

NEWS RELEASE

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SDK to Achieve Financial Goals for 2007 under Passion Project —Operating Income Expected to Increase for Six Consecutive Years—

Showa Denko K.K. (SDK) is making progress in the implementation of the Passion Project, a consolidated business plan that runs from 2006 through 2008, under which the company is continuing to create individualized products by fully utilizing its advanced technologies. In 2007, the second year under the Passion Project, SDK has taken various steps to lay the groundwork for long-term sustainable growth.

1. Summary of achievements in 2007

SDK expects to exceed all major financial goals for 2007, except for profit ratio, as shown in the table below:

	Estimated results for 2007 (Announced on August 7, 2007)	Goals for 2007 under Passion Project (Announced on November 29, 2005)	
Net sales	¥1,000.0 billion	¥870.0 billion	Achieved
Operating income	¥74.0 billion	¥73.0 billion	Achieved
Profit ratio (operating income basis)	7.4%	8.4%	
Interest-bearing debt at year-end	¥410.0 billion	¥435.3 billion	Achieved
D/E ratio	1.4 times	1.6 times	Achieved

In terms of net sales, all of the five segments are expected to exceed their respective targets for 2007. Total operating income will also exceed the target, as increases in the operating income of the Petrochemicals and Inorganics segments will offset the shortfall in the Aluminum segment. We will also substantially exceed targets for interest-bearing debt and D/E ratio.

In 2007, we have taken measures to strengthen our “growth driver” and “base” businesses while developing and commercializing new products that will become “new growth driver” businesses.

Measures Taken to Strengthen “Growth Driver” and “Base” Businesses

Business units	Major steps and capacity expansions
Hard disk media	Commercial production of PMR-technology-based media with world's highest capacity 334 GB/P (3.5-inch media); 160 GB/P (2.5-inch media); 80 GB/P (1.89-inch media) Start-up of a new plant in Singapore; Capacity expansion to 22 million disks/month by the end of 2007
Semiconductor-processing materials	High-purity ammonia capacity expansion in Taiwan; New specialty gas storage facility in South Korea

Olefins	Decided to install modern cracking furnaces at Oita Complex in 2010
Organic chemicals	Increased allyl alcohol production from 50,000 tons to 56,000 tons/year
Rare earth magnetic alloys	Second plant in China completed, increasing the total production capacity to 8,000 tons/year
Graphite electrodes	Focusing on large-diameter products: One each plant in Japan and U.S.; Combined capacity increased from 15,000 tons to 25,000 tons/year
Ceramics	Expanded production capacity of LCD-glass-processing abrasives
Heat exchangers for cars	Strengthened presence in China (Turning into a consolidated subsidiary and expanding its production capacity)
High-performance aluminum components	Aluminum cylinders for laser printers: Start-up of a new plant in Oita

Main Products Launched in 2007 as “New Growth Driver” Businesses

Business units	Major steps and expansions
Ultrabright LEDs	Established Hybrid PPD™ process for nitride-based semiconductors Gallium-nitride blue LED chip capacity: 200 million units/month AlGaInP LED chip capacity: 200 million units/month
Fine carbons	VGCF™: Production capacity reached 100 tons/year VGCF™-S: Started shipments
Life science	Started shipments of TPNa™ water-soluble vitamin E derivative
Fine chemicals	Started shipments of Karenz MOI™EG for photo-curing of resins
Specialty polymers	Developed phosphorus-based flame-retardant and resins for low-odor thermal-insulation paints
Other new businesses	Developed new heat-resistant transparent sheets and films for displays

2. Growth Strategy

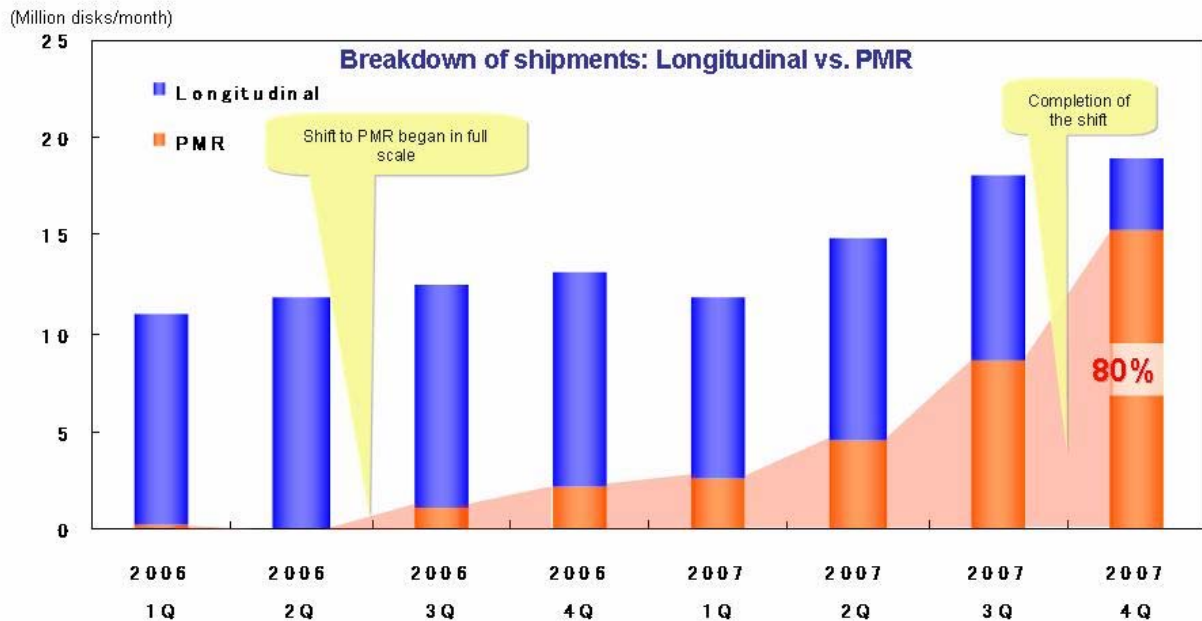
(a) “Growth driver” business: Hard disk media

Demand for hard disk drives (HDDs) is continuing to grow 20% or more a year on the average, centering on consumer electronics (high-definition HDD recorders, HDD camcorders that can record high-definition moving pictures for long hours, etc.) and notebook PC applications.

Under the circumstances, demand for high-capacity hard disk media is growing rapidly, mainly for use in consumer electronics applications. SDK has been leading the hard disk media industry, becoming the world’s first to commercialize the perpendicular magnetic recording (PMR) technology and launching hard disk media with the world’s highest recording capacity.

SDK began installing PMR-technology-based production lines last year, completing the shift in the second quarter of this year. In the fourth quarter of this year, the share of PMR-technology-based media in our total shipments will reach 80%.

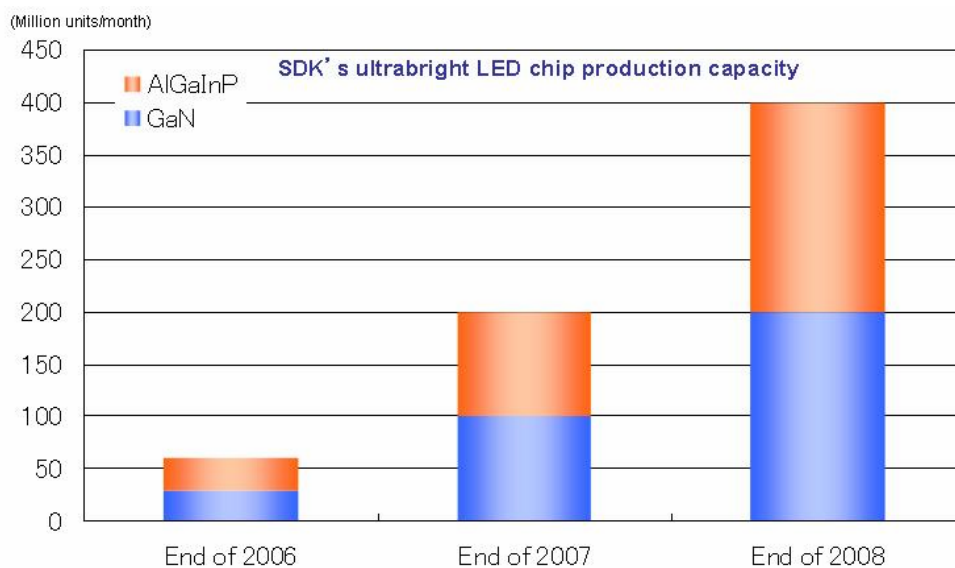
We will continue to develop hard disk media with higher capacity and value, strengthening our position in the growing consumer electronics market. We will aim to increase our market share, which is already the number one, and develop next-generation technologies, including “discrete” media.



(b) “New growth driver” business: Ultrabright LEDs

SDK is the only company in the world that can provide ultrabright LED chips in red, green and blue. We are going to start full-scale commercial production of gallium-nitride-based blue/green ultrabright LED chips and AlGaInP red/yellow ultrabright LED chips.

Demand for LED chips is expected to grow rapidly as new applications are developed for LED lamps, including outdoor displays, automotive parts, LCD backlighting for flat-panel TVs and PCs, and general lighting. SDK will increase its production capacity of gallium-nitride-based blue/green ultrabright LED chips and AlGaInP red/yellow ultrabright LED chips, to a total of 400 million units per month. The company will further improve product quality and cost performance, aiming to generate annual sales of ¥15 billion in 2008.



3. Base Business Strategy: Rare earth magnetic alloys

Demand for high-performance rare earth magnets has been increasing rapidly in recent years for use in motors and electric power steering devices of hybrid cars as well as in voice coil motors of HDDs. SDK is providing neodymium/dysprosium-based magnetic alloys to manufacturers of magnets. To ensure stable supply of rare earth magnetic alloys, we started up a new plant in Ganzhou, Jiangxi Province, China this year. Together with existing plants in Baotou, Inner Mongolia, and Chichibu, Japan, we now have total capacity of 8,000 tons/year. Depending on future demand growth, we will consider increasing our capacity to 10,000 tons/year by 2010.



SDK is aiming to meet the expectations of all stakeholders and earn the full trust and confidence of society. We will improve the energy efficiency of our production facilities to reduce the Showa Denko Group's greenhouse gas emissions by 6% from the 1990 base-year level in and after 2009, in line with the Kyoto Protocol. We will continue taking various measures in 2008, the last year under the Passion Project, to fulfill our social responsibility.

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