

NEWS RELEASE

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SDK Announces Extraordinary Losses; Differences between Forecast and Results for First Half; and Revised Performance Forecast for Full-Year 2009

Showa Denko K.K. (SDK) decided at its board meeting today to include extraordinary losses of ¥8,183 million pertaining to impairment of fixed assets in its financial statements for the first six months of 2009.

The figure consists of ¥4,766 million for the heat exchanger business and ¥3,417 million for the ceramics business. SDK is producing heat exchangers in Oyama, and alumina in Yokohama. SDK decided on the amount of losses on impairment of fixed assets for the two businesses after estimating future cash flows in consideration of the present business environment. SDK is studying the feasibility of producing alumina in Indonesia in cooperation with a local company and others.

Furthermore, in view of the business results for the first half and expected business environment for the near future, SDK decided to dispose part of its deferred tax assets. This will result in an increase of ¥5,243 million in net loss for the second quarter.

Differences between forecast and actual results for the first half, 2009

SDK announces differences between the forecast announced on April 30, 2009 and actual business results for the first six months of 2009, as described in the tables below. Shipments of petrochemicals were higher than our estimates in April, resulting in shrinkage in operating and ordinary losses. Net loss increased from the earlier forecast owing to the inclusion of extraordinary losses and partial disposition of deferred tax assets as mentioned above.

[Forecast/result differences]

(Jan. 1-June 30, 2009)

Consolidated basis (Millions of yen; %)

	Net sales	Operating income	Ordinary income	Net income
Earlier forecast (A) (Announced on Apr. 30, 2009)	280,000	- 27,500	- 39,500	- 38,000
Actual business results (B)	286,683	- 22,861	- 34,334	- 46,531
(B) - (A)	6,683	4,639	5,166	- 8,531
Percentage of changes	2.4%	16.9%	13.1%	- 22.5%
First half, 2008 results	510,788	24,626	18,047	11,730

Non-consolidated basis (Millions of yen; %)

	Net sales	Operating income	Ordinary income	Net income
Earlier forecast (A) (Announced on Apr. 30, 2009)	175,000	- 24,000	- 24,000	- 22,000
Actual business results (B)	184,996	- 19,147	- 17,454	- 27,405
(B) - (A)	9,996	4,853	6,546	- 5,405
Percentage of changes	5.7 %	20.2%	27.3%	- 24.6%
First half, 2008 results	360,243	17,101	15,262	10,129

Revision of performance forecast for full-year 2009

SDK has revised its performance forecast for full-year 2009. Although we did not make new calculations at April 30 regarding the second half of the year, we have made the calculations this time in view of the present business environment.

While the Petrochemicals segment is expected to increase its profit due to the steady recovery of demand, the Inorganics segment will have lower shipment volumes of graphite electrodes than our estimate in April, reflecting the prolonged inventory adjustments in the electric arc furnace steelmaking industry. In the Electronics segment, shipment volumes of HD media are increasing from the levels in the first half, but the profitability of the HD media business is recovering at a pace somewhat slower than we expected at the beginning of the year. The rare earth magnetic alloys business will experience continued inventory adjustments by customer industries.

As a result, we have revised downward our operating and ordinary income forecast on a consolidated basis. Net loss will increase due to the above-mentioned forecast/result differences for the first half and an expected increase in ordinary loss in the second half of the year.

[Revised performance forecast for Jan. 1 – Dec. 31, 2009]

Consolidated basis (Millions of yen; %)

	Net sales	Operating income	Ordinary income	Net income
Earlier forecast (A) (Announced on Apr. 30, 2009)	710,000	- 6,500	- 23,500	- 30,000
Revised forecast (B)	670,000	- 17,000	- 34,500	- 46,500
(B) - (A)	- 40,000	- 10,500	- 11,000	- 16,500
Percentage of changes	- 5.6%	- 161.5%	- 46.8%	- 55.0%
2008 results	1,003,876	26,792	9,793	2,451

Non-consolidated basis (Millions of yen; %)

	Net sales	Operating income	Ordinary income	Net income
Earlier forecast (A) (Announced on Apr. 30, 2008)	455,000	- 16,000	- 19,500	- 20,000
Revised forecast (B)	430,000	- 20,500	- 17,000	- 24,000
(B) - (A)	- 25,000	- 4,500	2,500	- 4,000
Percentage of changes	- 5.5%	- 28.1%	12.8%	- 20.0%
2008 results	705,219	13,549	4,338	3,395

(Reference)

[Forecast of net sales and operating income for full-year 2009, by segment]

Consolidated basis (Billions of yen)

		Jan. – Dec. 2009			2008 results
		Earlier forecast (Announced on Apr. 30)	Revised forecast (Announced on Jul. 30)	Increase/ decrease	
Petrochemicals	Sales	228.0	235.0	7.0	400.2
	O.I.	5.5	6.5	1.0	- 1.3
Chemicals	Sales	97.0	96.0	- 1.0	93.3
	O.I.	0	- 0.5	- 0.5	5.3
Electronics	Sales	128.0	122.0	- 6.0	188.8
	O.I.	- 11.5	- 15.0	- 3.5	9.3
Inorganics	Sales	73.0	47.0	- 26.0	88.8
	O.I.	11.0	2.0	- 9.0	19.2
Aluminum	Sales	184.0	170.0	- 14.0	232.8
	O.I.	- 6.0	- 6.5	- 0.5	- 0.2
HQ costs and other	Sales	0	0	0	0
	O.I.	- 5.5	- 3.5	2.0	- 5.5
Total	Sales	710.0	670.0	- 40.0	1,003.9
	O.I.	- 6.5	- 17.0	- 10.5	26.8

Note:

The above forecast is based on the information available as of today and assumptions as of today regarding risk factors that could affect our future performance. Actual results may differ materially from the forecast due to a variety of reasons, including, but not limited to, the economic conditions, costs of naphtha and other raw materials, demand for our products, market conditions, and foreign exchange rates.

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