

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

First Quarter, 2009 Financial Results

- Consolidated -



SHOWA DENKO K.K.

April 30, 2009

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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: 40
 - Newly consolidated: none
 - Excluded from the consolidation: none

- Equity method applied: 19
 - Excluded: one
 - Mie Kasei (sold, Petrochemicals)

Selected Data

	CQ1 2008	CQ1 2009	Increase
■ Exchange rate: ¥/US\$	105.3	93.6	Yen strengthened by ¥11.7/\$
■ Domestic naphtha price: ¥/kl	66,700	26,700	-40,000
■ Aluminum LME price: US\$/T	2,785	1,397	-1,388

Exchange rate at December 31, 08 ¥/US\$91.0, at March 31, 09 ¥/US\$98.2

⇒ Yen weakened by 7.2¥/US\$

Summary

Jan. 1 – Mar. 31, 2008 v s. Jan.1 – Mar. 31, 2009

(Unit: Billions of Yen)

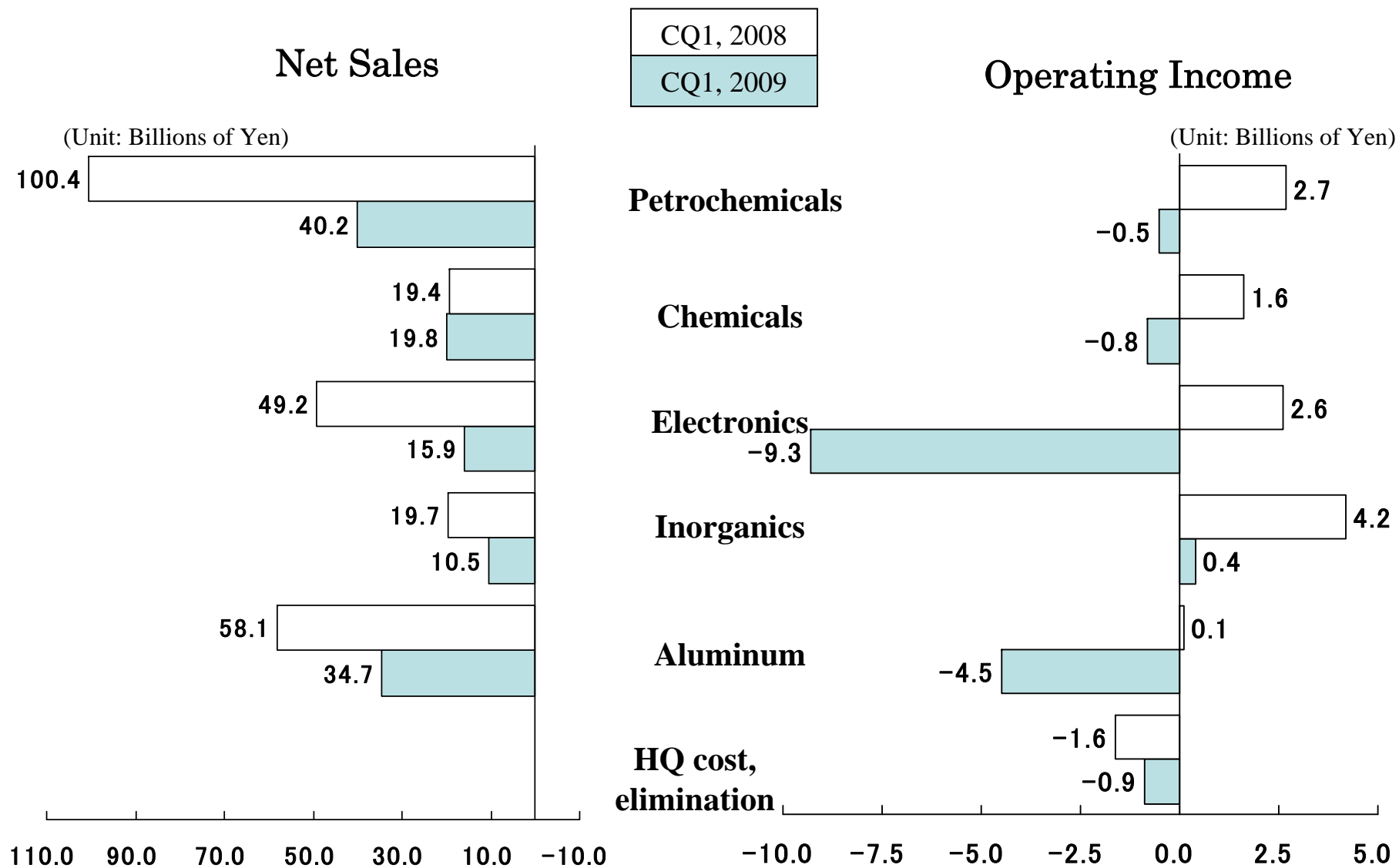
	CQ1, 2008	CQ1, 2009	Increase	
Net Sales	246.9	121.0	-125.8	-51.0%
Operating Income	9.7	-15.7	-25.4	—
Non-operating income and expense	-4.9	-8.0	-3.1	
Interest/Dividend income less interest expenses	-1.7	-1.6	0.1	
Equity Method	0.4	-1.4	-1.8	
Currency exchange gain	-3.0	0.7	3.8	
Loss on reduction in operations	—	-3.5	-3.5	
Ordinary Income	4.8	-23.6	-28.4	—
Extraordinary Profit	2.8	0.4	-2.5	
Extraordinary Loss	-1.2	-7.6	-6.4	
Net Income before taxes	6.4	-30.9	-37.3	—
Corporate Taxes	-2.9	8.8	11.7	
Minority Interests	-0.3	0.0	0.3	
Net Income	3.2	-22.1	-25.3	—

Extraordinary Profit/Loss (Unit: Billions of Yen)

	CQ1 2008	CQ1 2009	Increase
■ Extraordinary Profit	2.8	0.4	-2.5
● Gain on the sale of fixed assets	0.7	0.0	-0.7
● Gain on the sale of investment securities	0.5	0.0	-0.5
● Other	1.6	0.4	-1.2
■ Extraordinary Loss	-1.2	-7.6	-6.4
● Loss on valuation of inventories(※)	—	-5.5	-5.5
● Loss on the disposal of fixed assets	-0.3	-0.9	-0.6
● Loss on the valuation of investment securities	-0.5	-0.5	0.0
● Other	-0.4	-0.7	-0.3
■ Extraordinary Profit/Loss, Net	1.6	7.2	-8.8

(※) At the beginning of this year, we started applying the “lower of cost or market value method” to raw materials. (The method had already been applied to products.) As a result, we recorded an extraordinary loss of ¥5.5 billion as loss on valuation of initial inventories.

Sales and Operating Income by Segment



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1 2008	CQ1 2009	Increase/ decrease	
Petrochemicals	100.4	40.2	-60.3	Olefins: sales decreased. (production cut of ethylene, sales price down) Organic chemicals: sales decreased. (production cut and withdrawal from PTA market in the acetic acid business)
Chemicals	19.4	19.8	+0.4	AN•chloroprene rubber: sales decreased (production cut) Showa Tansan Co., Ltd.: newly consolidated in previous year.
Electronics	49.2	15.9	-33.3	HDs: sales decreased. (production cut due to HDD industry's inventory adjustment) Compound semiconductors: sales decreased (electronic component industry's inventory adjustment.) Rare earth: sales decreased (automotive industry's inventory adjustment.) Specialty gases: sales decreased (semiconductor industry's inventory adjustment.)
Inorganics	19.7	10.5	-9.3	Ceramics: sales decreased. (production cut) Carbons: sales decreased (electric furnace steel industry's inventory adjustment)
Aluminum	58.1	34.7	-23.4	Aluminum ingot: sales decreased (shipment volume decreased.) Rolled products: sales decreased (production cut of high-purity foils for capacitors) Sheets, Extruded products: sales decreased (shipment volumes decreased) Heat exchangers, <i>Shotic</i> : sales decreased (automobile industry's inventory adjustment.) Aluminum cans: sales increased (shipment volumes increased.)
Total	246.9	121.0	-125.8	



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

	CQ1 2008	CQ1 2009	Increase/d ecrease	
Petrochemicals	2.7	-0.5	-3.3	Olefins: Production cut of ethylene. Organic chemicals: Profit decreased (shipment volume decreased)
Chemicals	1.6	-0.8	-2.4	AN, chloroprene rubber : Profit decreased (production cut) Amino acids: Profit increased.
Electronics	2.6	-9.3	-12.0	HDs: Profit decreased (production cut) Compound semiconductors: production decreased (shipment volume decreased.) Rare earth: Profit decreased (shipment volume decreased.) Specialty gases: Profit decreased (shipment volume decreased.)
Inorganics	4.2	0.4	-3.8	Ceramics: profit decreased (shipment volume decreased.) Graphite electrode: profit decreased (shipment volume decreased.)
Aluminum	0.1	-4.5	-4.6	Rolled products: Profit decreased (shipment volumes decreased for high-purity foils for capacitors.) Sheets, Extrusions products: Profit decreased (shipment volumes decreased for commodity extrusions products.) Heat exchangers: profit of parent and U.S. decreased. <i>Shotic</i> : profit decreased (shipment volume decreased.) Aluminum cans: profit decreased. Power generation business as an independent power provider: profit increased (lower fuel cost)
HQ costs, elimination	-1.6	-0.9	+0.7	Cost reduction
Total	9.7	-15.7	-25.4	

Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2008	Mar. 31, 2009	Increase	Liabilities and Stockholders' Equity	Dec 31, 2007	Mar. 31, 2009	Increase
Cash and deposits	41.0	45.0	4.0	Accounts payable	140.4	84.4	-56.0
Accounts receivable	117.2	90.1	-27.1	Interest-bearing debt	392.9	438.1	45.2
Inventories	117.7	111.2	-6.6	Deferred tax liabilities due to land revaluation	46.0	46.0	—
Deferred tax assets	5.9	4.6	-1.3	Accrued pension and severance costs	28.7	28.0	-0.7
Other current assets	39.9	39.0	-0.9	Other liabilities	88.6	105.0	16.5
<u>Current Assets</u>	<u>321.7</u>	<u>288.9</u>	<u>-31.8</u>	<u>Total Liabilities</u>	<u>696.6</u>	<u>701.5</u>	<u>4.9</u>
Buildings and structures	95.0	95.0	0.0	Common stock	121.9	121.9	—
Machinery and equipment	152.5	154.5	2.0	Capital surplus	37.9	37.9	—
Land	256.0	256.1	0.0	Retained earnings	73.1	45.1	-28.1
Other tangible fixed assets	28.1	26.3	-1.8	Treasury stock	-0.2	-0.2	0.0
<u>Tangible Fixed Assets</u>	<u>531.6</u>	<u>531.9</u>	<u>0.2</u>	<u>Total Stockholders' equity</u>	<u>232.8</u>	<u>204.8</u>	<u>-28.1</u>
Intangible Fixed Assets	13.0	14.0	1.0	Securities valuation surplus	5.0	4.1	-0.9
Investments and other assets	95.7	105.6	9.9	Foreign currency translation adjustment • Deferred hedge gains	-19.1	-14.7	4.3
Incl. Investment securities	65.6	64.3	-1.3	Revaluation surplus –Land	21.9	21.9	—
Deferred tax assets	17.6	27.6	10.0	<u>Total valuations and adjustments</u>	<u>7.8</u>	<u>11.3</u>	<u>3.5</u>
				Minority Interest	24.8	23.8	-1.0
<u>Total fixed assets</u>	<u>640.4</u>	<u>651.5</u>	<u>11.1</u>	<u>Total equity</u>	<u>265.5</u>	<u>239.9</u>	<u>-25.6</u>
Total Assets	962.0	941.3	-20.7	Total liabilities and equity	962.0	941.3	-20.7

Total Assets

Interest-bearing Debt and D/E ratio

- **Total assets** **¥941.3 billion**
(down ¥20.7billion from Dec. 31, 2008)
- **Interest-bearing debt** **¥438.1 billion**
(up ¥45.2 billion from Dec.31, 2008)
- **Debt/Equity ratio** **2.03 times**
(up 0.4 point from Dec. 31, 2008)
- **Stockholders' Equity ratio** **22.9%**
(down 2.1point from Dec. 31, 2008)

Forecast for First Half 2009

(Unit: Billions of Yen)

	Initial forecast (Announced on Feb.9, 2009)	Revised forecast (Announced on April 30, 2009)	Increase/ decrease
Net Sales	370.0	280.0	-90.0
Operating Income	-4.0	-27.5	-23.5
Ordinary Income	-8.0	-39.5	-31.5
Net income	-6.0	-38.0	-32.0

Forecast for First Half by segment (Net Sales)

(Unit: Billions of Yen)

	Initial forecast (Announced on Feb.9, 2009)	Revised forecast (Announced on April 30, 2009)	Increase/ decrease	breakdown
Petrochemicals	111.0	93.0	-17.0	Reduced production mainly in the first quarter.
Chemicals	50.0	47.0	-3.0	AN•chloroprene rubber: sales decreased
Electronics	70.0	43.0	-27.0	HDs shipment volume decreased mainly in the first quarter. Compound semiconductors, Rare earth, Specialty gases: (shipment volume decreased.)
Inorganics	40.0	23.0	-17.0	Electric furnace steel industry's inventory adjustment
Aluminum	100.0	74.0	-26.0	production cut of high-purity foils for capacitors and automobile industry.
Total	370.0	280.0	-90.0	

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
Petrochemicals	-3.0	-0.5	2.5
Chemicals	0.5	-1.0	-2.0
Electronics	-5.0	-16.5	-11.5
Inorganics	7.5	1.0	-6.5
Aluminum	-1.5	-7.5	-6.0
HQ costs, elimination	-2.5	-2.5	0.0
Total	-4.0	-27.5	-23.5

Topics

■ Petrochemicals

● Expansion of production capacity for high-value-added polypropylene

- ◆ SunAllomer Ltd., an affiliate of ours to which the equity method is applied, will modify the third production line at its Oita Plant to start producing high-value-added polypropylene with high rubber content. At the same time, the capacity of the first production line will be increased by approximately 60,000 tons a year to make up for the resultant capacity shortage for existing product mix. Furthermore, the company will modify the plant to conserve energy and improve the efficiency of equipment management. The capital investments for the capacity expansion and energy conservation will total ¥4-5 billion. Construction work will be completed in the first half of 2010. The new grade of polypropylene to be produced by SunAllomer features high rubber content, rigidity and impact resistance, enabling the production of light and low-cost moldings.

Topics

■ **Electronics**

● **Basic agreement regarding acquisition of HD media business**

- ◆ SDK reached basic agreement with Fujitsu Limited about acquisition of its subsidiary's HD media business. We are planning to realize the acquisition within the first half of 2009. We will increase our technical strengths and enhance our competitive position by merging our proprietary technologies with those of the Fujitsu subsidiary.

● **Launch of 3.5-inch 500 GB HD media**

- ◆ In January, SDK began commercial shipments of 3.5-inch HD media with storage capacity of 500 gigabytes per disk. To the best of our knowledge, this product had the world's highest storage capacity for this size available on the market as of February 2009. Demand for high-capacity HD media is growing for such applications as high-definition HDD recorders that can record digital high-definition TV programs as well as PCs that can record and edit moving pictures.

■ Electronics

● Development of AlGaInP red LED chips optimized for plant growth

- ◆ In April, SDK started selling samples of AlGaInP LED chips that emit red light with the wavelength of 660 nm: the optimum light for accelerating the growth of plants. To the best of our knowledge, the product had the world's highest output as of April 2009 as LED chips that emit red light with the wavelength of 660 nm. SDK will develop applications for these red LED chips, mainly for use at facilities that grow lettuce and other vegetables in an environment of controlled lighting.

● Commercialization of VGCFTM-X, a new grade of carbon nanotube

- ◆ SDK decided to build a 400-ton-a-year plant at Oita Complex to produce VGCFTM-X, a new grade of carbon nanotube with an optimized design for resin composite applications. Commercial shipments will begin in the first half of 2010. A small added amount of VGCFTM-X can give stable electric conductivity to resins. Thus, it will find applications in static-free plastic cases for the carriage of semiconductor/HD media parts in a clean room, contributing to securing good quality of these parts. SDK concluded a patent cross-license agreement with Hyperion Catalysis International, Inc., of the United States, which owns many key patents pertaining to materials and applications in the area of carbon nanotubes, including for resin composites.

Topics

■ Electronics

- **Launch of graphite anode material for lithium-ion batteries in electric vehicles**
 - ◆ SDK started selling a new grade of SCMGTM (shape-controlled micro graphite) for use as anode material in large lithium-ion batteries for electric vehicles (EVs). As EVs require batteries that can store large amount of electricity in a relatively small space, development of such batteries is under way in the related industries. SCMGTM enables the use of heavy current and extends the life of lithium-ion batteries. In view of the expected growth in demand, SDK decided to increase its SCMGTM production capacity at Omachi from 1,000 tons a year at present to 3,000 tons a year in 2012, investing approximately ¥2 billion.

- **Expansion of the C4F6 etching gas business**
 - ◆ In the first half of 2009, SDK will start producing high-purity C4F6 etching gas in Kawasaki in cooperation with Air Products and Chemicals, Inc., of the United States. Demand for C4F6 is expected to grow due to its improved processability and selectivity as well as very low environmental impact.

Topics

■ Inorganics

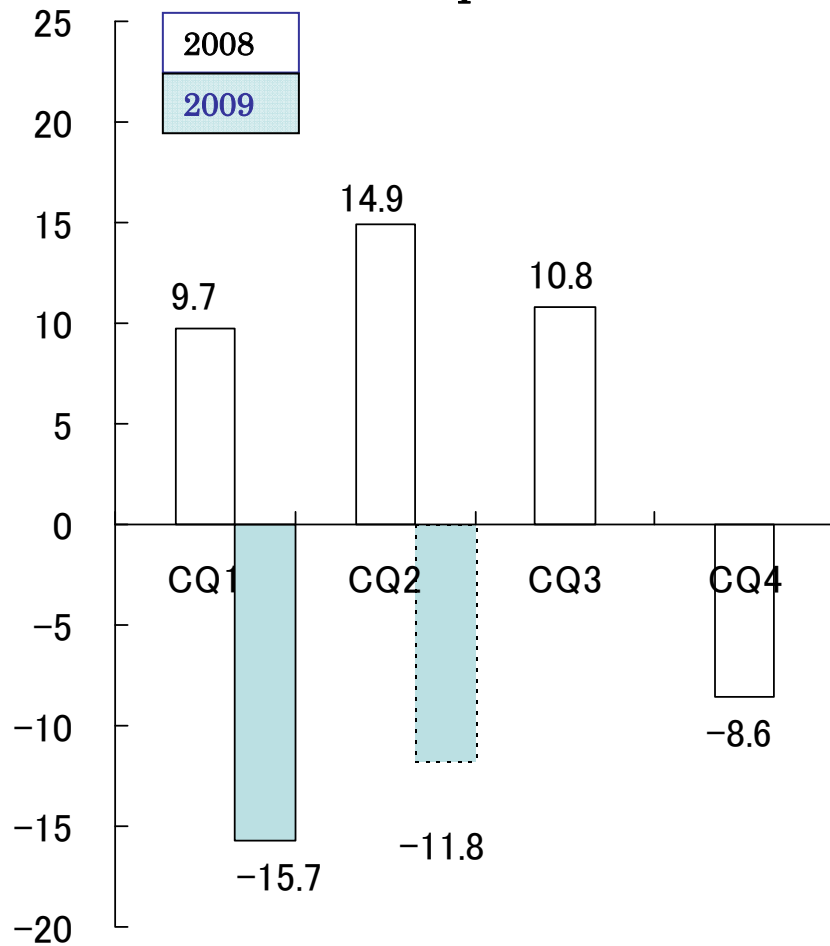
● **Trial manufacture of photocatalyst under NEDO project**

- ◆ Showa Titanium Co., Ltd., a consolidated subsidiary of ours, started commercial production of a new visible-light-responsive photocatalyst at its new pilot plant in Toyama Prefecture. The photocatalyst has been developed under a project sponsored by the New Energy and Industrial Technology Development Organization (NEDO). Unlike conventional photocatalysts, the new product effectively fulfills air-cleaning, stain-proofing, and antiviral/antibacterial functions inside a room.

Reference: Operating Income (Quarterly)

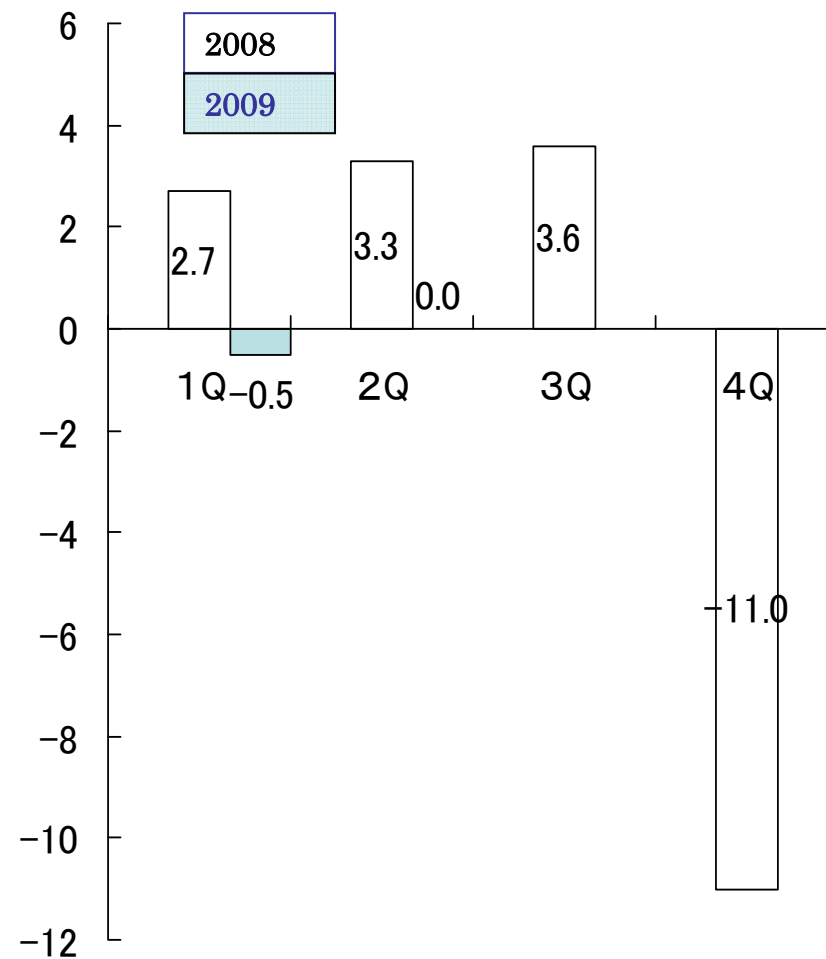
(Unit: Billions of Yen)

《Corporate》

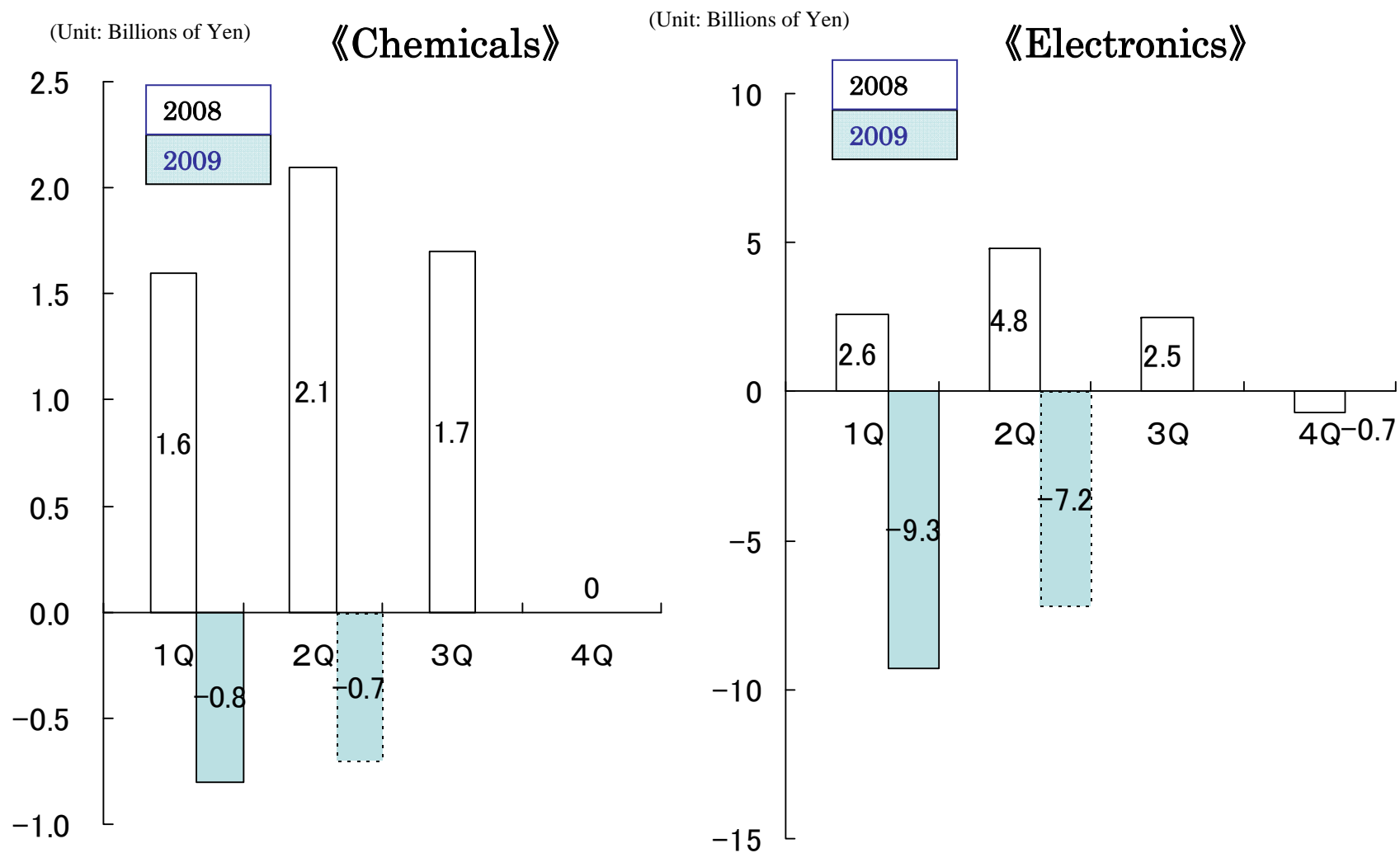


(Unit: Billions of Yen)

《Petrochemicals》



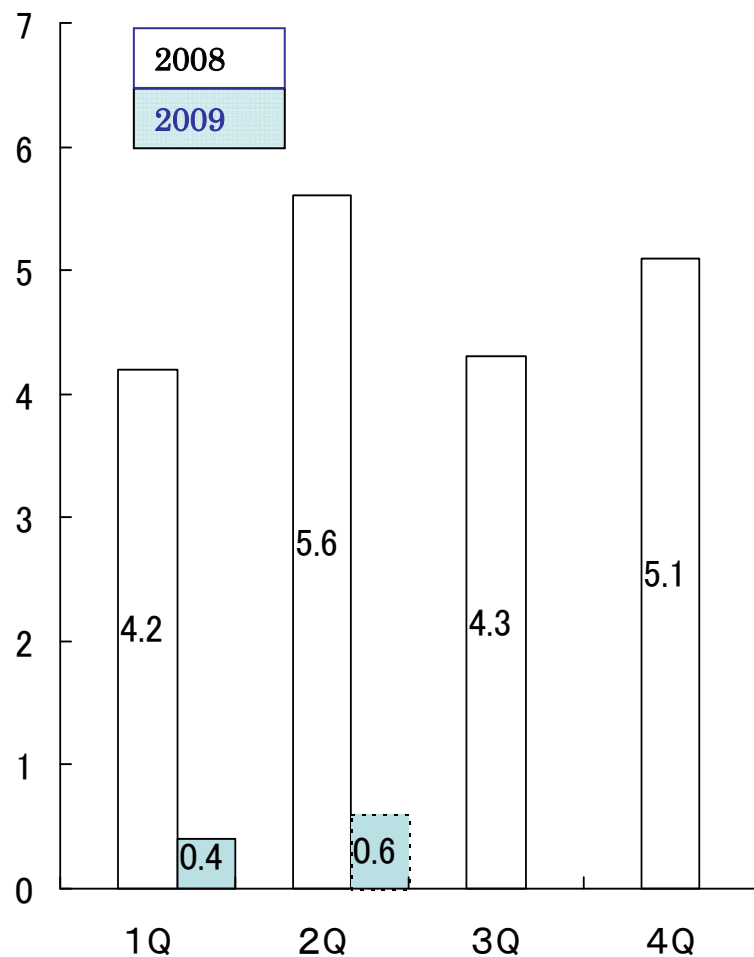
Reference: Operating Income (Quarterly)



Reference: Operating Income (Quarterly)

(Unit: Billions of Yen)

《Inorganics》



(Unit: Billions of Yen)

《Aluminum》

