

NEWS RELEASE

SHOWA DENKO K.K.

13-9, Shiba Daimon 1-chome
Minato-ku, Tokyo 105-8518

February 9, 2009

SDK Works Out “Passion Extension” for 2009 and 2010 --Preparing for new project for 2011 and thereafter; Set to return to growth track when economy recovers--

Showa Denko K.K. (SDK) has reviewed its accomplishments under the three-year (2006-2008) consolidated business plan, the Passion Project, and worked out “Passion Extension” for 2009 and 2010 in response to the drastic changes in economic conditions that have taken place since last year.

During the two years, SDK will prepare itself for the launch of a new consolidated business plan for the period starting in 2011. While maintaining the basic concepts of the Passion Project, SDK will speedily carry out structural reform under the Passion Extension. At the same time, SDK will identify market areas of high growth and allocate resources efficiently to these areas.

1 . Passion Extension: Concepts and financial targets

(1) Contribution to sound growth of society

As under the Passion Project, SDK will continue aiming to contribute to the sound growth of international society by enhancing the corporate value and fulfilling the expectations of all stakeholders. Specifically, we have the following “images” of the company:

- a) Unique chemical company with individualized products:
We will carry out drastic structural reform and focus on high-growth areas where we have competitive advantages.
- b) Technology-oriented company:
We will create individualized products by deepening and merging wide-ranging material technologies, fully using our rich stock of inorganics/metal technologies.
- c) Financial strength:
We will establish financial strength by squeezing assets and reducing interest-bearing debt.
- d) CSR:
We will obtain full trust and confidence of the market and society by managing all operations based on the principles of corporate social responsibility. (CSR).

During the two years of the Passion Extension, SDK will prepare for its return to the growth track by carrying out structural reform while taking various measures with immediate effect.

(2) Lowering financial targets in response to drastic changes in economic environment

Our results in 2008 (the final year under the Passion Project) fell short of the goals due to the drastic changes in the economic environment. As respective companies are making sharp production cuts, we expect the economy will hit the bottom during the first half of 2009. We expect gradual recovery of demand in the second half of the year as stimulus packages of respective governments will show their effects, and inventory adjustments will be completed. We have therefore lowered the financial targets for 2010 from original figures as shown in the table below. (Assumed exchange rates for 2009: ¥90 for the first half and ¥95 for the second half, respectively, against the U.S. dollar)

[Financial targets in 2010]

	2008 Actual	2009 (Forecast)	2010 (Revised image)	(billion yen) 2010 (Original image)
Net Sales	1,004.0	800.0	900.0	1,000.0
Operating Income	26.9	17.0	40.0	100.0
Profit ratio	2.7%	2.1%	4.4%	10.0%
Interest-bearing debt	392.1	385.0	360.0	
D/E ratio	1.63	1.6	1.4	1.0

(3) Production cuts at the moment

In response to the reductions in inventory on a global scale, SDK is reducing production in the first quarter of 2009 as detailed below:

a) Hard disk (HD) media:

We are reducing production in response to sharp production cuts by the HDD industry.

b) Petrochemicals:

We have reduced olefin production by 30% in view of the lower demand for such downstream products as styrene monomer, polypropylene and acetic acid. In the organic chemicals business, we have suspended the operation of our acetic acid plant at Oita Petrochemical Complex, following the suspension of acetic acid sales for PTA applications.

c) Chemicals

We have reduced acrylonitrile production by 30%.

d) Inorganics

In the graphite electrode business, we have advanced the date of furnace maintenance to the first quarter. We are now producing graphite electrodes in line with actual demand.

e) Aluminum

We are reducing production of high-purity foils for capacitors, aluminum cylinders for laser printers, *Shotite* forged products and heat exchangers.

2. Major tasks under Passion Extension

With a view to responding to the drastic changes in the economic environment and laying the groundwork for future growth, we will focus our attention on the following six items in 2009 and 2010 and speedily achieve these goals:

(1) Improve business portfolio by promoting growth strategies and structural reform

a) Major items of portfolio improvement

Based on the accomplishments during the three years of the Passion Project, and in response to the drastic changes in the business environment, we will further improve and strengthen our business portfolio. Specifically, we will strengthen “growth driver” businesses, change some of the “new growth driver” and “base” businesses into “growth drivers,” and promote structural reform.

As for the existing “growth driver” businesses, we will solidify our advantageous position as an OEM supplier of HD media through aggressive M&A strategies. In the semiconductor-processing materials business, we will concentrate our resources on the fluorine chemicals operation.

Businesses to become “growth drivers” will include ultrabright LED chips (participating in the market on a full scale based on our proprietary technologies); rare earth magnetic alloys (now building a metal plant in Vietnam, in addition to the existing two magnetic alloy plants in China); *VGCF*TM carbon nanotube (developing new applications in resin composites in addition to existing lithium-ion battery applications); and fine chemicals (expanding product portfolio based on newly acquired fluorine technologies).

Meanwhile, we will carry out drastic structural reform of our aluminum business, including the pursuit of alliances. We will strengthen our petrochemicals business by modernizing ethylene production facilities at Oita Petrochemical Complex.

b) Structural reform of HD business

Shipment volumes of HDDs in 2009 are expected to fall below the actual results in 2008. In the first half of 2009, in particular, inventory adjustments by the HDD industry will cause HD media production to decrease substantially. However, we expect HDD demand will resume growth of 10% or more in and after 2010, due to strong demand for use in notebook PCs.

In response to the decline in HDD demand, SDK is substantially reducing its HD media production. The rate of our capacity utilization in the fourth quarter of 2008 was 70%. In 2009, the rate is expected to change to 40% in the first quarter and 60% in the second quarter, respectively. We will reduce fixed costs by around ¥3 billion, partly through employment adjustment in Taiwan and Singapore.

Our basic strategy for the HD media business has been to establish technological advantages and ensure stable supply. We will continue developing and providing high-capacity HD media, as witnessed by our world’s first commercialization of the fourth-generation PMR media and our leadership in the development of the fifth-generation PMR media.

In an effort to strengthen our position in the growing market for notebook PCs, we are planning to consolidate our HD-related operations with those of HOYA by the end of the second quarter of 2009.

c) Expansion of unique businesses, such as inorganics and metals

SDK has a rich stock of technologies pertaining to aluminum and other metals as well as graphite electrodes and ceramics that use high-temperature, high-pressure processes. SDK remains a world leader in these areas, providing the following products:

(i) Graphite electrodes

- SDK is the world leader in the production of 30- and 32-inch large-diameter graphite electrodes
- Planning capacity expansions in the future to meet increases in demand for electric steel

(Photo A: Large-diameter graphite electrodes)



(ii) Rare earth magnetic alloys

- A leading producer in this area
- Growing demand for HDD/automobile applications
- Building a plant in Vietnam, in addition to existing two plants in China

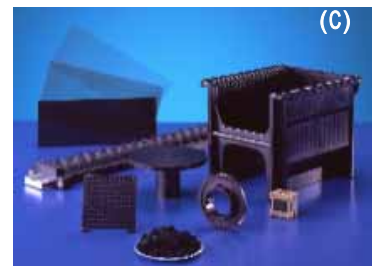
(Photo B: Neodymium-based magnetic alloy)



(iii) VGCF™ carbon nanotube

- Largest supplier for lithium ion battery applications
- Going to participate in the market for resin composites; Decided to build a 400-ton-a-year plant at Oita Petrochemical Complex

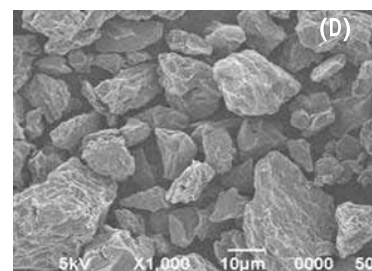
(Photo C: Plastic carriers using VGCF™)



(iv) SCMG™ for use in cathode of lithium ion batteries

- Demand for lithium ion batteries is growing for use in PCs, mobile phones and automobiles

(Photo D: An electron-microphotograph of SCMG™)



(v) Photocatalyst responsive to visible light

- Started trial manufacture of new catalysts responsive to visible light
- The photocatalyst market is expected to attain a scale of ¥2.8 trillion in the future.

d) Drastic reform of aluminum business

We have started drastic reform of this business, restructuring production setup, and pursuing alliance as one of the alternatives.

(i) Rolled products and extrusions

We are reviewing production setup for commodity aluminum materials and taking various steps, including saving of labor.

(ii) Aluminum cans

We are establishing a more efficient production setup, drastically reducing costs and withdrawing from the production of bottles.

(iii) Heat exchangers for automobiles

We will accelerate restructuring of our production site in North America and expand production capacity in Asia.

(iv) Aluminum cylinders for laser printers

We will establish a global production setup to meet growing demand.

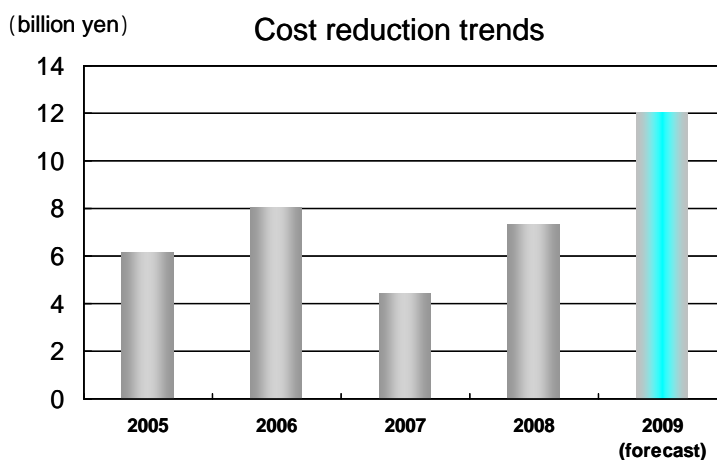
(2) Allocate managerial resources efficiently by very carefully selecting investments

In 2009, we will concentrate our investments on strategically selected areas of high growth. We will also give priority to investments for rationalization and labor-saving. Thus, our capital investments in 2009 will total ¥44 billion, down from ¥54.8 billion in 2008, as a result of very careful selection of investment items.

(3) Carry out drastic cost reductions

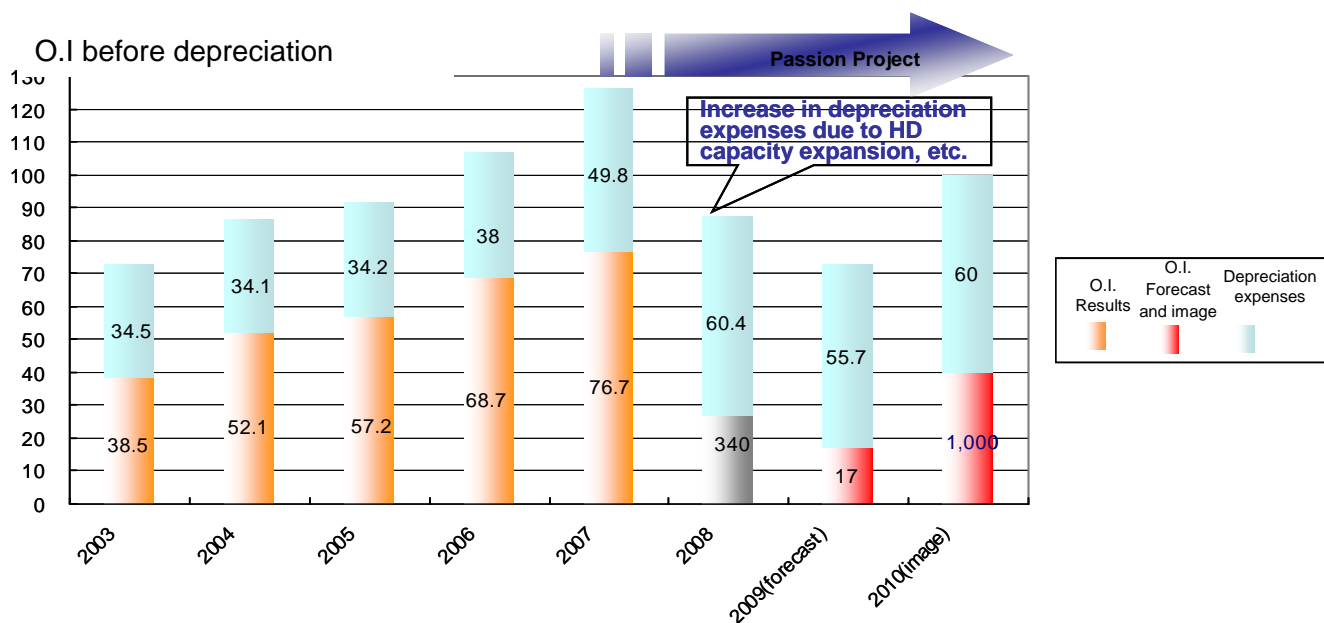
In 2009, we aim to reduce costs by ¥12 billion. To achieve the goal, we will reduce purchasing costs of raw materials and auxiliary materials, establish an optimized production setup in accordance with the present levels of plant utilization, and increase productivity through SPS (Showa Denko Production System) activities.

A breakdown by segment will be ¥6 billion for Electronics, ¥3.5 billion for Aluminum, ¥1.5 billion for Inorganics and ¥1 billion for Chemicals.



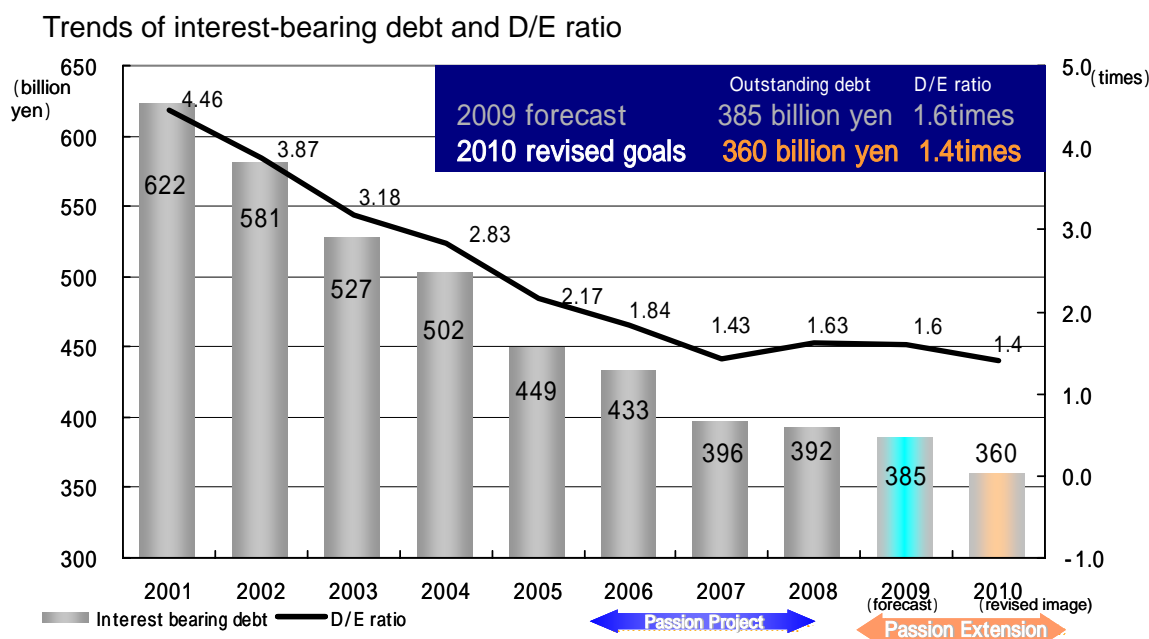
(4) Secure sufficient cash flows

In 2009, the total of operating income and depreciation expenses will be maintained at the level in 2003. In 2010, the sum is expected to increase again.



(5) Improve financial strength

Despite severe economic conditions, we will continue to steadily improve our financial strength by drastically reducing inventory and vary carefully selecting investments.



(6) Strengthen R&D to ensure future growth

We will strengthen R&D to ensure our future growth in preparation for the launch of a new consolidated business plan for 2011 and thereafter.

3. New consolidated business plan for 2011 and thereafter: Developing new technologies for environmental protection on a global scale

As the unique chemical company having inorganic/metal technologies, SDK will strengthen R&D to continuously provide innovative technologies for environmental protection and energy conservation to the three target markets of electronics, automotive parts and personal care/environmental goods.

We expect there will be growing social demand for reduction of environmental loads, response to increased energy demand, and solutions to depletion of natural resources. SDK will supply key materials for environment-friendly cars, including cathode materials for lithium ion batteries and carbon separators for fuel cells. The company will also provide such energy-saving components as ultrabright LED chips and SiC power devices. Furthermore, the company will provide new fuel-cell catalysts to replace platinum and produce chemicals from used plastics, promoting resource-conservation and recycling.

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