

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

First Quarter, 2008 Financial Results

- Consolidated -



SHOWA DENKO K.K.

May 8, 2008

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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: 38

■ Newly consolidated: 1

- Ganzhou Zhaori Rare Earth New Material Co., Ltd.
(Electronics)

■ Excluded from the consolidation: 1

- Kokusai Eisei Co., Ltd. (Sold, Chemicals)

■ Equity method applied: 22

■ Newly applied: none

■ Excluded: none

Selected Data

	CQ1 2007	CQ1 2008	Increase
■ Exchange rate: ¥/US\$	119.5	105.3	Yen strengthened by ¥14.2/\$
■ Domestic naphtha price: ¥/kl	48,800	66,700	+17,900
■ Aluminum LME price: US\$/T	2,747	2,785	+38

Exchange rate at December 31, 07 ¥/US\$114.2, at March 31, 08 ¥/US\$100.2

⇒ Yen strengthened by 14.0¥/US\$

Summary

Jan. 1 – Mar. 31, 2007 vs. Jan.1 – Mar. 31, 2008

(Unit: Billions of Yen)

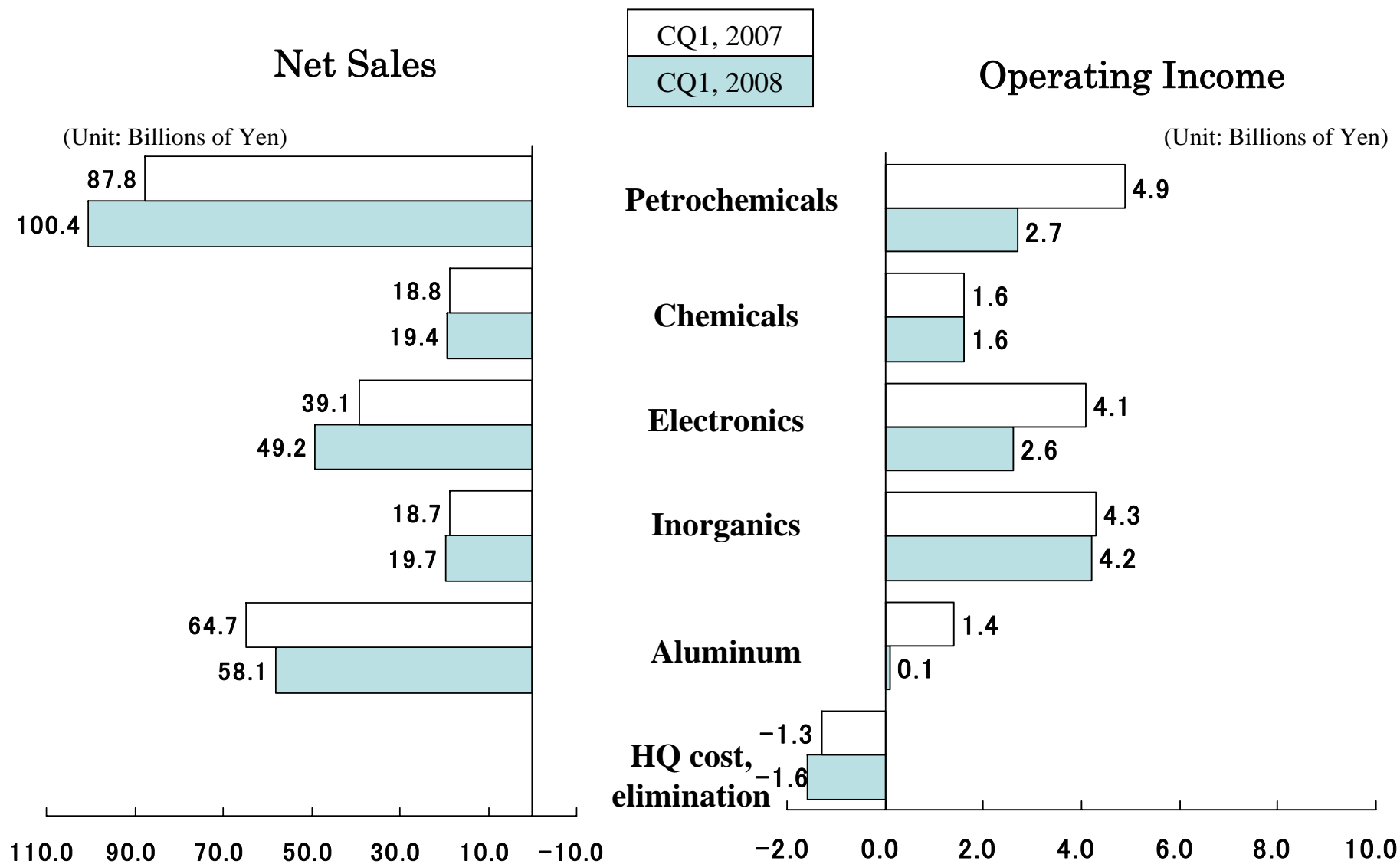
	CQ1, 2007	CQ1, 2008	Increase	
Net Sales	229.1	246.9	17.8	7.8%
Operating Income	15.0	9.7	-5.3	-35.3%
[Operating income, net sales ratio]	6.6%	3.9%	-2.7 point	
Non-operating income and expense	-4.4	-4.9	-0.5	
Interest/Dividend income less interest expenses	-1.6	-1.7	-0.1	
Equity Method	1.0	0.4	-0.6	
Currency exchange gain (loss)	0.2	-3.0	-3.3	
New HD media factory start-up cost	-1.9	0.0	1.9	
Ordinary Income	10.6	4.8	-5.8	-54.5%
Extraordinary Profit	1.8	2.8	1.0	
Extraordinary Loss	-0.7	-1.2	-0.5	
Net Income before taxes	11.7	6.4	-5.3	
Corporate Taxes	-4.7	-2.9	1.7	
Minority Interests	-0.6	-0.3	0.3	
Net Income	6.5	3.2	-3.3	-50.4%

Extraordinary Profit/Loss

(Unit: Billions of Yen)

	CQ1 2007	CQ1 2008	Increase
■ Extraordinary Profit	1.8	2.8	1.0
<ul style="list-style-type: none"> ● Gain on the sale of fixed assets ● Gain on the sale of investment securities ● Other 	0.2	0.7	0.5
	0.7	0.5	-0.2
	0.9	1.6	0.6
■ Extraordinary Loss	-0.7	-1.2	-0.5
<ul style="list-style-type: none"> ● Loss on the disposal of fixed assets ● Loss on the valuation of investment securities ● Other 	-0.2	-0.3	-0.0
	-	-0.5	-0.5
	-0.5	-0.5	-0.0
■ Extraordinary Profit/Loss, Net	1.1	1.6	0.5

Sales and Operating Income by Segment



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1 2007	CQ1 2008	Increase/ decrease	
Petrochemicals	87.8	100.4	+12.6	Olefins: price up. Organic chemicals: maintained at the year-earlier level.
Chemicals	18.8	19.4	+0.6	AN•chloroprene rubber: shipment volume increased, price up. Ammonia : price up. Amino acids: shipment volume increased.
Electronics	39.1	49.2	+10.1	HDs: sales increased as a result of capacity expansions. Compound semiconductors: sales decreased due to the fall in shipment volume of commodity LEDs. Rare earth: shipment volume increased, price up. Specialty gases: sales slightly increased.
Inorganics	18.7	19.7	+1.1	Ceramics: sales slightly increased. Carbons: graphite electrodes price up, reflecting higher raw material prices.
Aluminum	64.7	58.1	-6.6	Aluminum ingot: shipment volume decreased. Rolled products: shipment volume decreased as a result of our withdrawal from the commodity foils; the shipment volume of high-purity foils for capacitors was steady. Extrusions/ specialty products: commodity extrusions shipment volume decreased due to weaker demand for construction material applications. Heat exchangers: shipment volumes decreased in Japan and USA, sales increased in Europe. Aluminum cans, <i>Shotic</i> : shipment volumes decreased.
Total	229.1	246.9	+17.8	

Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1 2007	CQ1 2008	Increase/ decrease	
Petrochemicals	4.9	2.7	-2.1	Olefins: export margins squeezed. Organic chemicals: higher cost of methanol and weaker market price for acetic acid .
Chemicals	1.6	1.6	+0.0	AN, chloroprene rubber : shipment volumes increased, price up. Amino acids, <i>Shodex</i> : shipment volumes increased.
Electronics	4.1	2.6	-1.5	HDs: Increased depreciation expenses due to the expansion of HD media production capacity. Line adjustments for new products. Yen appreciation. Rare earth: shipment volumes increased, price up. Ultra bright LEDs: R&D cost increased.
Inorganics	4.3	4.2	-0.1	Ceramics: profit decreased due to soaring fuel/raw material costs. Graphite electrode: tight supply continued in Japan and export markets.
Aluminum	1.4	0.1	-1.2	Rolled products: shipment volumes increased, price up for high-purity foils for capacitors. Extrusions/ specialty products: commodity extrusions profit decreased due to lower shipment volumes for construction material applications, fuel up. Aluminum cans: maintained at the year-earlier level. Power generation business as an independent power provider: profit decreased due to time lag in raising prices in response to higher fuel cost.
HQ costs, elimination	-1.3	-1.6	-0.4	R&D cost increased.
Total	15.0	9.7	-5.3	

Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2007	Mar. 31, 2008	Increase/ decrease	Liabilities and Stockholders' Equity	Dec. 31, 2007	Mar. 31, 2008	Increase/ decrease
Cash and deposits	31.9	27.0	-4.9	Notes and accounts payable	168.6	143.9	-24.7
Notes and accounts receivable	177.6	147.8	-29.8	Interest-bearing debt	395.6	405.8	10.2
Inventories	109.3	120.5	11.1	Accrued pension and severance costs	31.2	30.3	-0.9
Other current assets	29.5	35.0	5.4	Other liabilities	135.5	128.4	-7.2
<u>Current Assets</u>	<u>348.4</u>	<u>330.3</u>	<u>-18.1</u>	<u>Total Liabilities</u>	<u>731.0</u>	<u>708.4</u>	<u>-22.5</u>
				Common stock	121.9	121.9	-
				Capital surplus	37.9	37.9	0.0
Tangible Fixed Assets	559.3	548.8	-10.5	Retained earnings	75.9	72.8	-3.1
Intangible Fixed Assets	15.1	14.4	-0.7	Treasury stock	-0.2	-0.2	0.0
Investments and other assets	106.8	103.1	-3.7	<u>Total Stockholders' equity</u>	<u>235.5</u>	<u>232.4</u>	<u>-3.1</u>
				Securities valuation surplus	16.1	12.3	-3.8
				Foreign currency translation adjustment/Deferred hedge gains	2.2	-1.0	-3.2
				Revaluation reserve (Land revaluation)	23.7	23.7	-
<u>Total fixed assets</u>	<u>681.3</u>	<u>666.3</u>	<u>-15.0</u>	<u>Total valuations and adjustment</u>	<u>41.9</u>	<u>34.9</u>	<u>-7.0</u>
				Minority Interests	21.3	20.8	-0.5
				Total equity	<u>298.7</u>	<u>288.1</u>	-10.6
Total Assets	1,029.6	996.5	-33.1	Total liabilities and equity	1,029.6	996.5	-33.1

Total Assets

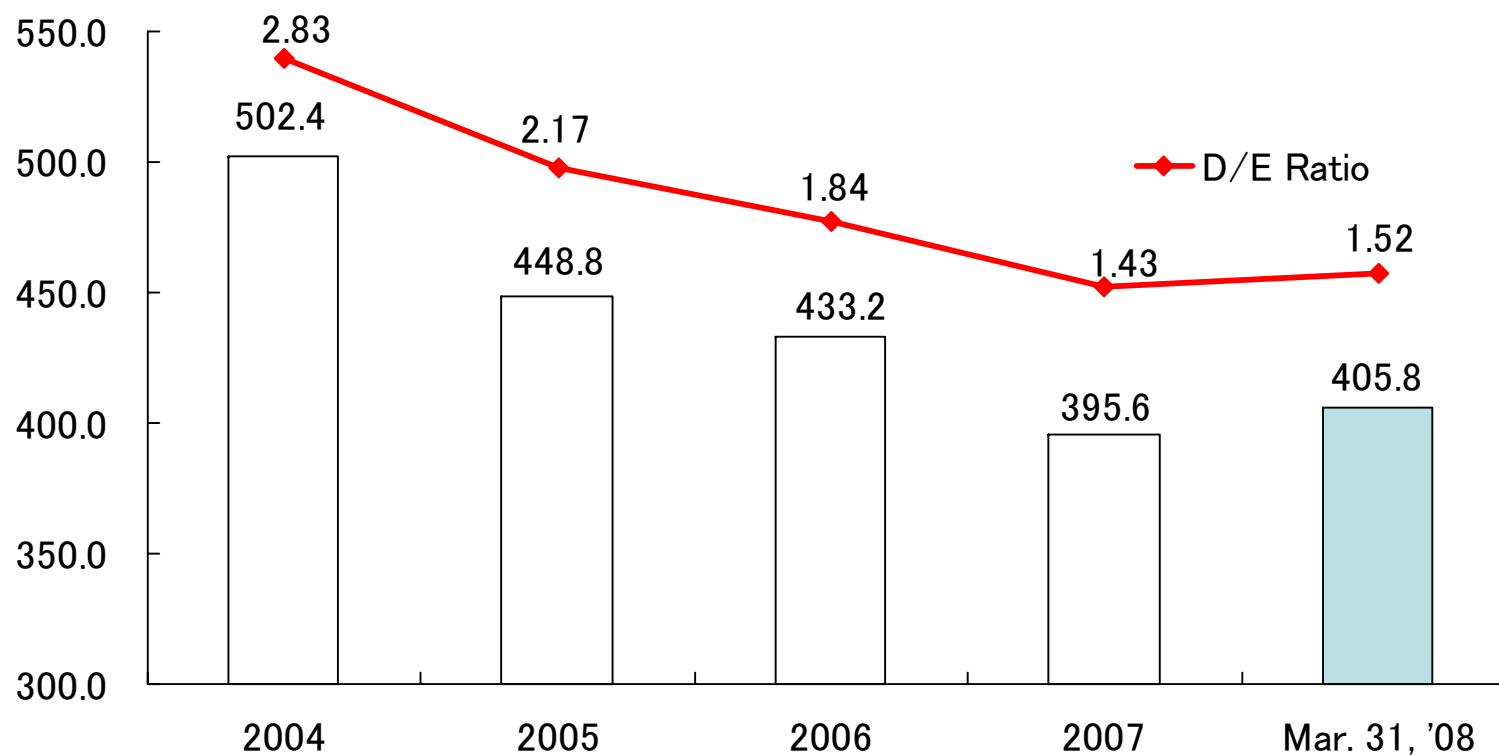
Interest-bearing Debt and D/E ratio

- **Total assets** **¥996.5 billion**
(down ¥33.1 billion from Dec. 31, 2007)
- **Interest-bearing debt** **¥405.8 billion**
(up ¥10.2 billion from Dec.31, 2007)
- **Debt/Equity ratio** **1.52 times**
(up 0.09 point from Dec. 31, 2007)
- **Stockholders' Equity ratio** **26.8%**
(down 0.1point from Dec. 31, 2007)

Interest-bearing Debt

2004 – Mar. 31, 2008

(Unit: Billions of Yen)



Equity ratio	18.8%	21.0%	22.7%	26.9%	26.8%
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Forecast for First Half 2008

(Unit: Billions of Yen)

	Earlier forecast (Announced on Feb.7, 2008)	Revised forecast (Announced on May 8, 2008)	Increase/ decrease	
Net Sales	535.0	510.0	-25.0	refer to p13
Operating Income	33.0	24.0	-9.0	refer to p14
Ordinary Income	26.0	16.0	-10.0	Operating income decrease, Currency exchange loss
Net income	14.0	8.5	-5.5	

Forecast for First Half by segment (Net Sales)

(Unit: Billions of Yen)

	Forecast at the beginning of the year	Revised forecast (Announced on May 8, 2008)	Increase/ decrease	breakdown
Petrochemicals	205.0	200.0	-5.0	Olefins: lower export prices. Acetic acid: lower shipment volume.
Chemicals	40.0	40.0	0	
Electronics	125.0	110.0	-15.0	HDs: shipment volume decrease due to line adjustments for new products. (mainly in the first quarter).
Inorganics	40.0	40.0	0	
Aluminum	125.0	120.0	-5.0	Shipment volume decrease for construction material and automobile markets. Aluminum cans: decreased shipment volume.
Total	535.0	510.0	-25.0	

Forecast for First Half by segment (Operating Income)

(Unit: Billions of Yen)

	Forecast at the beginning of the year	Revised forecast (Announced on May.8, 2008)	Increase/ Decrease	breakdown
Petrochemicals	7.0	5.5	-1.5	Olefins: lower export margins. Acetic acid: cost up, weaker market
Chemicals	3.0	3.0	0.0	
Electronics	13.0	9.0	-4.0	HDs: shipment volume decrease due to line adjustment for new products. (mainly in the first quarter). Yen strengthened (cost up in the overseas production)
Inorganics	10.0	9.0	-1.0	Ceramics: fuel/raw material cost up. Subsidiary in US: conversion of dollar into yen.
Aluminum	3.0	1.0	-2.0	Decreased shipment volume for construction material and automobile markets. Aluminum cans: decreased shipment volume.
HQ costs, elimination	-3.0	-3.5	-0.5	
Total	33.0	24.0	-9.0	

Topics

■ Electronics

● **Launch of the world's first 1.3-inch HD media based on PMR technology**

- ◆ In January, SDK began commercial shipments of the world's first 1.3-inch HD media with storage capacity of 40 gigabytes per disk, using its perpendicular magnetic recording (PMR) technology. To the best of our knowledge, our 1.3-inch HD media had the world's highest storage capacity for this size available on the market as of the end of April 2008. As the new product ensures the manufacture of lighter HD drives with lower electricity consumption and higher resistance to shock, it is expected to be used in such applications as high-definition camcorders, mobile music players, and very small notebook PCs.

■ Chemicals

● **Sale of shares in Kokusai Eisei**

- ◆ In March, we sold 90% of the shares we owned in our wholly consolidated subsidiary Kokusai Eisei Co., Ltd., to Iwatani International Corporation. Kokusai Eisei's operations center on sanitary control. The sale of shares is intended as a measure to expand Kokusai Eisei's business through synergies with Iwatani's operations.

Topics

■ Aluminum and other

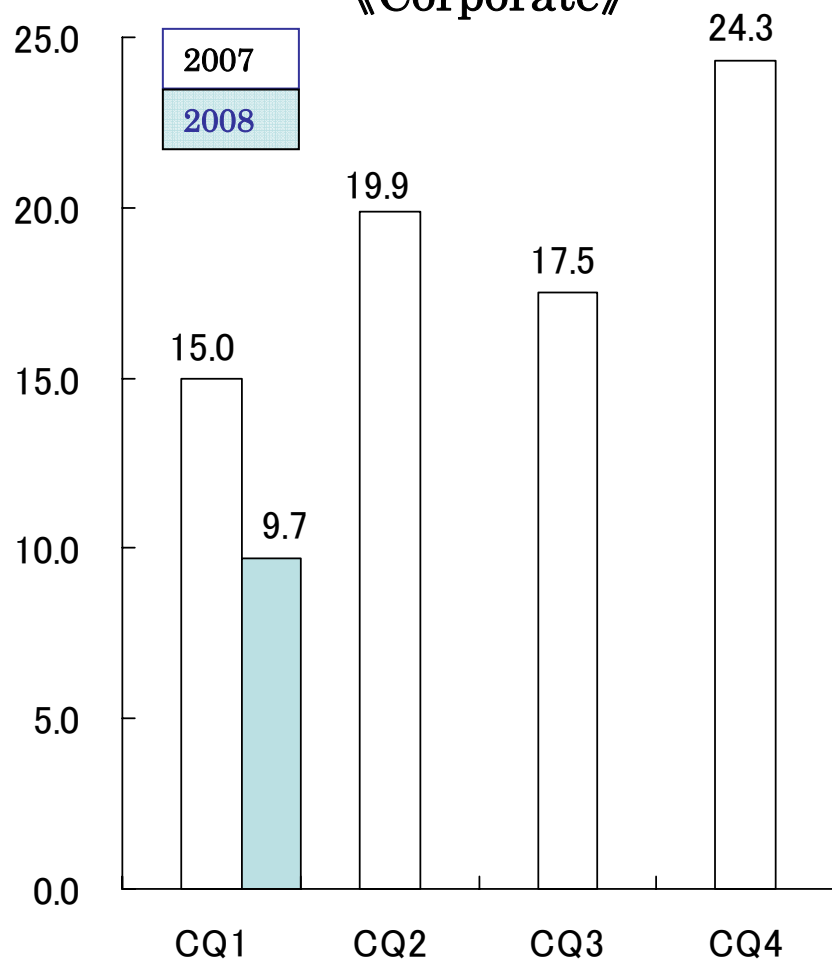
● Completion of a new aluminum slab refining line

- ◆ In January, our consolidated subsidiary Showa Denko Sakai Aluminum K.K. (SSK) completed construction of a new aluminum slab refining line. Following the start-up of the new refining line, SSK's high-purity aluminum foil production capacity increased from 1,500 tons a month to more than 1,800 tons a month. SSK sells its high-purity aluminum foils for use in aluminum electrolytic capacitors for high-performance digital electric appliances, including flat-panel TVs, and for automobiles. SSK has the largest share in the high-purity aluminum foil market in Japan and overseas. We will continue to meet growing demand through further capacity expansion in a timely manner and the provision of high-quality product.

Reference: Operating Income (Quarterly)

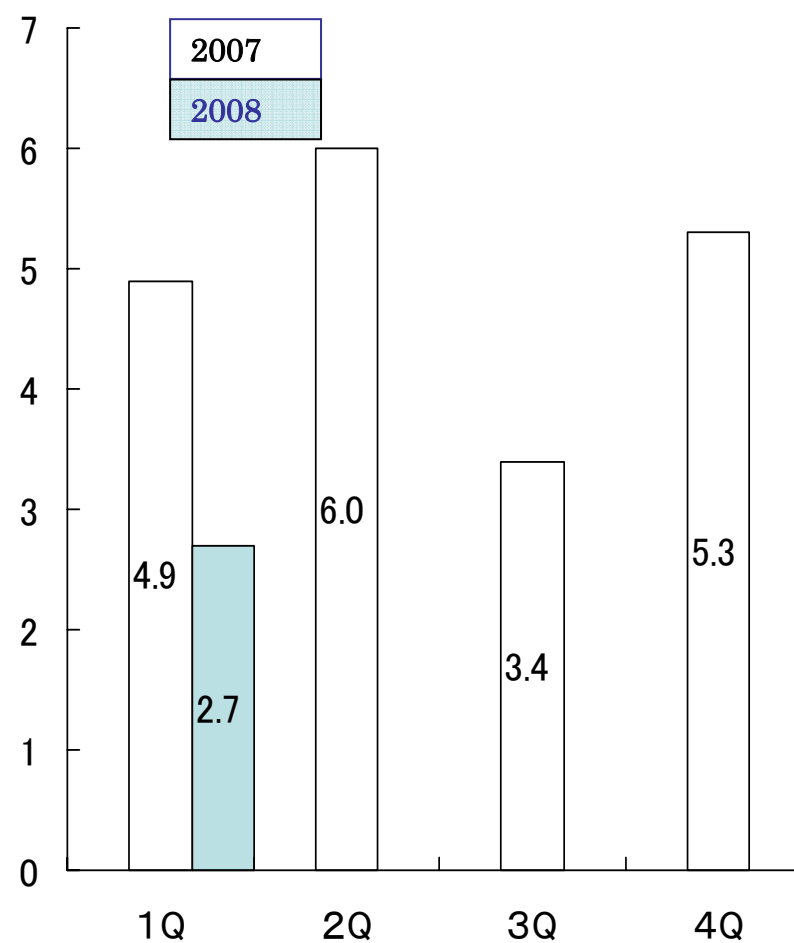
(Unit: Billions of Yen)

《Corporate》

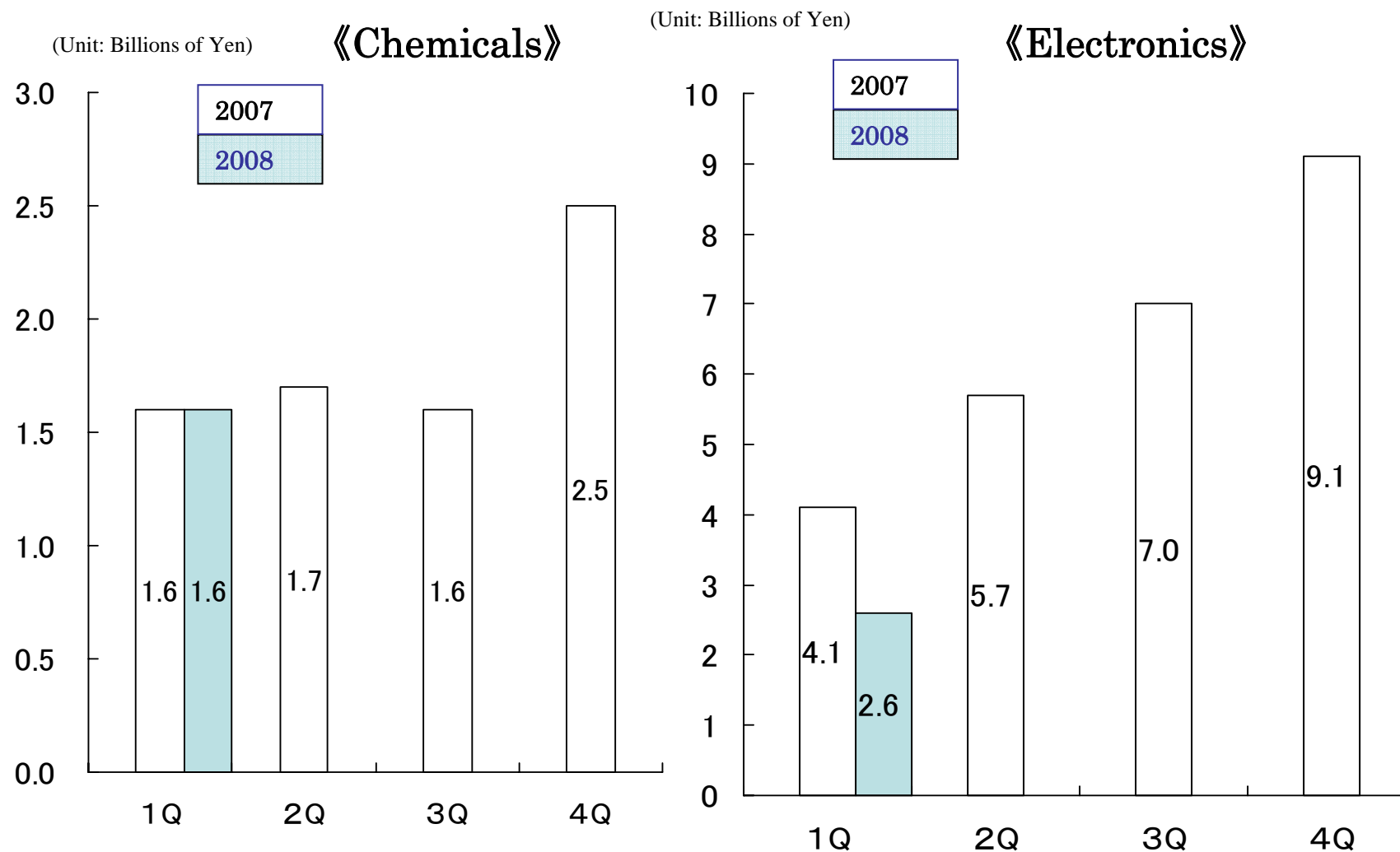


(Unit: Billions of Yen)

《Petrochemicals》



Reference: Operating Income (Quarterly)



Reference: Operating Income (Quarterly)

