

SHOWA DENKO K.K.

The following are summary of the results by business segment:

Petrochemicals

Operating income increased 53.0%, to JPY 5,254 million, on sales up 18.5%, to JPY 66,692 million. Sales of olefins and organic chemicals were up due to higher selling prices, reflecting a tight supply-demand situation and a rise in the raw material costs. Plant utilization remained at high levels due to continued brisk demand. Sales of plastics by Showa Highpolymer Co., Ltd. increased slightly due to a rise in the selling prices, reflecting increases in the raw material costs.

Chemicals

Sales increased 3.4%, to JPY 19,595 million. Operating income was up 178.4%, to JPY 1,328 million, due partly to the fact that, whereas there was a long scheduled shutdown of the ammonia plant in the first quarter of 2004, there was no such shutdowns in the first quarter of 2005.

Sales of acrylonitrile and ammonia were up. However, overall sales of gases & chemicals were maintained at the year-earlier level due to the transfer in July 2004 of the sales of commodity industrial gases (oxygen, nitrogen, etc.) to TG Showa K.K., a joint venture with the Tokyo Gas Group, to which the equity method was applied.

Sales of specialty chemicals increased slightly as an increase in the shipment volumes of Shoprene polychloroprene synthetic rubber more than offset the effect of sluggish demand for amino acids. Sales of agrochemicals by SDS Biotech K.K. increased slightly.

Electronics

Sales increased 14.4%, to JPY 29,782 million, while operating income decreased 5.5%, to JPY 3,534 million. Sales of hard disk (HD) media increased, reflecting continued brisk demand and the consolidation of Showa Denko HD Trace Corporation since July 2004. Meanwhile, the shipment volumes of compound semiconductors fell substantially due to inventory adjustments by the electronic parts industry, and sales of specialty gases for semiconductor processing also fell. Sales of rare earth magnet alloys were up due to a rise in the shipment volumes.

Inorganic Materials

Sales increased 13.4%, to JPY 14,386 million and operating income climbed 68.4%, to JPY 1,959 million. The selling prices of alumina increased, and those of graphite electrodes rose slightly both in Japan and the United States.

Aluminum

Sales rose 9.9%, to JPY 59,790 million, but operating income fell 33.7%, to JPY 2,007 million. Sales of aluminum ingot were up, reflecting increases in shipment volumes and selling prices. Sales of Shotic forgings and aluminum cans rose due to increases in shipment volumes. Sales of rolled products and extrusions/specialty products increased slightly. Shipment volumes of automotive heat exchangers remained at low levels.

Financial conditions

Total assets at the end of the quarter amounted to JPY 939,670 million, a decrease of JPY 4,237 million from the level at December 31, 2004. Interest-bearing debt decreased JPY 11,321 million, to JPY 491,111 million, as a result of our continuous efforts to reduce debt. Stockholders' equity at the end of the quarter increased JPY 12,143 million, to JPY 189,844 million, due mainly to an increase in retained earnings and payment of dividends.

Major steps taken since the beginning of 2005

Chemicals

- Transfer of shares in the agrochemical subsidiary through MBO
In March, SDK sold its shares in SDS Biotech, a consolidated subsidiary in the agrochemical business, to the management of SDS Biotech and Mizuho Capital Partners Co., Ltd. through a management buyout scheme.

Electronics

- Expansion of HD media production capacity
In April, SDK announced expansion of its HD media production capacity by 3.05 million disks a month, to 13.75 million disks a month, to meet a growing demand for small-diameter HD media for use in mobile music players. The expansion will be completed by March 2006 through construction of new lines and debottlenecking of existing lines. Capital investment for this project will amount to approximately JPY 12 billion.

Inorganic Materials

- Dissolution of a joint venture for low-carbon ferrochrome business

In April, SDK announced sale of its shares in Middelburg Technochrome (Pty) Ltd. (MTC) to Samancor Limited of South Africa. MTC was a joint venture with Samancor and Marubeni Corporation for the production of low-carbon ferrochrome. With the sale, SDK is completing the restructuring of its metallic materials business.

- Development of molded carbon/resin separator for fuel cells
In April, SDK announced the development of a high-performance molded carbon/resin separator for polymer electrolyte fuel cell to be used as a power source for homes, cars and mobile devices. In addition to basic performances comparable to those of existing products, the newly developed separator has further advantages of higher cracking resistance and lower cost. The new

product is an example of the interconnection of SDK's inorganic chemical technology (artificial graphite with electrical conductivity 10 times that of conventional one) and organic chemical technology (resin selection and processing).

Aluminum

- Transfer of shares in Nippon Amazon Aluminium

In January, SDK transferred all of its shares in Nippon Amazon Aluminium Co., Ltd. - an investor in the aluminum smelting operations in Brazil - to Mitsui & Co., Ltd.

- Decision to dissolve Showa Alumi Viewtech

In February, SDK decided to dissolve its aluminum extrusions manufacturing subsidiary, Showa Alumi Viewtech Co., Ltd., by the end of 2005. SDK already provided allowance for the dissolution in its settlement of accounts for 2004 both on consolidated and non-consolidated basis.