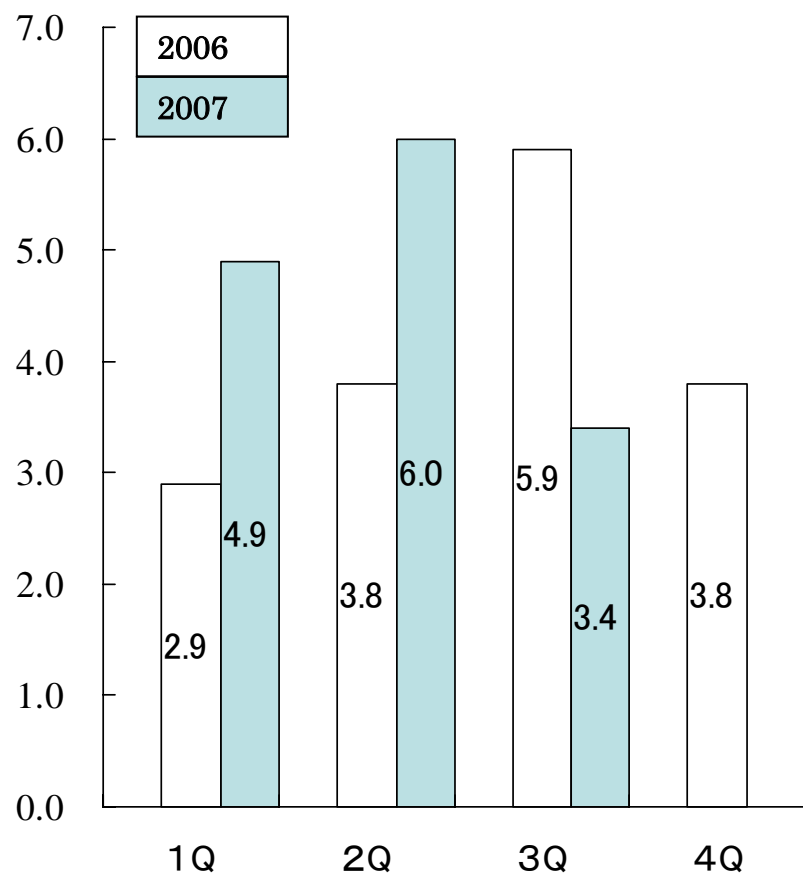
	July- Sept. 2006	July- Sept. 2007	Increase	Increase by business
Petrochemicals	5.9	3.4	-2.5	Olefins and Organic Chemicals: spread shrunk due to the rise in raw material cost.
Chemicals	1.0	1.6	+0.7	AN▪ Shoprene: price up.
Electronics	6.5	7.0	+0.5	HDs: profit slightly improved due to increased sales volume. Compound semiconductor: maintained at the year-earlier level. Rare earths: volume increased, price up.
Inorganics	4.1	5.1	+1.0	Ceramics: profit decreased due to higher raw material cost. Carbon: profit increased. (graphite electrodes in tight supply in domestic and overseas markets.)
Aluminum	1.1	1.8	+0.7	Rolled products: profit of high-purity foils for capacitors increased due to improved volume and price. Extrusions : profit fell as a result of lower shipment volumes for construction material applications. Heat Exchangers: profit slightly improved both in Japan and North America. Aluminum cans: volume increased, price up.
HQ costs, elimination	-0.7	-1.5	-0.8	R&D expenses increased in next generation themes .
Total	17.9	17.5	-0.5	

Operating Income, Quarterly

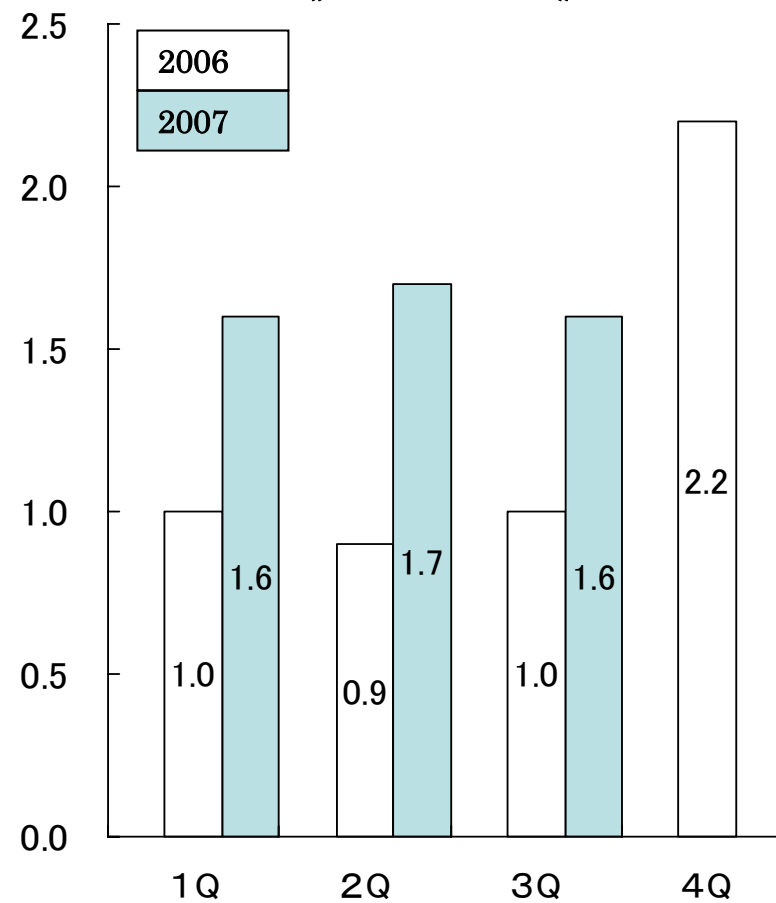


Operating Income by Segment (Quarterly)

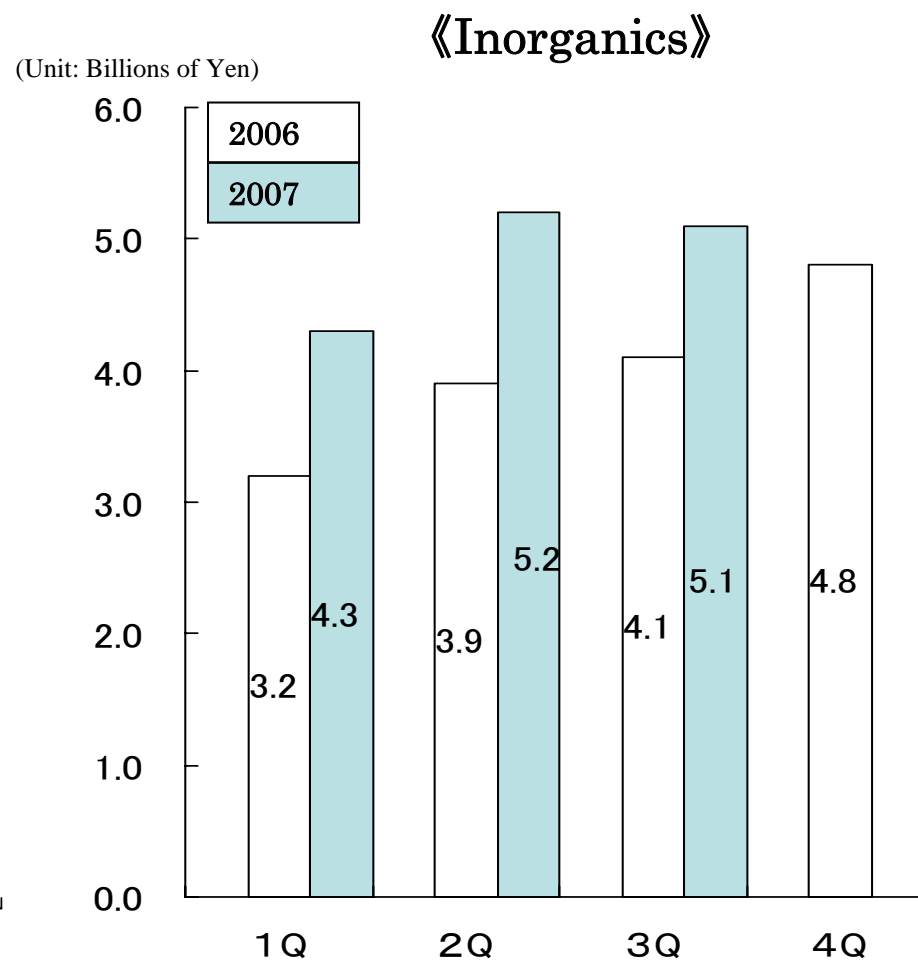
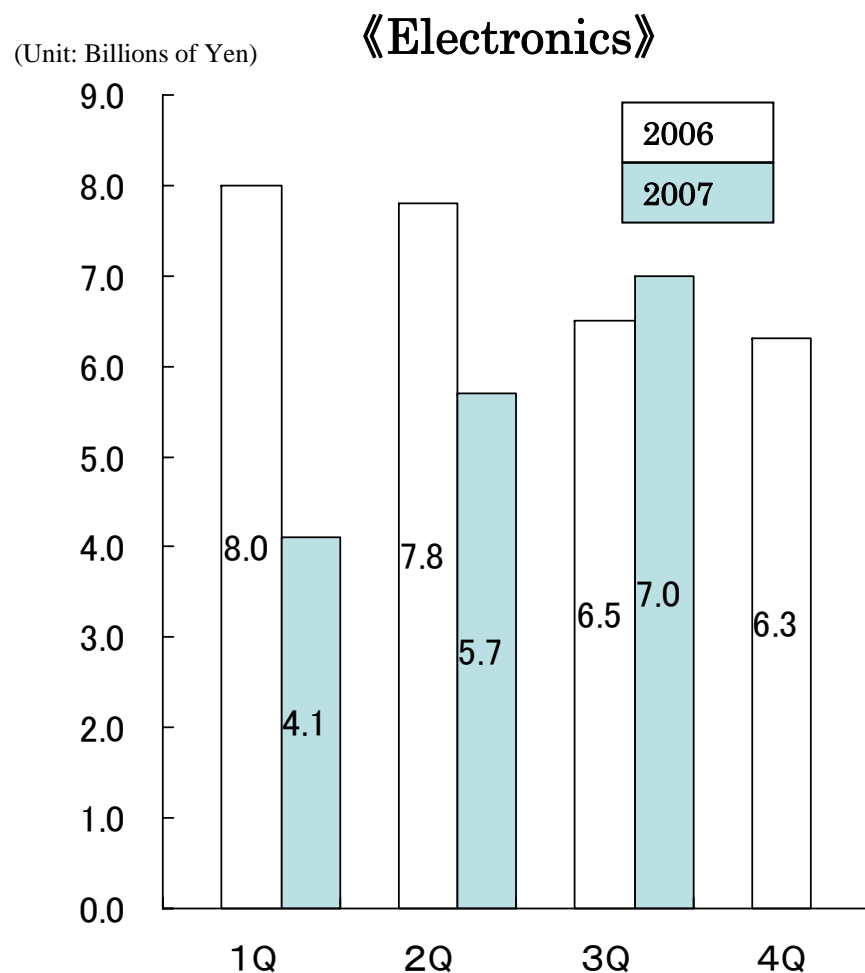
(Unit: Billions of Yen) **《Petrochemicals》**



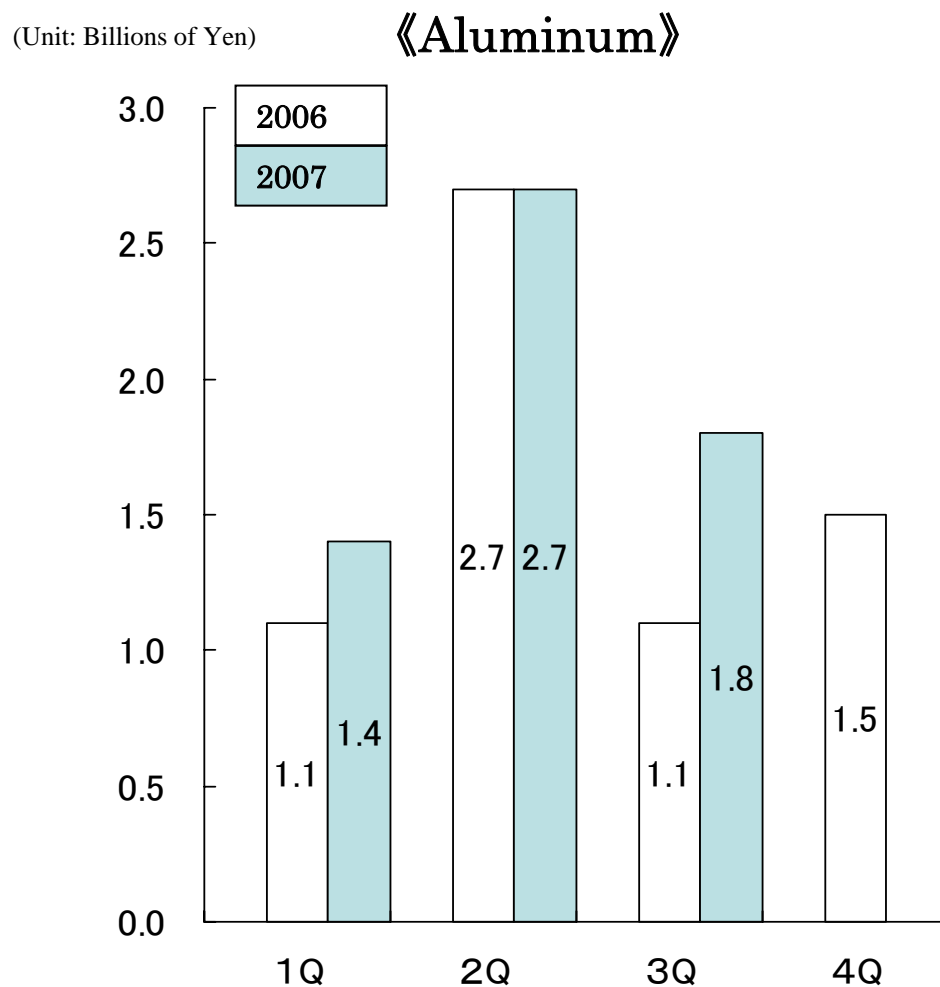
(Unit: Billions of Yen) **《Chemicals》**



Operating Income by Segment (Quarterly)



Operating Income by Segment (Quarterly)



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Jun. 30, 2007	Sep. 30, 2007	Increase	Liabilities and Stockholders' Equity	Jun. 30, 2007	Sep. 30, 2007	Increase
Cash and deposits	29.1	36.1	7.0	Accounts payable	165.2	163.5	-1.7
Accounts receivable	173.4	188.7	15.4	Interest-bearing debt	426.3	422.8	-3.5
Inventories	111.7	112.9	1.2	Accrued pension and severance costs	32.9	32.1	-0.8
Deferred tax assets	3.0	4.1	1.2	Other liabilities	140.9	145.4	4.5
Other current assets	27.3	29.9	2.5				
<u>Current Assets</u>	<u>344.5</u>	<u>371.7</u>	<u>27.2</u>	<u>Total Liabilities</u>	<u>765.4</u>	<u>763.9</u>	<u>-1.5</u>
				Common stock	111.1	121.9	10.8
				Capital surplus	27.1	37.9	10.8
				Retained earnings	57.8	63.8	5.9
				Treasury stock	-0.2	-0.2	-0.0
Tangible Fixed Assets	567.7	563.2	-4.5	<u>Total Stockholders' equity</u>	<u>195.8</u>	<u>223.4</u>	<u>27.5</u>
Intangible Fixed Assets	18.2	17.3	-0.9	Securities valuation surplus	22.8	18.8	-4.0
Investments and other assets	118.1	113.3	-4.8	Foreign currency translation adjustment • Deferred hedge gains	8.7	4.0	-4.7
				Revaluation surplus –Land	23.9	23.9	-0.0
				<u>Total valuations and adjustments</u>	<u>55.4</u>	<u>46.6</u>	<u>-8.7</u>
				Minority Interest	31.9	31.5	-0.4
<u>Total fixed assets</u>	<u>704.0</u>	<u>693.8</u>	<u>-10.2</u>	Total equity	<u>283.1</u>	<u>301.5</u>	18.4
Total Assets	1,048.5	1,065.5	17.0	Total liabilities and equity	1,048.5	1,065.5	17.0

Total assets ▪ Interest-bearing debt

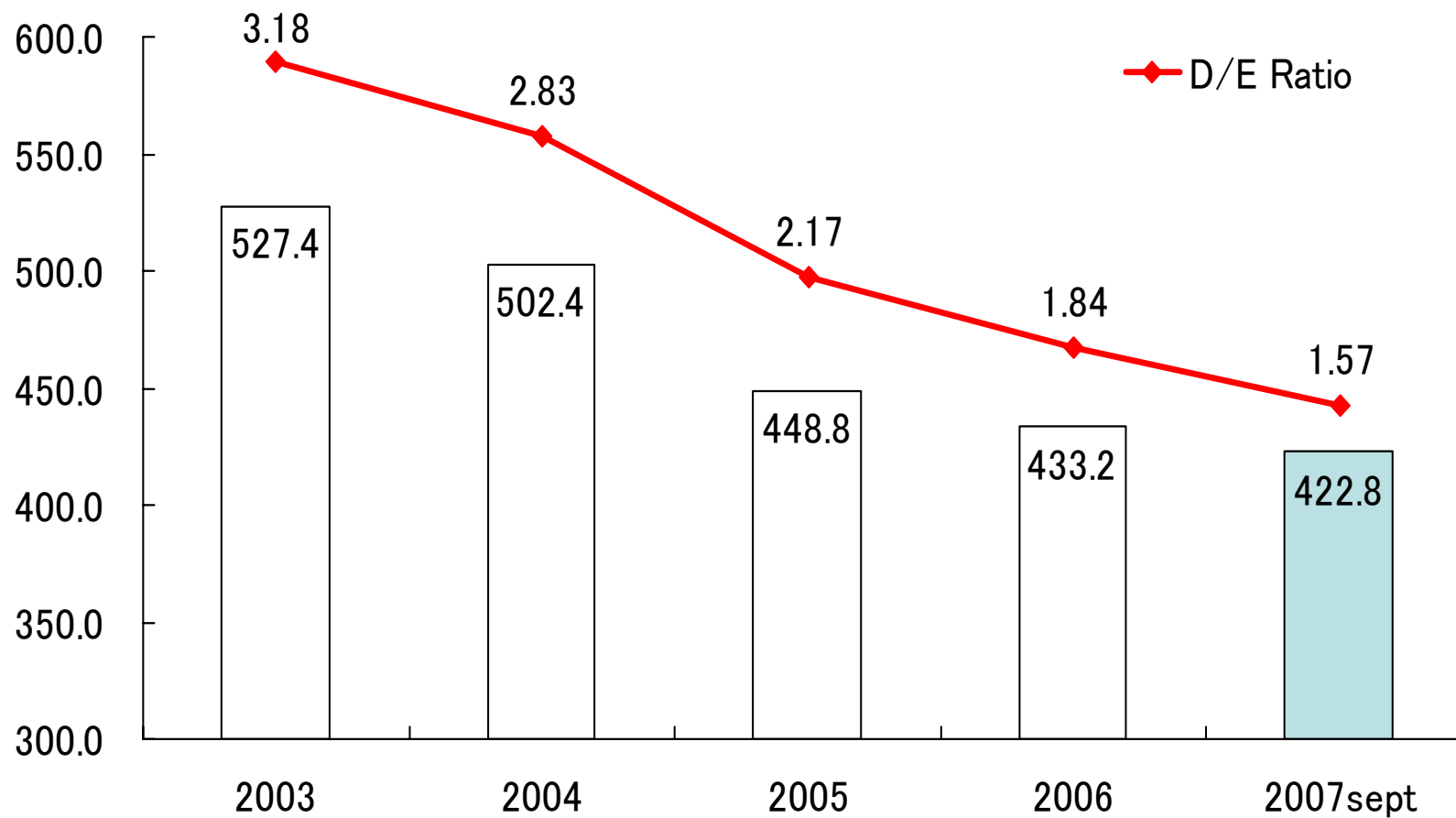
D/E ratio ▪ Stockholders' Equity/Total Assets

- Total assets ¥1,065.5 billion
(Up ¥17.0 billion from Jun. 30, 2007)
- Interest-bearing debt ¥422.8 billion
(Down ¥3.5 billion from Jun.30, 2007)
- Debt/Equity ratio 1.57 times
(Improvement by 0.13 point from Jun. 30, 2007)
- Stockholders' Equity/Total Assets 25.3%
(Up 1.3 points from Jun. 30, 2007)

Note: In the calculation of debt/equity ratio, minority interest is deducted from total equity.

Interest-bearing Debt

(Unit: Billions of Yen)



Topics by Segment

■ Electronics

● **Started shipments of 1.89-inch, 80 GB hard disk media**

In August, SDK began commercial shipments of 1.89-inch HD media with storage capacity of 80 gigabytes per disk, using the innovative perpendicular magnetic recording (PMR) technology. To the best of our knowledge, this represented the world's highest storage capacity for 1.89-inch HD media available on the market as of September 6, 2007. Demand for high-capacity HD media is growing year by year in line with increases in shipments of HDD recorders that can record high-definition TV programs, and high-definition camcorders. We have established a setup for ensuring speedy and stable deliveries of HD media based on the PMR technology.

● **Further expansion of GaN-based blue LED chip production capacity**

SDK has decided to expand its production capacity of gallium-nitride (GaN)-based blue LED chips at the Chiba site to 200 million units a month by the end of June 2008. The expansion is in addition to the ongoing work at the site to increase the blue LED chip production capacity to 100 million units a month by the end of 2007. While GaN-based LEDs are currently used in mobile phones and displays, demand for the product is expected to grow substantially owing to the development of such new applications as LCD backlighting.

Topics by Segment

■ Electronics

● **Completion of second magnetic alloy plant in China**

SDK has started up its second rare-earth magnetic alloy plant in China at Ganzhou, Jiangxi Province. The plant has the capacity to produce 2,000 tons a year of alloys for high-performance neodymium-based magnets. Our first rare-earth magnetic alloy plant in China has been in operation at Baotou, Inner Mongolia.

Appendix Jan.-Sept. 2007 Summary

(Unit: Billions of Yen)

	Jan.-Sept. 2006	Jan.-Sept. 2007	Increase	
Net Sales	666.4	744.0	77.6	11.6%
Operating Income [Ratio to net sales]	51.7 7.8%	52.4 7.0%	0.7 -0.8 point	1.4%
Ordinary Income	44.1	39.1	-5.0	-11.4%
Extraordinary Profit	4.7	3.0	-1.7	
Extraordinary Loss	-7.1	-5.1	2.0	
Net Income before taxes	41.8	37.1	-4.7	-11.3%
Corporate Taxes	-14.7	-14.5	0.2	
Minority Interests	-2.1	-1.6	0.5	
Net Income	25.0	21.0	-4.0	-16.0%

Appendix Net Sales by Segment

(Unit: Billions of Yen)

	2006/1-9	2007/1-9	Increase	2007 Forecast announced on Aug 7, 2007
Petrochemicals	241.3	292.3	51.0	380.0
Chemicals	57.5	57.7	0.2	80.0
Electronics	120.4	141.0	20.6	200.0
Inorganics	53.6	60.3	6.7	80.0
Aluminum	193.6	192.8	-0.8	260.0
Total	666.4	744.0	77.6	1,000.0

Operating Income by Segment

(Unit: Billions of Yen)

	2006/1-9	2007/1-9	Increase	2007 Forecast announced on Aug 7, 2007
Petrochemicals	12.6	14.2	1.6	19.0
Chemicals	2.9	4.9	2.0	6.5
Electronics	22.4	16.8	-5.6	25.0
Inorganics	11.3	14.7	3.4	19.5
Aluminum	4.9	5.9	1.0	9.5
HQ cost, elimination	-2.4	-4.1	-1.7	-5.5
Total	51.7	52.4	0.7	74.0