

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

First Quarter, 2010 Financial Results

- Consolidated -



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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: 41
Newly applied, Excluded: none
- Equity method applied: 17
Excluded: 1 Crystal Specialties Inc. (Liquidation, Electronics)

Selected Data

(Average figure)

	Jan.- Mar. 2009	Jan.- Mar. 2010	Increase
■ Exchange rate: ¥/US\$	93.6	90.7	Yen strengthened by ¥2.9/\$
■ Domestic naphtha price: ¥/kl	27,000	47,600	20,600
■ Aluminum LME price: US\$/T	1,397	2,195	798

Exchange rate at December 31, 2009 ¥92.1/US\$, at March 31, 2010 ¥93.0/US\$

⇒ Yen depreciated by ¥0.9/US\$

Summary

2009 (Jan.1 – Mar.31) v s. 2010 (Jan.1 – Mar.31)

(Unit: Billions of Yen)

	CQ1, 2009	CQ1, 2010	Increase
Net Sales	121.0	187.7	66.7
Operating Income	-15.7	7.0	22.7
Non-operating income and expense	-8.0	-1.9	6.0
Interest/Dividend income and expense	-1.6	-1.3	0.2
Equity Method	-1.4	0.2	1.6
Currency exchange gain	0.7	0.3	-0.4
Loss on reduction in operations	-3.5	-0	3.5
Ordinary Income	-23.6	5.1	28.7
Extraordinary Profit	0.4	0.3	-0.1
Extraordinary Loss	-7.6	-1.4	6.2
Net Income before taxes	-30.9	4.0	34.8
Corporate Taxes	8.8	0.2	-8.6
Minority Interests	0.0	-0.6	-0.6
Net Income	-22.1	3.5	25.6

Extraordinary Profit/Loss

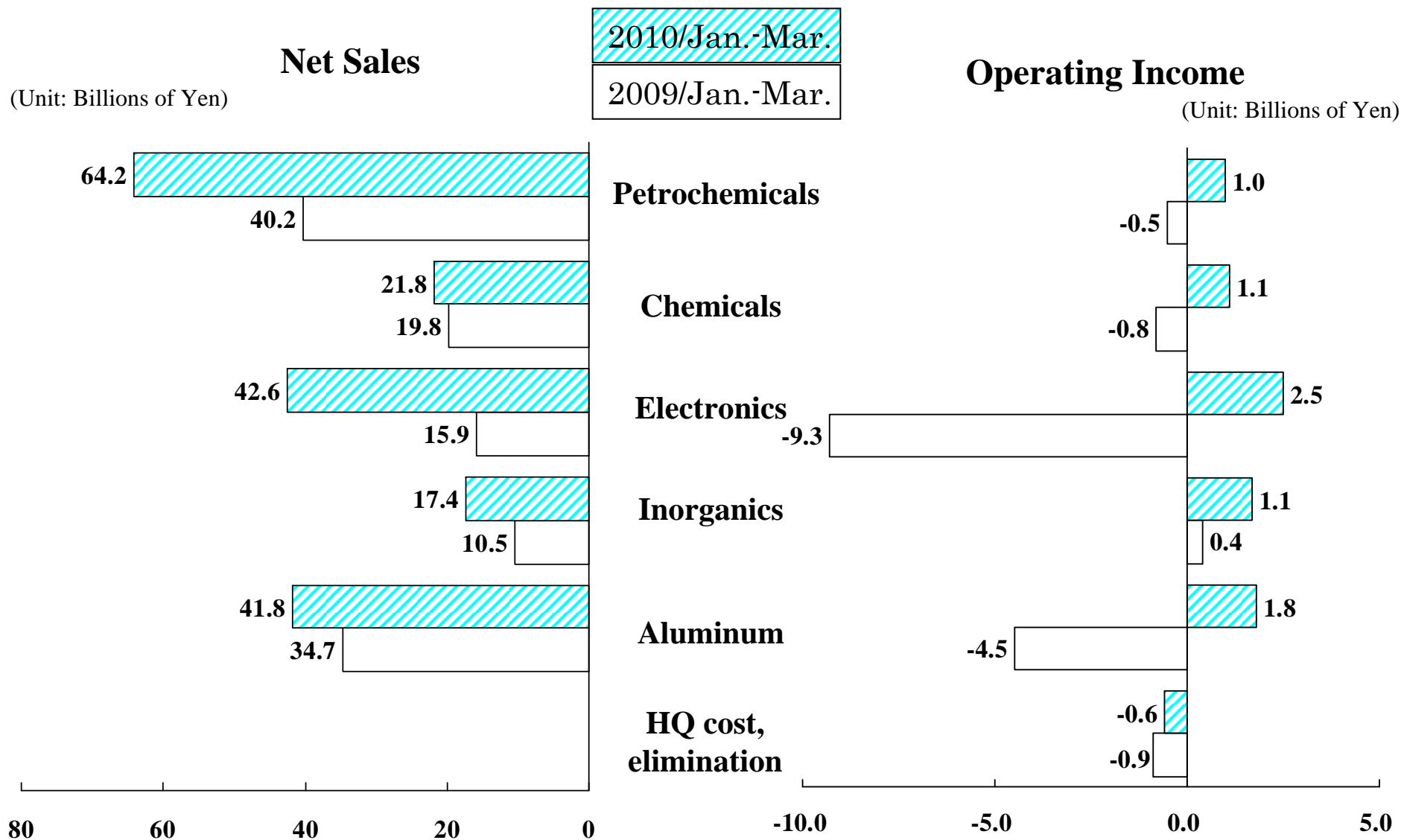
(Unit: Billions of Yen)

	CQ1, 2009	CQ1, 2010	Increase
■ Extraordinary Profit	0.4	0.3	-0.1
● Gain on the sale of fixed assets	0.0	0.1	0.1
● Other	0.3	0.2	-0.1
■ Extraordinary Loss	-7.6	-1.4	6.2
● Loss on the valuation of inventories (note)	-5.5	0.0	5.5
● Loss on fixed assets sold or retired	-0.9	-0.3	0.6
● Loss on impairment of fixed assets	-0.2	-0.5	-0.3
● Loss on the valuation and on the sales of investment securities	-0.5	-0.0	0.4
● Other	-0.5	-0.6	-0.1
■ Extraordinary Profit/Loss, Net	-7.2	-1.1	6.1

(Note) At the beginning of 2009, 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, 2009	CQ1, 2010	Increase	
Petrochemicals	40.2	64.2	24.0	Olefins: sales increased (price up, shipment volume maintained at the year-earlier level despite shutdown maintenance) Organic chemicals: sales increased (shipment volume of vinyl acetate up)
Chemicals	19.8	21.8	2.0	AN:sales increased (shipment volume up, price up) Ammonia, Chloroprene rubber: sales increased (shipment volumes up)
Electronics	15.9	42.6	26.7	HDs : sales increased considerably (shipment volume up considerably) Compound semiconductors, Specialty gases, Rare earth : sales increased (shipment volumes for electronics industry up)
Inorganics	10.5	17.4	6.9	Ceramics: sales increased (shipment volume up) Graphite electrodes: sales increased (shipment volume up in Japan and U.S.)
Aluminum	34.7	41.8	7.0	Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: sales maintained at the year-earlier level (withdrawal from the business in commodity aluminum extrusions for construction in 2 nd half 2009, shipment volumes of aluminum cylinder for LBP up) Heat exchangers: sales increased (shipment volumes up in Japan, U.S. Europe, and China) Shotoc: sales increased (shipment volumes for automobiles up) Aluminum cans: sales increased (shipment volumes up)
HQ costs, elimination	121.0	187.7	66.7	

Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1, 2009	CQ1, 2010	Increase	
Petrochemicals	-0.5	1.0	1.6	Olefins: profit increased (price up) Organic chemicals: profit increased (shipment volume up)
Chemicals	-0.8	1.1	2.0	AN: profit increased (shipment volume up, price up) Ammonia: profit increased (shipment volumes up) Chloroprene rubber: profit decreased (time-lag in passing high raw material cost on to price)
Electronics	-9.3	2.5	11.9	HDs: profit increased (shipment volume up) Compound semiconductors, Specialty gases, Rare earth: profit increased (Shipment volumes for electronics industry up)
Inorganics	0.4	1.1	0.7	Ceramics: profit increased (shipment volume up) Graphite electrodes: profit increased (shipment volumes up especially in U.S.)
Aluminum	-4.5	1.8	6.3	Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: profit increased (profit recovered due to withdrawal from the business in commodity aluminum extrusions for construction in 2009, shipment volumes of aluminum cylinder for LBP up) Heat exchangers: profit increased (shipment volumes up in Japan, U.S. Europe, and China) Shotoc: profit increased (shipment volumes up) Aluminum cans: profit increased (shipment volumes up) Power generation business as an independent power provider: profit decreased (time-lag in passing high fuel cost on to price)
HQ costs, elimination	-0.9	-0.6	0.4	Cost reduction
Petrochemicals	-15.7	7.0	22.7	



Consolidated Balance Sheet

(Unit: Billions of Yen)

Assets	Dec. 31, 2009	Mar. 31, 2010	Increase	Liabilities and Stockholders' Equity	Dec. 31, 2009	Mar. 31, 2010	Increase
Cash and deposits	62.5	40.7	-21.8	Accounts payable	116.6	103.9	-12.7
Accounts receivable	147.6	139.1	8.4	Interest-bearing debt	373.9	367.9	-6.0
Inventories	92.3	95.0	2.7	Deferred tax liabilities due to land revaluation	45.9	45.9	—
Deferred tax assets	4.6	6.9	2.2	Accrued pension and severance costs	27.1	26.9	-0.2
Other current assets	25.6	23.9	-1.7	Other liabilities	108.1	103.9	-4.3
<u>Current Assets</u>	<u>332.7</u>	<u>305.7</u>	<u>-27.0</u>	<u>Total Liabilities</u>	<u>671.6</u>	<u>648.5</u>	<u>-23.1</u>
Buildings and structures	91.1	91.5	0.5	Common stock	140.6	140.6	—
Machinery and equipment	134.8	130.4	-4.4	Capital surplus	62.2	62.2	-0.0
Land	255.8	255.8	0.0	Retained earnings	29.3	28.3	-1.0
Other tangible fixed assets	22.6	30.7	8.1	Treasury stock	-0.2	-0.2	-0.0
<u>Tangible Fixed Assets</u>	<u>504.3</u>	<u>508.4</u>	<u>4.1</u>	<u>Total Stockholders' equity</u>	<u>231.9</u>	<u>230.9</u>	<u>-1.0</u>
Intangible Fixed Assets	13.6	13.2	-0.3	Securities valuation surplus	2.6	-0.9	-3.5
Investments and other assets	107.8	105.6	-2.3	Foreign currency translation adjustment Deferred hedge gains	-12.2	-10.4	1.7
Incl. Investment securities	65.1	62.0	-3.1	Revaluation surplus –Land	21.8	21.8	—
Deferred tax assets	27.7	27.1	-0.6	<u>Total valuations and adjustments</u>	<u>12.2</u>	<u>10.4</u>	<u>-1.8</u>
	<u>625.7</u>	<u>627.2</u>	<u>1.6</u>	Minority Interest	42.6	43.0	0.4
<u>Total fixed assets</u>				Total equity	<u>286.7</u>	<u>284.4</u>	<u>-2.3</u>
Total Assets	958.3	932.9	-25.4	Total liabilities and equity	958.3	932.9	-25.4

Total Assets Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

	Dec.31, 2009	Mar.31, 2010	Increase
● Total assets	958.3	932.9	-25.4
● Interest-bearing debt	373.9	367.9	-6.0
● Debt/Equity ratio	1.30times	1.29times	-0.01p
● Stockholders' Equity ratio	25.5%	25.9%	0.4p

Summary

CQ4(Oct.1 – Dec.31), 2009 v s. CQ1(Jan.1 – Mar.31),2010

(Unit: Billions of Yen)

	CQ4, 2009	CQ1,2010	Increase
Net Sales	206.2	187.7	-18.5
Operating Income	11.2	7.0	-4.2
Non-operating income and expense			
Interest/Dividend income less interest expenses	-1.8	-1.9	-0.1
Equity Method	-1.4	-1.3	0.0
Currency exchange gain	0.1	0.2	0.1
Other	0.1	0.3	0.2
	-0.6	-1.0	-0.5
Ordinary Income	9.4	5.1	-3.7
Extraordinary Profit	4.6	0.3	-4.3
Extraordinary Loss	-8.2	-1.4	6.8
Net Income before taxes	5.9	4.0	-1.9
Corporate Taxes	3.7	0.2	-3.6
Minority Interests	-0.6	-0.6	0.0
Net Income	9.0	3.5	-5.5



Consolidated Sales by Segment

CQ4(Oct.1 – Dec.31), 2009 v s. CQ1(Jan.1 – Mar.31),2010

(Unit: Billions of Yen)

	CQ4 2009	CQ1 2010	Increase	
Petrochemicals	72.6	64.2	-8.4	Olefins: sales decreased (shipment volumes down due to shutdown maintenance) Organic chemicals: sales decreased (shipment volumes of ethyl acetate down)
Chemicals	23.3	21.8	-1.5	AN: sales increased (price up) Industrial gases, agrochemical intermediate: sales decreased (shipment volumes down)
Electronics	46.2	42.6	-3.6	HDs: sales decreased (shipment volumes down) Compound semiconductors: sales slightly increased (shipment volumes up)
Inorganics	17.4	17.4	0.0	Ceramics: sales slightly increased (shipment volumes up) Graphite electrodes: sales slightly increased (sales down in Japan, sales up in U.S.)
Aluminum	46.8	41.8	-5.0	Rolled products: sales slightly increased Extrusions/ specialty products: sales decreased (withdrawal from the business in commodity aluminum extrusions for construction) Heat exchangers: sales increased (shipment volumes up in Japan and China) Aluminum cans: sales decreased (shipment volumes down)
Total	206.2	187.7	-18.5	



Consolidated Operating Income by Segment

CQ4(Oct.1 – Dec.31), 2009 v s. CQ1(Jan.1 – Mar.31),2010

(Unit: Billions of Yen)

	CQ4 2009	CQ1 2010	Increase	
Petrochemicals	2.2	1.0	-1.2	Olefins: profit decreased (shipment volume down due to shutdown maintenance) Organic chemicals: profit decreased (time-lag in passing high raw material cost on to price)
Chemicals	0.9	1.1	0.2	AN:profit increased (price up)
Electronics	4.5	2.5	-2.0	HDs: profit decreased (shipment volume down) Rare earth : profit slightly decreased (time-lag in passing high raw material cost on to price)
Inorganics	2.8	1.1	-1.7	Ceramics: profit maintained at the CQ4 level Graphite electrodes: profit decreased (time-lag in passing high raw material cost on to price)
Aluminum	1.7	1.8	0.1	Extrusions/ specialty products: profit increased (profit recovered due to withdrawal from the business in commodity aluminum extrusions for construction) Heat exchangers: profit increased (profit increased in Japan) Aluminum cans: profit decreased (shipment volumes down)
HQ costs, elimination	-1.0	-0.6	0.4	
Total	11.2	7.0	-4.2	

Forecast for First Half /Full year by segment (Net Sales)

(Unit: Billions of Yen)

	First Half			Full year (note)
	Initial forecast (Announced on Feb.10, 2010)	Revised forecast (Announced on April 28, 2010)	Increase/ decrease	Revised forecast (Announced on April 28, 2010)
Net Sales	370.0	380.0	10.0	800.0
Operating Income	10.0	13.0	3.0	33.0
Ordinary Income	6.0	9.5	3.5	24.5
Net income	3.0	4.0	1.0	12.0

(note) The revised full-year forecast is provided by simply adding the expected increases from the initial figures for the first half of the year.



First half (Jan-Jun)

Net sales ▪ Operating Income Forecast

(Unit: Billions of Yen)

	Net Sales			Operating Income		
	Initial forecast (Announced on Feb.10, 2010)	Revised forecast (Announced on April 28, 2010)	Increase/ decrease	Initial forecast (Announced on Feb.10, 2010)	Revised forecast (Announced on April 28, 2010)	Increase/ decrease
Petrochemicals	120.0	125.0	5.0	1.5	1.5	0.0
Chemicals	50.0	45.0	-5.0	1.0	2.0	1.0
Electronics	90.0	90.0	0.0	5.5	6.0	0.5
Inorganics	30.0	35.0	5.0	2.5	2.5	0.0
Aluminum	80.0	85.0	5.0	1.5	3.0	1.5
HQ costs, elimination	0.0	0.0	0.0	-2.0	-2.0	0.0
Total	370.0	380.0	10.0	10.0	13.0	3.0

(note) The revised full-year forecast is provided by simply adding the expected increases from the initial figures for the first half of the year.

■ Petrochemicals

- Introduction of modern cracking furnaces at Oita Complex
 - ◆ To reduce environmental impact and enhance cost competitiveness at Oita Complex, SDK is renovating its facilities mainly through replacement of cracking furnaces. The renovation is being conducted during the period of the maintenance shutdown. Specifically, seven existing cracking furnaces are being replaced with two modern high-efficiency furnaces (each having the capacity to produce 100,000 tons of ethylene a year). As a result, SDK will achieve the highest-level energy efficiency among petrochemical complexes in Japan and reduce CO₂ emissions by approximately 60,000 tons a year. The new cracking furnaces will start operation in May 2010.
- Full-scale production of environment-friendly solvent
 - ◆ SDK completed production facilities for n-propyl acetate, and began full-scale production in February. The product is used as solvent for special gravure printing ink. Demand for n-propyl acetate is expected to increase owing to its higher safety compared with conventional solvents.

■ Chemicals

- Start-up of new distribution base for Ecoann™ ammonia in Tohoku region
 - ◆ Our fully-owned subsidiary Marusho Kogyo Co., Ltd. established a new distribution base at Soma Port in Fukushima Prefecture to increase efficiency in marine transportation of Ecoann™ liquefied ammonia in the Tohoku region and improve the level of service. Ecoann™ ammonia, which is produced from used plastic, has been approved by major electric power companies as product for Green Purchasing. Ecoann™ ammonia is used for removing nitrogen oxides included in exhaust gases from thermal electric power plants.

■ Electronics

- Thermoelectric conversion in a waste incinerator: Start of demonstration experiments
 - ◆ SDK and Plantec Inc. have started full-scale demonstration experiments in power generation based on waste heat, using SDK's thermoelectric conversion modules in a waste incinerator built by Plantec. SDK's thermoelectric elements and modules have achieved high conversion efficiency in the medium operational temperature range of 300-600° C. In this process, heat energy is directly converted into electricity. SDK will promote commercialization of this energy-saving technology that effectively uses waste heat.

■ Electronics

● Production of electronic cleaning agents in China

- ◆ In August 2010, SDK will start commercial production of high-purity cyclohexanone at a new plant built by its subsidiary Zhejiang Quzhou Juhua Showa Electronic Chemical Materials Co., Ltd., in Zhejiang Province, China. High-purity cyclohexanone is used as cleaning agent for removal of photoresist and as solvent for photoresist in the production of semiconductors and LCD panels. With the establishment of the high-purity cyclohexanone supply setup in China, SDK will strengthen its electronic cleaning agent business and serve the needs of the rapidly growing electronics industry in Asia.

■ Aluminum and other

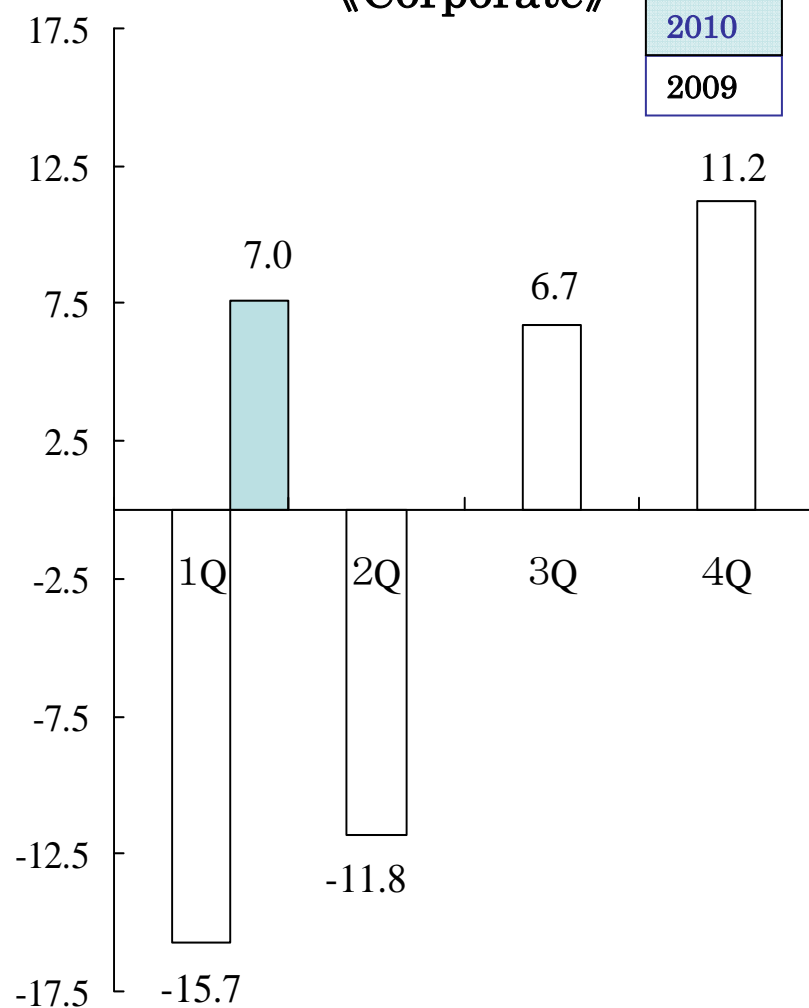
● Start-up of Cooling Device Business Development Dept.

- ◆ SDK established a Cooling Device Business Development Department to meet growing demand for devices for cooling power electronics installed in hybrid cars. With the establishment of the new department that integrates development/production/marketing functions, SDK will expand the power electronics cooling device business to meet increasing demand for this energy-saving product.

(Reference) Operating Income (Quarterly)

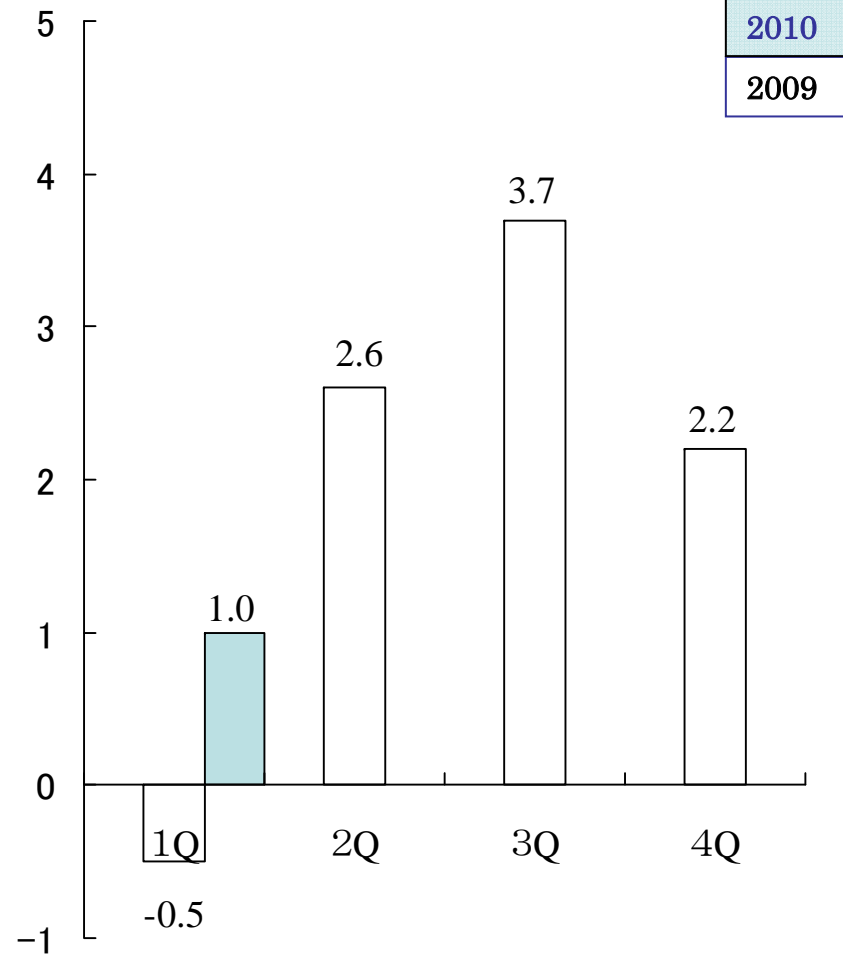
(Unit: Billions of Yen)

《Corporate》

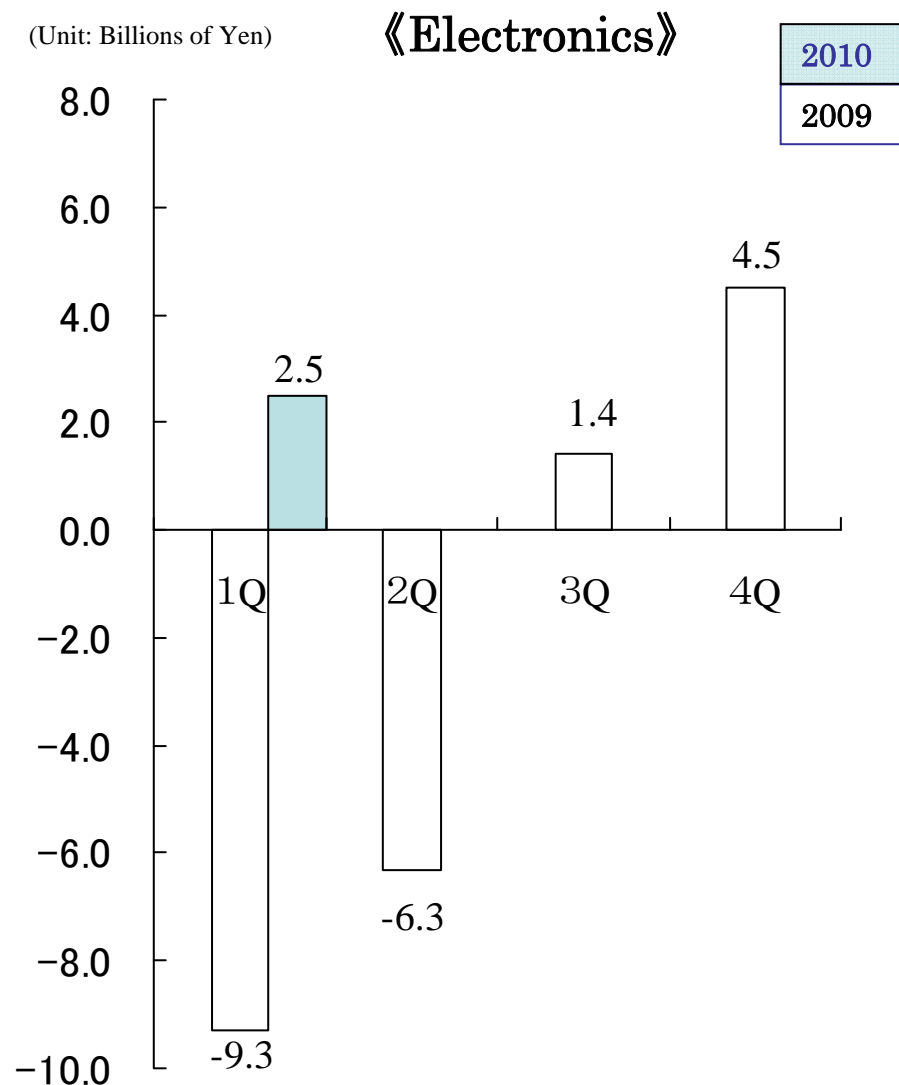
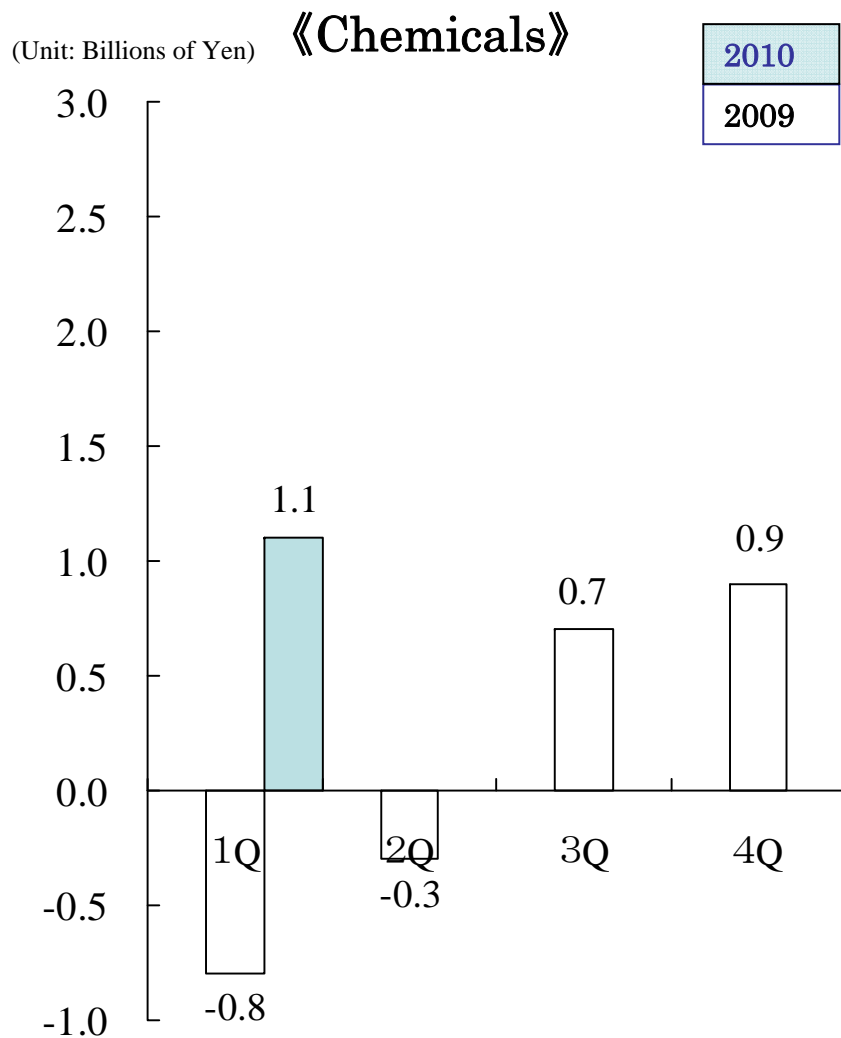


(Unit: Billions of Yen)

《Petrochemicals》



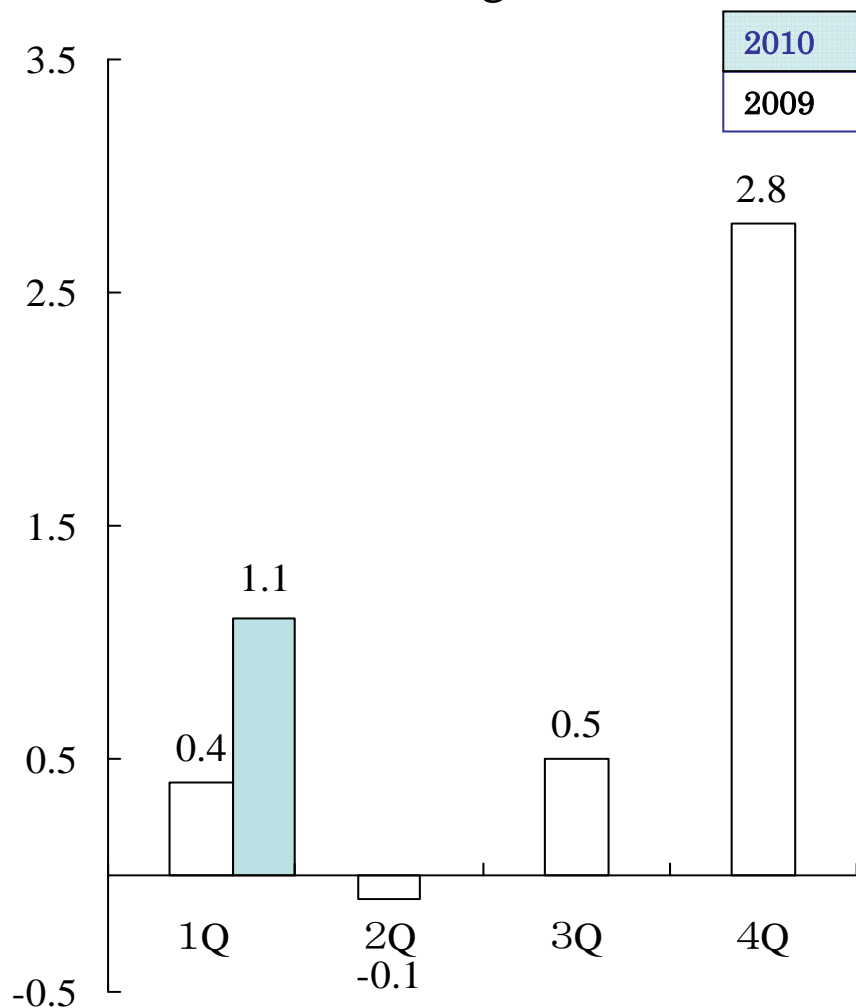
(Reference) Operating Income (Quarterly)



(Reference) Operating Income (Quarterly)

(Unit: Billions of Yen)

《Inorganics》



(Unit: Billions of Yen)

《Aluminum》

