Showa Denko and its Group companies have been carrying out a three-year, growth-oriented consolidated business plan, the “Sprout Project,” that extends from 2003 through 2005. Under the project, Showa Denko aims to establish itself as a “focused and individualized chemical company” by fully utilizing its technological advantages created through the interconnections of its proprietary inorganic/aluminum and organic chemical technologies. As part of that strategy, we have identified 12 SMUs—market segments in which we can expect to achieve high growth as a result of the said technologies—in the areas of electronics, automotive parts, and personal care/environmental goods. We are allocating our resources preferentially to SMU projects in order to develop individualized, competitive, high-value product lines.

Financial goals achieved one year ahead of schedule
Operating income for 2004 amounted to ¥52.1 billion, thus hitting the income target for 2005 (¥50.0 billion) a year ahead of schedule. The operating income/net sales ratio also improved, from 5.6% in 2003 to 7.0% in 2004, owing to the progress of structural reform and expansion of high-value businesses. Interest-bearing debt was reduced to ¥502.4 billion at the end of 2004, enabling us to achieve the 2005 target (¥520.0 billion) a year ahead of schedule. The debt/equity ratio improved to 2.8 times.

Implementation of growth strategy
We have classified our businesses into three categories: strategic growth businesses, base businesses, and businesses that need restructuring. The roles of respective categories have been clarified and their specific business strategies have been established.

1. Establishment of our “road maps”
We are making progress with the 12 SMUs and have established a road map (growth scenario) for our major SMU projects based on a customer-oriented market approach and development of advanced technologies through a technology platform. We have also established a road map for the HD media business, which is now included in the category of strategic growth businesses following the completion of its structural reform.

(1) HDs: Becoming a world leader
Demand for HDs is expected to grow fast, especially in the area of very small media, one inch or less in diameter, to be installed in small video cameras and mobile phones. The production of very small media requires even higher memory density. We will take full advantage of our thin-film deposition and precision-processing expertise to develop such next-generation technologies as vertical media, discrete media, and patterned media.
As the world’s largest OEM supplier of HD media, we are committed to meeting customer requirements by fully utilizing the capacities at our three production sites (Japan, Taiwan, and Singapore) based on our most advanced technologies.
(2) Solid conductive polymer aluminum surface-mount capacitors: Expanding sales by establishing stable production technology
We are set to increase the sales of these capacitors having high capacitance, high voltage, and low-height characteristics to meet the growing demand for applications in mobile phones, digital home appliances, and automotive devices.
(3) C₄F₆: A high-performance etching gas for IC processing at line widths of 90nm or less
We have become the world’s first commercial producer of C₄F₆.
(4) VGCF: Developing composites
VGCF is increasingly used in lithium-ion batteries to increase their performances. In addition, we have developed VGCF-S, a new grade for use in resin composites.

2. Sprouts
The following are some of the new products we have developed through the SMU approach:
(1) Blue LEDs based on GaN: Developed a proprietary technology, realizing the highest level of brightness on the market
(2) Autoprep @ Series: Developed a new sample-preparation cartridge for highly efficient analyses of trace amounts of chemical substances
(3) Organic electroluminescent materials: Developed an innovative phosphorescent polymer boasting the world’s longest durability of 10,000 hours

Improved earning power through structural reform
We have carried out the following structural reforms to strengthen the competitiveness and cash-earning power of our base businesses:

1. Petrochemicals: Achieved a “simple and compact” structure, becoming a stable source of profit and cash flow
(1) Competitive ethylene plant
Our ethylene plant has become one of the most cost-competitive ethylene production facilities in Japan through optimization of production setup, drastic cost reductions, and higher diversification of feedstock.
(2) Shift to a business structure resistant to fluctuations in naphtha prices

The shift has been achieved as a result of the completion of alliances in our polyolefins operations.

(3) Acetyl chain products take leading positions

Our competitive acetyl chain products, including ethyl acetate, command leading positions in world markets. In addition, we are making steady progress toward meeting the requirements of the growing Chinese market.

2. Chemicals: Striving to improve profitability

(1) Base businesses

We integrated the oxygen/nitrogen/hydrogen businesses with those of the Tokyo Gas Group and strengthened the competitive position of the ammonia business by increasing the utilization rate of the waste plastic gasification plant.

(2) Growth businesses

We have been accelerating the growth of such businesses as cosmetic raw materials (stabilized vitamins, UV shields, etc.), Shodex (high-speed liquid chromatography columns), semiconductor processing materials (photore sist, etc.), and fluorescent nanoparticles.

3. Aluminum: Restructuring to be completed in 2005 through drastic cost reductions and expansion of high-value products operations

(1) Automotive heat exchangers

Resuming growth through the development of next-generation products, establishment of a joint venture in China, and drastic cost reductions

(2) Rolled products/extrusions

Restructuring to be completed through the shift to high-value products, establishment of optimum production setup, reorganization of marketing/distribution channels, and drastic cost reductions

(3) Fabrications business

Striving to expand high-value products operations, including Shotic forgings, aluminum cylinders for laser printers, high-purity foils for capacitors, lithium-ion battery packages, and aluminum cans

(4) Organizational changes

We consolidated the head office/marketing functions at Oyama. The integration of production and marketing has increased the speed of decision-making processes. In addition, we established the Aluminum Technology Center to realize the integrated control of core technologies common to the Aluminum sector.