

Consolidated Financial Statements

For the first half year (January 1 to June 30, 2011)



I . Consolidated Financial Results

(1) Results of operations: (¥ in millions, US\$ in thousands, except for net income per share)

	Results for the first half year (Jan.1–Jun.30)			
	2010	2011	Increase (Decrease)	2011
	¥	¥	%	\$
Net sales	384,099	416,527	8.4	5,159,503
Operating income	17,744	22,100	24.5	273,756
Ordinary income	14,049	18,055	28.5	223,646
Net income	7,701	7,810	1.4	96,738
Net income per share: Basic	5.15	5.22	—	0.065
Net income per share: Diluted	—	—	—	—

Note

Important changes in accounting policies : applicable

(2) Financial position: (¥ in millions, US\$ in thousands, except for net income per share)

	Dec. 31, 2010	Jun. 30, 2011	Jun. 30, 2011
	¥	¥	\$
Total assets	924,484	927,373	11,487,341
Total equity	284,965	288,460	3,573,151
Total equity per share	161.47	163.61	2.03
	%	%	%
Stockholders' equity ratio	26.1	26.4	26.4

(4) Dividends:

	2010	2011 Forecast
Q1 dividends per share (¥)	—	—
Q2 dividends per share (¥)	0.0	0.0
Q3 dividends per share (¥)	—	—
End of Term dividends per share (¥)	3.0	3.0
Annual dividends per share (¥)	3.0	3.0

II . Forecast of performance for the year ending December 31, 2011

(¥ in millions, US\$ in thousands, except for net income per share)

	fiscal year	
	¥	\$
Net sales	870,000	10,776,663
Operating income	45,000	557,414
Ordinary income	38,000	470,705
Net income	21,000	260,126
Net income per share	14.03	0.17

*There is no change from the full-year 2011 performance forecast announced on February 9, 2011.

The above forecast is based on the information available at this point of time. Actual results may differ materially due to a variety of reasons, including such economic factors as fluctuations in foreign currency exchange rates as well as market supply and demand conditions.

Note

The U.S. dollar is valued at ¥80.73 throughout this statement for convenience only.

[Business Results]

1. Analysis of business results

(1) Summary

During the first quarter of 2011 (January 1 - March 31), the Japanese economy was undergoing a process of recovery, as witnessed by improvement in corporate earnings. However, due to the influence of the March 11 East Japan Earthquake Disaster, the economy weakened, with a deterioration in production activities.

In the second quarter (April 1 – June 30), there were signs of improvement in production and export despite the severe business environment that reflects limitations of power supply and the influence of the nuclear power plant accident. The economy is still faced with such problems as the uncertainty in the economies of the United States and Europe as well as sharp fluctuations in the foreign exchange market.

After the earthquake, we basically suspended operations at our sites in the Tohoku and Kanto regions through March 16. We then resumed production on March 17, centering on basic chemicals necessary for the supply of drinking water, food, medicine and electricity. In resuming production, we gave priority to items urgently needed by society, and increased operating rates by stages. At the end of March, production at these facilities generally returned to normal conditions.

At the beginning of 2011, the Showa Denko Group launched its new medium-term consolidated business plan “PEGASUS.” Under the plan, Showa Denko will, as an “evolving chemical company with individualized products,” aim to build up strong and diversified businesses on a global scale and establish leading positions on the market.

The Company recorded net sales of ¥223,522 million in the second quarter of 2011, up 13.8% from the same period of the previous year. The Company posted operating income of ¥12,749 million, up 19.0%, ordinary income of ¥10,142 million, up 13.4%, and net income of ¥5,233 million, up 24.4%.

As for the first two quarters (January 1 – June 30), the Group’s consolidated net sales increased 8.4% from the same period of last year, to ¥416,527 million. The Group recorded operating income of ¥22,100 million, up 24.5%, and ordinary income of ¥18,055 million, up 28.5%. Net income increased slightly by 1.4%, to ¥7,810 million, reflecting the recording of extraordinary losses due to the East Japan Earthquake Disaster.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	416,527	384,099	32,428	223,522	196,405	27,117	193,005	30,516
Operating income	22,100	17,744	4,356	12,749	10,717	2,033	9,351	3,399
Ordinary income	18,055	14,049	4,006	10,142	8,944	1,198	7,913	2,230
Net income	7,810	7,701	108	5,233	4,208	1,025	2,576	2,657

(2) A breakdown of net sales and operating income by segment (January 1 – June 30, 2011)

As from the first quarter of 2011, we have changed our business segmentation in accordance with the accounting standards for disclosure of segment information, etc. and their application guidelines. Specifically, we have changed the business segmentation from five (Petrochemicals, Chemicals, Electronics, Inorganics, and Aluminum & Other) to six (Petrochemicals, Chemicals, Electronics, Inorganics, Aluminum, and Others). The figures for the first and second quarters of the previous year have been rearranged to meet the new segmentation.

[Petrochemicals segment]

In the second quarter, production of ethylene and propylene increased from the same period of last year, when we conducted the shutdown maintenance (conducted once in every four years). Sales of olefins increased owing to higher shipment volumes and higher selling prices, reflecting the rise in the price of raw material naphtha. Sales of organic chemicals were up due to the rise in shipment volumes of allyl alcohol and other products as well as the rise in their selling prices, reflecting the increase in the price of raw materials.

As a result, the Petrochemicals segment's sales in the second quarter rose 53.3%, to ¥68,183 million. The segment recorded operating income of ¥2,002 million, up ¥2,042 million.

As for the total figures for the first and second quarters, the Petrochemicals segment's sales increased 40.2% from the same period of last year, to ¥127,045 million. Operating income jumped 1,657.7%, to ¥4,076 million.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	127,045	90,646	36,399	68,183	44,462	23,720	58,863	9,320
Operating income	4,076	232	3,844	2,002	- 41	2,042	2,075	- 73

[Chemicals segment]

In the second quarter, production of liquefied ammonia decreased from the same period of last year due partly to the influence of the earthquake on customers. Sales of liquefied ammonia decreased due to lower shipment volumes. Sales of specialty gases for semiconductor-processing were up due to the rise in shipment volumes. Sales of acrylonitrile, chloroprene rubber and functional polymers increased owing to higher selling prices. As a result, the Chemicals segment's sales in the second quarter rose 1.4%, to ¥33,850 million. However, operating income fell 17.2%, to ¥1,122 million, due partly to the rise in the costs of raw materials and fuels.

As for the total figures for the first and second quarters, the Chemicals segment's sales increased 0.9% from the same period of last year, to ¥66,324 million. However, operating income fell 15.8%, to ¥2,845 million, due partly to the rise in the costs of raw materials and fuels.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	66,324	65,752	572	33,850	33,373	477	32,474	1,375
Operating income	2,845	3,377	- 533	1,122	1,355	- 233	1,723	- 601

[Electronics segment]

In the second quarter, production of hard disk (HD) media quickly recovered compared with the first quarter, and increased from the same period of last year. Sales of HD media increased due to higher shipment volumes, despite the influence of the appreciation of the yen. Sales of compound semiconductors decreased due to lower selling prices. Sales of rare earth magnetic alloys increased due to higher selling prices, reflecting the soaring raw material prices. As a result, the Electronics segment's sales in the second quarter increased 14.1%, to ¥42,086 million, and operating income rose 27.6%, to ¥5,441 million.

As for the total figures for the first and second quarters, the Electronics segment's sales fell 5.9% from the same period of last year, to ¥68,586 million, due to the influence of the HDD industry's production adjustment in the first quarter. The segment recorded operating income of ¥7,533 million, up 7.6%, due partly to the improvement in the rare earth magnetic alloys business.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	68,586	72,852	- 4,267	42,086	36,876	5,210	26,500	15,586
Operating income	7,533	7,001	531	5,441	4,262	1,178	2,092	3,349

[Inorganics segment]

In the second quarter, production of graphite electrodes was maintained at the same level as in the same period of last year. Sales of graphite electrodes decreased due partly to the appreciation of the yen, notwithstanding the rise in shipment volumes due to higher plant utilization in the electric arc furnace steelmaking industry. Sales of ceramics increased, mainly for electronic material applications. As a result, the Inorganics segment's sales in the second quarter decreased 0.4%, to ¥20,316 million. However, operating income increased 18.3%, to ¥3,159 million.

As for the total figures for the first and second quarters, the Inorganics segment's sales increased 4.0% from the same period of last year, to ¥40,046 million, and operating income increased 42.1%, to ¥5,626 million.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	40,046	38,496	1,550	20,316	20,405	- 89	19,730	586
Operating income	5,626	3,960	1,666	3,159	2,669	490	2,468	691

[Aluminum segment]

In the second quarter, production of high-purity aluminum foils for capacitors increased from the same period of last year. Sales of rolled products were up as capacitor manufacturers that use our high-purity aluminum foils quickly recovered their production

after the East Japan Earthquake Disaster. Sales of extrusions/specialty products fell due to lower shipment volumes of aluminum cylinders for laser beam printers.

In the heat exchanger business, sales fell due to the production cut in the automobile industry after the earthquake. Sales of *Shotic*TM forged products increased due to higher shipment volumes. Sales of aluminum cans slightly increased, reflecting higher shipment volumes. As a result, the Aluminum segment's sales in the second quarter fell 6.0%, to ¥32,020 million, and operating income fell 32.0%, to ¥1,988 million.

As for the total figures for the first and second quarters, the Aluminum segment's sales decreased 4.6% from the same period of last year, to ¥61,734 million, and operating income fell 19.8%, to ¥3,618 million.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	61,734	64,717	- 2,983	32,020	34,078	- 2,059	29,714	2,306
Operating income	3,618	4,508	- 891	1,988	2,924	- 936	1,629	359

(Others segment)

In the Others segment, sales of lithium-ion battery materials increased due to higher shipment volumes. Shoko Co., Ltd.'s sales increased due to steady sales of metals. Sales from the engineering business decreased following the reduction in the scale of business. As a result, the Others segment's sales in the second quarter fell 1.6%, to ¥38,579 million. However, operating income rose 71.9%, to ¥776 million, reflecting the increase in shipment volumes of lithium-ion battery materials and the improvement in the metals business of Shoko Co., Ltd. As for the total figures for the first and second quarters, the Others segment's sales increased 2.0% from the same period of last year, to ¥76,552 million, and operating income jumped 126.4%, to ¥1,503 million.

(Unit: Millions of yen)

	2011 1Q – 2Q (Jan.-Jun.)	Vs. 1Q – 2Q 2010		2011 2Q (Apr.-Jun.)	Vs. 2Q 2010		Vs. 1Q 2011	
		2010 1Q – 2Q (Jan.-Jun.)	Increase/ decrease		2010 2Q (Apr.-Jun.)	Increase/ decrease	2011 1Q (Jan.-Mar.)	Increase/ Decrease
Net sales	76,552	75,034	1,518	38,579	39,194	- 615	37,973	606
Operating income	1,503	664	839	776	452	325	727	49

Major steps taken or decided in the first and second quarters of 2011

[General]

- Establishment of Group's slogan and statement

The Showa Denko Group established a new slogan and a statement to declare its policy to "contribute toward creating a society where affluence and sustainability are harmonized," providing components, materials and solutions as an evolving chemical company with individualized products. The Group started using the slogan and the statement as a means to communicate the policy to its stakeholders, and to make a commitment to carry out the policy. We believe the Showa Denko Group's mission is to bring the dreams of humankind into reality through innovation in chemical technology. This belief is summarized into the simple and strong words of "Shaping Ideas." We are using the image of "Pencil" as the symbol of "Shaping Ideas."

- Restart of operations after the East Japan Earthquake Disaster

After the March 11 East Japan Earthquake Disaster and resultant emergency shutdown of relevant production facilities, we basically suspended operations at our sites in the Tohoku and Kanto regions through March 16 for safety inspection. After confirmation of the safety of the facilities, we resumed production on March 17, centering on basic chemicals necessary for the supply of drinking water, food, medicine and electricity. In resuming production, we gave priority to items urgently needed by society. As an independent power producer (IPP), we restarted our plant soon after the earthquake, supplying electricity to the electric power company concerned. All production facilities virtually returned to normal operation at the end of March.

- Tie-up with U.S. firm in development, manufacture and sale of conductive inks

We reached agreement with NovaCentrix, of the United States, to cooperate in the promising area of printed electronics. We will manufacture and sell conductive inks developed by NovaCentrix through a licensing agreement, and jointly develop conductive inks to be used with NovaCentrix's Photonic Curing™ process technology. The term "printed electronics" refers to the technology to manufacture electronic devices through printing. Compared with conventional methods of separately forming layers of semiconductors, metals and insulating materials, the printed electronics technology enables substantial simplification of manufacturing processes. Conductive inks are already used in part of smart phones and solar cell components. The technology is expected to find wide-ranging applications, including displays, solar cells, and organic EL lighting.

[Petrochemicals segment]

- Establishment of a joint venture for aromatics business

Showa Denko and Nippon Steel Chemical Co., Ltd. (NSC) agreed to establish a joint venture company based on NSC Oita Works' operations in the field of aromatic chemicals,

such as styrene monomer, benzene, toluene, and xylene. The joint venture, NS Styrene Monomer Co., Ltd., will be established in August 2011. The two companies aim to strengthen the business by achieving a vertical integration covering all stages from raw materials to products, and improving facilities.

- Completion of a pilot plant for heat-resistant transparent film SHORAYAL™

We decided to name our new heat-resistant transparent film “SHORAYAL™.” In July, we completed a pilot plant within the premises of our Oita Complex, and started operations. We developed SHORAYAL™ based on our proprietary resin technology for glass lens applications. The film has high transparency necessary for optical films, and high heat resistance required at the time of production of displays, including touch screens.

[Chemicals segment]

- Decision to expand production capacity for high-purity ammonia for electronics

We will increase production capacity for high-purity ammonia to meet growing demand from the electronics industry. Specifically, production capacities at three sites—Japan, Taiwan, and China—will be increased from the current levels of 1,000 t/y, 1,500 t/y and 500 t/y; to 1,500 t/y, 2,500 t/y and 1,000 t/y, respectively, by the end of 2011. The capacity increase will be carried out through expansions of filling/storage facilities and improvement in production efficiency. As a result, the Showa Denko Group’s total high-purity ammonia production capacity will increase from 3,000 t/y at present, to 5,000 t/y. High-purity ammonia is used as a material gas in the production of liquid crystal display (LCD) panels, gallium-nitride LEDs, and solar cells based on polycrystalline silicon. We aim to ensure stable supply of high-purity ammonia, anticipating further growth in the electronics market in East Asian countries.

- Decision to split and transfer industrial gas business to subsidiary

SDK decided to split and transfer its industrial gas to its wholly owned subsidiary Showa Tansan Co., Ltd. (STK) effective January 1, 2012. Aiming to further increase the value for customers, SDK decided to integrate its industrial gas business into that of STK, which is closer to customers.

Note: The Group’s industrial gas operations cover air separation gases (oxygen, nitrogen, argon, etc.), compressed hydrogen, carbon dioxide and dry ice, etc.

[Electronics segment]

- Expansion of rare earth magnetic alloy production capacity

In July, we increased rare earth magnetic alloy production capacity at our subsidiary Ganzhou Zhaori Rare Earth New Materials Co., Ltd., in Ganzhou, Jiangxi Province, China, from 2,000 tons per year to 3,000 tons per year. Together with another subsidiary in

Baotou, Inner Mongolia, our rare earth magnetic alloy production capacity in China amounts to 4,000 tons per year. The two subsidiaries in China are producing neodymium (Nd)-based alloys for high-performance magnets, which are used in motors for hybrid cars and voice coil motors of hard disk drives.

[Inorganics segment]

- Decision to expand graphite electrode production capacity

Based on the forecast of steady growth in global demand for electric steel, we decided to expand our graphite electrode production capacity at Showa Denko Carbon, Inc. (SDKC), a consolidated subsidiary in the United States, from 45,000 t/y at present to 75,000 t/y by the end of 2013. The expanded facilities will ensure increased production of large-diameter (30- and 32-inch) graphite electrodes, which are areas of our strengths. Together with the 60,000 t/y plant in Omachi, Japan, the Showa Denko Group's total graphite electrode production capacity will reach 135,000 t/y. With the scheduled expansion at SDKC, the Group will establish a flexible supply chain on a global scale, serving the rapidly growing markets in Asia and Latin America, in addition to the existing markets in Japan, the United States and Europe.

- Start of construction of chemical alumina plant in Indonesia

In April, we held a ground-breaking ceremony for the chemical alumina plant at a site in West Kalimantan, Indonesia, for the manufacturing/marketing joint venture with Antam, of Indonesia. Chemical alumina is used in electronics and for water purification. PT Indonesia Chemical Alumina, which is owned 20% by SDK, will operate the plant. The plant, with capacity to produce 300,000 t/y of chemical alumina, will start up in 2014. SDK will meet an increasing demand for chemical alumina in the growing markets in the ASEAN region and East Asia by ensuring stable supply of the product based on its accumulated technologies.

[Aluminum segment]

- Definitive agreement signed on transfer of business in heat exchangers for automotive air conditioners

In June, SDK concluded a definitive agreement with Keihin Corporation (Keihin) to transfer SDK's automotive air-conditioner heat exchanger business to Keihin. SDK and its subsidiaries in U.S.A., Thailand, Czech and China are producing aluminum-based car air-conditioner condensers and evaporators. The two companies had reached basic agreement on the matter in October 2010. Annual sales of the business amount to around ¥28 billion (for the fiscal year ended December 31, 2010). SDK will transfer the business in October 2011 to a new company it has established, and then transfer 60% of the new company's shares to Keihin. The remaining 40% will also be transferred to Keihin within two years after the initial transfer.

[Others segment]

- Strengthening the LIB materials business

The Showa Denko Group will expand its production capacities for materials used in lithium-ion rechargeable batteries (LIBs), namely, artificial-graphite-based anode material (*SCMG*TM), additive in anodes and cathodes (*VGCF*TM), and aluminum laminated films for packaging. This is in response to the growing demand for large-sized LIBs for use in cars and storage batteries as well as for small-sized LIBs for use in smart phones and tablet-type devices. In January, we started volume production of carbon-coated aluminum foils (trade name: *SDX*TM) that reduce electrical resistance of LIB electrodes, when used as current collectors for cathode. *SDX*TM enables quick charge/discharge of heavy current required for automotive LIBs. In addition, adhesion between cathode active materials and current collectors has increased, to 1.5 times the conventional level, leading to improvement in battery performance. Under the new medium-term consolidated business plan PEGASUS, the Showa Denko Group has classified its business in advanced battery materials as one of “Growth Businesses.” The Group aims to achieve annual sales of more than ¥30 billion in 2015 from its four LIB-related materials: *SCMG*TM, *VGCF*TM, aluminum laminated films, and *SDX*TM.

2. Financial conditions for the January 1 - June 30, 2011 period (as compared with the conditions at December 31, 2010)

Total assets at the end of the second quarter amounted to ¥927,373 million, an increase of ¥2,889 million from the level at December 31, 2010. The increase is due mainly to the rise in accounts receivable and inventories. Interest-bearing debt increased ¥8,267 million, to ¥359,302 million. Total liabilities decreased ¥606 million, to ¥638,913 million, due to the decrease in accounts payable. Net assets at the end of the second quarter increased ¥3,496 million, to ¥288,460 million, owing to the recording of net income for the quarter, notwithstanding the payment of dividends for 2010.

3. Performance forecast

There is no change from the full-year 2011 performance forecast announced on February 9, 2011.

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2010	Jun. 30, 2011	Jun. 30, 2011
	¥	¥	\$
Assets			
Current assets			
Cash and deposits	43,627	37,128	459,898
Notes and accounts receivable-trade	135,611	146,529	1,815,051
Merchandise and finished goods	45,085	49,520	613,397
Work in process	10,422	11,632	144,090
Raw materials and supplies	45,151	46,849	580,323
Other	32,621	31,308	387,815
Allowance for doubtful accounts	(336)	(316)	(3,913)
Total current assets	312,181	322,650	3,996,661
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	87,782	87,892	1,088,712
Machinery, equipment and vehicles, net	142,688	136,675	1,692,994
Land	255,188	255,795	3,168,522
Other, net	14,178	15,698	194,446
Total property, plant and equipment	499,836	496,060	6,144,674
Intangible assets			
Goodwill	2,631	2,041	25,280
Other	9,524	9,935	123,069
Total intangible assets	12,155	11,976	148,349
Investments and other assets			
Investment securities	58,813	60,542	749,932
Other	42,163	36,764	455,401
Allowance for doubtful accounts	(665)	(620)	(7,676)
Total investments and other assets	100,311	96,687	1,197,657
Total noncurrent assets	612,302	604,723	7,490,680
Total assets	924,484	927,373	11,487,341
Liabilities			
Current liabilities			
Notes and accounts payable-trade	114,234	102,332	1,267,585
Short-term loans payable	73,721	81,574	1,010,451
Current portion of long-term loans payable	59,852	56,730	702,714
Commercial papers	6,000	5,000	61,935
Current portion of bonds	3,000	13,000	161,031
Provision	3,237	4,155	51,466
Other	68,623	69,171	856,822
Total current liabilities	328,667	331,962	4,112,003
Noncurrent liabilities			
Bonds payable	30,000	20,000	247,739
Long-term loans payable	178,461	182,998	2,266,793
Provision for retirement benefits	26,295	25,175	311,847
Other provision	595	989	12,245
Other	75,501	77,788	963,564
Total noncurrent liabilities	310,851	306,951	3,802,188
Total liabilities	639,519	638,913	7,914,191
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,741,156
Capital surplus	62,223	62,223	770,752
Retained earnings	36,916	39,916	494,441
Treasury stock	(178)	(143)	(1,773)
Total shareholders' equity	239,525	242,559	3,004,576
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	(3,749)	(3,901)	(48,325)
Deferred gains or losses on hedges	269	567	7,018
Revaluation reserve for land	22,373	22,510	278,833
Foreign currency translation adjustment	(16,778)	(16,865)	(208,909)
Total valuation and translation adjustments	2,114	2,310	28,617
Minority interests	43,325	43,591	539,958
Total net assets	284,965	288,460	3,573,151
Total liabilities and net assets	924,484	927,373	11,487,341

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan.1-Jun.30)		
	2010	2011	2011
	¥	¥	\$
Net sales	384,099	416,527	5,159,503
Cost of sales	323,031	350,479	4,341,369
Gross profit	61,067	66,048	818,133
Selling, general and administrative expenses	43,323	43,948	544,377
Operating income	17,744	22,100	273,756
Non-operating income			
Interest income	104	75	929
Dividends income	597	544	6,736
Equity in earnings of affiliates	728	431	5,342
Rent income on noncurrent assets	582	576	7,141
Miscellaneous income	532	791	9,799
Total non-operating income	2,543	2,418	29,947
Non-operating expenses			
Interest expenses	2,859	2,724	33,743
Miscellaneous expenses	3,380	3,739	46,315
Total non-operating expenses	6,239	6,463	80,057
Ordinary income	14,049	18,055	223,646
Extraordinary income			
Subsidy	2,045	—	—
Reversal of provision for retirement benefits	—	660	8,171
Other	902	686	8,502
Total extraordinary income	2,946	1,346	16,672
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	1,598	630	7,806
Loss on the Great East Japan Earthquake	—	2,925	36,234
Compensation for cancellation of contracts	—	2,500	30,967
Other	4,588	2,357	29,191
Total extraordinary losses	6,187	8,412	104,198
Income before income taxes and minority interests	10,808	10,989	136,120
Income taxes	1,893	1,795	22,231
Income before minority interests	—	9,194	113,889
Minority interests in income	1,214	1,385	17,151
Net income	7,701	7,810	96,738

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2010	2011	2011
	¥	¥	\$
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	10,808	10,989	136,120
Depreciation and amortization	24,654	24,674	305,638
Impairment loss	1,147	350	4,335
Amortization of goodwill	601	600	7,433
Increase (decrease) in provision for retirement benefits	(393)	(1,118)	(13,843)
Interest and dividends income	(701)	(619)	(7,665)
Interest expenses	2,859	2,724	33,743
Equity in (earnings) losses of affiliates	(728)	(431)	(5,342)
Loss (gain) on sales and valuation of investment securities	113	40	494
Loss on retirement of noncurrent assets	1,412	608	7,530
Loss (gain) on sales of noncurrent assets	62	(4)	(55)
Decrease (increase) in notes and accounts receivable-trade	2,165	(10,929)	(135,382)
Decrease (increase) in inventories	(8,774)	(6,975)	(86,393)
Increase (decrease) in notes and accounts payable-trade	(2,020)	(12,294)	(152,290)
Other, net	(7,830)	10,878	134,742
Subtotal	23,375	18,492	229,065
Interest and dividends income received	1,202	1,548	19,178
Interest expenses paid	(3,000)	(2,800)	(34,680)
Income taxes paid	(1,564)	(3,335)	(41,309)
Net cash provided by (used in) operating activities	20,012	13,906	172,254
Net cash provided by (used in) investing activities			
Proceeds from sales and redemption of securities	2	2	29
Purchase of property, plant and equipment	(23,565)	(16,904)	(209,390)
Proceeds from sales of property, plant and equipment	533	423	5,246
Proceeds from transfer of business	1,283	92	1,137
Purchase of investment securities	(1,091)	(2,542)	(31,482)
Proceeds from sales of investment securities	112	225	2,787
Net decrease (increase) in short-term loans receivable	641	(392)	(4,855)
Payments of long-term loans receivable	(541)	(1,641)	(20,330)
Collection of long-term loans receivable	68	1,968	24,371
Other, net	(684)	(399)	(4,942)
Net cash provided by (used in) investing activities	(23,242)	(19,168)	(237,430)
Net increase (decrease) in short-term loans payable	5,304	7,725	95,685
Net increase (decrease) in commercial papers	(1,800)	(1,000)	(12,387)
Proceeds from long-term loans payable	25,300	34,177	423,350
Repayment of long-term loans payable	(33,546)	(32,899)	(407,524)
Redemption of bonds	(3,000)	-	-
Cash dividends paid	(4,451)	(4,455)	(55,189)
Cash dividends paid to minority shareholders	(1,049)	(1,385)	(17,150)
Other, net	(4,774)	(3,517)	(43,570)
Net cash provided by (used in) financing activities	(18,015)	(1,355)	(16,785)
Effect of exchange rate change on cash and cash equivalents	(1,141)	(27)	(338)
Net increase (decrease) in cash and cash equivalents	(22,386)	(6,644)	(82,299)
Cash and cash equivalents at beginning of period	62,507	43,459	538,321
Increase in cash and cash equivalents from newly consolidated subsidiary	-	35	435
Increase in cash and cash equivalents resulting from merger	-	4	50
Cash and cash equivalents at end of period	40,122	36,854	456,507

(Reference)

SEGMENT INFORMATION (previous 2Q ended)

The operations of the Companies for the year ended June 30, 2010 and 2011 was summarised by industry segment as follows:

Year ended June 30, 2010		Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥86,109	¥61,445	¥70,844	¥33,592	¥61,425	¥70,684	¥-	¥384,099
Inter-segment	4,537	4,307	2,009	4,904	3,292	4,350	(23,399)	-
Total	90,646	65,752	72,852	38,496	64,717	75,034	(23,399)	384,099
Operating income (loss)	¥232	¥3,377	¥7,001	¥3,960	¥4,508	¥664	(¥1,999)	¥17,744

Year ended June 30, 2011		Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥123,247	¥60,840	¥67,474	¥35,028	¥58,604	¥71,334	¥-	¥416,527
Inter-segment	3,799	5,484	1,112	5,018	3,130	5,218	(23,761)	-
Total	127,045	66,324	68,586	40,046	61,734	76,552	(23,761)	416,527
Operating income (loss)	¥4,076	¥2,845	¥7,533	¥5,626	¥3,618	¥1,503	(¥3,101)	¥22,100

Year ended June 30, 2011		Thousands of U.S. dollars						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	\$1,526,653	\$753,625	\$835,797	\$433,895	\$725,924	\$883,610	\$-	\$5,159,503
Inter-segment	47,053	67,930	13,774	62,158	38,771	64,635	(294,321)	-
Total	1,573,706	821,555	849,570	496,052	764,695	948,245	(294,321)	5,159,503
Operating income (loss)	\$50,493	\$35,237	\$93,310	\$69,692	\$44,814	\$18,617	(\$38,406)	\$273,756

Note

2010 segment figures are reclassified by the new segmentation, for the reference purpose only.