



We aim to establish ourselves as an "individualized chemical company" by fully utilizing technical advantages.

First Quarter, 2005 Financial Results - Consolidated -

SHOWA DENKO K.K.

May 12, 2005

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: 45

■ Newly consolidated: none

■ Excluded from the consolidation: 2

- Shotic America Corporation*

*Absorbed into Showa Aluminum Corporation of America

- SDS Biotech K.K.** **SDK sold all of its shares via an MBO scheme.

■ Equity method applied: 25

■ Newly consolidated: none

■ Excluded from the consolidation: 1

- Middelburg Technochrome*** *** SDK sold all of its shares.

Major Selected Data

| | CQ1 2005 | CQ1 2004 | Increase |
|--------------------------------|-------------|-------------|------------------------|
| ■ Exchange rate: ¥/US\$ | 104.5 | 107.3 | Yen rose by ¥2.8/\$ |
| ■ Domestic naphtha price: ¥/kl | 33,200 | 27,600 | +5,600 |
| ■ Aluminum LME price: US\$/T | 1,887 | 1,668 | +219 |

Summary

Jan. 1 – Mar. 31, 2005 VS Jan.1 – Mar. 31, 2004

(Unit: Billions of Yen)

| | CQ1, 2005 | CQ1, 2004 | Increase | |
|---|-----------|-----------|------------|--------|
| Net Sales | 190.2 | 168.4 | 21.9 | 13.0% |
| Operating Income | 12.5 | 10.1 | 2.4 | 23.2% |
| [Ratio to net sales] | 6.6% | 6.0% | +0.6 point | |
| Interest/Dividend income less interest expenses | -2.2 | -2.4 | 0.2 | |
| Equity Method | 0.9 | 0.4 | 0.5 | |
| Ordinary Income | 10.4 | 7.2 | 3.2 | 43.7% |
| Extraordinary Profit | 3.8 | 1.9 | 1.9 | |
| Extraordinary Loss | -0.4 | -0.7 | 0.3 | |
| Net Income before taxes | 13.8 | 8.5 | 5.3 | |
| Corporate Taxes | -0.1 | -3.6 | 3.5 | |
| Minority Interests | -0.5 | -0.3 | -0.2 | |
| Net Income | 13.1 | 4.5 | 8.6 | 189.3% |

Extraordinary Profit/Loss

(Unit: Billions of Yen)

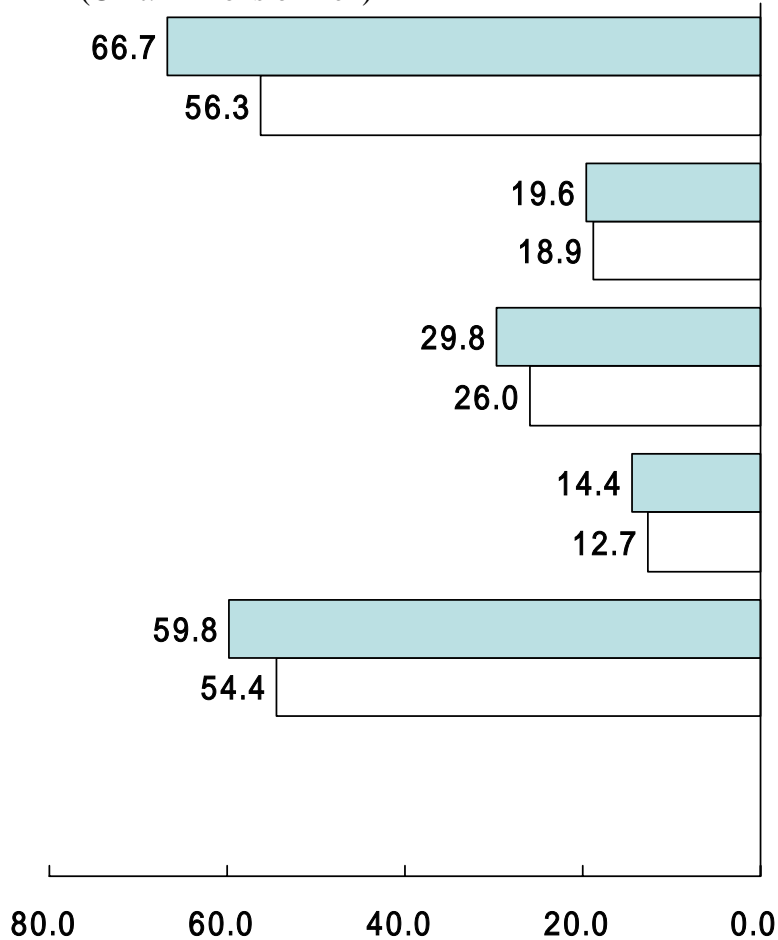
| | CQ1 2005 | CQ1 2004 | Increase |
|---|-------------|-------------|----------|
| ■ Extraordinary Profit | 3.8 | 1.9 | 1.9 |
| ● Gain on the sale of investment securities | 2.9 | 1.9 | 1.0 |
| ■ Extraordinary Loss | 0.4 | 0.7 | 0.3 |
| ■ Extraordinary Profit/Loss, Net | 3.4 | 1.2 | 2.2 |

Sales and Operating Income by Segment

Net Sales

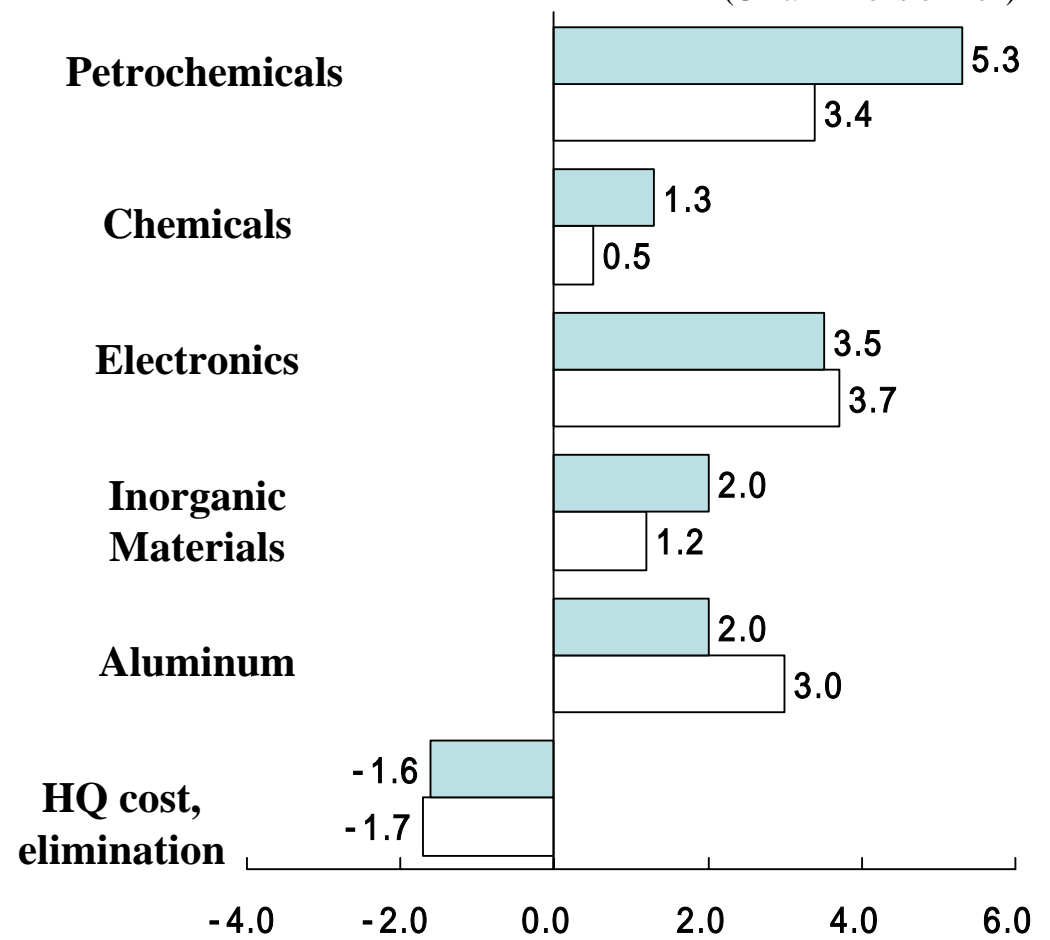
CQ1, 2005
CQ1, 2004

(Unit: Billions of Yen)



Operating Income

(Unit: Billions of Yen)



Consolidated Sales by Segment

(Unit: Billions of Yen)

| | CQ1 2005 | CQ1 2004 | Increase | Increase by Business |
|---------------------|-------------|-------------|----------|---|
| Petrochemicals | 66.7 | 56.3 | +10.4 | Olefins (Price increased), Organic Chemicals (Price increased, and new ethyl acetate plant started operating.) |
| Chemicals | 19.6 | 18.9 | +0.6 | Gas & Chemicals (AN and Ammonia sales increased, and transfer of industrial gas businesses to TG Showa K.K.), Specialty Chemicals (CR rubber sales increased) |
| Electronics | 29.8 | 26.0 | +3.8 | HDs (Trace newly consolidated.), Compound semiconductors (Sales volume decreased.), Electronics materials (Specialty Gases sales slightly decreased) |
| Inorganic Materials | 14.4 | 12.7 | +1.7 | Ceramics (Alumina sales volume increased and price up), Carbons and Metals (Domestic and overseas graphite electrode in tight supply) |
| Aluminum | 59.8 | 54.4 | +5.4 | Ingots (Price increased), Extrusion, Shotic (Sales volume increased), Heat Exchangers (Sales volume decreased in Japan and Czech) |
| Total | 190.2 | 168.4 | +21.9 | |

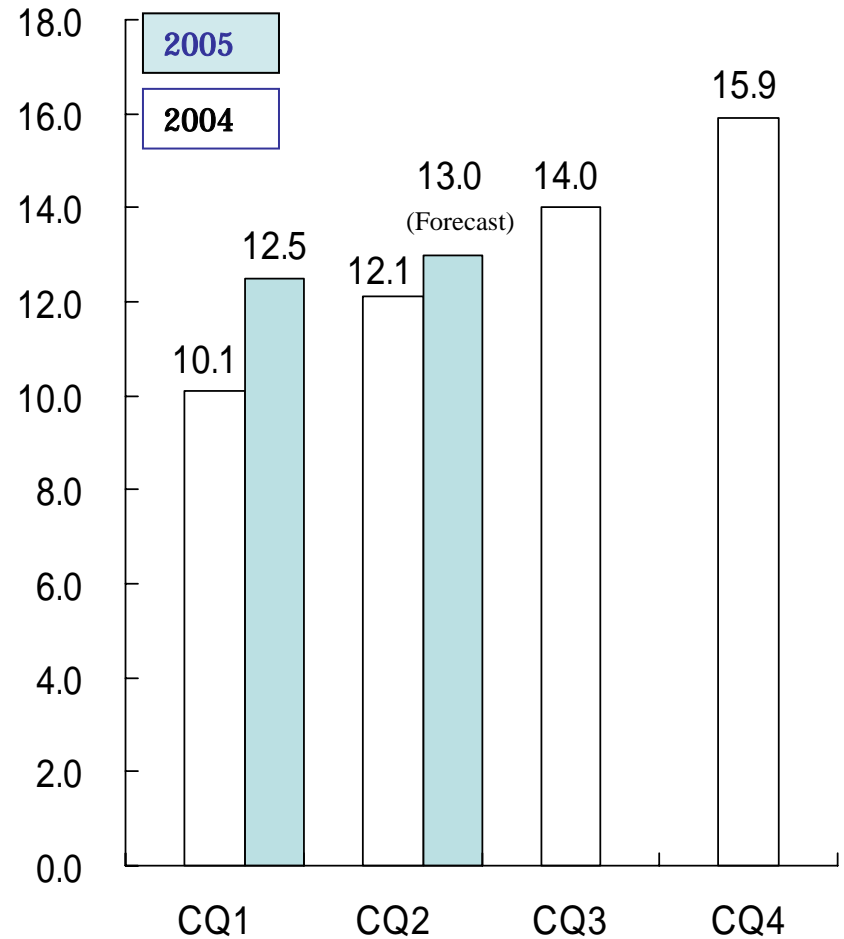
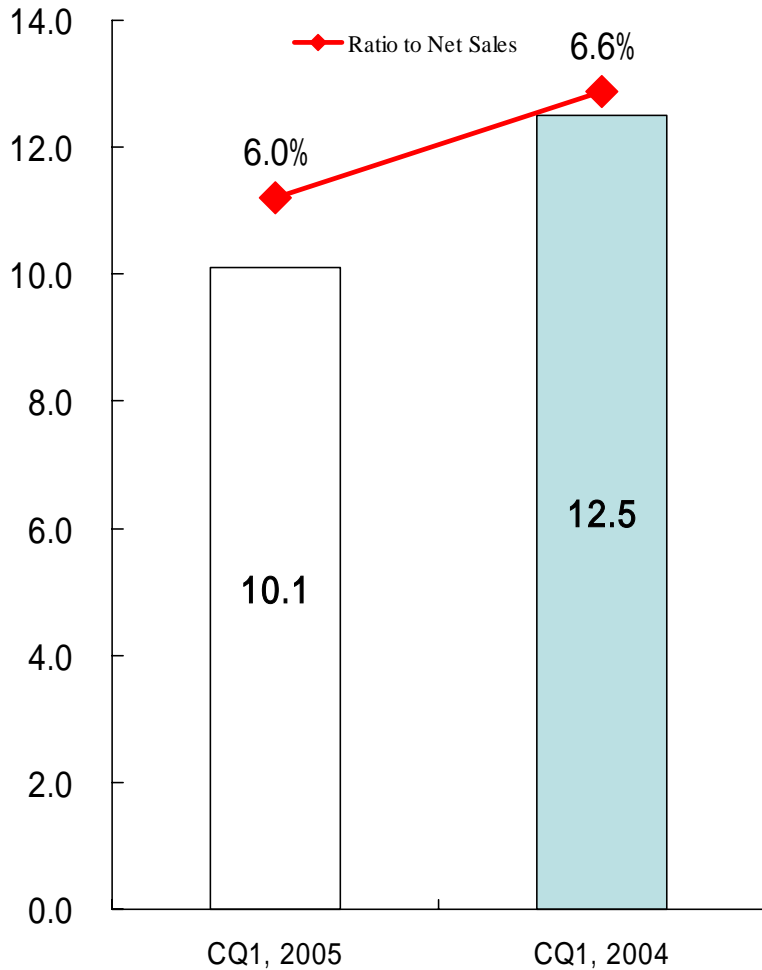
Consolidated Operating Income by Segment

(Unit: Billions of Yen)

| | CQ1 2005 | CQ1 2004 | Increase | Increase by business |
|-----------------------|---------------------|---------------------|-------------|---|
| Petrochemicals | 5.3 | 3.4 | +1.8 | Olefins: Spread improved due to advancing market, and ethylene plant operated at full capacity. Organic Chemicals: Selling price increased, and Ethyl acetate sales volume increased. |
| Chemicals | 1.3 | 0.5 | +0.9 | Gas & Chemicals: No long shutdown maintenance of the ammonia plant, AN and ammonia volume increased, and Industrial gases transferred. Specialty Chemicals: Volume of Vitamin C for feed additive decreased, and SDS Biotech's agrochemical products volume increased. |
| Electronics | 3.5 | 3.7 | -0.2 | HD: Consolidation of Trace and capacity expansion Compound semiconductor: Sales volume decreased. |
| Inorganic Materials | 2.0 | 1.2 | +0.8 | Ceramics: Alumina supply-demand balance improved. Carbons & Metals: Graphite electrode supply-demand balance improved. |
| Aluminum | 2.0 | 3.0 | -1.0 | Shotic, Extrusion and specialty products: Operating income rose Sheets, Heat Exchangers, and Aluminum cans: : Operating income dropped. |
| HQ costs, elimination | -1.6 | -1.7 | +0.1 | |
| Total | 12.5 | 10.1 | +2.4 | |

Operating Income, Quarterly

(Unit: Billions of Yen)



Consolidated Balance Sheet

(Unit: Billions of Yen)

| Assets | Mar. 31, 2005 | Dec. 31, 2004 | Increase | Liabilities and Stockholders' Equity | Mar. 31, 2005 | Dec. 31, 2004 | Increase |
|---------------------------|------------------|------------------|-------------|--|------------------|------------------|--------------|
| Cash and deposits | 32.4 | 29.6 | 2.8 | Accounts payable | 113.3 | 120.5 | -7.2 |
| Accounts receivable | 137.4 | 150.3 | -12.9 | Interest-bearing debt | 491.1 | 502.4 | -11.3 |
| Inventories | 70.7 | 68.7 | 1.9 | Other liabilities | 99.6 | 98.2 | 1.4 |
| Other current assets | 42.2 | 39.3 | 2.9 | <u>Total Liabilities</u> | <u>704.0</u> | <u>721.1</u> | <u>-17.1</u> |
| <u>Current Assets</u> | <u>282.6</u> | <u>287.9</u> | <u>-5.3</u> | Minority Interest | 45.8 | 45.1 | 0.7 |
| Tangible fixed assets | 518.1 | 518.4 | -0.3 | Common stock | 110.5 | 110.5 | - |
| Intangible fixed assets | 25.4 | 26.0 | -0.5 | Additional paid -in capital | 11.1 | 11.1 | 0 |
| Investments and other | 113.6 | 111.7 | 1.9 | Retained earnings | 28.0 | 18.3 | 9.7 |
| <u>Total fixed assets</u> | <u>657.0</u> | <u>656.0</u> | <u>1.0</u> | Revaluation surplus -Land | 33.3 | 33.3 | - |
| | | | | Evaluation surplus -Investment securities | 9.2 | 7.8 | 1.4 |
| | | | | Foreign currency translation adjustment | -2.1 | -3.2 | 1.1 |
| | | | | Treasury stock | -0.1 | -0.1 | 0 |
| | | | | <u>Total stockholder's equity</u> | <u>189.8</u> | <u>177.7</u> | <u>12.1</u> |
| Total Assets | 939.7 | 943.9 | -4.2 | Total liabilities, minority interest and Stockholders' equity | 939.7 | 943.9 | -4.2 |

Total Assets

Interest-bearing Debt and D/E ratio

- **Total assets** **¥939.7 billion**
(Down ¥4.2 billion from Dec. 31, 2004)
- **Interest-bearing debt** **¥491.1 billion**
(Down ¥11.3 billion from Dec.31, 2004)
- **Debt/Equity ratio** **2.59 times**
(Up 0.24 point from Dec. 31, 2004)
- **Stockholders' Equity ratio** **20.2%**
(Up 1.4 point from Dec. 31, 2004)

Forecast for the 1st half 2005

- Revised on May 12, 2005 -

(Unit: Billions of Yen)

| | Revised forecast | Earlier forecast (Announced on Mar. 15, '05) | Increase |
|----------------------|-------------------------|---|---------------|
| Net Sales | 388.0 | 380.0 | 8.0 +2.1% |
| Operating Income | 25.5 | 22.5 | 3.0 +13.3% |
| [Ratio to net sales] | 6.6% | 5.9% | +0.7 point |
| Ordinary Income | 20.0 | 16.5 | 3.5 +21.2% |
| Net Income | 16.5 | 13.0 | 3.5 +26.9% |

Net Sales and Operating Income Forecast for the 1st half, 2005

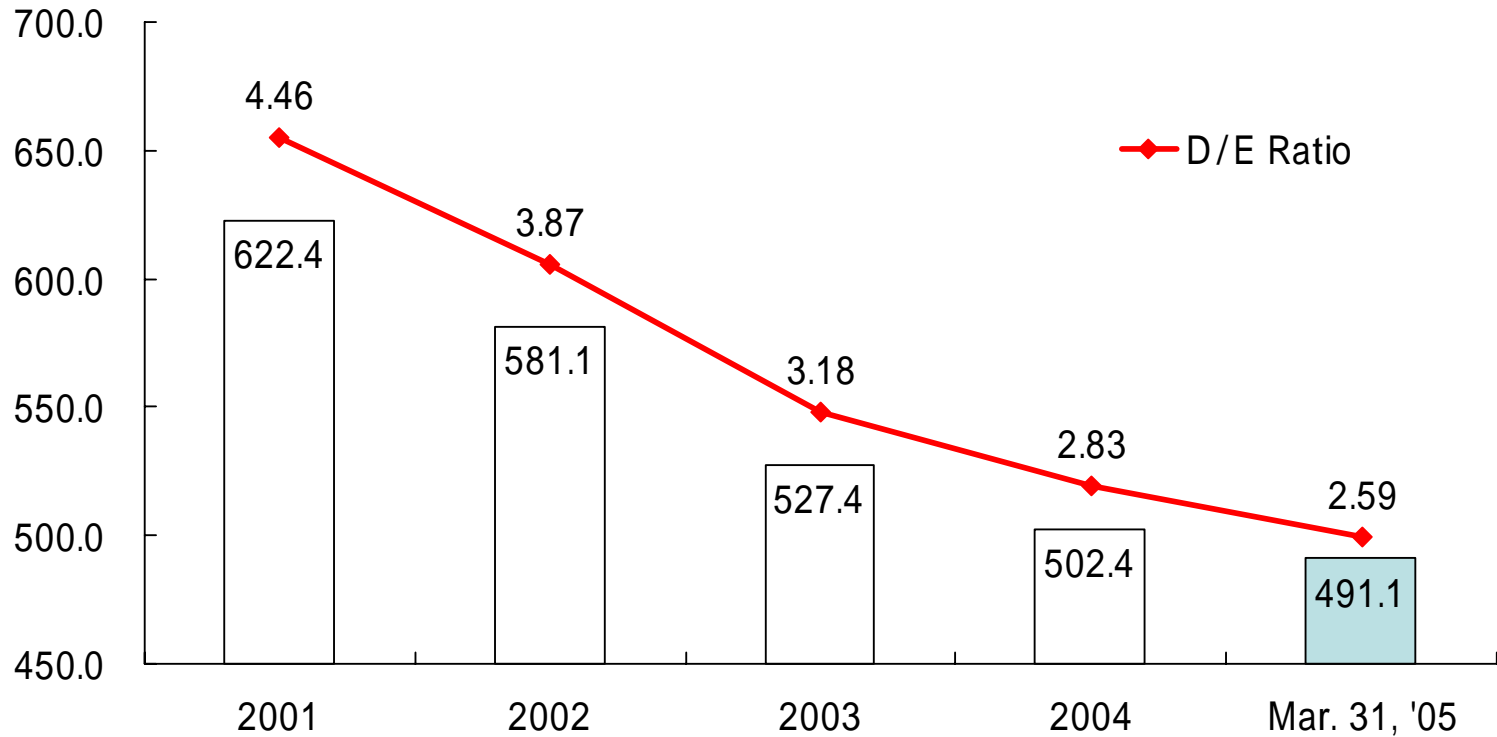
(Unit: Billions of Yen)

| | 1 st half, 2005 | | 1 st half, 2004 | | Increase | |
|--------------------------|----------------------------|------|----------------------------|------|----------|------|
| | Sales | O.I. | Sales | O.I. | Sales | O.I. |
| Petrochemicals | 140.0 | 9.8 | 117.3 | 7.6 | 22.7 | 2.2 |
| Chemicals | 37.0 | 2.2 | 38.6 | 1.7 | -1.6 | 0.5 |
| Electronics | 66.0 | 7.7 | 51.4 | 6.9 | 14.6 | 0.8 |
| Inorganic Materials | 29.0 | 4.0 | 26.7 | 2.8 | 2.3 | 1.2 |
| Aluminum | 116.0 | 5.0 | 114.4 | 6.3 | 1.6 | -1.3 |
| HQ costs, elimination | | -3.2 | | -3.0 | | -0.2 |
| Total | 388.0 | 25.5 | 348.3 | 22.2 | 39.7 | 3.3 |

Interest-bearing Debt

2001 – Mar. 31, 2005

(Unit: Billions of Yen)



| | | | | | |
|--------------|-------|-------|-------|-------|-------|
| Equity ratio | 13.5% | 15.2% | 17.7% | 18.8% | 20.2% |
|--------------|-------|-------|-------|-------|-------|

Expanding the HD Media Production Capacity

■ Production Capacity

- 10.7 million disks/month  13.75 million disks/month
Production capacity will be increased by 3.05 million disks a month.

■ Capital Expenditures

- ¥12.0 billion

■ Schedule of completion

- By March, 2006

■ Target Market

- Focus on 1.89-inch-diameter, glass based HD media
Growing demand for 1.89 inch HD media for use in mobile music players.

■ The new production lines

- SDK will expand the mass-production facility for the world's smallest 0.85-inch diameter HD media.
- The new production lines will be able to use the perpendicular magnetic recording technology.

Topics by Segment

■ Chemicals

- **Sold all shares in SDS Biotech via MBO scheme**

SDK transferred all of its shares in SDS Biotech K.K. (SDS), a wholly owned agrochemical business subsidiary, to current board members of SDS and Mizuho Capital Partners Co., Ltd. through a management buyout (MBO) scheme on March 31, 2005.

■ Inorganic Materials

- **Dissolved JV in Low-Carbon Ferrochrome Business**

SDK sold its shares in Middelburg Technochrome (Pty) Ltd. (MTC), a joint venture for the production of low-carbon ferrochrome, to the joint venture partner Samancor Limited of South Africa. With this, SDK is completely withdrawing from the ferroalloy business.

- **Developed Molded Carbon/Resin Separator for Fuel Cell**

SDK has developed a high-performance molded carbon/resin separator for polymer electrolyte fuel cell (PEFC) to be used as a power source for homes, cars and mobile devices.

Topics by Segment

■ Aluminum

● **Sold Shares in Nippon Amazon Aluminium**

SDK completed the transfer of its shares in Nippon Amazon Aluminium Co., Ltd. (NAAC) to Mitsui & Co., Ltd. on January 20th.

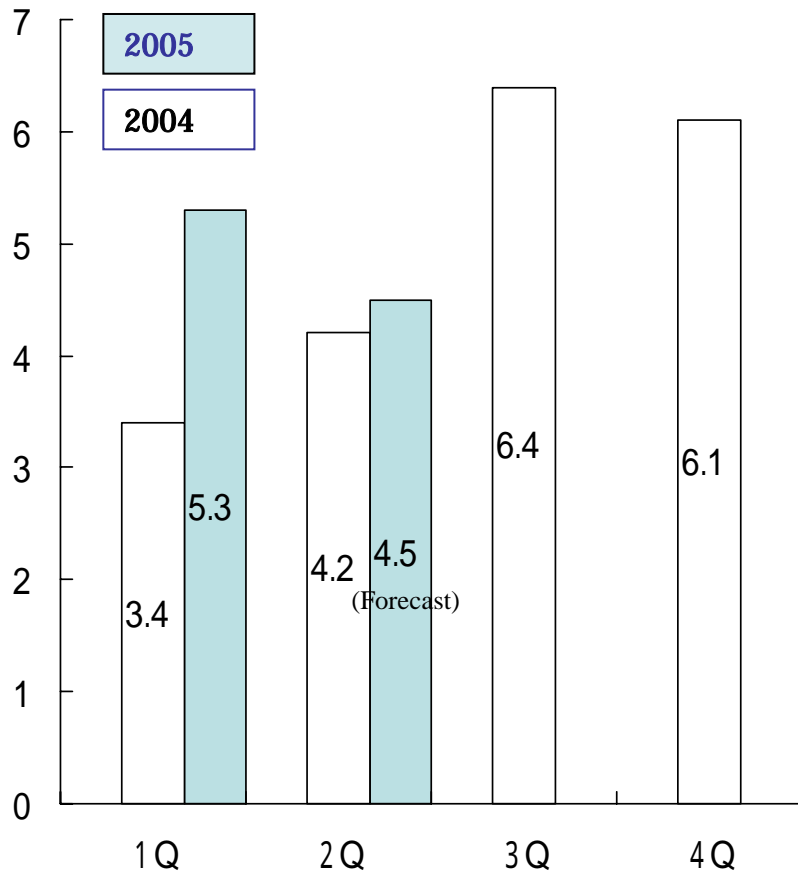
● **SDK to Dissolve Showa Alumi Viewtech Co., Ltd.**

SDK decided to dissolve its aluminum extrusions manufacturing subsidiary Showa Alumi Viewtech by the end of this year.

Reference: Operating Income by Segment (Quarterly)

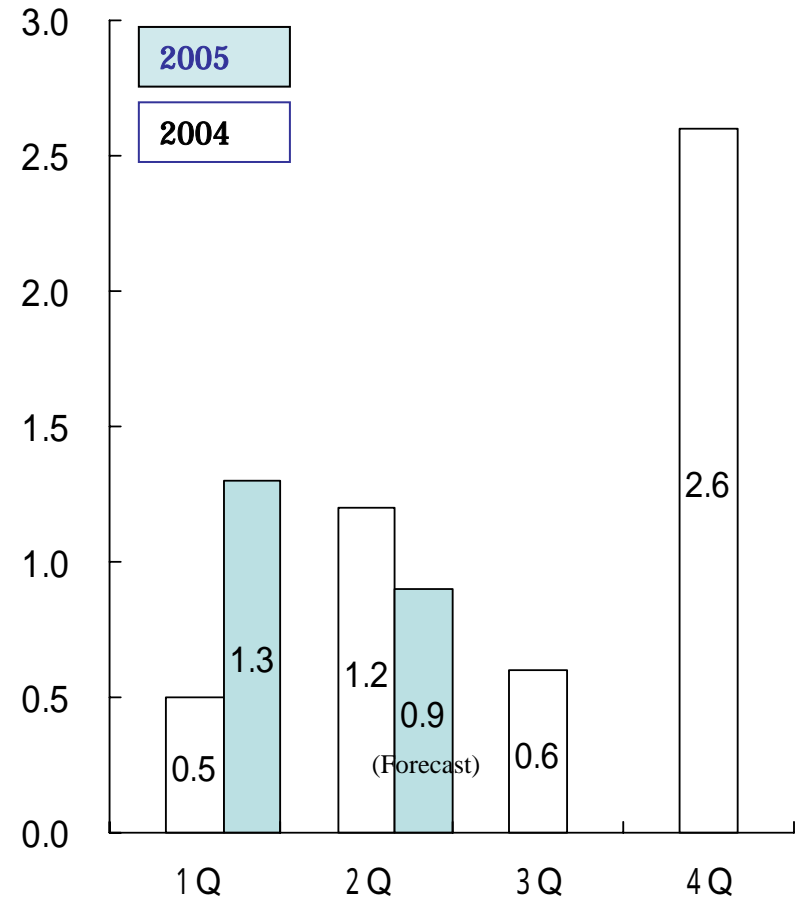
(Unit: Billions of Yen)

《Petrochemicals》



(Unit: Billions of Yen)

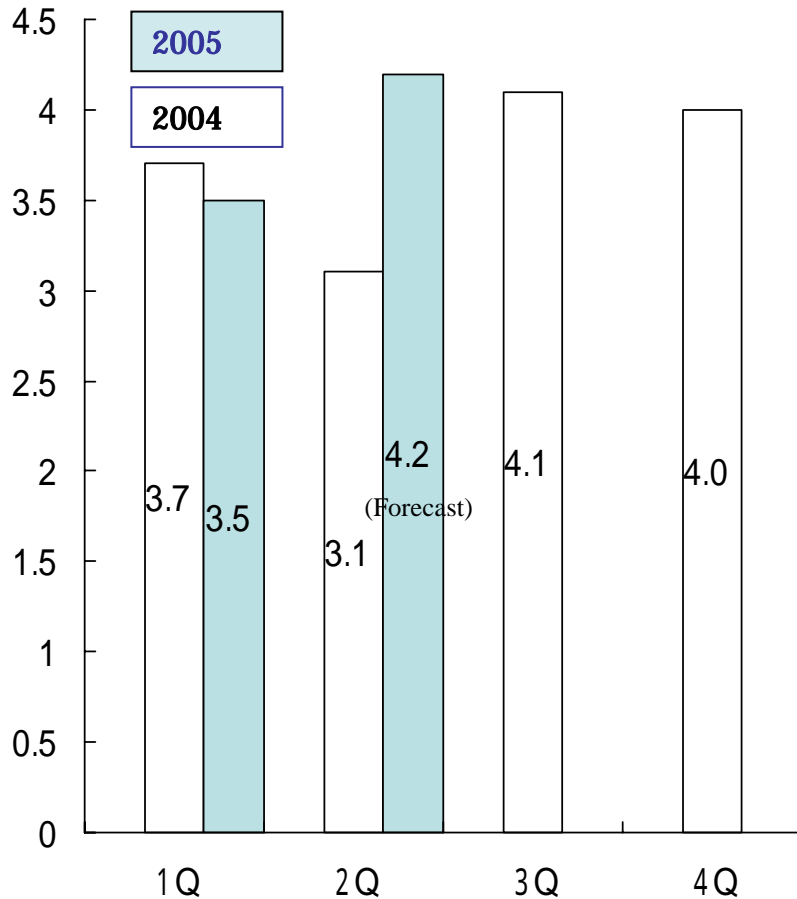
《Chemicals》



Reference: Operating Income by Segment (Quarterly)

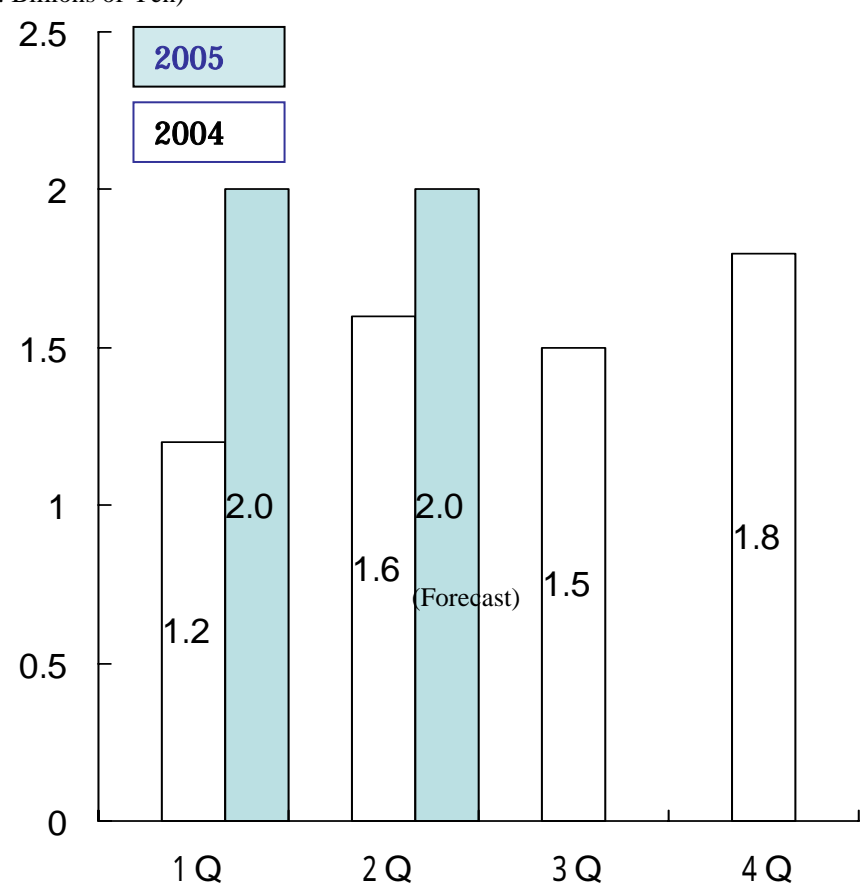
《Electronics》

(Unit: Billions of Yen)



《Inorganic Materials》

(Unit: Billions of Yen)



Reference: Operating Income by Segment (Quarterly)

