

Second 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
no change for the period.
- Equity method applied: 17
Excluded: 1 Crystal Specialties Inc. (Liquidation, Electronics segment)

Selected Data

(Average figure)

| | Jan.- Jun. 2009 | Jan.- Jun. 2010 | Increase |
|-----------------------------------|--------------------|--------------------|-----------------------------------|
| ■ Exchange rate: ¥/US\$ | 95.5 | 91.4 | Yen strengthened by ¥4.1/\$ |
| ■ Domestic naphtha price: ¥/kl | 30,150 | 48,700 | 18,550 |
| ■ Aluminum LME price: US\$/T | 1,456 | 2,160 | 738 |

Exchange rate at December 31, 2009 ¥92.1/US\$, at June 30, 2010 ¥88.5/US\$

⇒ Yen strengthened by ¥3.6/US\$

Summary

2009 (Jan.1 – Jun.30) v s. 2010 (Jan.1 – Jun.30)

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | Jan.-Jun. 2010 | Increase |
|--|-------------------|-------------------|----------|
| Net Sales | 286.7 | 384.1 | 97.4 |
| Operating Income | -22.9 | 17.7 | 40.6 |
| Non-operating income and expense | -11.5 | -3.7 | 7.8 |
| Interest/Dividend income and expense | -2.7 | -2.2 | 0.5 |
| Equity in earnings or losses of affiliates | -1.2 | 0.7 | 1.9 |
| Currency exchange gain or loss | 0.4 | -0.5 | -0.9 |
| Loss on reduction in operations | -4.8 | -0.1 | 4.7 |
| Ordinary Income | -34.3 | 14.0 | 48.4 |
| Extraordinary Profit | 1.9 | 2.9 | 1.0 |
| Extraordinary Loss | -16.4 | -6.2 | 10.3 |
| Net Income before taxes | -48.8 | 10.8 | 59.6 |
| Corporate Taxes | 2.3 | -1.9 | -4.2 |
| Minority Interests | 0.0 | -1.2 | -1.2 |
| Net Income | -46.5 | 7.7 | 54.2 |

Extraordinary Profit/Loss

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | Jan.-Jun. 2010 | Increase |
|---|-------------------|-------------------|----------|
| ■ Extraordinary Profit | 1.9 | 2.9 | 1.0 |
| ● Gain on the sale of investment securities | 1.5 | 0.0 | -1.5 |
| ● Gain on the subsidy | - | 2.0 | 2.0 |
| ● Other | 0.4 | 0.9 | 0.5 |
| ■ Extraordinary Loss | -16.4 | -6.2 | 10.3 |
| ● Loss on fixed assets sold or retired | -1.4 | -1.6 | -0.2 |
| ● Loss on the valuation of inventories | -5.5 | - | 5.5 |
| ● Loss on impairment of fixed assets | -8.4 | -1.1 | 7.3 |
| ● Other | -1.1 | -3.4 | -2.4 |
| ■ Extraordinary Profit/Loss, Net | -14.5 | -3.2 | 11.3 |



Consolidated Sales by Segment

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | Jan.-Jun. 2010 | Increase | |
|--------------------------|-------------------|-------------------|----------|--|
| Petrochemicals | 96.2 | 126.4 | 30.2 | Olefins: sales increased (price up, shipment volume decreased by shutdown maintenance) Organic chemicals: sales increased (price of ethyl acetate up) |
| Chemicals | 46.8 | 44.6 | -2.2 | AN: sales increased (shipment volume up, price up) Ammonia, Chloroprene rubber: sales increased (shipment volumes up) Showa Tansan: sales decreased (effect from the change of the accounting term conducted in 2009) |
| Electronics | 43.0 | 86.8 | 43.8 | HDs:sales increased (shipment volume up considerably) Compound semiconductors: sales increased (volume increased) Specialty gases: sales increased (volume increased for LCD applications) Rare earth:sales increased (shipment volumes for automobiles up) |
| Inorganics | 22.9 | 37.1 | 14.3 | Ceramics: sales increased (volume increased for automobiles and steel industries) Graphite electrodes: sales increased (shipment volume up both in Japan and U.S.) |
| Aluminum | 77.7 | 89.1 | 11.3 | Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: sales increased (shipment volumes of aluminum cylinders for LBP up) Heat exchangers: sales increased (shipment volumes up mainly in China) Shotoc: sales increased (shipment volumes for automobiles up) |
| HQ costs, elimination | 286.7 | 384.1 | 97.4 | |

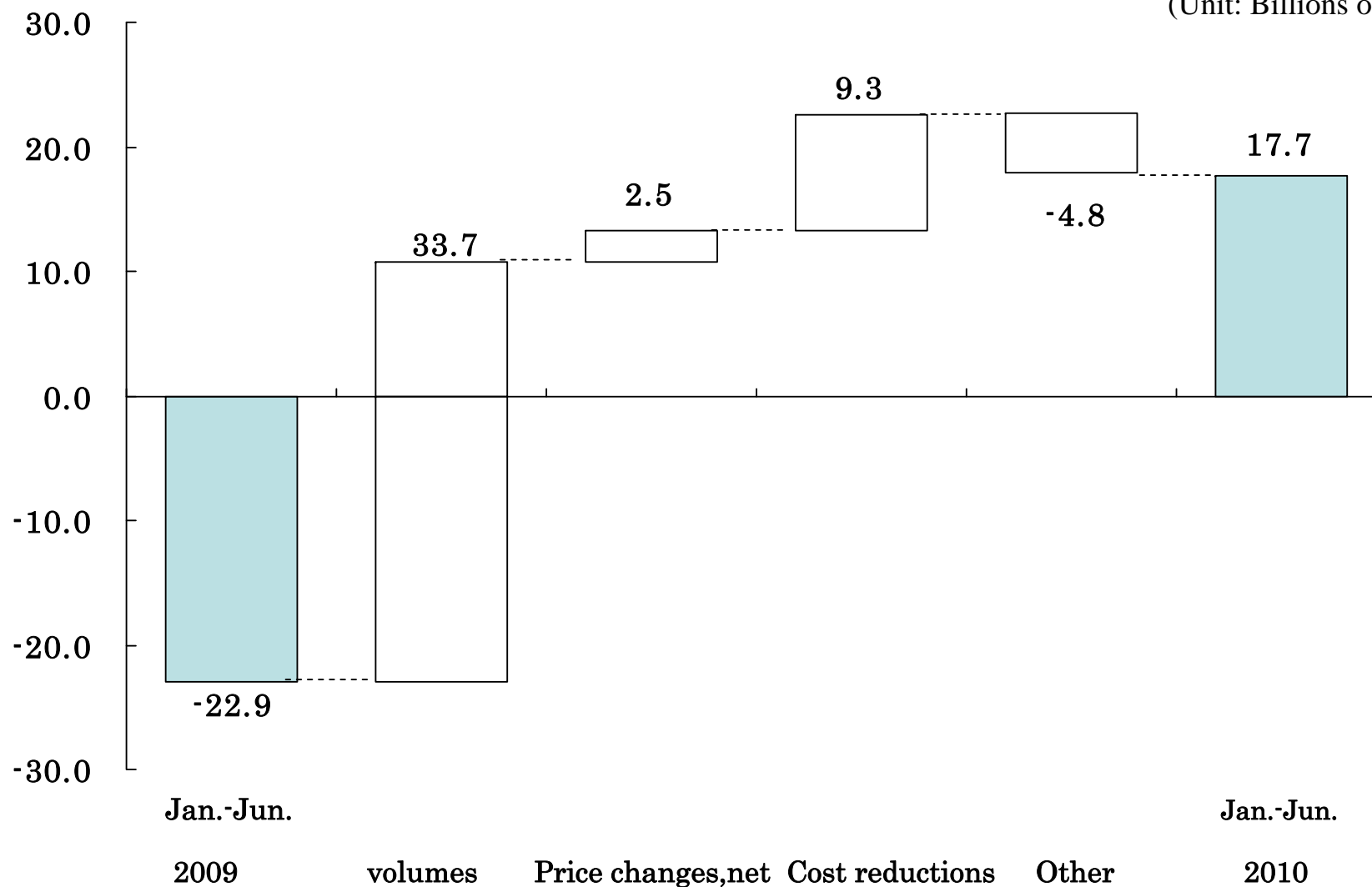
Consolidated Operating Income by Segment

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | Jan.-Jun. 2010 | Increase | |
|-----------------------|-------------------|-------------------|----------|--|
| Petrochemicals | 2.0 | 1.6 | -0.4 | Olefins: profit decreased (shipment volume down by shutdown maintenance conducted in every 4 years) Organic chemicals: profit increased (price of ethyl acetate up) |
| Chemicals | -1.1 | 2.2 | 3.4 | AN: profit increased (price up, volume increased) Ammonia, Chloroprene rubber: profit increased (shipment volume up) |
| Electronics | -15.7 | 6.8 | 22.4 | HDs: profit increased (shipment volume up considerably) Compound semiconductors: profit increased (shipment volume up) Specialty gases, Rare earth: profit increased (shipment volumes up) |
| Inorganics | 0.3 | 3.7 | 3.4 | Ceramics: profit increased (shipment volume up) Graphite electrodes: profit increased (shipment volumes up both in Japan and U.S.) |
| Aluminum | -6.8 | 4.6 | 11.3 | Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: profit increased (shipment volume of aluminum cylinders for LBP up) Shotoc: profit increased (shipment volumes up) Heat exchangers: profit increased (sales volume up, effect of rationalization in Japan, U.S. and Europe) |
| HQ costs, elimination | -1.6 | -1.1 | 0.5 | |
| Petrochemicals | -22.9 | 17.7 | 40.6 | |

Operating Income Breakdown by Factor

(Unit: Billions of Yen)





Summary

2009 CQ2 (Apr.1 – Jun.30) v s. 2010 CQ2 (Apr.1 – Jun.30)

(Unit: Billions of Yen)

| | CQ2, 2009 | CQ2, 2010 | Increase |
|--|-----------|-----------|----------|
| Net Sales | 165.6 | 196.4 | 30.8 |
| Operating Income | -7.2 | 10.7 | 17.9 |
| Non-operating income and expense | -3.5 | -1.8 | 1.7 |
| Interest/Dividend income and expense | -1.1 | -0.8 | 0.3 |
| Equity in earnings or losses of affiliates | 0.2 | 0.6 | 0.3 |
| Currency exchange loss | -0.3 | -0.8 | -0.5 |
| Loss on reduction in operations | -1.3 | -0.0 | 1.3 |
| Ordinary Income | -10.7 | 8.9 | 19.6 |
| Extraordinary Profit | 1.9 | 2.6 | 0.7 |
| Extraordinary Loss | -9.1 | -4.8 | 4.3 |
| Net Income before taxes | -18.0 | 6.8 | 24.8 |
| Corporate Taxes | -6.5 | -2.1 | 4.4 |
| Minority Interests | 0.0 | -0.6 | -0.6 |
| Net Income | -24.4 | 4.2 | 28.7 |



Consolidated Sales by Segment

(Unit: Billions of Yen)

| | CQ2, 2009 | CQ2, 2010 | Increase | |
|-----------------------|--------------|--------------|----------|--|
| Petrochemicals | 56.1 | 62.3 | 6.2 | Olefins: sales increased (sales price up, shipment volume down by shutdown maintenance) Organic chemicals: sales decreased (shipment volume of vinyl acetate down) |
| Chemicals | 27.0 | 22.8 | -4.2 | AN: sales increased (shipment volume up, price up) Ammonia, Chloroprene rubber: sales increased (shipment volumes up) Showa Tansan: sales decreased (effect from the change of the accounting term conducted in 2009) |
| Electronics | 27.1 | 44.2 | 17.1 | HDs: sales increased (shipment volume up considerably) Compound semiconductors: sales increased (shipment volume up) Specialty gases, rare earth: sales increased (shipment volumes up) |
| Inorganics | 12.4 | 19.8 | 7.4 | Ceramics: sales increased (shipment volume up) Graphite electrodes: sales increased (shipment volume up both in Japan and U.S.) |
| Aluminum | 43.0 | 47.3 | 4.3 | Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: sales increased (shipment volumes of aluminum cylinders for LBP up) Heat exchangers: sales increased (shipment volumes at all locations up, except for Europe) Shotic: sales increased (shipment volumes for automobiles up) |
| HQ costs, elimination | 165.6 | 196.4 | 30.8 | |



Consolidated Operating Income by Segment

(Unit: Billions of Yen)

| | CQ2, 2009 | CQ2, 2010 | Increase | |
|-----------------------|--------------|--------------|----------|---|
| Petrochemicals | 2.6 | 0.6 | -2.0 | Olefins, organic chemicals: profit decreased (shipment volume down by shutdown maintenance, conducted in every 4 years.) |
| Chemicals | -0.3 | 1.1 | 1.4 | AN, ammonia, chloroprene rubber: profit increased (shipment volume up) |
| Electronics | -6.3 | 4.2 | 10.6 | HDs: profit increased (shipment volume considerably up) Compound semiconductors: profit increased (shipment volume up) Specialty gases, Rare earth: profit increased (Shipment volume up) |
| Inorganics | -0.1 | 2.6 | 2.7 | Ceramics: profit increased (shipment volume up) Graphite electrodes: profit increased (shipment volume up both in Japan and U.S.) |
| Aluminum | -2.3 | 2.7 | 5.1 | Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: profit increased (shipment volumes of aluminum cylinders for LBP up) Heat exchangers: profit increased mainly in China and U.S. (shipment volumes up) Shotoc: profit increased (shipment volumes for automobiles up) |
| HQ costs, elimination | -0.7 | -0.5 | 0.2 | |
| Petrochemicals | -7.2 | 10.7 | 17.9 | |



Consolidated Balance Sheet

(Unit: Billions of Yen)

| Assets | Dec. 31, 2009 | Jun. 30, 2010 | Increase | Liabilities and Stockholders' Equity | Dec. 31, 2009 | Jun. 30, 2010 | Increase |
|------------------------------|------------------|------------------|--------------|---|------------------|------------------|--------------|
| Cash and deposits | 62.5 | 40.1 | -22.4 | Accounts payable | 116.6 | 113.6 | -2.9 |
| Accounts receivable | 147.6 | 144.5 | -3.0 | Interest-bearing debt | 373.9 | 365.6 | -8.3 |
| Inventories | 92.3 | 100.2 | 7.8 | Provision for retirement benefits | 27.1 | 26.7 | -0.4 |
| Other current assets | 30.2 | 31.1 | 0.9 | Other liabilities | 154.0 | 154.6 | 0.6 |
| <u>Current Assets</u> | <u>332.7</u> | <u>315.9</u> | <u>-16.7</u> | <u>Total Liabilities</u> | <u>671.6</u> | <u>660.5</u> | <u>-11.1</u> |
| Buildings and structures | 91.1 | 90.1 | -1.0 | Common stock | 140.6 | 140.6 | — |
| Machinery and equipment | 134.8 | 144.4 | 9.5 | Capital surplus | 62.2 | 62.2 | -0.0 |
| Land | 255.8 | 255.3 | -0.5 | Retained earnings | 29.3 | 32.3 | 3.0 |
| Other tangible fixed assets | 22.6 | 18.4 | -4.2 | Treasury stock | -0.2 | -0.2 | -0.0 |
| <u>Tangible Fixed Assets</u> | <u>504.3</u> | <u>508.1</u> | <u>3.8</u> | <u>Total Stockholders' equity</u> | <u>231.9</u> | <u>234.9</u> | <u>3.0</u> |
| Intangible Fixed Assets | 13.6 | 12.7 | -0.9 | Securities valuation surplus | 2.6 | -4.4 | -7.0 |
| Investments and other assets | 107.8 | 102.8 | -5.0 | Foreign currency translation adjustment Deferred hedge gains | -12.2 | -16.1 | -4.0 |
| Incl. Investment securities | 65.1 | 57.2 | -7.9 | Revaluation surplus –Land | 21.8 | 22.0 | 0.2 |
| | | | | <u>Total valuations and adjustments</u> | <u>12.2</u> | <u>1.4</u> | <u>-10.8</u> |
| | | | | Minority Interest | 42.6 | 42.7 | 0.1 |
| <u>Total fixed assets</u> | <u>625.7</u> | <u>623.6</u> | <u>-2.0</u> | <u>Total equity</u> | <u>286.7</u> | <u>279.0</u> | <u>-7.7</u> |
| Total Assets | 958.3 | 939.5 | -18.8 | Total liabilities and equity | 958.3 | 939.5 | -18.8 |

Total Assets

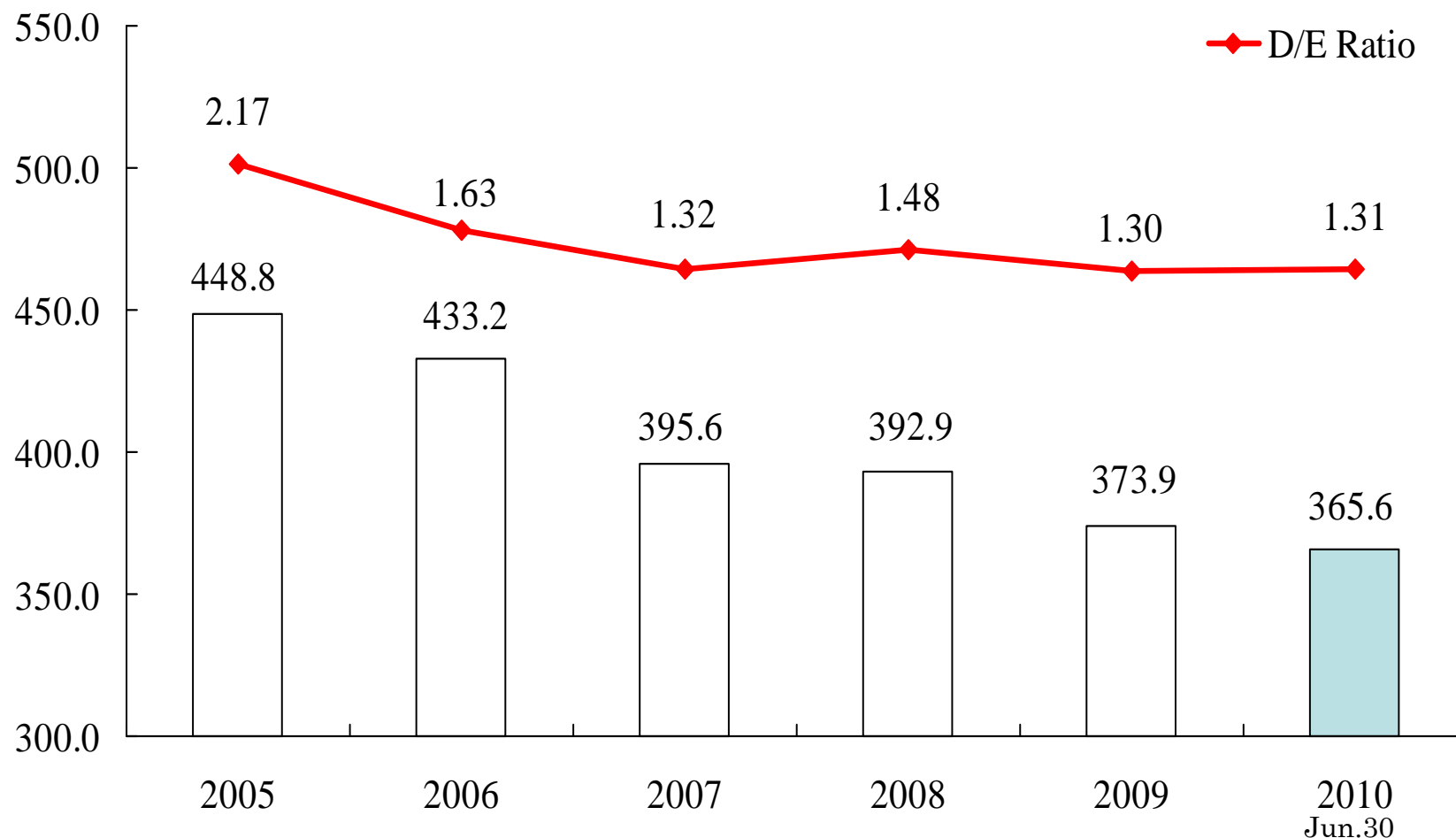
Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

| | Dec.31, 2009 | Jun.30, 2010 | Increase |
|-------------------------------------|--------------|--------------|----------|
| ● Total assets | 958.3 | 939.5 | -18.8 |
| ● Interest-bearing debt | 373.9 | 365.6 | -8.3 |
| ● Debt/Equity ratio | 1.30times | 1.31times | 0.01p |
| ● Stockholders' Equity ratio | 25.5% | 25.2% | -0.3p |

Interest-bearing Debt

(Unit: Billions of Yen)



| | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|
| Equity ratio | 21.0% | 22.7% | 26.9% | 25.0% | 25.5% | 25.2% |
|--------------|-------|-------|-------|-------|-------|-------|

Consolidated Cash Flows

(Unit: Billions of Yen)

| | 2009 Jan.-Jun. | 2010 Jan.-Jun. | Increase |
|----------------------------------|-------------------|-------------------|----------|
| ●CF from Operating Activities | -17.6 | 20.0 | 37.6 |
| ●CF from Investing Activities | -9.4 | -23.2 | -13.8 |
| ●Free CF | -27.0 | -3.2 | 23.8 |
| ●CF from Financing Activities | 27.9 | -18.0 | -45.9 |
| ●Others | 1.4 | -1.1 | -2.6 |
| Increase of cash and equivalents | 2.3 | -22.4 | -24.7 |

Selected Data (Consolidated)

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | Jan.-Jun. 2010 | Increase |
|--|-------------------|-------------------|----------|
| ● Interest/dividend income less interest expenses | -2.7 | -2.2 | 0.5 |
| ● Capital expenditures | 20.3 | 34.3 | 14.0 |
| ● Depreciation and amortization | 27.9 | 24.8 | -3.1 |
| ● R&D expenditures | 10.5 | 10.2 | -0.3 |
| ● Number of employees | 11,226 | 11,409 | 183 |
| ● Total employment cost | 35.6 | 36.2 | 0.6 |

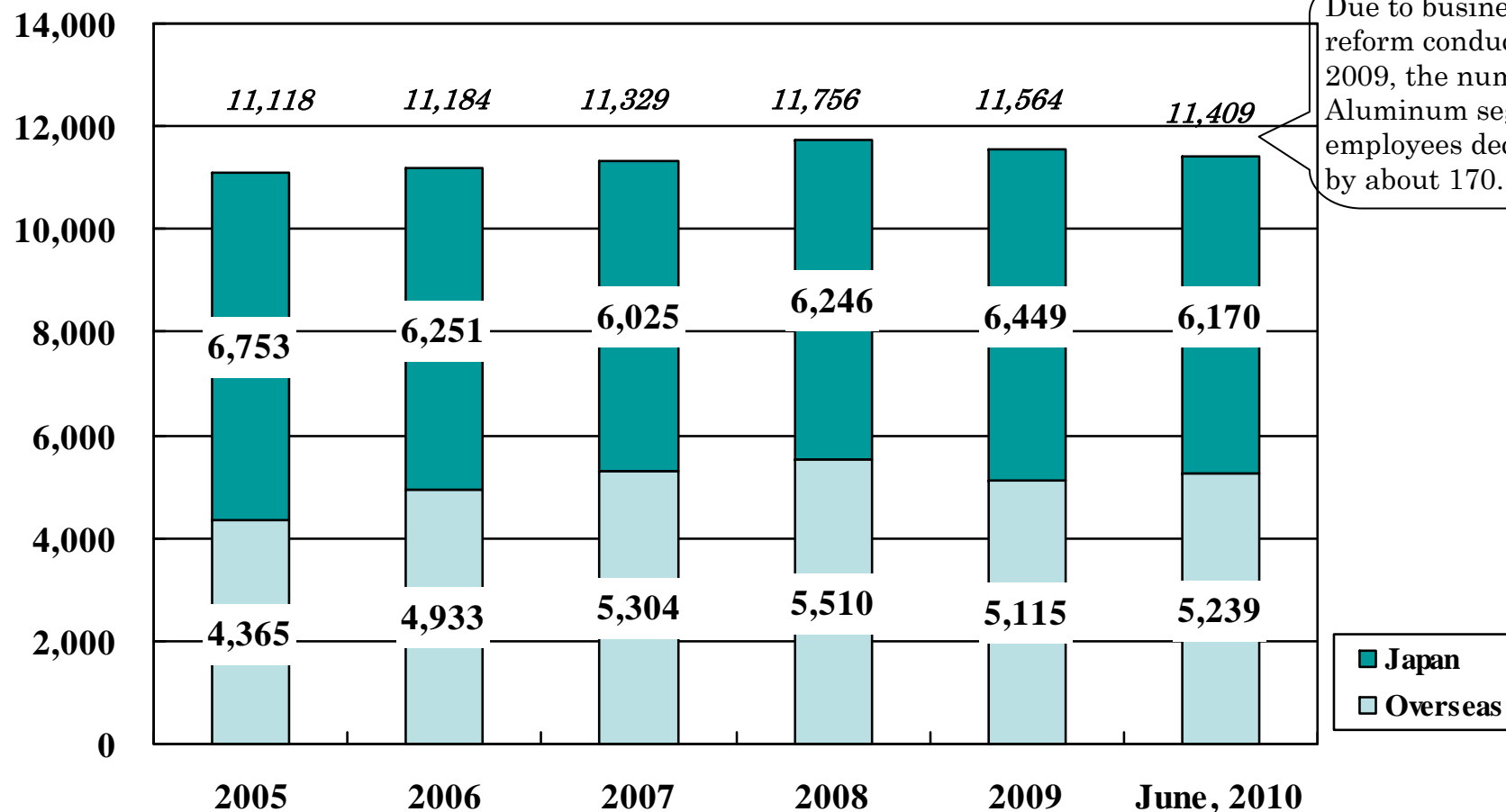


Capital expenditures/ Depreciation by Segment

(Unit: Billions of Yen)

| | Jan.-Jun. 2009 | | Jan.-Jun. 2010 | | Increase | |
|----------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
| | Capital expenditures | Depreciation | Capital expenditures | Depreciation | Capital expenditures | Depreciation |
| Petrochemicals | 2.8 | 3.6 | 19.6 | 3.6 | 16.8 | -0.0 |
| Chemicals | 3.9 | 4.1 | 2.1 | 3.6 | -1.9 | -0.5 |
| Electronics | 8.3 | 12.9 | 8.8 | 11.4 | 0.5 | -1.4 |
| Inorganics | 2.0 | 2.1 | 1.5 | 1.7 | -0.5 | -0.4 |
| Aluminum | 3.2 | 5.3 | 2.3 | 4.4 | -0.9 | -0.9 |
| Total | 20.3 | 27.9 | 34.3 | 24.8 | 14.0 | -3.1 |

Total number of employees and breakdown by location



| | | | | | | |
|----------|-------|-------|-------|-------|-------|-------|
| Japan | 60.7% | 55.9% | 53.2% | 53.1% | 55.8% | 54.1% |
| Overseas | 39.3% | 44.1% | 46.8% | 46.9% | 44.2% | 45.9% |

Forecast for 2010

(Unit: Billions of Yen)

| | 2010 Forecast revised on Apr. 28, 2010 | 2010 Forecast revised on Aug. 3, 2010 | Increase | 2009 |
|--------------------------|--|---|----------|---------|
| Net Sales | 800.0 | 825.0 | 25.0 | 678.2 |
| Operating Income | 33.0 | 40.0 | 7.0 | -5.0 |
| Ordinary Income | 24.5 | 32.0 | 7.5 | -22.3 |
| Net Income | 12.0 | 14.0 | 2.0 | -38.0 |
| Net income per share | ¥8.02 | ¥9.35 | ¥1.33 | ¥-29.44 |
| Cash dividends per share | ¥3.0 | ¥3.0 | - | ¥3.0 |



Net Sales Forecast by Segment for 2010

(Unit: Billions of Yen)

| | 2010 Forecast revised on Apr. 28, 2010 | 2010 Forecast revised on Aug. 3, 2010 | Increase | 2009 |
|----------------|--|---|----------|-------|
| Petrochemicals | 275.0 | 285.0 | 10.0 | 236.0 |
| Chemicals | 95.0 | 95.0 | 0.0 | 91.9 |
| Electronics | 195.0 | 195.0 | 0.0 | 127.8 |
| Inorganics | 70.0 | 75.0 | 5.0 | 53.7 |
| Aluminum | 165.0 | 175.0 | 10.0 | 168.8 |
| Total | 800.0 | 825.0 | 25.0 | 678.2 |



Operating Income Forecast by Segment for 2010

(Unit: Billions of Yen)

| | 2010 Forecast revised on Apr. 28, 2010 | 2010 Forecast revised on Aug. 3, 2010 | Increase | 2009 |
|-------------------------|--|---|----------|------|
| Petrochemicals | 6.0 | 6.0 | 0.0 | 8.0 |
| Chemicals | 4.0 | 4.0 | 0.0 | 0.4 |
| Electronics | 15.0 | 16.0 | 1.0 | -9.8 |
| Inorganics | 6.0 | 8.5 | 2.5 | 3.6 |
| Aluminum | 6.0 | 8.5 | 2.5 | -4.2 |
| HQ cost, elimination | -4.0 | -3.0 | 1.0 | -3.0 |
| Total | 33.0 | 40.0 | 7.0 | -5.0 |

Selected Data, Forecast

| | Jan.1-Jun.30 2010 | Jul.1-Dec.31 2010 revised Forecast | Increase |
|--------------------------------|----------------------|--|----------|
| ● Exchange rate: ¥/US\$ | 91 | 90 | -1 |
| ● Domestic naphtha price: ¥/kl | 48,700 | 47,150 | -1,550 |
| ● Aluminum LME price: US\$/T | 2,160 | 2,250 | 90 |

(Unit: Billions of Yen)

| | 2009 | 2010 revised Forecast | Increase |
|--|--------|--------------------------|----------|
| ● Interest-bearing debt at year end | 373.9 | 365.0 | -8.9 |
| ● Interest/dividend income less interest expenses | -5.6 | -5.0 | 0.6 |
| ● R&D expenditures | 20.7 | 21.9 | 1.2 |
| ● Number of employees | 11,564 | 11,654 | 90 |
| ● Total employment cost | 72.7 | 73.5 | 0.8 |

Capital expenditures/Depreciation Forecast by Segment for 2010

(Unit: Billions of Yen)

| | 2009 | | 2010 revised Forecast | | Increase | |
|----------------|----------------------|--------------|-----------------------|--------------|----------------------|--------------|
| | Capital expenditures | Depreciation | Capital expenditures | Depreciation | Capital expenditures | Depreciation |
| Petrochemicals | 4.5 | 7.0 | 22.3 | 8.1 | 17.8 | 1.1 |
| Chemicals | 6.7 | 8.2 | 8.9 | 8.2 | 2.1 | -0.0 |
| Electronics | 14.6 | 25.7 | 26.9 | 24.1 | 12.3 | -1.7 |
| Inorganics | 3.4 | 3.7 | 3.6 | 3.4 | 0.3 | -0.3 |
| Aluminum | 9.5 | 9.8 | 6.2 | 8.7 | -3.2 | -1.1 |
| Total | 38.7 | 54.4 | 67.9 | 52.4 | 29.2 | -2.0 |



CQ2 Summary (Reference)

CQ1 (Jan.1 – Mar.31), 2010 v s. CQ2 (Apr.1 – Jun.30), 2010

(Unit: Billions of Yen)

| | CQ1, 2010 | CQ2, 2010 | Increase |
|--|-----------|-----------|----------|
| Net Sales | 187.7 | 196.4 | 8.7 |
| Operating Income | 7.0 | 10.7 | 3.7 |
| Non-operating income and expense | -1.9 | -1.8 | 0.1 |
| Interest/Dividend income and expense | -1.3 | -0.8 | 0.5 |
| Equity in earnings or losses of affiliates | 0.2 | 0.6 | 0.4 |
| Currency exchange gain or loss | 0.3 | -0.8 | -1.1 |
| Loss on reduction in operations | -0.0 | -0.0 | 0.0 |
| Ordinary Income | 5.1 | 8.9 | 3.8 |
| Extraordinary Profit | 0.3 | 2.6 | 2.3 |
| Extraordinary Loss | -1.4 | -4.8 | -3.4 |
| Net Income before taxes | 4.0 | 6.8 | 2.9 |
| Corporate Taxes | 0.2 | -2.1 | -2.2 |
| Minority Interests | -0.6 | -0.6 | 0.0 |
| Net Income | 3.5 | 4.2 | 0.7 |

Consolidated Sales by Segment

(Unit: Billions of Yen)

| | CQ1, 2010 | CQ2, 2010 | Increase | |
|-----------------------|--------------|--------------|----------|--|
| Petrochemicals | 64.2 | 62.3 | -1.9 | Olefins, Organic chemicals: sales decreased (shipment volume down due to a difference in the number of days of shutdown maintenance) |
| Chemicals | 21.8 | 22.8 | 1.0 | AN: sales increased (price up) Chloroprene rubber: sales increased (shipment volume up) |
| Electronics | 42.6 | 44.2 | 1.7 | HDs: sales increased (improvement of product mix) Compound semiconductors: sales increased (shipment volume of commodity and ultrabright LEDs up) Specialty gases, Rare earth: sales increased (shipment volumes up) |
| Inorganics | 17.4 | 19.8 | 2.4 | Ceramics: sales increased (shipment volume up) Graphite electrodes: sales increased (shipment volume up especially in U.S.) |
| Aluminum | 41.8 | 47.3 | 5.5 | Rolled products: sales increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: sales increased (shipment volumes of aluminum cylinders for LBP up) Aluminum cans: sales increased (shipment volume up, seasonal) |
| HQ costs, elimination | 187.7 | 196.4 | 8.7 | |

Consolidated Operating Income by Segment

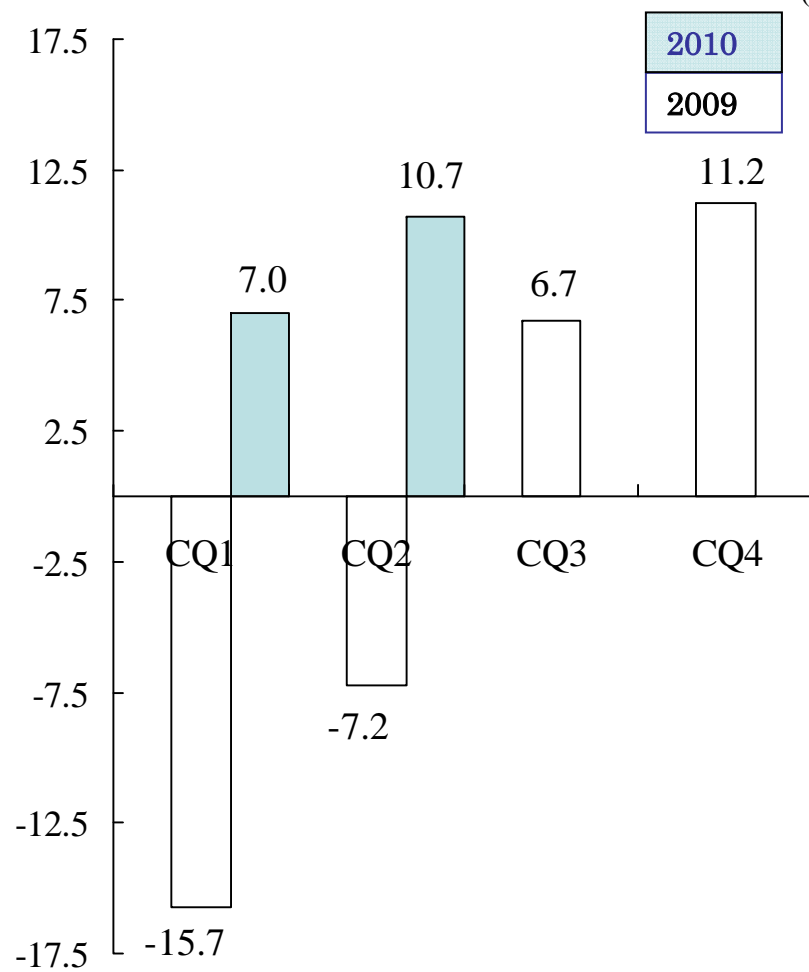
(Unit: Billions of Yen)

| | CQ1, 2010 | CQ2, 2010 | Increase | |
|-----------------------|--------------|--------------|----------|--|
| Petrochemicals | 1.0 | 0.6 | -0.5 | Olefins: profit decreased (shipment volume down due to a difference in the number of days of shutdown maintenance) Organic chemicals : profit increased (price up) |
| Chemicals | 1.1 | 1.1 | 0.0 | AN: profit increased (shipment volume up, price up) Ammonia: profit decreased (raw material cost up) |
| Electronics | 2.5 | 4.2 | 1.7 | HDs: profit increased (improvement of product mix) Compound semiconductors: profit increased (shipment volume of commodity and ultrabright LEDs up) Specialty gases: profit increased (shipment volumes up) Rare earth: profit increased (shipment volume up) |
| Inorganics | 1.1 | 2.6 | 1.4 | Graphite electrodes: profit increased (shipment volume up especially in U.S.) |
| Aluminum | 1.8 | 2.7 | 0.9 | Rolled products: profit increased (shipment volumes of high-purity foils for capacitors up) Extrusions/ specialty products: profit increased (shipment volumes of aluminum cylinders for LBP up) Aluminum cans: profit increased (shipment volume up, seasonal) |
| HQ costs, elimination | -0.6 | -0.5 | 0.1 | |
| Petrochemicals | 7.0 | 10.7 | 3.7 | |

Operating Income (Quarterly)

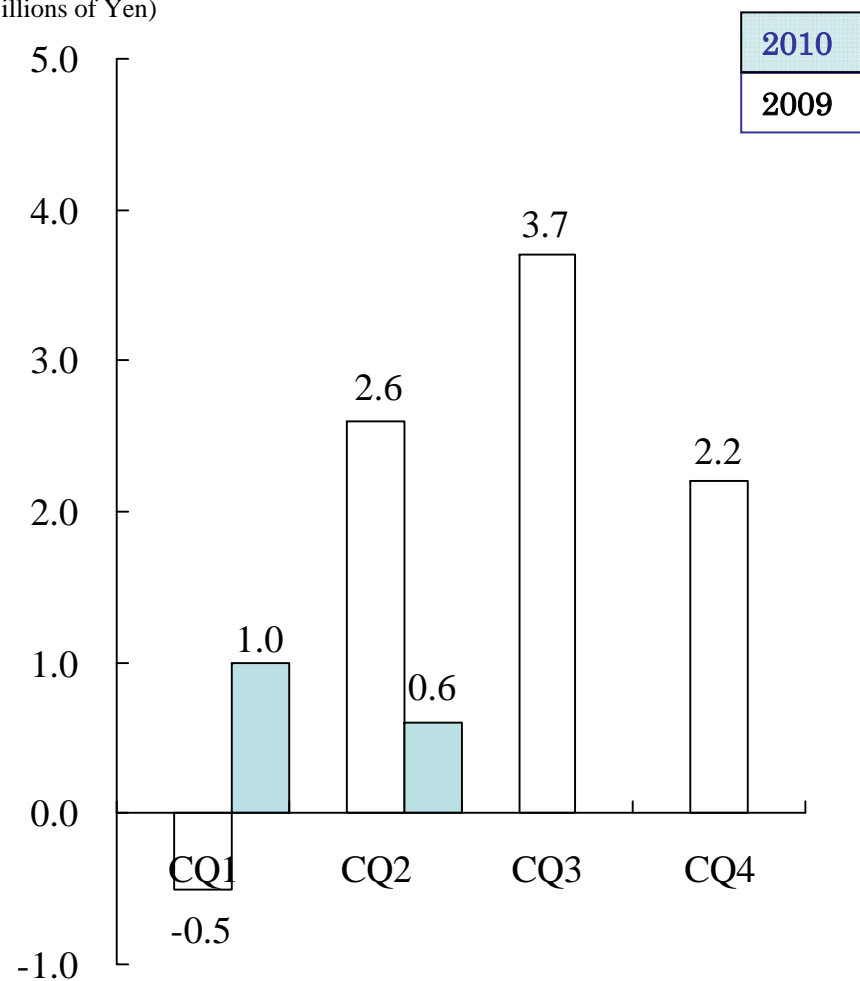
《Corporate》

(Unit: Billions of Yen)



《Petrochemicals》

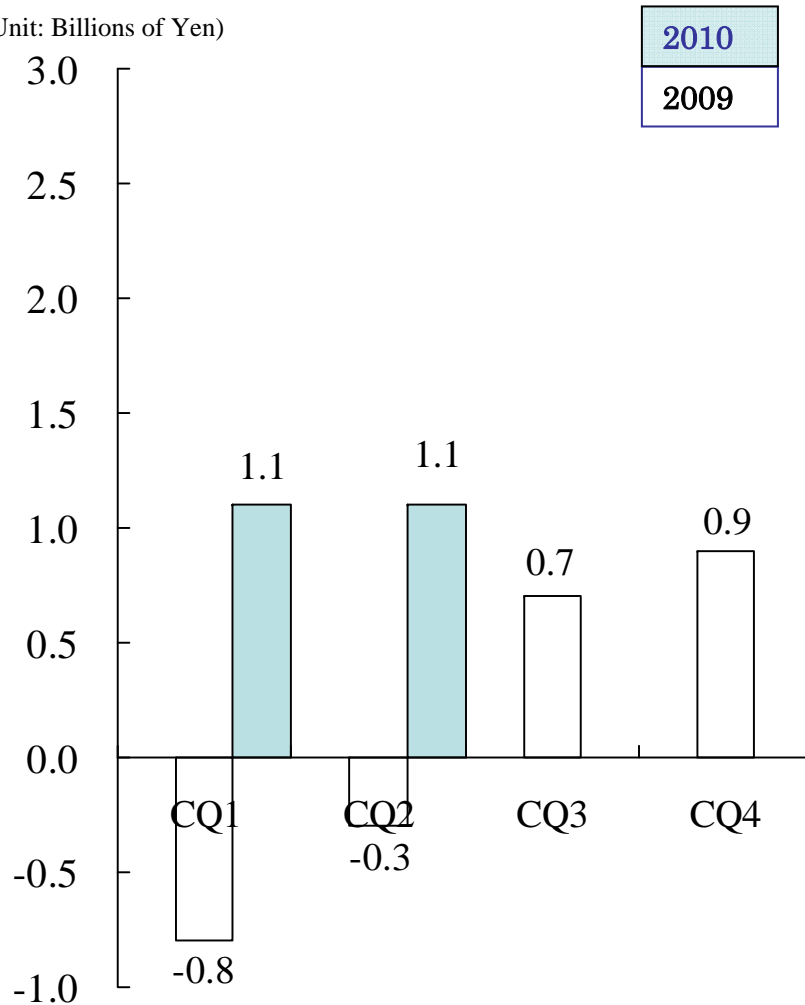
(Unit: Billions of Yen)



Operating Income (Quarterly)

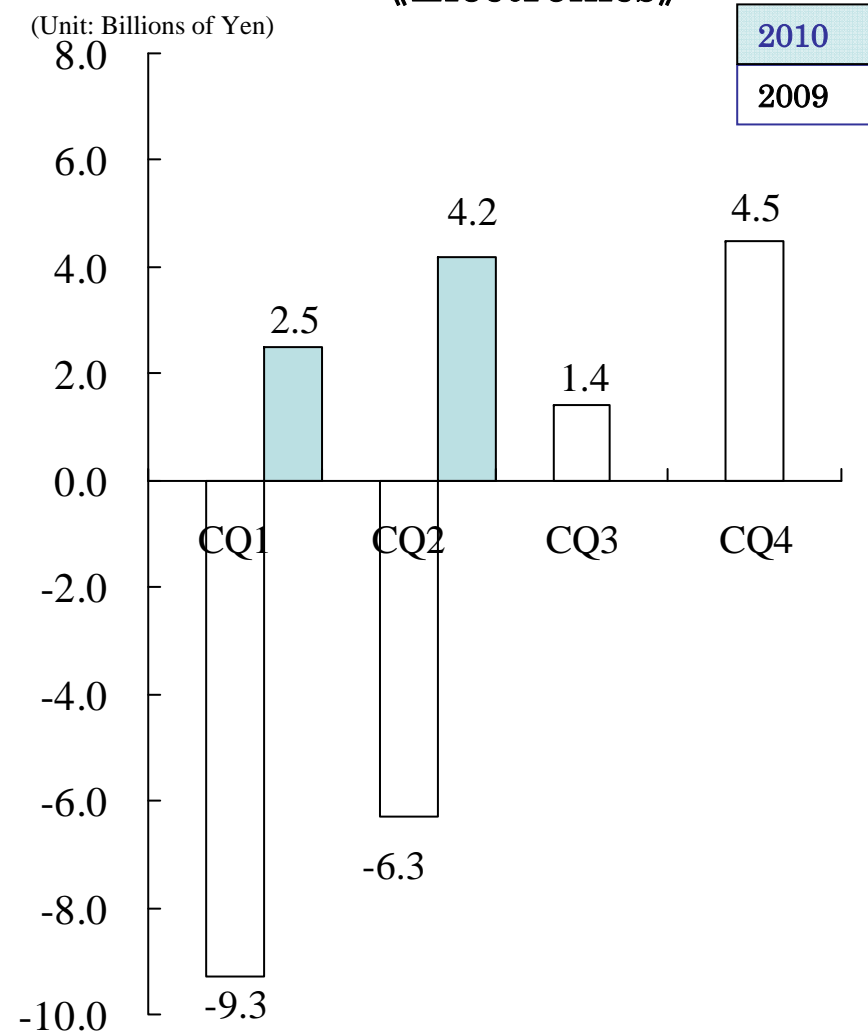
《Chemicals》

(Unit: Billions of Yen)



《Electronics》

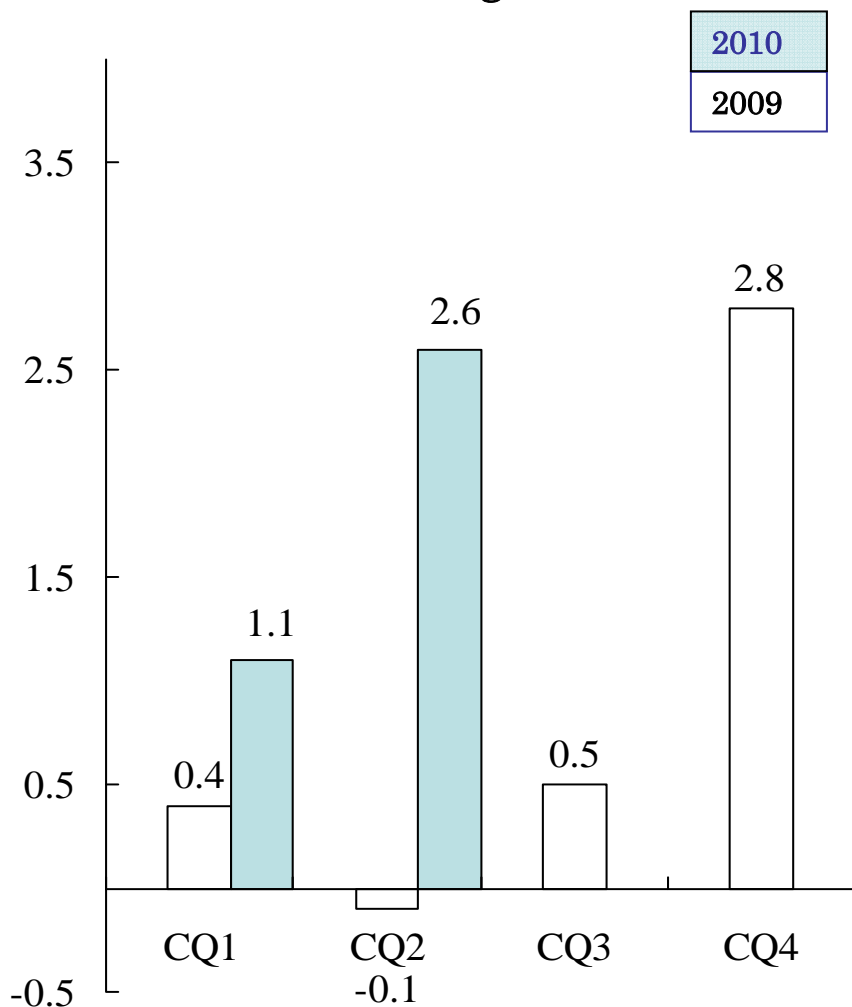
(Unit: Billions of Yen)



Operating Income (Quarterly)

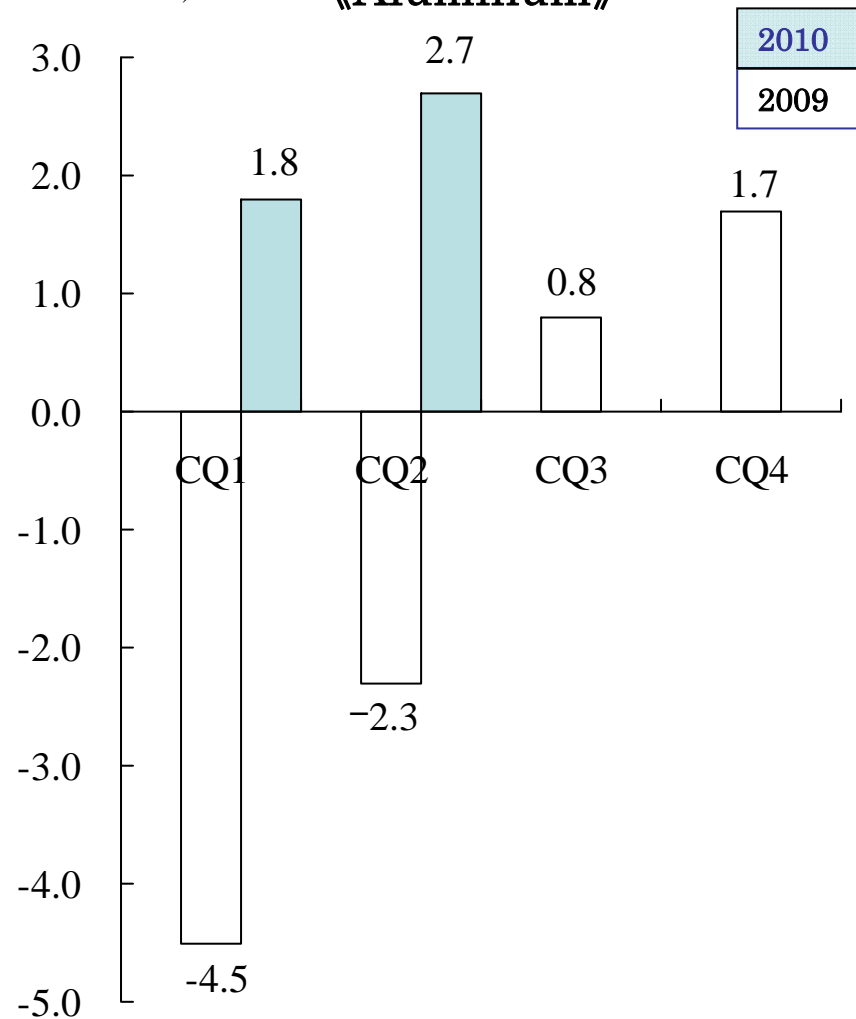
(Unit: Billions of Yen)

《Inorganics》



(Unit: Billions of Yen)

《Aluminum》



■ Petrochemicals

- Introduction of modern cracking furnaces at Oita Complex
 - ◆ SDK renovated its ethylene production facility at Oita Complex, mainly through the replacement of seven cracking furnaces with two modern high-efficiency furnaces (each having the capacity to produce 100,000 tons of ethylene a year). The renovation was conducted during the period of the shutdown maintenance, and the new facilities started up in May 2010. As a result of the renovation, SDK has achieved the highest-level energy efficiency among petrochemical complexes in Japan, while reducing CO₂ emissions by approximately 60,000 tons a year.

- Full-scale production of environment-friendly solvent
 - ◆ In February, SDK started production of n-propyl acetate at its Oita Complex. The product is used as solvent for special gravure printing ink. Demand for n-propyl acetate is expected to increase owing to its lower impact on the environment as well as higher safety, compared with conventional solvents.

- Oita Complex commended for safety performance
 - ◆ SDK's Oita Complex received the 34th "best safety award" from the Japan Chemical Industry Association and the Japan Responsible Care Council. This was in recognition of the Oita Complex's strenuous efforts to ensure safety, as witnessed by its achievement of continuous no-accident operations for 6.68 million hours. The Showa Denko Group will continue to raise employees' awareness of safety and step up relevant activities.

■ Petrochemicals

- Start-up of new distribution base for Ecoann™ ammonia in Tohoku region
 - ◆ SDK's subsidiary Marusho Kogyo Co., Ltd. established a new distribution base at Soma Port in Fukushima Prefecture to increase transport efficiency 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.

- Strengthening the business for exhaust-gas disposal unit pertaining to semiconductor /LCD panel production
 - ◆ To strengthen SDK's business for disposing of perfluorocarbons (PFCs*) used in the production of semiconductors and LCD panels, SDK acquired Hitachi, Ltd.'s relevant business based on the catalysis process. SDK's existing business is based on the decomposition reaction process. As a result of the acquisition, SDK will seek to expand its business in the area of large LCD panels. SDK will also develop a hybrid type exhaust-gas disposal unit by combining the two processes, and start selling the new product in 2011.

Note: The term "PFCs" refers to fluorocarbons that do not contain hydrogen/chlorine atoms as well as sulfur hexafluoride. Together with carbon dioxide, PFCs are classified as greenhouse gases to be reduced under the Kyoto Protocol.

■ Electronics

● Expansion of HD media production capacity

- ◆ SDK will increase its HD media production capacity to meet growing demand. The Showa Denko Group's total HD media production capacity will be increased from 22 million disks a month as of the end of March 2010, to 25 million disks a month by the end of March 2011. Specifically, a new clean room and additional production lines will be installed, step by step, at its subsidiary Showa Denko HD Singapore Pte. Ltd. In addition, SDK will increase production capacities at its HD media production sites in Japan (Chiba and Yamagata) and Taiwan. Total investments will amount to approximately ¥10 billion. Demand for hard disk drives (HDDs), containing HD media, is expected to grow steadily in coming years centering on notebook PC applications.

● Completion of rare earth metal plant in Vietnam

- ◆ SDK's subsidiary Showa Denko Rare-Earth Vietnam Co., Ltd. completed a new rare earth metal plant in Vietnam and started production in May. The plant produces 800 tons a year in total of didymium and dysprosium metals, which are used as raw material for neodymium-based high-performance magnetic alloys. In addition to current applications in electronics, such as HDDs and automotive parts, neodymium-based high-performance magnets are expected to be increasingly used in electric vehicles and energy-saving electric appliances. In its rare earth metal production, Showa Denko Rare-Earth Vietnam will process raw materials and recycle magnets purchased from various sources inside and outside Vietnam. The metals thus produced will be used at SDK's rare earth magnetic alloy plants.

Topics

- 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.

- 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.

■ Aluminum and other

- Start-up of Cooling Device Business Development Dept.
 - ◆ In April, 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.

- Development of new LNG evaporator
 - ◆ SDK's subsidiary Showa Denko Aluminum Trading K.K. launched a new type of evaporator for liquefied natural gas (LNG) through heat exchange with the atmosphere, successfully doubling the continuous operation time. The device is an outdoor heat exchanger that fully utilizes the high thermal conductivity of aluminum. After evaporation, the natural gas is used in power generation and as city gas. Since LNG generates less carbon dioxide at the time of burning compared with oil and coal, consumption of LNG will increase as a measure to prevent global warming. Thus, demand is expected to expand for LNG evaporators that use the heat of the atmosphere.