

Evolving unique chemical company

First Quarter, 2012 Financial Results

- Consolidated -

SHOWA DENKO K.K.

April 27, 2012

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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: 38
 - Excluded: 4 Thermal Technology Corporation of America
 - Showa Aluminum (Thailand) Co., Ltd.
 - Showa Aluminium Czech S.R.O.
 - Grand Ocean-Showa Auto Air Conditioning (Dalian) Co., Ltd.
- Equity method applied: 18
 - Newly applied, Excluded: none

Selected Data

(Average figure)

	Jan.- Mar. 2011	Jan.- Mar. 2012	Increase
■ Exchange rate:¥/US\$	82.3	79.3	Yen strengthened by ¥3.0/\$
■ Domestic naphtha price: ¥/kl	52,500	54,000	1,500
■ Aluminum LME price: US\$/T	2,524	2,215	-309

Exchange rate at December 31, 2011 ¥77.7/US\$, at March 31, 2012 ¥82.2/US\$

⇒ Yen depreciated by ¥4.5/US\$

Summary

(Unit: Billions of Yen)

	CQ1, 2011	CQ1, 2012	Increase
Net Sales	193.0	181.4	-11.7
Operating Income	9.4	9.5	0.2
Non-operating income and expense	-1.4	-1.2	0.2
Interest/Dividend income and expense	-1.1	-0.9	0.2
Equity Method	0.5	0.5	0.0
Foreign exchange gain	0.1	-0.0	-0.1
Other	-0.8	-0.7	0.1
Ordinary Income	7.9	8.3	0.4
Extraordinary Profit	0.5	0.3	-0.1
Extraordinary Loss	-4.3	-1.6	2.6
Income before income taxes and minority interests	4.1	7.0	2.9
Income taxes	-0.8	-1.3	-0.4
Income before minority interests	3.3	5.8	2.5
Minority Interests in income	-0.7	-0.4	0.2
Net Income	2.6	5.3	2.8

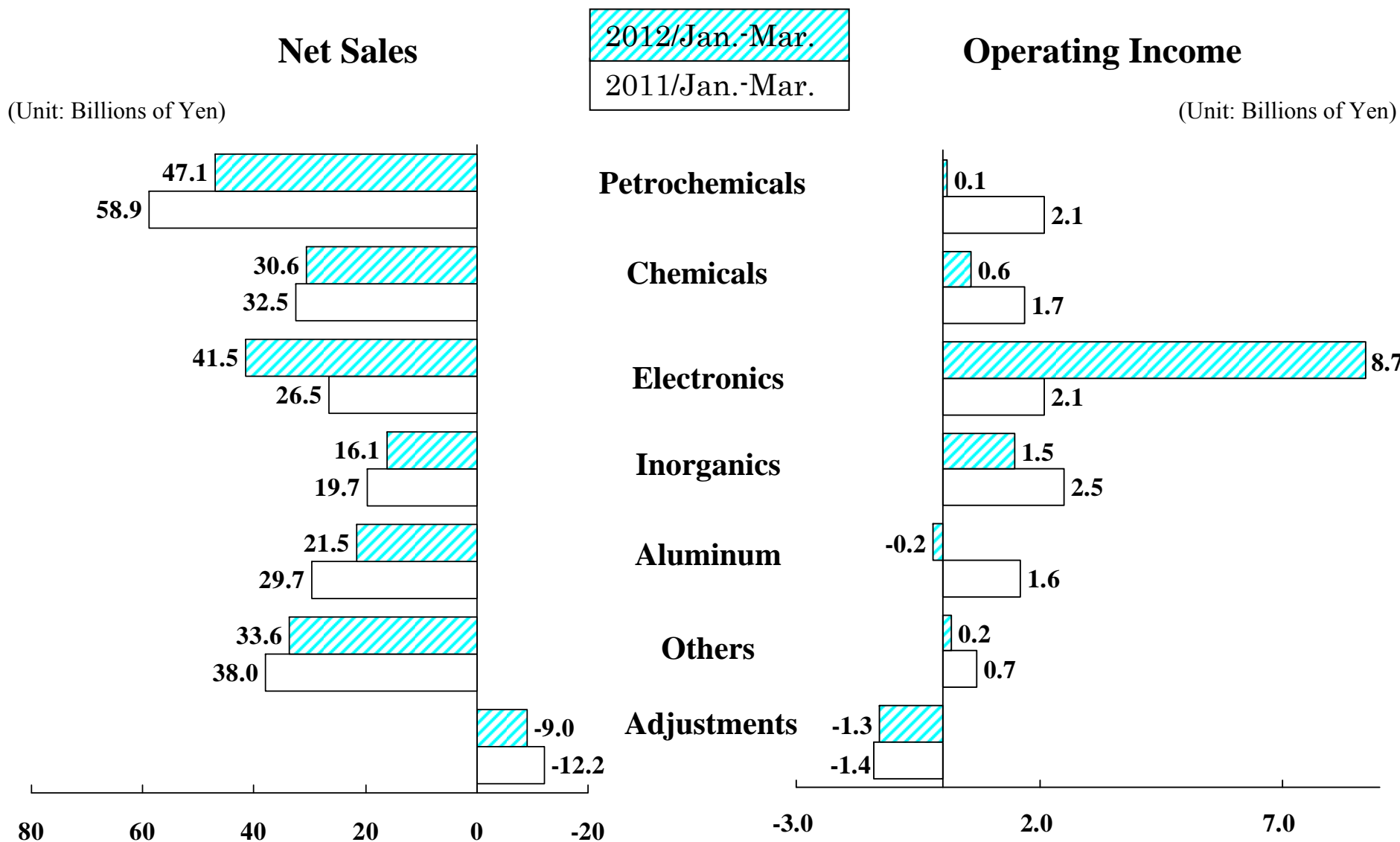
Extraordinary Profit/Loss

(Unit: Billions of Yen)

	CQ1, 2011	CQ1, 2012	Increase
■ Extraordinary Profit	0.5	0.3	-0.1
● Gain on transfer of business	0.1	0.1	0.0
● Other	0.4	0.2	-0.2
■ Extraordinary Loss	-4.3	-1.6	2.6
● Loss on fixed assets sold or retired	-0.4	-0.3	0.0
● Loss on impairment of fixed assets	-0.1	-0.4	-0.3
● Loss on the Great East Japan Earthquake	-2.6	-	2.6
● Other	-1.2	-0.9	0.3
■ Extraordinary Profit/Loss, Net	-3.8	-1.3	2.5



Sales and Operating Income by Segment



Consolidated Sales by Segment

(Unit: Billions of Yen)

	CQ1, 2011	CQ1, 2012	Increase	
Petrochemicals	58.9	47.1	-11.8	Olefins: sales decreased (shipment volumes down due to the relaxation of supply and demand conditions, problem with equipment) Organic chemicals: sales decreased (shipment volume of vinyl acetate and ethyl acetate down)
Chemicals	32.5	30.6	-1.8	Functional polymers: sales slightly decreased (shipment volumes down) Industrial gases: sales decreased (shipment volumes of hydrogen and nitrogen down) Basic chemicals: sales decreased (sales of AN down, sales of caustic soda and ammonia up, sales of chloroprene rubber maintained at the CQ1, 2011 level) Electronic chemicals: sales maintained at the CQ1, 2011 level
Electronics	26.5	41.5	15.0	HDs: sales increased (shipment volumes up by the contribution of capacity expansion) Compound semiconductors: sales maintained at the CQ1, 2011 level Rare earth: sales increased (price up)
Inorganics	19.7	16.1	-3.6	Ceramics: sales decreased (shipment volumes for electronic applications down) Graphite electrodes: sales maintained at the CQ1, 2011 level (sales in the U.S. up, sales in Japan down due to yen appreciation)
Aluminum	29.7	21.5	-8.3	High-purity foils for capacitors: sales decreased (shipment volumes down) Extrusions/specialty products, aluminum cans: sales maintained at the CQ1, 2011 level Heat exchangers: sales decreased (heat exchangers for automotive air conditioners business was transferred) Shotoc: sales increased (shipment volumes up)
Others	38.0	33.6	-4.4	LiB materials: sales decreased (shipment volumes down) SHOKO Co.,Ltd. :sales decreased (sales of metals down)
Adjustments	-12.2	-9.0	3.2	
Total	193.0	181.4	-11.7	

Consolidated Operating Income by Segment

(Unit: Billions of Yen)

	CQ1, 2011	CQ1, 2012	Increase	
Petrochemicals	2.1	0.1	-2.0	Olefins: profit decreased (shipment volumes down) Organic chemicals: profit decreased (shipment volume of vinyl acetate and ethyl acetate down)
Chemicals	1.7	0.6	-1.2	Functional polymers: profit maintained at the CQ1, 2011 level Industrial gases: profit slightly decreased (shipment volumes down) Basic chemicals: profit decreased (shipment volumes of AN down, cost of chloroprene rubber up) Electronic chemicals: profit decreased (cost up)
Electronics	2.1	8.7	6.6	HDS: profit increased (shipment volumes up by the contribution of capacity expansion) Compound semiconductors: profit increased (cost reduction) Rare earth: profit increased (price up)
Inorganics	2.5	1.5	-1.0	Ceramics: profit decreased (shipment volumes for electronic applications down) Graphite electrodes: profit slightly decreased (profit in the U.S. up, profit in Japan down due to yen appreciation)
Aluminum	1.6	-0.2	-1.9	High-purity foils for capacitors: profit decreased (shipment volumes down) Extrusions/specialty products: profit slightly decreased Heat exchangers: profit decreased (heat exchangers for automotive air conditioners business was transferred) Shotoc: profit slightly increased Aluminum cans: profit maintained at the CQ1, 2011 level
Others	0.7	0.2	-0.6	LiB materials: profit decreased (shipment volumes down) SHOKO Co.,Ltd.: profit decreased (profit of metals down)
Adjustments	-1.4	-1.3	0.1	
Total	9.4	9.5	0.2	



Consolidated Balance Sheet

(Unit: Billions of Yen)

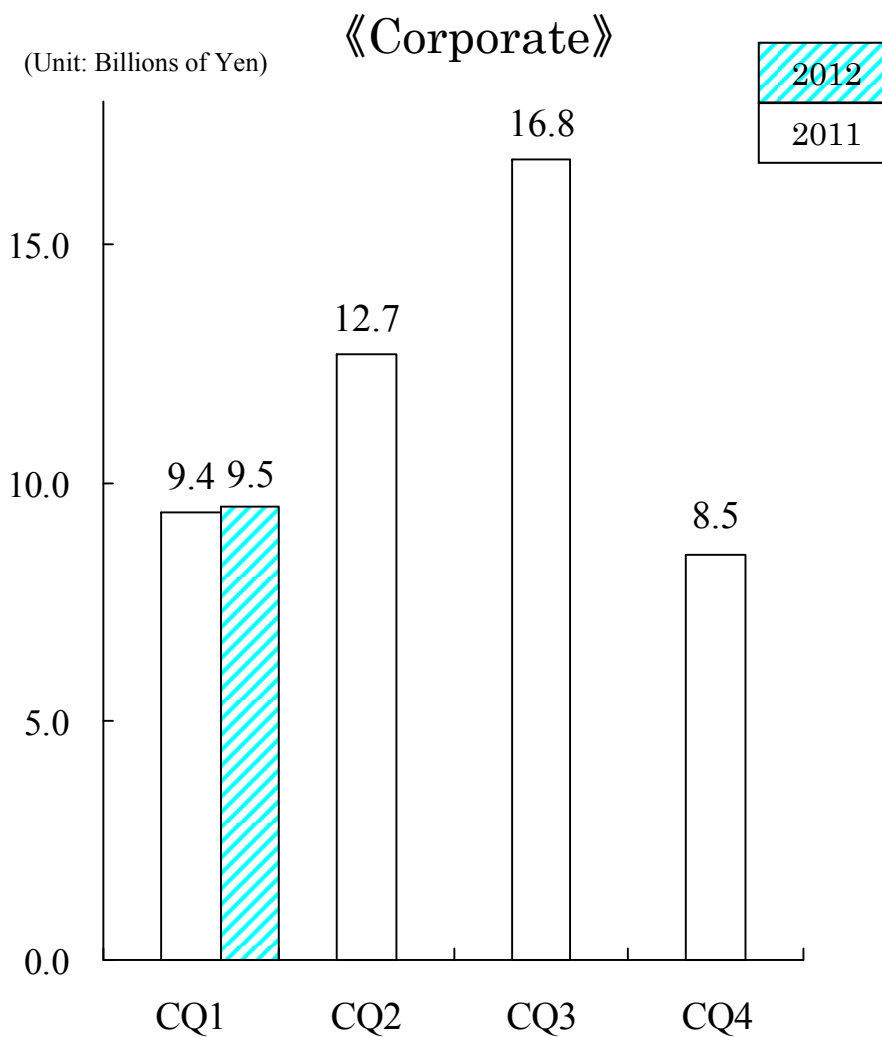
Assets	Dec.31, 2011	Mar.31, 2012	Increase/ decrease	Liabilities and Net Assets	Dec.31, 2011	Mar.31, 2012	Increase/ decrease
Cash and deposits	55.2	43.4	-11.8	Notes and accounts payable	117.2	113.3	-3.8
Notes and accounts receivable	139.4	141.8	2.4	Interest-bearing debt	347.3	356.4	9.1
Inventories	123.7	130.4	6.7	Provision for retirement benefits	24.7	24.5	-0.3
Other current assets	29.6	36.9	7.2	Other liabilities	156.4	148.7	-7.6
<u>Total Current Assets</u>	347.9	352.4	4.5	<u>Total Liabilities</u>	645.6	642.9	-2.6
Buildings and structures	84.2	83.8	-0.5	Capital stock	140.6	140.6	—
Machinery and equipment	123.5	122.3	-1.2	Capital surplus	62.2	62.2	0.0
Land	254.9	254.6	-0.2	Retained earnings	48.9	48.9	0.1
Other tangible fixed assets	19.8	19.7	-0.1	Treasury stock	-0.1	-0.1	0.0
<u>Tangible Fixed Assets</u>	482.4	480.4	-2.0	<u>Total Shareholders' equity</u>	251.5	251.6	0.1
Intangible Fixed Assets	11.1	10.8	-0.4	Valuation difference on available-for-sale securities	-4.9	-2.1	2.9
Investments and other assets	99.9	102.6	2.7	Foreign currency translation adjustment, Deferred hedge gains	-22.9	-16.9	6.0
Incl. Investment securities	59.6	67.4	7.8	Revaluation reserve for land	28.2	28.2	0.0
				<u>Total accumulated other comprehensive income</u>	0.4	9.3	8.8
				Minority Interests	43.8	42.4	-1.5
<u>Total fixed assets</u>	593.4	593.7	0.3	<u>Total net assets</u>	295.7	303.2	7.4
Total Assets	941.3	946.1	4.8	Total Liabilities and Net Assets	941.3	946.1	4.8

Total Assets Interest-bearing Debt and D/E ratio

(Unit: Billions of Yen, times, %)

	Dec.31, 2011	Mar.31, 2012	Increase
● Total assets	941.3	946.1	4.8
● Interest-bearing debt	347.3	356.4	9.1
● Debt/Equity ratio	1.17times	1.18times	0.01p
● Stockholders' Equity ratio	26.8%	27.6%	0.8p

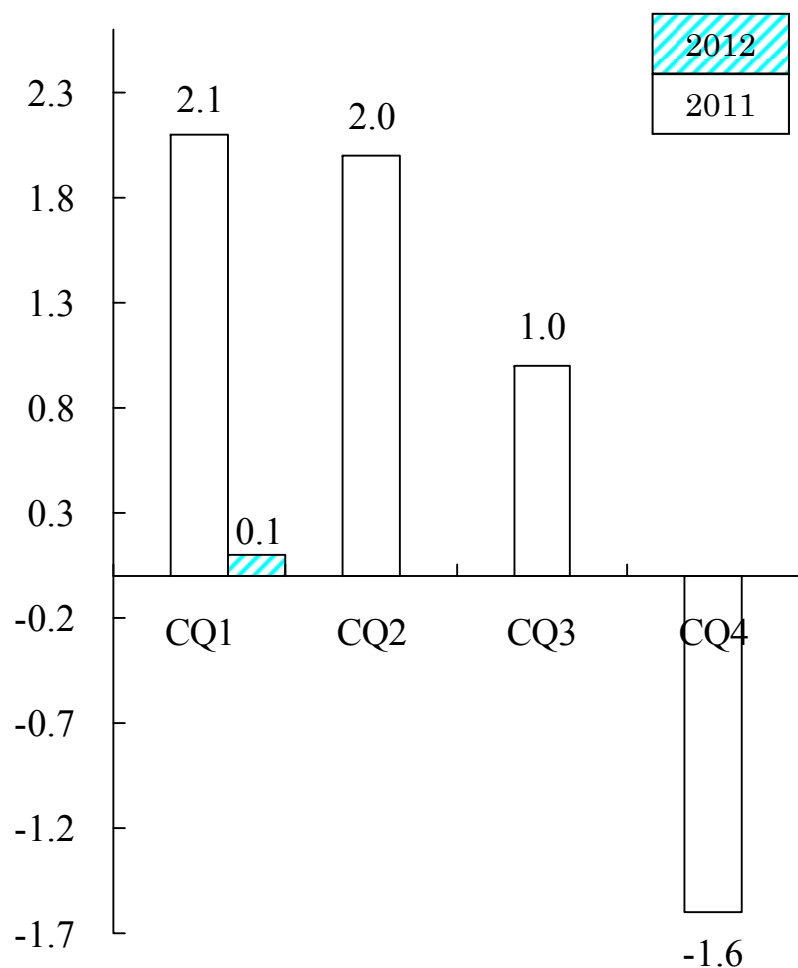
(Reference) Quarterly Operating Income



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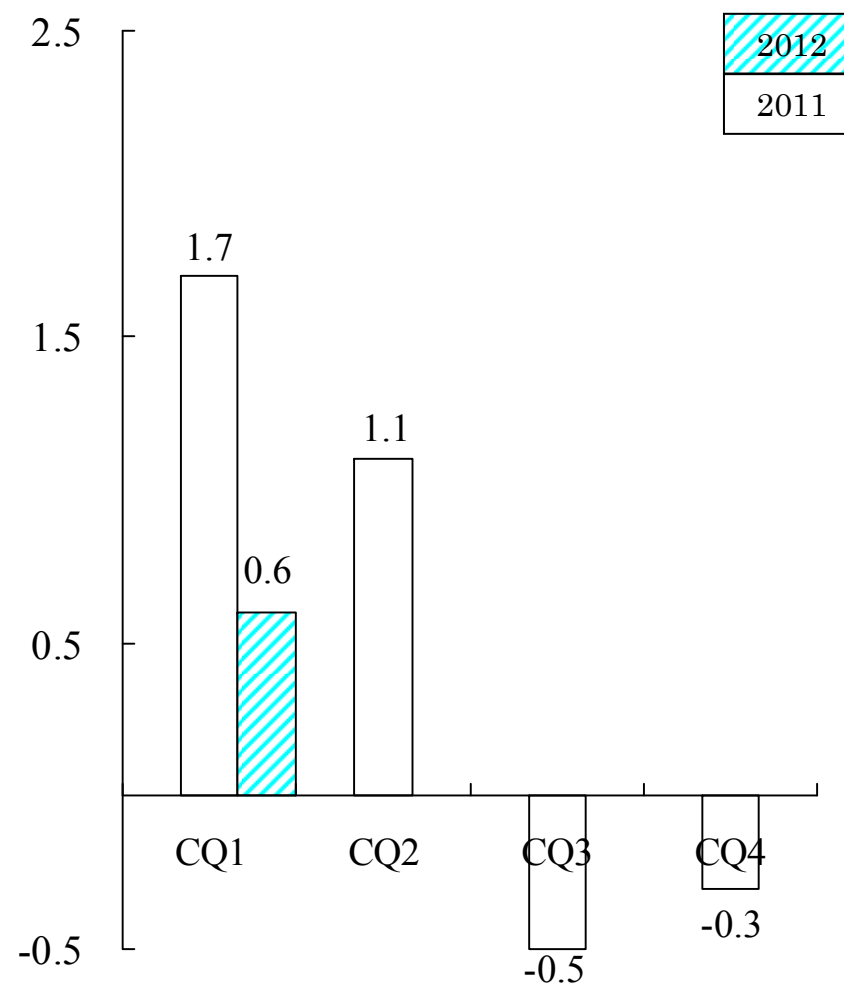
《Petrochemicals》

(Unit: Billions of Yen)



《Chemicals》

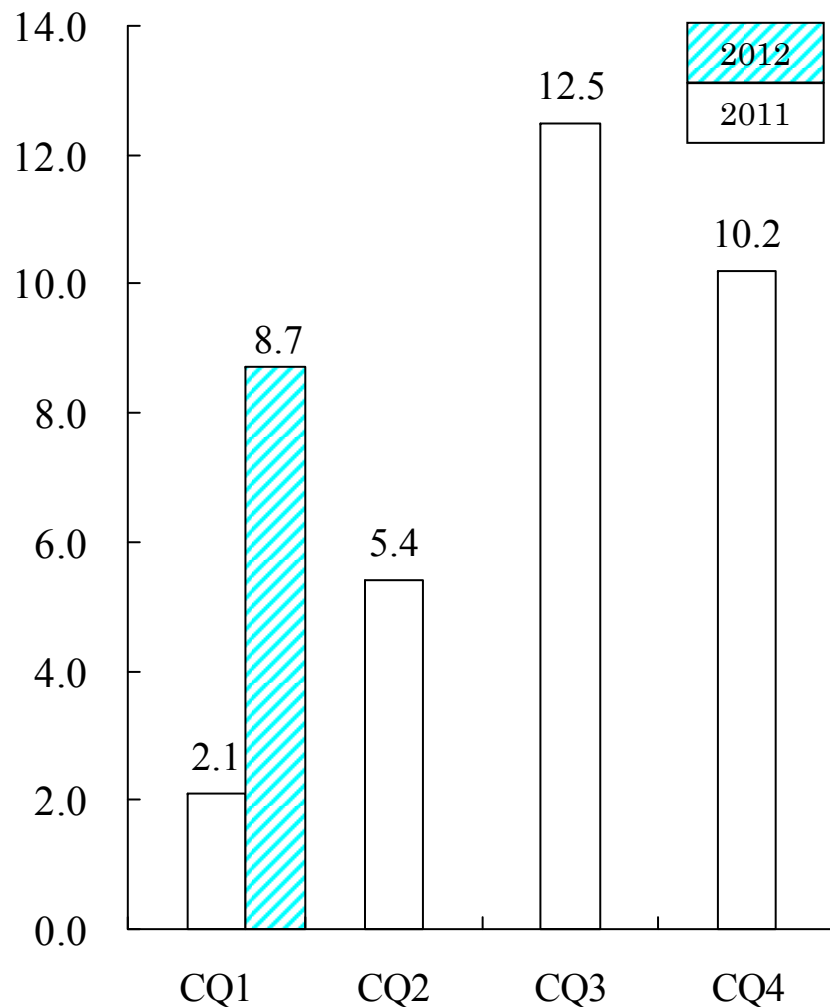
(Unit: Billions of Yen)



(Reference) Quarterly Operating Income

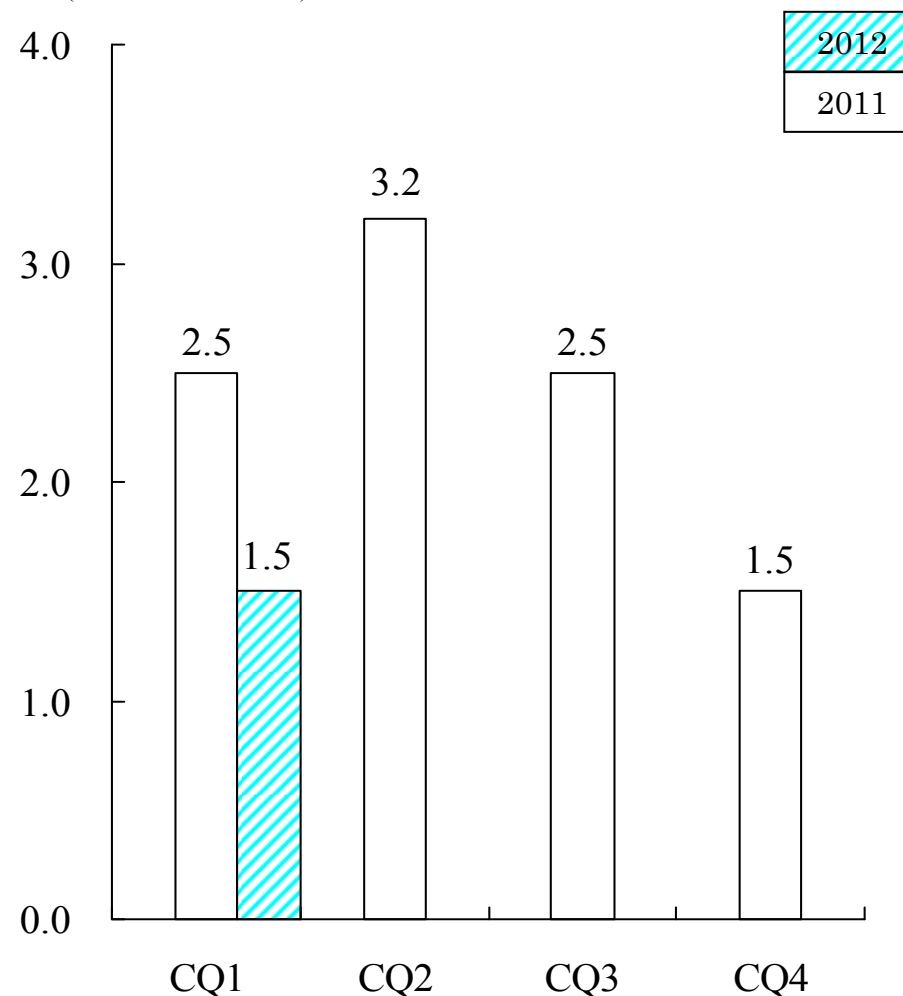
《Electronics》

(Unit: Billions of Yen)



《Inorganics》

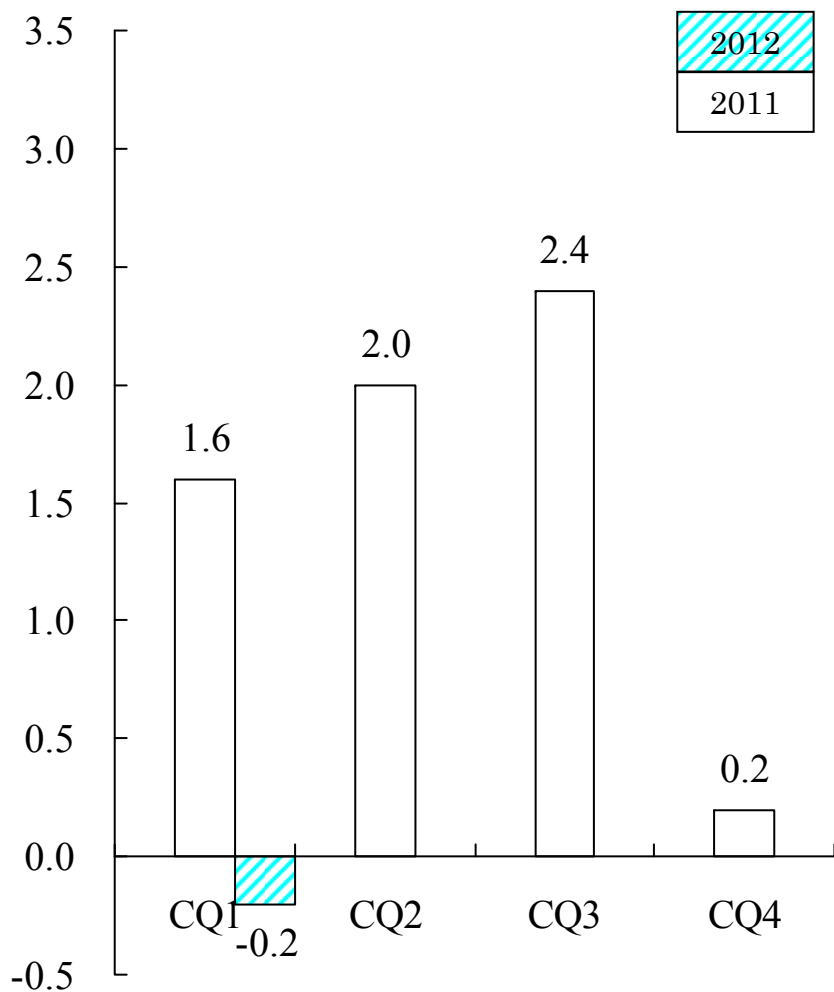
(Unit: Billions of Yen)



(Reference) Quarterly Operating Income

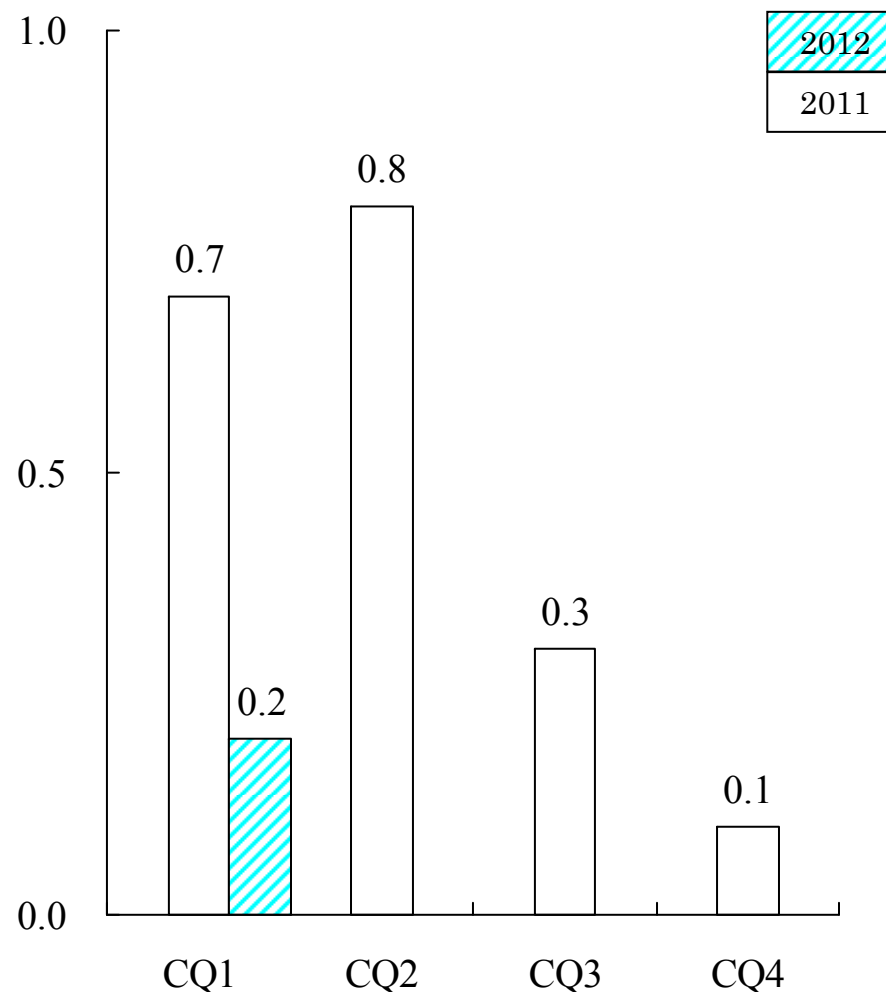
《Aluminum》

(Unit: Billions of Yen)



《Others》

(Unit: Billions of Yen)



■ Petrochemicals

- Temporary suspension of ethylene plant
 - ◆ Operation at SDK's ethylene plant at the Oita Complex has temporarily been suspended. During the time of periodic maintenance of the plant that had started on March 7, a trouble occurred in equipment for the cooling process, necessitating repairs of the equipment. While the ethylene plant was originally scheduled to resume operation at the end of March, SDK has decided to postpone the time of restart.

■ Inorganics

- Investment in a graphite electrode company in China
 - ◆ In April, SDK signed an agreement with Sinosteel Corporation, of China, to acquire 67% of shares in Sinosteel's wholly owned subsidiary Sinosteel Sichuan Carbon Co., Ltd. This is in accordance with SDK's plan to expand operations in China and other Asian countries to supply graphite electrodes used in electric steel production. Sichuan Carbon will become SDK's subsidiary subject to ratification by related government organizations. When Sichuan Carbon's 22,000 t/y plant is added to the existing facilities in Japan and the United States, the Showa Denko Group's total graphite electrode production capacity will reach 127,000 t/y. After capacity expansion in the United States, the Group's total capacity will further increase to 157,000 t/y in 2014. Thus, SDK will establish itself as a leading supplier of graphite electrodes in the world.

■ Aluminum

- Construction of a high-purity aluminum foils plant in China
 - ◆ As part of its plan to expand the capacitor-grade high-purity aluminum foils business, SDK has decided to build a new plant in China. A groundbreaking ceremony was held in March at a site in Nantong, Jiangsu Province. The new plant in China, scheduled for start-up in the second half of 2013, will finish rolled foils supplied from SDK's Sakai Plant, and supply final products to customers in China. Aluminum electrolytic capacitors are used widely in electric appliances and transport machinery. Demand for aluminum electrolytic capacitors in China is expected to grow, reflecting continued economic growth in that country. With the establishment of the new plant in China, SDK aims to meet the growing demand for capacitor-grade high-purity aluminum foils in a timely manner.

- Transfer of automotive heat exchanger business
 - ◆ In January, SDK completed the transfer of its business in automotive air-conditioner heat exchangers (condensers, evaporators, etc.) to Keihin Corporation by transferring 60% of shares in Thermal Technology Corporation. The remaining 40% of shares will be transferred to Keihin Corporation two years later.