

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



# Second quarter, 2009 Financial Results

- Consolidated -

## SHOWA DENKO K.K.

July 31, 2009

Ichiro Nomura, CFO

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 subsidiaries: 39

### ■ Excluded from the consolidation: 1

- Showa Denko Plastic Products Co., Ltd. (Liquidated, Petrochemicals)

## ■ Equity method applied: 18

### ■ Excluded :2

- Mie Kasei (Sold, Petrochemicals)
- TG Showa K.K. (Sold, Chemicals)



## Major Selected Data

	1 <sup>st</sup> Half (Jan.-Jun.) 2008	1 <sup>st</sup> Half (Jan.-Jun.) 2009	Increase
■ Exchange rate: ¥/US\$	104.9	95.5	Yen strengthened by ¥9.4/\$
■ Domestic naphtha price: ¥/kl	68,800	30,000	-38,800
■ Aluminum LME price: US\$/T	2,887	1,456	-1,431

Exchange rate at December 31, 08 ¥/US\$91.0, at June 30, 09 ¥/US\$96.0

⇒ Yen depreciated by 5.0¥/US\$

# Summary (6 months cumulative period)



(Unit: Billions of Yen)

	1 <sup>st</sup> Half (Jan.-Jun.) 2008	1 <sup>st</sup> Half (Jan.-Jun.) 2009	Increase
Net Sales	510.8	286.7	-224.1
Operating Income	24.6	-22.9	-47.5
Non-operating income and expense	-6.6	-11.5	-4.9
Interest/Dividend income less interest expenses	-2.9	-2.7	0.2
Equity Method	0.2	-1.2	-1.4
Currency exchange gain /loss	-3.1	0.4	3.6
Loss of curtailed operation	0.0	-4.8	-4.8
Ordinary Income	18.0	-34.3	-52.4
Extraordinary Profit	4.3	1.9	-2.4
Extraordinary Loss	-4.6	-16.4	-11.9
Net Income before taxes	17.8	-48.8	-66.7
Corporate Taxes	-5.7	2.3	8.0
Minority Interests	-0.3	-0.0	0.4
Net Income	11.7	-46.5	-58.3

# Extraordinary Profit / Loss



(Unit: Billions of Yen)

	1 <sup>st</sup> Half (Jan.-Jun.) 2008	1 <sup>st</sup> Half (Jan.-Jun.) 2009	Increase
<b>■ Extraordinary Profit</b>	4.3	1.9	-2.4
● Gain on the sale of investment securities	1.8	1.5	-0.2
● Gain on fixed assets sold	0.7	0.0	-0.7
● Other	1.9	0.4	-1.5
<b>■ Extraordinary Loss</b>	-4.6	-16.4	-11.9
● Loss on fixed assets sold or retired	-2.4	-1.4	1.0
● Loss on valuation of inventories	-	-5.5(note 1)	-5.5
● Loss from impairment of fixed assets	-	-8.4(note 2)	-8.4
● Other	-2.2	-1.1	1.1
<b>■ Extraordinary Profit/Loss, Net</b>	<b>-0.2</b>	<b>-14.5</b>	<b>-14.3</b>

Notes: 1. Posted in CQ1 (Jan.-Mar.),2009.

2. Loss from impairment of fixed assets for heat exchangers and ceramics.

# Consolidated Sales by Segment (6 months cumulative period)

(Unit: Billions of Yen)

	Jan.- Jun. 2008	Jan.- Jun. 2009	Increase	
Petrochemicals	204.7	96.2	-108.4	Olefins: Sales decreased. (production cut of ethylene, sales price down) Organic chemicals: Sales decreased. (withdrawal from PTA market in the acetic acid business, production cut in CQ1 sales, price down)
Chemicals	40.8	46.8	6.0	AN, chloroprene rubber : Sales decreased. (shipment volume decreased) Showa Tansan Co., Ltd.: newly consolidated in previous year.
Electronics	101.1	43.0	-58.0	HDs: Sales decreased. (shipment volumes decreased) Compound semiconductors: Sales decreased. (shipment volumes decreased) Specialty gases: Sales decreased. (shipment volume decreased) Rare earth: Sales decreased. (automotive industry's inventory adjustment)
Inorganics	43.5	22.9	-20.6	Ceramics: Sales decreased. (production cut) Carbons: Sales decreased. (electric furnace steel industry's inventory adjustment)
Aluminum	120.8	77.7	-43.1	Aluminum ingots: Sales decreased. (shipment volume decreased) Rolled products: Sales decreased. (production cut of high-purity foils for capacitors) Sheets, Extruded products: Sales decreased. (shipment volume decreased) Heat exchangers, <i>Shotic</i> : Sales decreased. (automotive industry's inventory adjustment) Aluminum cans: Sales increased. (shipment volume increased)
Total	510.8	286.7	-224.1	

# Consolidated Operating Income by Segment

(6 months cumulative period)



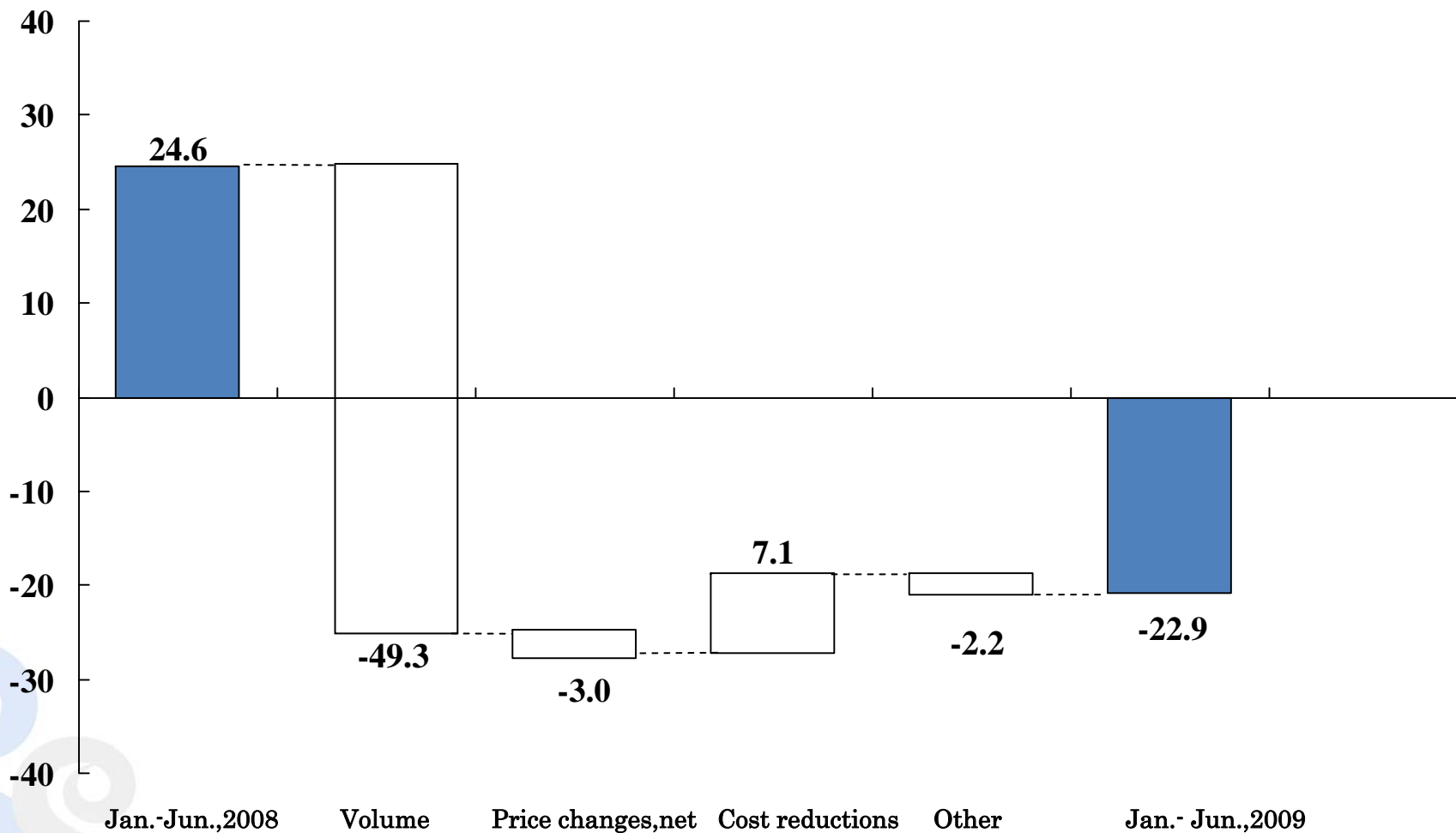
(Unit: Billions of Yen)

	Jan.- Jun. 2008	Jan.-Jun. 2009	Increase	
Petrochemicals	6.0	2.0	-4.0	Olefins:Profit decreased.(shipment volume decreased) Organic chemicals:Profit decreased.(shipment volume decreased)
Chemicals	3.7	-1.1	-4.8	AN: Profit decreased.(sales price down) Chloroprene rubber : Profit decreased. (shipment volume decreased) Amino acids:Profit increased.(shipment volume increased)
Electronics	7.5	-15.7	-23.2	HDs:Profit decreased. (shipment volume decreased) Compound semiconductors, specialty gases, rare earth: Profit decreased.(shipment volume decreased)
Inorganics	9.8	0.3	-9.5	Ceramics:Profit decreased. (shipment volume decreased) Carbons: Profit decreased. (shipment volumes in U.S.A and Japan decreased)
Aluminum	0.7	-6.8	-7.5	Rolled products:Profit decreased.(shipment volumes decreased for high-purity foils for capacitors) Sheets, Extrusions products:Profit decreased.(shipment volumes decreased) <i>Shotic</i> , heat exchangers:Profit decreased.(automotive industry's inventory adjustment) Power generation business as an independent power provider:Profit increased. (lower fuel cost) Aluminum cans:maintained at the year-earlier level.
HQ costs, elimination	-3.1	-1.6	1.4	
Total	24.6	-22.9	-47.5	

# Operating Income Breakdown by Factor



(Unit: Billions of Yen)





# Summary (Jan.1-Mar.31,2009 vs. Apr.1-Jun.30,2009)



(Unit: Billions of Yen)

	CQ1 (Jan.-Mar.) 2009	CQ2 (Apr.-Jun.) 2009	Increase
Net Sales	121.0	165.6	44.6
Operating Income	-15.7	-7.2	8.5
Non-operating income and expense	-8.0	-3.5	4.5
Interest/Dividend income less interest expenses	-1.6	-1.1	0.5
Equity Method	-1.4	0.2	1.6
Currency exchange gain / loss	0.7	-0.3	-1.0
Loss on reduction in operations	-3.5	-1.3	2.2
Ordinary Income	-23.6	-10.7	12.9
Extraordinary Profit	0.4	1.9	1.5
Extraordinary Loss	-7.6	-9.1	-1.5
Net Income before taxes	-30.9	-18.0	12.9
Corporate Taxes	8.8	-6.5	-15.3
Minority Interests	0.0	0.0	0.0
Net Income	-22.1	-24.4	-2.4

# Consolidated Sales by Segment

(Jan.1-Mar.31,2009 vs. Apr.1-Jun.30,2009)



(Unit: Billions of Yen)

	CQ1 (Jan.- Mar.) 2009	CQ2 (Apr.- Jun.) 2009	Increase	
Petrochemicals	40.2	56.1	15.9	Olefins, organic chemicals :Sales increased. (shipment volume increased)
Chemicals	19.8	27.0	7.2	AN, chloroprene rubber, industrial gases: Sales increased.(shipment volume increased)
Electronics	15.9	27.1	11.2	HDs: Sales increased.(shipment volume increased) Compound semiconductors, specialty gases, rare earth: Sales increased.(shipment volume increased)
Inorganics	10.5	12.4	2.0	Ceramics, carbons: Sales increased.(shipment volume increased)
Aluminum	34.7	43.0	8.3	Aluminum ingots: Maintained at the year-earlier level. (shipment volume decreased) Rolled products:Sales increased. (shimpement volume of high-purity foils for capacitors increased) Extrusions/ specialty products:Sales decreased. (shipment volume decreased) Heat exchangers, <i>Shotic</i> : Sales increased.(shipment volume increased) Aluminum cans: Sales increased. (shipment volume increased)
Total	121.0	165.6	44.6	

# Consolidated Operating Income by Segment

(Jan.1-Mar.31,2009 vs. Apr.1-Jun.30,2009)



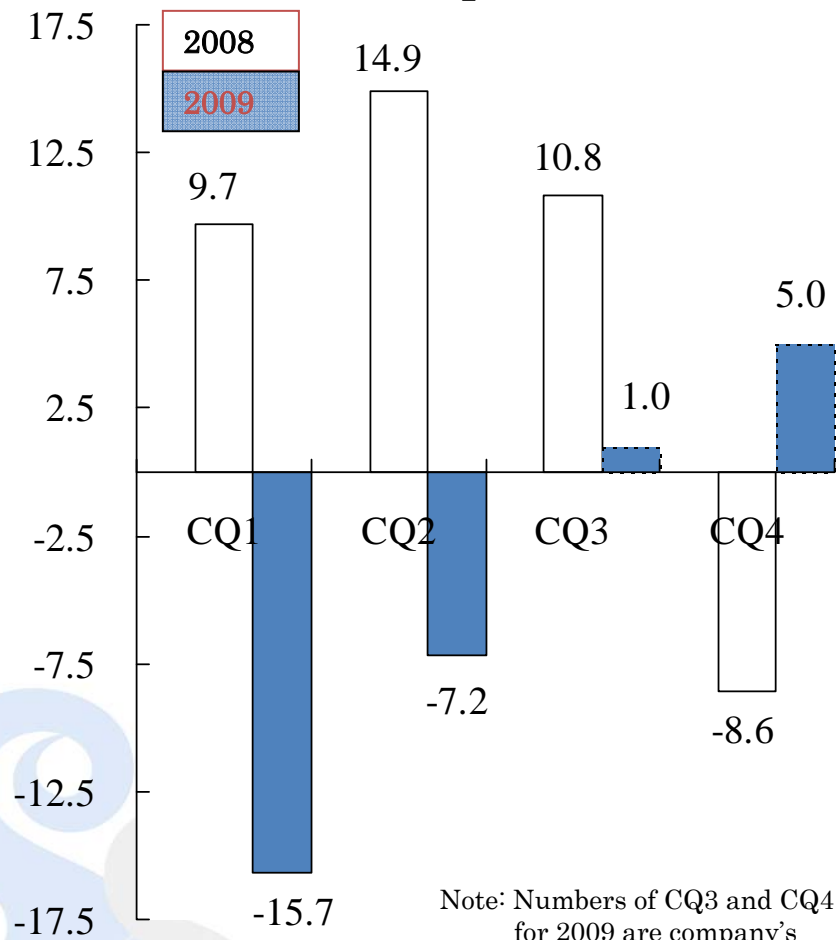
(Unit: Billions of Yen)

	CQ1 (Jan.- Mar.) 2009	CQ2 (Apr.- Jun.) 2009	Increase	
Petrochemicals	-0.5	2.6	3.1	Olefins, organic chemicals: Profit increased. (shipment volume increased)
Chemicals	-0.8	-0.3	0.6	AN, ammonia: Profit increased.(shipment volume increased)
Electronics	-9.3	-6.3	3.0	HDs: Profit increased.(shipment volume increased) Compound semiconductors, specialty gases: Profit increased.(shipment volume increased) Rare earth: Profit decreased.(lower of cost or market value method)
Inorganics	0.4	-0.1	-0.6	Ceramics, carbons: Profit decreased mainly in ceramics
Aluminum	-4.5	-2.3	2.2	Rolled products: Profit increased. (shipment volumes decreased for high-purity foils for capacitors) Sheets, extrusions products:Maintained at the year-earlier level. Heat exchangers, <i>Shotic</i> : Profit increased.(shipment volume increased) Aluminum cans: Profit increased.(shipment volume increased)
HQ costs, elimination	-0.9	-0.7	0.3	
Total	-15.7	-7.2	8.5	

# Operating Income by segment

(Unit: Billions of Yen)

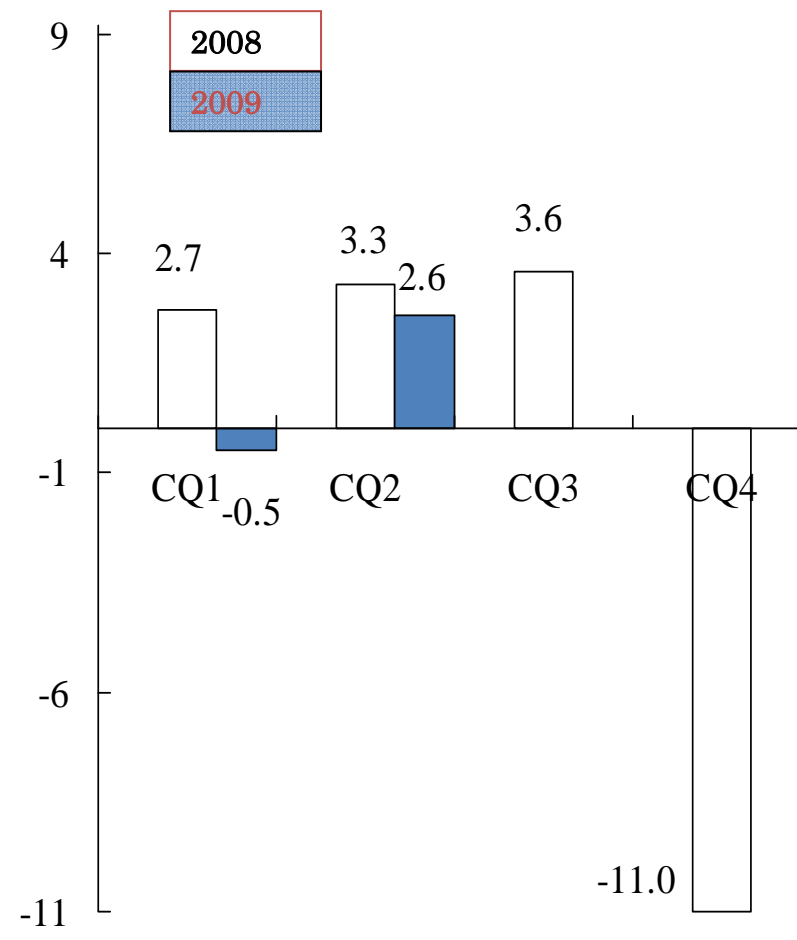
## 《Corporate》



Note: Numbers of CQ3 and CQ4 for 2009 are company's assumptions.

(Unit: Billions of Yen)

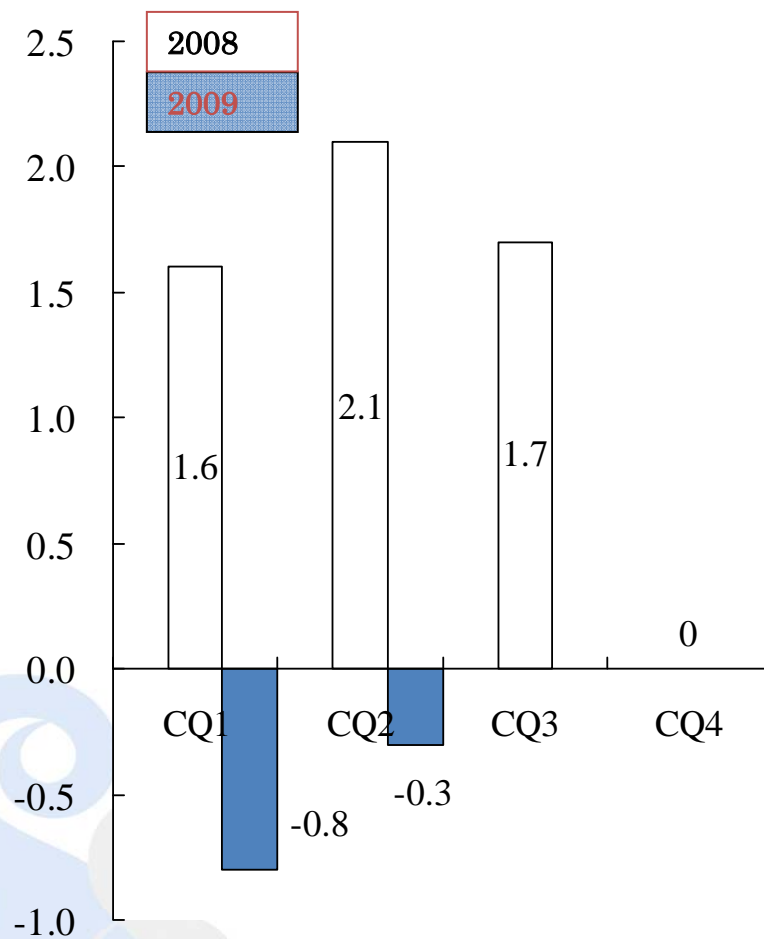
## 《Petrochemicals》



# Operating Income by segment

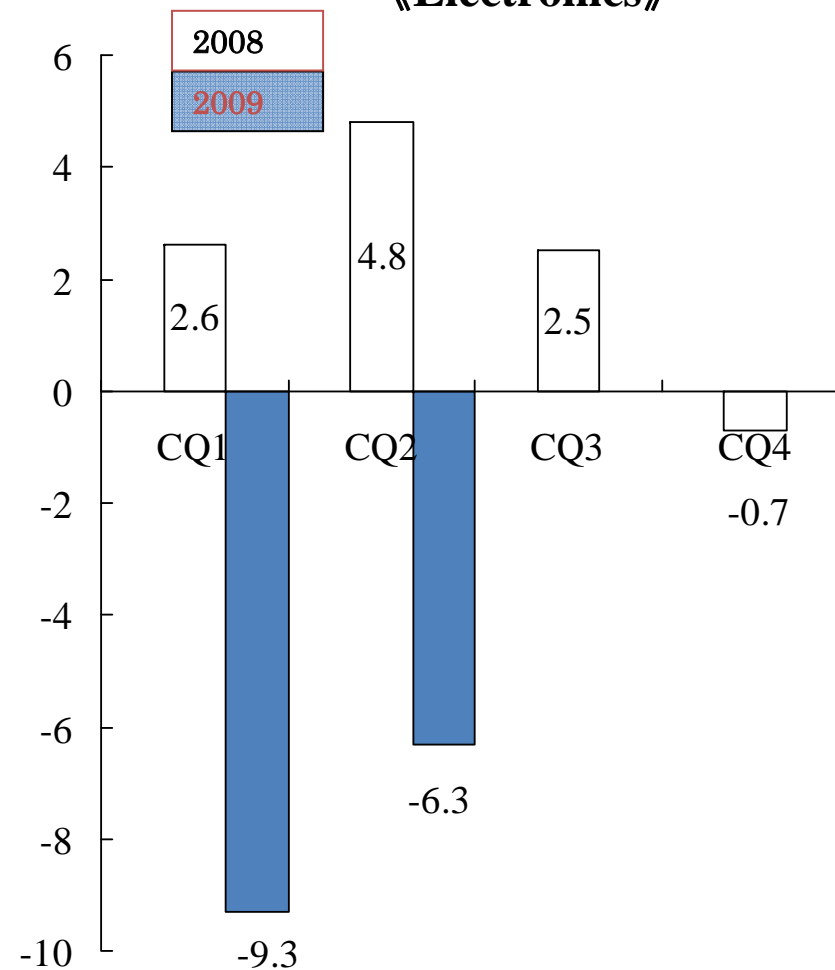
(Unit: Billions of Yen)

## 《Chemicals》

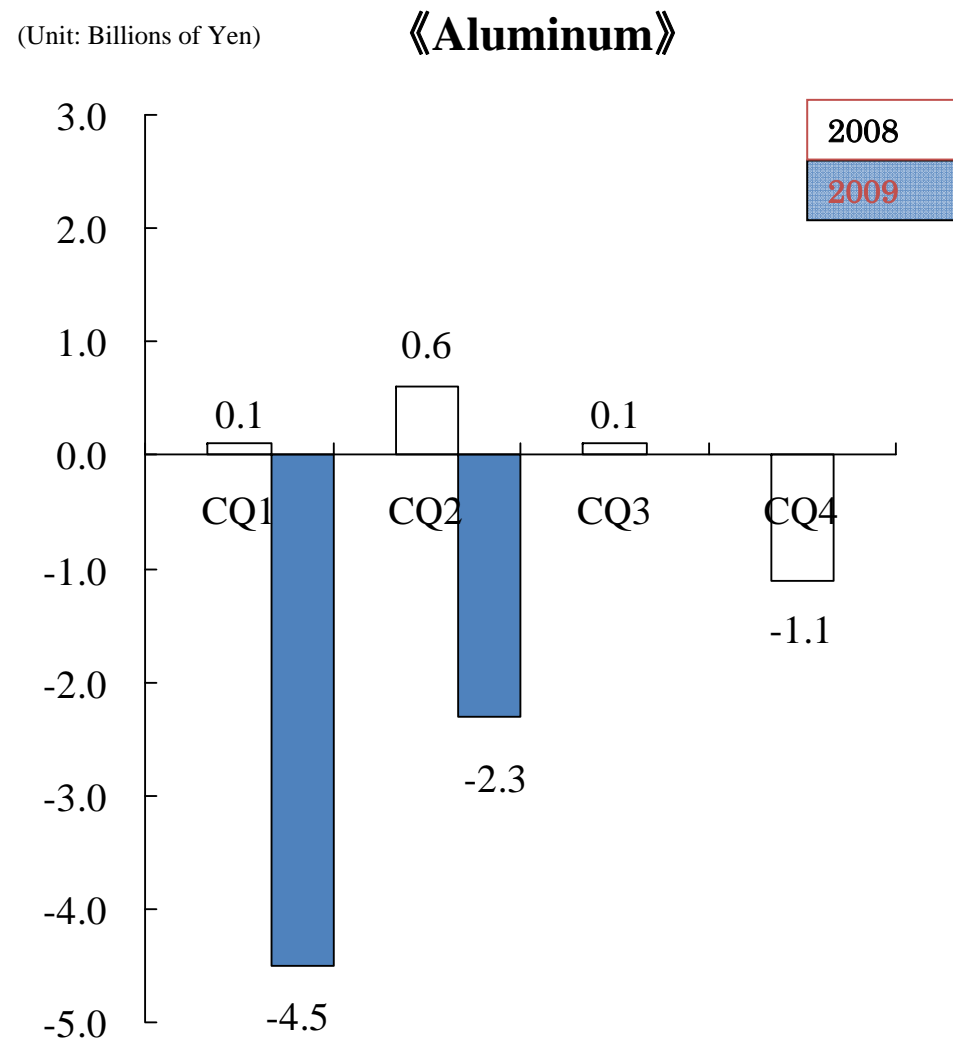
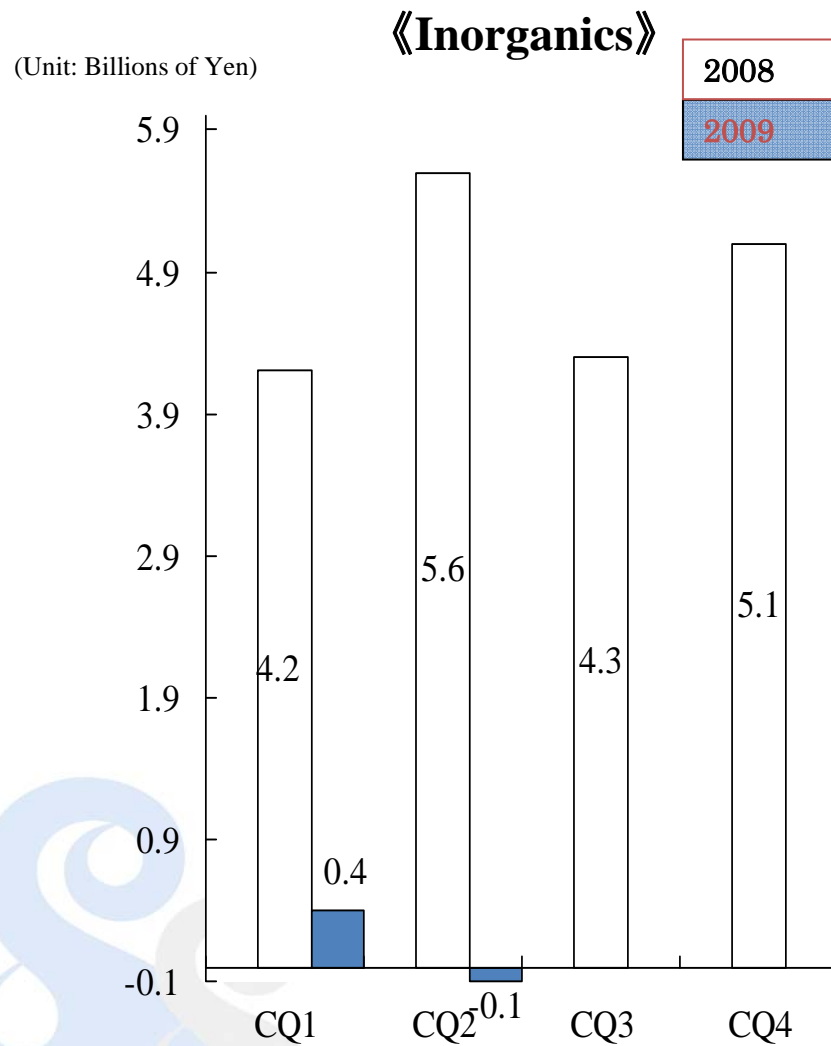


(Unit: Billions of Yen)

## 《Electronics》



# Operating Income by segment



# Consolidated Balance Sheet



(Unit: Billions of Yen)

Assets	Dec. 31, 2008	Jun. 30, 2009	Increase	Liabilities and Stockholders' Equity	Dec. 31, 2008	Jun. 30, 2009	Increase
Cash and deposits	41.0	43.4	2.5	Accounts payable	140.4	84.8	-55.7
Accounts receivable	117.2	101.1	-16.1	Interest-bearing debt	392.9	432.2	39.3
Inventories	117.7	98.2	-19.6	Deferred tax liabilities due to land revaluation	46.0	46.0	-0.0
Deferred tax assets	5.9	4.9	-1.0	Accrued pension and severance costs	28.7	27.6	-1.1
Other current assets	39.9	29.0	-10.9	Other liabilities	88.6	98.9	10.3
<u>Current Assets</u>	<u>321.7</u>	<u>276.5</u>	<u>-45.1</u>	<u>Total Liabilities</u>	<u>696.6</u>	<u>689.5</u>	<u>-7.1</u>
Buildings and structures	95.0	92.1	-2.9	Common stock	121.9	121.9	-
Machinery and equipment	152.5	143.0	-9.5	Capital surplus	37.9	37.9	-
Land	256.0	256.1	0.1	Retained earnings	73.1	20.6	-52.5
Other tangible fixed assets	28.1	26.0	-2.0	Treasury stock	-0.2	-0.2	-0.0
<u>Tangible Fixed Assets</u>	<u>531.6</u>	<u>517.3</u>	<u>-14.3</u>	<u>Total Stockholders' equity</u>	<u>232.8</u>	<u>180.3</u>	<u>-52.5</u>
Intangible Fixed Assets	13.0	13.8	0.8	Securities valuation surplus	5.0	5.9	1.0
Investments and other assets	95.7	99.2	3.5	Foreign currency translation adjustment* Deferred hedge gains	-19.1	-14.5	4.6
Incl. Investment securities	65.6	68.3	2.7	Revaluation surplus -Land	21.9	21.9	-0.0
Deferred tax assets	17.6	16.6	-1.0	<u>Total valuations and adjustments</u>	<u>7.8</u>	<u>13.3</u>	<u>5.5</u>
				Minority Interest	24.8	23.8	-1.1
<u>Total fixed assets</u>	<u>640.4</u>	<u>630.3</u>	<u>-10.0</u>	Total equity	<u>265.5</u>	<u>217.4</u>	<u>-48.1</u>
<b>Total Assets</b>	<b>962.0</b>	<b>906.9</b>	<b>-55.2</b>	<b>Total liabilities and equity</b>	<b>962.0</b>	<b>906.9</b>	<b>-55.2</b>

# Total Assets / Interest-bearing Debt and D/E ratio



(Unit: Billions of Yen, times, %)

	Dec.31 2008	Jun.30 2009	Increase/ decrease
● <b>Total assets</b>	962.0	906.9	-55.2
● <b>Interest-bearing debt</b>	392.9	432.2 <sup>(note)</sup>	39.3
● <b>Debt/Equity ratio</b>	1.63times	2.23times	0.6p
● <b>Stockholders' Equity ratio</b>	25.0%	21.4%	-3.6p

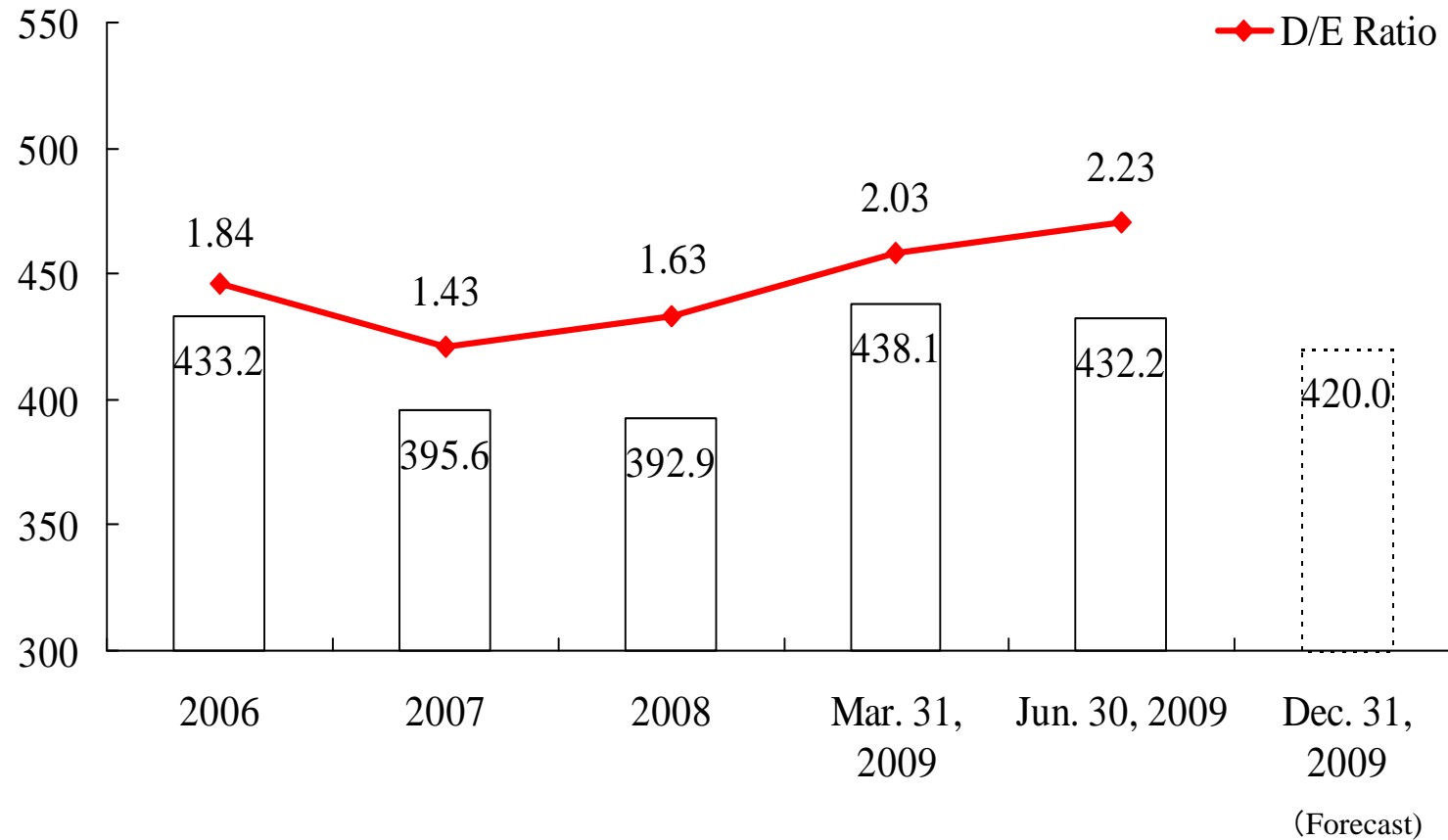
Note: Interest-bearing debt decreased by 5.9 billion yen from 438.1 billion yen at Mar.31, 2009.





# Interest-bearing Debt

(Unit: Billions of Yen)



# Consolidated Cash Flow



(Unit: Billions of Yen)

	1 <sup>st</sup> Half (Jan.-Jun.) 2008	1 <sup>st</sup> Half (Jan.-Jun.) 2009	Increase
● CF from Operating Activities	12.5	-17.6	-30.1
● CF from Investing Activities	-24.4	-9.4	15.0
● Free CF	-11.9	-27.0 <small>(note)</small>	-15.1
● CF from Financing Activities	1.7	27.9	26.1
● Other	0.1	1.4	1.3
● Increase, Decrease of cash and equivalent	-10.0	2.3	12.3

Note: Free CF

CQ1 2009 -34.0, CQ2 2009 +7.0

## Selected Data (Consolidated)

(Unit: Billions of Yen)

	1 <sup>st</sup> Half (Jan.-Jun.) 2008	1 <sup>st</sup> Half (Jan.-Jun.) 2009	Increase
● Interest/dividend income less interest expenses	-2.9	-2.7	0.2
● Capital expenditures	25.9	20.3	-5.6
● Depreciation and amortization	29.3	27.9	-1.4
● R&D expenditures	9.3	10.5	1.2
● Number of employees	11,893	11,226	-667
● Total employment cost	38.1	35.6	-2.6

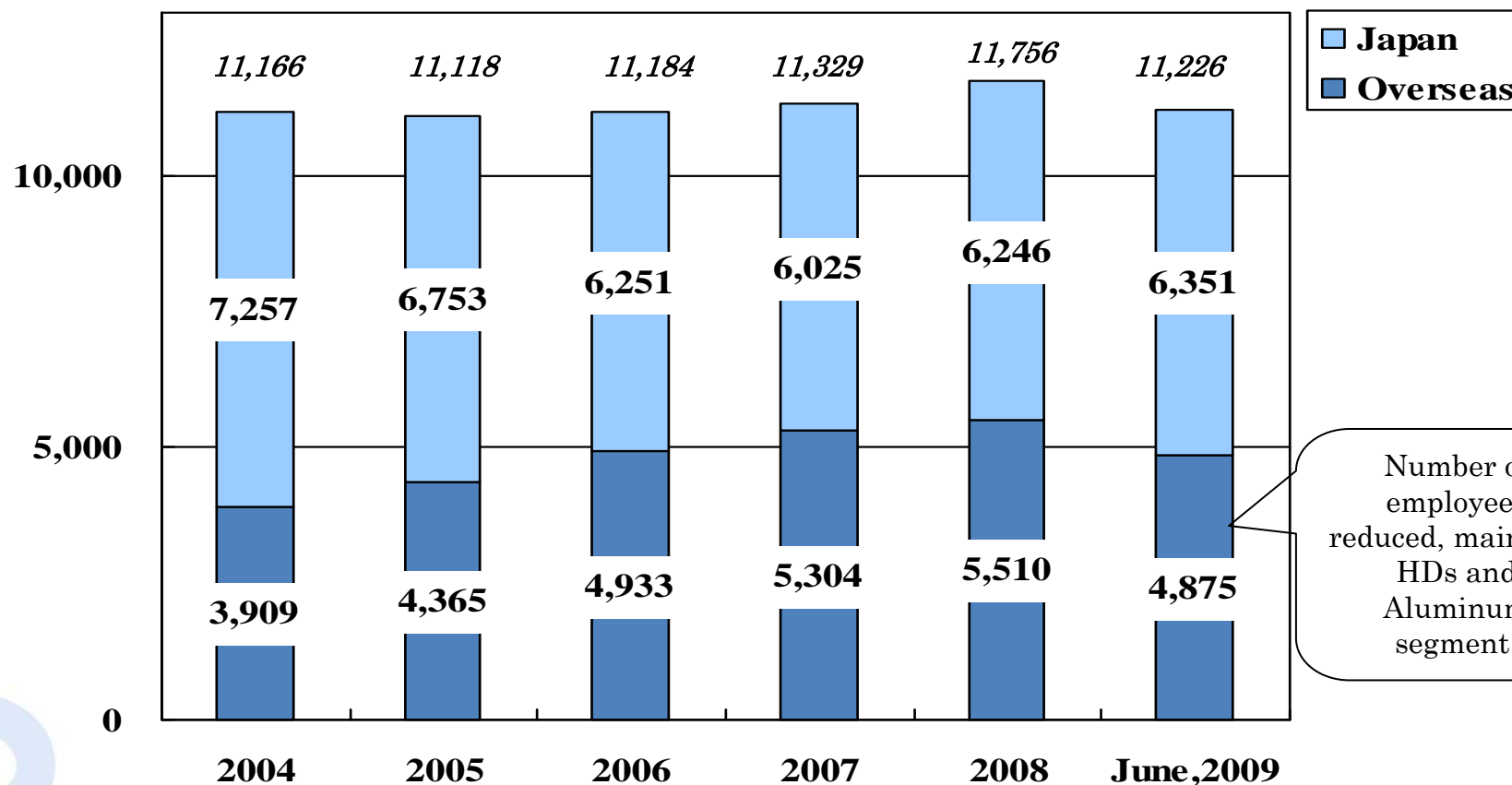
# Capital expenditures/ Depreciation by Segment



(Unit: Billions of Yen)

	Jan.-Jun. 2008		Jan.-Jun. 2009		Increase	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Petrochemicals	4.5	3.3	2.8	3.6	-1.7	0.3
Chemicals	2.9	3.1	3.9	4.1	1.1	1.0
Electronics	12.4	16.6	8.3	12.9	-4.1	-3.8
Inorganics	1.3	1.5	2.0	2.1	0.7	0.6
Aluminum	4.9	4.8	3.2	5.3	-1.7	0.5
Total	25.9	29.3	20.3	27.9	-5.6	-1.4

# Total number of employees and breakdown by location



Number of employees reduced, mainly in HDs and Aluminum segment.

Japan	65.0%	60.7%	55.9%	53.2%	53.1%	56.6%
Overseas	35.0%	39.3%	44.1%	46.8%	46.9%	43.4%

# Forecast for 2009



(Unit: Billions of Yen)

	2009 Forecast announced on Apr. 30, 2009	2009 Forecast announced on Jul. 30, 2009	Increase	2008
Net Sales	710.0	670.0	-40.0	1003.9
Operating Income	-6.5	-17.0	-10.5	26.8
Ordinary Income	-23.5	-34.5	-11.0	9.8
Net Income	-30.0	-46.5	-16.5	2.5
Net income per share	¥-24.04	¥-37.27	¥-13.23	¥1.96
Cash dividends per share	Undecided	Undecided	-	¥5.0

# Net Sales Forecast by Segment for 2009

(Unit: Billions of Yen)

	2009 Forecast announced on Apr. 30, 2009	2009 Forecast announced on Jul. 30, 2009	Increase	2008
Petrochemicals	228.0	235.0	7.0	400.2
Chemicals	97.0	96.0	-1.0	93.3
Electronics	128.0	122.0	-6.0	188.8
Inorganics	73.0	47.0	-26.0	88.8
Aluminum	184.0	170.0	-14.0	232.8
Total	710.0	670.0	-40.0	1003.9

# Operating Income Forecast by Segment for 2009



(Unit: Billions of Yen)

	2009 Forecast announced on Apr. 30, 2009	2009 Forecast announced on Jul. 30, 2009	Increase	2008
Petrochemicals	5.5	6.5	1.0	-1.3
Chemicals	0.0	-0.5	-0.5	5.3
Electronics	-11.5	-15.0	-3.5	9.3
Inorganics	11.0	2.0	-9.0	19.2
Aluminum	-6.0	-6.5	-0.5	-0.2
HQ cost, elimination	-5.5	-3.5	2.0	-5.5
Total	-6.5	-17.0	-10.5	26.8



# Selected Data, Forecast



	Jan.1-Jun.30 2009	Jul.1-Dec.31 2009 Forecast (Revised)	Increase
● Exchange rate: ¥/US\$	96	95	-1
● Domestic naphtha price: ¥/kl	30,000	41,300	11,300
● Aluminum LME price: US\$/T	1,456	1,700	244

(Unit: Billions of Yen)

	2008	2009 Forecast	Increase
● Interest-bearing debt	392.9	420.0	27.1
● Interest/dividend income less interest expenses	-6.3	-6.9	-0.6
● R&D expenditures	20.1	21.1	1.0
● Number of employees	11,756	11,177	-579
● Total employment cost	76.3	72.9	-3.4

# Capital expenditures/Depreciation Forecast by Segment for 2009



(Unit: Billions of Yen)

	2008		2009 Forecast		Increase	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Petrochemicals	8.1	6.7	4.3	7.0	-3.8	0.3
Chemicals	7.7	6.7	10.0	8.8	2.3	2.1
Electronics	29.0	33.8	16.9	25.4	-12.0	-8.3
Inorganics	4.2	3.5	3.5	3.4	-0.7	-0.1
Aluminum	5.9	9.8	7.1	9.7	1.2	-0.0
Total	54.8	60.4	41.8	54.4	-13.0	-6.0

## ■ 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 its plant in Oita to start producing high-value-added polypropylene. At the same time, the capacity of the plant 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. Construction work will be completed in the first half of 2010.

## ■ Electronics

- **Launch of Showa Denko HD Yamagata**
  - ◆ On July 1, we started up Showa Denko HD Yamagata K.K., by acquiring Fujitsu Limited's HD media production subsidiary. The company is SDK's fourth HD media production site in the world, following the existing sites in Chiba Prefecture (Japan), Taiwan and Singapore. As the world's largest independent HD media supplier, SDK will continue developing and supplying large-capacity HD media to meet customer needs.



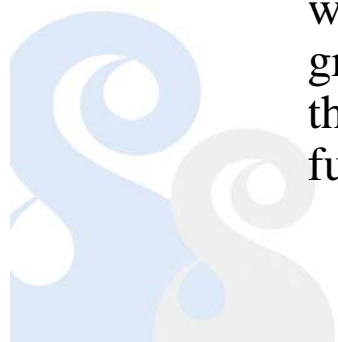
## ■ Electronics

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

◆ In January, we 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.

### ● **Development of AlGaInP red LED chips optimized for plant growth**

◆ In April, we 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. We 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. In May, these chips were adopted by the Ministry of Economy, Trade and Industry at its fully-controlled facility that supplies a model for such facilities to be built in Japan.



# Topics

## ■ Electronics

### ● Commercialization of VGCF™-X, a new grade of carbon nanotube

◆ We decided to build a 400-ton-a-year plant at Oita Complex to produce VGCF™-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 VGCF™-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. We 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.

### ● Launch of graphite anode material for lithium-ion batteries in electric vehicles

◆ We started selling a new grade of SCMG™ (shape-controlled micro graphite) for use as anode material in large lithium-ion batteries for electric vehicles (EVs). Demand for EVs is expected to grow as they contribute to conservation of resources. SCMG™ enables the use of heavy current and extends the life of lithium-ion batteries. In view of the expected growth in demand, we decided to increase our SCMG™ production capacity at Omachi from 1,000 tons a year at present to 3,000 tons a year in 2012, investing approximately ¥2 billion.

## ■ Electronics

### ● Expansion of the C<sub>4</sub>F<sub>6</sub> etching gas business

◆ This year, we will start producing high-purity C<sub>4</sub>F<sub>6</sub> etching gas in Kawasaki in cooperation with Air Products and Chemicals, Inc., of the United States. Demand for C<sub>4</sub>F<sub>6</sub> is expected to grow due to its improved processability and selectivity as well as very low environmental impact.

### ● Transfer of the conductive polymer aluminum capacitors business

◆ In June, we decided to transfer our solid conductive polymer aluminum capacitors business to Murata Manufacturing Co., Ltd. The transfer will be completed by the end of this year. SDK will continue speedily concentrating its operations on strategically selected areas.

# 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. 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 fluorescent-lamp-lighted room.

### ● Reduction of CO<sub>2</sub> emissions from graphite electrode production

◆ We completed our shift in fuel from heavy oil to liquefied natural gas (LNG) in the baking process for graphite electrode production at the Omachi Plant. This helps the Plant to reduce CO<sub>2</sub> emissions by 10,000 tons a year. To facilitate the fuel shift, we built a 270-kl LNG storage facility within the premises of the Plant. LNG is gasified at the facility and supplied to the baking process. Surplus waste heat collected at the Plant is used as heat source for the gasification of LNG.