

Consolidated Financial Statements

For the first three quarters ended September 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 three quarters (Jan.1–Sep.30) | | | |
|-------------------------------|---|---------|------------------------|-----------|
| | 2010 | 2011 | Increase (Decrease) | 2011 |
| | ¥ | ¥ | % | \$ |
| Net sales | 584,351 | 641,632 | 9.8 | 8,370,935 |
| Operating income | 27,530 | 38,853 | 41.1 | 506,886 |
| Ordinary income | 21,566 | 32,798 | 52.1 | 427,891 |
| Net income | 9,400 | 17,516 | 86.3 | 228,522 |
| Net income per share: Basic | 6.28 | 11.70 | — | 0.15 |
| Net income per share: Diluted | — | 11.43 | — | 0.15 |

Note

Important changes in accounting policies : applicable

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

| | Dec. 31, 2010 | Sep. 30, 2011 | Sep. 30, 2011 |
|----------------------------|---------------|---------------|---------------|
| | ¥ | ¥ | \$ |
| Total assets | 924,484 | 932,726 | 12,168,641 |
| Total equity | 284,965 | 290,681 | 3,792,315 |
| Total equity per share | 161.47 | 164.90 | 2.15 |
| | % | % | % |
| Stockholders' equity ratio | 26.1 | 26.5 | 26.5 |

(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 | 11,350,294 |
| Operating income | 45,000 | 587,084 |
| Ordinary income | 38,000 | 495,760 |
| Net income | 21,000 | 273,973 |
| Net income per share | 14.03 | 0.18 |

*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 ¥76.65 throughout this statement for convenience only.

[Business Results]

1. Analysis of business results

(1) Summary

The Japanese economy saw signs of recovery in production and export in the first half of 2011 (January 1 - June 30) despite the disruption of supply chain and restriction of power supply due to the East Japan Earthquake Disaster in March and the nuclear power plant accident. In the third quarter (July 1 – September 30), production and export continued to recover. However, the Japanese economy continued to face a difficult situation due to the sharp appreciation of the yen and the slowdown in overseas economies centering on Europe and the United States.

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 ¥225,106 million in the third quarter of 2011, up 12.4% from the same period of the previous year. The Company posted operating income of ¥16,752 million, up 71.2%, due to a substantial increase in the Electronics Segment’s operating income. Ordinary income rose 96.1%, to ¥14,743 million. Net income jumped 462.6%, to ¥9,557 million, due partly to the decrease in extraordinary losses.

As for the first three quarters (January 1 – September 30), the Group’s consolidated net sales increased 9.8% from the same period of last year, to ¥641,632 million. The Group recorded operating income of ¥38,853 million, up 41.1%, ordinary income of ¥32,798 million, up 52.1%, and net income of ¥17,516 million, up 86.3%.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 641,632 | 584,351 | 57,281 | 225,106 | 200,252 | 24,853 | 223,522 | 1,584 |
| Operating income | 38,853 | 27,530 | 11,322 | 16,752 | 9,786 | 6,966 | 12,749 | 4,003 |
| Ordinary income | 32,798 | 21,566 | 11,232 | 14,743 | 7,517 | 7,225 | 10,142 | 4,601 |
| Net income | 17,516 | 9,400 | 8,116 | 9,557 | 1,699 | 7,858 | 5,233 | 4,323 |

(2) A breakdown of net sales and operating income by segment (January 1 – September 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 previous year's third quarter and the first three quarters have been rearranged to meet the new segmentation.

[Petrochemicals segment]

In the third quarter, production of ethylene and propylene slightly decreased from the same period of last year. Sales of olefins increased owing to higher selling prices, reflecting the rise in the price of raw material naphtha. Sales of organic chemicals were up owing to higher selling prices, reflecting the rise in the price of raw materials, as well as the rise in shipment volumes of allyl alcohol and other products. As a result, the Petrochemicals segment's sales in the third quarter rose 19.9%, to ¥64,038 million. The segment recorded operating income of ¥1,006 million, up 78.2%.

As for the total figures for the first three quarters, the Petrochemicals segment's sales increased 32.6% from the same period of last year, to ¥191,083 million. Operating income jumped 538.2%, to ¥5,082 million.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 191,083 | 144,061 | 47,022 | 64,038 | 53,415 | 10,623 | 68,183 | - 4,145 |
| Operating income | 5,082 | 796 | 4,286 | 1,006 | 565 | 442 | 2,002 | - 995 |

[Chemicals segment]

In the third quarter, production of ammonia slightly decreased from the same period of last year. Sales of chloroprene rubber increased due to the rise in selling prices. Sales of acrylonitrile, ammonia, and specialty gases for semiconductor-processing decreased due to lower shipment volumes. Sales of functional polymers slightly decreased due partly to the weakening market. As a result, the Chemicals segment's sales in the third quarter decreased 2.3%, to ¥31,567 million. The segment recorded operating loss of ¥517 million, down ¥1,108 million, due partly to the rise in raw material costs.

As for the total figures for the first three quarters, the Chemicals segment's sales decreased 0.2% from the same period of last year, to ¥97,892 million. Operating income fell 41.3%, to ¥2,328 million.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 97,892 | 98,055 | - 163 | 31,567 | 32,302 | - 735 | 33,850 | - 2,282 |
| Operating income | 2,328 | 3,968 | - 1,640 | - 517 | 591 | - 1,108 | 1,122 | - 1,639 |

[Electronics segment]

In the third quarter, production of hard disk (HD) media substantially increased from the same period of last year, due to the contribution of capacity expansion and brisk demand. Sales of HD media increased substantially 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 substantially due to higher shipment volumes and higher selling prices, reflecting the rise in raw material prices. As a result, the Electronics segment's sales in the third quarter increased 58.3%, to ¥52,059 million, and operating income jumped 256.8%, to ¥12,511 million.

As for the total figures for the first three quarters, the Electronics segment's sales rose 14.1% from the same period of last year, to ¥120,645 million. The segment recorded operating income of ¥20,044 million, up 90.7%.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 120,645 | 105,744 | 14,901 | 52,059 | 32,891 | 19,168 | 42,086 | 9,973 |
| Operating income | 20,044 | 10,508 | 9,536 | 12,511 | 3,507 | 9,004 | 5,441 | 7,070 |

[Inorganics segment]

In the third quarter, production of graphite electrodes was maintained at the level of the same period of last year. Sales of graphite electrodes decreased due partly to the appreciation of the yen. Sales of ceramics increased, centering on electronic applications. As a result, the Inorganics segment's sales in the third quarter decreased 7.7%, to ¥18,835 million. Operating income decreased 25.4%, to ¥2,467 million.

As for the total figures for the first three quarters, the Inorganics segment's sales decreased 0.0% from the same period of last year, to ¥58,881 million. However, operating income increased 11.4%, to ¥8,093 million.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 58,881 | 58,909 | - 28 | 18,835 | 20,412 | - 1,578 | 20,316 | - 1,481 |
| Operating income | 8,093 | 7,265 | 827 | 2,467 | 3,305 | - 839 | 3,159 | - 692 |

[Aluminum segment]

In the third quarter, production of high-purity aluminum foils for capacitors decreased slightly from the same period of last year, although remaining at a high level. Sales of rolled products were slightly up due partly to the rise in selling prices of high-purity aluminum foils for capacitors, reflecting higher raw material costs. 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 following the East Japan Earthquake Disaster. Sales of *Shotic*TM forged products increased due to higher shipment volumes. Sales of aluminum cans decreased due to lower shipment volumes, reflecting sluggish consumer demand for beer. As a result, the Aluminum segment's sales in the third quarter fell 4.1%, to ¥32,654 million, and operating income fell 0.7%, to ¥2,420 million.

As for the total figures for the first three quarters, the Aluminum segment's sales decreased 4.4% from the same period of last year, to ¥94,388 million, and operating income fell 13.1%, to ¥6,038 million.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 94,388 | 98,782 | - 4,395 | 32,654 | 34,065 | - 1,411 | 32,020 | 634 |
| Operating income | 6,038 | 6,946 | - 908 | 2,420 | 2,437 | - 18 | 1,988 | 431 |

(Others segment)

In the Others segment, sales of lithium-ion battery materials increased due to higher shipment volumes. Shoko Co., Ltd.'s sales were maintained at the level of the same period of last year. Sales from the engineering business decreased following the reduction in the scale of business. As a result, the Others segment's sales in the third quarter fell 7.3%, to ¥36,668 million, and operating income decreased 57.3%, to ¥283 million. As for the total figures for the first three quarters, the Others segment's sales decreased 1.2% from the same period of last year, to ¥113,220 million. However, operating income increased 34.5%, to ¥1,786 million, due partly to the rise in Shoko Co.'s operating income.

(Unit: Millions of yen)

| | 2011 1Q – 3Q (Jan.-Sept.) | Vs. 1Q – 3Q 2010 | | 2011 3Q (Jul.-Sept.) | Vs. 3Q 2010 | | Vs.2Q 2011 | |
|---------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------|-----------------------|
| | | 2010 1Q – 3Q (Jan.-Sept.) | Increase/ decrease | | 2010 3Q (Jul.-Sept.) | Increase/ decrease | 2011 2Q (Apr.-Jun.) | Increase/ Decrease |
| Net sales | 113,220 | 114,568 | - 1,348 | 36,668 | 39,534 | - 2,866 | 38,579 | - 1,911 |
| Operating income | 1,786 | 1,328 | 458 | 283 | 665 | - 381 | 776 | - 493 |

Major steps taken or decided after the settlement of accounts for the second quarter of 2011

[Petrochemicals segment]

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

In July, we completed a pilot plant for heat-resistant transparent film SHORAYAL™ 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]

- Conclusion of agreement on transfer of industrial gas business

In October, SDK concluded an absorption-type split agreement for its industrial gas* business with its wholly owned subsidiary Showa Tansan Co., Ltd. (STK). This followed the decision SDK made in June to integrate its industrial gas business into that of STK effective January 1, 2012 through company split. On the same date, STK will change its name to “Showa Denko Gas Products Co., Ltd.”

*The Showa Denko Group's industrial gas business covers air separation gases (oxygen, nitrogen, argon, etc.), compressed hydrogen, carbon dioxide and dry ice, etc.

[Electronics segment]

- Launch of 2.5-inch 500 GB HD media

In July, we started commercial shipments of 2.5-inch HD media with storage capacity of 500 gigabytes per disk, using the sixth-generation perpendicular magnetic recording (PMR) technology. To the best of our knowledge, our new 2.5-inch HD media had the world's highest storage capacity for this size available on the market as of August 3, 2011.

- Completion of HD media production capacity expansion

Our total HD media production capacity has been increased to 27 million units a month since July this year, following the completion of capacity expansion at our subsidiary Showa Denko HD Singapore Pte. Ltd. Demand for hard disk drives will expand in the coming years for use in PCs and due to the growth of the servers market.

- Expansion of rare earth magnetic alloy production capacity in China

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 now 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]

- Completion of nanoparticle TiO₂ production capacity

In August, we expanded the nanoparticle titanium-oxide production capacity at our subsidiary Showa Titanium Co., Ltd., to 240 tons a month, and started operations. The nanoparticle titanium-oxide product, sold under the trade name of *Super-Titania*TM, is used in the production of multilayer ceramic capacitors (MLCCs). MLCCs are used mainly in light-weight electronic devices and in such energy-saving electric appliances as flat-panel TVs. Reflecting higher demand for these products, the MLCC market is continuing to grow.

[Aluminum segment]

- Decision to strengthen the high-purity aluminum foils business

In August, we decided to expand our capacity to produce high-purity aluminum foils for electrolytic capacitors at Sakai Plant and establish a final processing site in China. As a result of the expansion, the Showa Denko Group's ability to provide high-purity aluminum foils will increase from 2,000 tons a month at present to 3,000 tons a month by the end of 2013. Aluminum electrolytic capacitors are now used widely in electric appliances, energy-saving devices for inverters, and IT equipment. Furthermore,

demand will grow for such new applications as parts for electric vehicles and plug-in hybrid cars; and in the area of renewable energies, including wind energy and photovoltaic power generation. The expansion work will enable us to better meet the need for high-voltage aluminum electrolytic capacitors used in these new areas.

- Postponement of transfer of the business in heat exchangers for automotive air conditioners

In August, SDK decided to split and transfer its automotive air-conditioner heat exchanger business to Keihin Corporation (Keihin) by establishing Thermal Technology Corporation as the succeeding company and transferring its shares to Keihin. SDK and its subsidiaries in U.S.A., Thailand, Czech and China are producing aluminum-based car air-conditioner condensers and evaporators. While the split and transfer was originally scheduled to take effect in October this year, it has been decided to postpone the effective date to January 2012 due to the delay in competition-law-based procedures in China.

[Others segment]

- Strengthening the LIB materials business

SDK has decided to expand its production capacity for materials used in lithium-ion rechargeable batteries (LIBs), namely, artificial-graphite-based anode material (SCMG™), and additive in anodes and cathodes (VGCF™). It has also been decided that SDK's subsidiary Showa Denko Packaging Co., Ltd. will expand its production capacity for aluminum laminated films for LIB 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. The production capacity will be increased from 1,000 t/y to 3,000 t/y for SCMG™; from 100 t/y to 200 t/y for VGCF™; and by 50% for aluminum laminated film, through debottlenecking and installment of new equipment. Some of the expanded facilities will start up at the end of this year, and the entire expansion work will be completed in the first half of next year.

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

Total assets at the end of the third quarter amounted to ¥932,726 million, an increase of ¥5,353 million from the level at June 30, 2011. The increase is due to the rise in accounts receivable and inventories, resulting from higher sales. Interest-bearing debt decreased ¥3,713 million, to ¥355,589 million, as a result of continued debt-reduction efforts. Meanwhile, total liabilities increased ¥3,133 million, to ¥642,045 million, due to the increase in accounts payable. Net assets at the end of the third quarter increased ¥2,221 million, to ¥290,681 million, owing to the recording of net income for the quarter, notwithstanding the decrease in foreign currency translation adjustment due to the appreciation of the yen.

When compared with the levels at December 31, 2010, total assets increased ¥8,243 million due to the rise in accounts receivable and inventories. Total liabilities increased ¥2,527 million due to the increase in interest-bearing debt, and net assets increased ¥5,716 million owing to the recording of quarterly net income.

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 | Sep. 30, 2011 | Sep. 30, 2011 |
|---|------------------|------------------|-------------------|
| | ¥ | ¥ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and deposits | 43,627 | 35,855 | 467,776 |
| Notes and accounts receivable-trade | 135,611 | 151,071 | 1,970,917 |
| Merchandise and finished goods | 45,085 | 54,722 | 713,923 |
| Work in process | 10,422 | 11,585 | 151,142 |
| Raw materials and supplies | 45,151 | 53,755 | 701,306 |
| Other | 32,621 | 31,123 | 406,034 |
| Allowance for doubtful accounts | (336) | (286) | (3,733) |
| Total current assets | 312,181 | 337,825 | 4,407,365 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | 87,782 | 85,439 | 1,114,660 |
| Machinery, equipment and vehicles, net | 142,688 | 130,850 | 1,707,105 |
| Land | 255,188 | 255,418 | 3,332,261 |
| Other, net | 14,178 | 16,607 | 216,659 |
| Total property, plant and equipment | 499,836 | 488,313 | 6,370,685 |
| Intangible assets | | | |
| Goodwill | 2,631 | 1,740 | 22,698 |
| Other | 9,524 | 9,666 | 126,102 |
| Total intangible assets | 12,155 | 11,406 | 148,800 |
| Investments and other assets | | | |
| Investment securities | 58,813 | 59,484 | 776,053 |
| Other | 42,163 | 36,310 | 473,717 |
| Allowance for doubtful accounts | (665) | (612) | (7,978) |
| Total investments and other assets | 100,311 | 95,183 | 1,241,792 |
| Total noncurrent assets | 612,302 | 594,902 | 7,761,276 |
| Total assets | 924,484 | 932,726 | 12,168,641 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade | 114,234 | 108,121 | 1,410,577 |
| Short-term loans payable | 73,721 | 83,264 | 1,086,283 |
| Current portion of long-term loans payable | 59,852 | 63,616 | 829,957 |
| Commercial papers | 6,000 | 4,700 | 61,318 |
| Current portion of bonds | 3,000 | 10,000 | 130,463 |
| Provision | 3,237 | 7,332 | 95,660 |
| Other | 68,623 | 68,335 | 891,516 |
| Total current liabilities | 328,667 | 345,368 | 4,505,775 |
| Noncurrent liabilities | | | |
| Bonds payable | 30,000 | 20,000 | 260,926 |
| Long-term loans payable | 178,461 | 174,010 | 2,270,184 |
| Provision for retirement benefits | 26,295 | 24,723 | 322,544 |
| Other provision | 595 | 1,202 | 15,687 |
| Other | 75,501 | 76,743 | 1,001,210 |
| Total noncurrent liabilities | 310,851 | 296,678 | 3,870,551 |
| Total liabilities | 639,519 | 642,045 | 8,376,326 |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 140,564 | 140,564 | 1,833,836 |
| Capital surplus | 62,223 | 62,222 | 811,772 |
| Retained earnings | 36,916 | 49,266 | 642,740 |
| Treasury stock | (178) | (143) | (1,861) |
| Total shareholders' equity | 239,525 | 251,909 | 3,286,486 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | (3,749) | (4,715) | (61,517) |
| Deferred gains or losses on hedges | 269 | (1,036) | (13,510) |
| Revaluation reserve for land | 22,373 | 22,716 | 296,358 |
| Foreign currency translation adjustment | (16,778) | (22,082) | (288,093) |
| Total valuation and translation adjustments | 2,114 | (5,117) | (66,762) |
| Minority interests | 43,325 | 43,889 | 572,591 |
| Total net assets | 284,965 | 290,681 | 3,792,315 |
| Total liabilities and net assets | 924,484 | 932,726 | 12,168,641 |

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

| | Results for the first three quarters (Jan. 1-Sep. 30) | | |
|---|---|---------|-----------|
| | 2010 | 2011 | 2011 |
| | ¥ | ¥ | \$ |
| Net sales | 584,351 | 641,632 | 8,370,935 |
| Cost of sales | 491,247 | 536,944 | 7,005,142 |
| Gross profit | 93,104 | 104,688 | 1,365,793 |
| Selling, general and administrative expenses | 65,573 | 65,835 | 858,907 |
| Operating income | 27,530 | 38,853 | 506,886 |
| Non-operating income | | | |
| Interest income | 135 | 113 | 1,479 |
| Dividends income | 718 | 663 | 8,648 |
| Equity in earnings of affiliates | 1,040 | 539 | 7,031 |
| Rent income on noncurrent assets | 850 | 863 | 11,255 |
| Miscellaneous income | 1,002 | 996 | 12,998 |
| Total non-operating income | 3,745 | 3,174 | 41,411 |
| Non-operating expenses | | | |
| Interest expenses | 4,269 | 4,034 | 52,634 |
| Miscellaneous expenses | 5,441 | 5,195 | 67,772 |
| Total non-operating expenses | 9,709 | 9,229 | 120,406 |
| Ordinary income | 21,566 | 32,798 | 427,891 |
| Extraordinary income | | | |
| Subsidy | 2,045 | — | — |
| Reversal of provision for retirement benefits | — | 660 | 8,611 |
| Other | 960 | 889 | 11,595 |
| Total extraordinary income | 3,005 | 1,549 | 20,206 |
| Extraordinary loss | | | |
| Loss on sales and retirement of noncurrent assets | 2,704 | 1,047 | 13,663 |
| Loss on the Great East Japan Earthquake | — | 3,110 | 40,576 |
| Compensation for cancellation of contracts | — | 2,500 | 32,616 |
| Other | 7,208 | 3,592 | 46,863 |
| Total extraordinary losses | 9,912 | 10,249 | 133,718 |
| Income before income taxes and minority interests | 14,659 | 24,097 | 314,378 |
| Income taxes | 3,403 | 4,394 | 57,330 |
| Income before minority interests | — | 19,703 | 257,049 |
| Minority interests in income | 1,856 | 2,187 | 28,526 |
| Net income | 9,400 | 17,516 | 228,522 |

(Reference)

SEGMENT INFORMATION (previous 3Q ended)

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

| Year ended September 30, 2010 | Millions of yen | | | | | | | |
|--------------------------------------|------------------------|-----------|-------------|------------|-----------|----------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminium | Others | Elimination | Consolidated |
| Sales | | | | | | | | |
| Outside customers | ¥136,979 | ¥91,510 | ¥102,416 | ¥51,604 | ¥92,979 | ¥108,863 | ¥- | ¥584,351 |
| Inter-segment | 7,082 | 6,544 | 3,328 | 7,305 | 5,803 | 5,705 | (35,768) | - |
| Total | 144,061 | 98,055 | 105,744 | 58,909 | 98,782 | 114,568 | (35,768) | 584,351 |
| Operating income (loss) | ¥796 | ¥3,968 | ¥10,508 | ¥7,265 | ¥6,946 | ¥1,328 | (¥3,283) | ¥27,530 |

| Year ended September 30, 2011 | Millions of yen | | | | | | | |
|--------------------------------------|------------------------|-----------|-------------|------------|-----------|----------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminium | Others | Elimination | Consolidated |
| Sales | | | | | | | | |
| Outside customers | ¥185,807 | ¥90,026 | ¥119,069 | ¥51,529 | ¥89,677 | ¥105,525 | ¥- | ¥641,632 |
| Inter-segment | 5,276 | 7,866 | 1,576 | 7,352 | 4,711 | 7,695 | (34,476) | - |
| Total | 191,083 | 97,892 | 120,645 | 58,881 | 94,388 | 113,220 | (34,476) | 641,632 |
| Operating income (loss) | ¥5,082 | ¥2,328 | ¥20,044 | ¥8,093 | ¥6,038 | ¥1,786 | (¥4,518) | ¥38,853 |

| Year ended September 30, 2011 | Thousands of U.S. dollars | | | | | | | |
|--------------------------------------|----------------------------------|-------------|-------------|------------|-------------|-------------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminium | Others | Elimination | Consolidated |
| Sales | | | | | | | | |
| Outside customers | \$2,424,099 | \$1,174,501 | \$1,553,415 | \$672,263 | \$1,169,950 | \$1,376,706 | \$- | \$8,370,935 |
| Inter-segment | 68,834 | 102,622 | 20,558 | 95,917 | 61,461 | 100,392 | (449,784) | - |
| Total | 2,492,933 | 1,277,123 | 1,573,973 | 768,179 | 1,231,411 | 1,477,099 | (449,784) | 8,370,935 |
| Operating income (loss) | \$66,307 | \$30,373 | \$261,497 | \$105,582 | \$78,769 | \$23,307 | (\$58,948) | \$506,886 |

Notes

1. 2010 segment figures are reclassified by the new segmentation, for the reference purpose only.
2. One of our consolidated subsidiaries recorded deferred tax assets in the second quarter for revalued land, and disposed of the deferred tax assets in the third quarter following the sale of the land. In terms of accounting for income taxes, the beginning of accounting period for this transaction is different for the third quarter (July 1 – September 30) and the first nine months (January 1 – September 30), resulting in difference in the figures for income taxes deferred. Thus, there is a ¥150 million difference between the net income, calculated by adding the net income for the third quarter to the net income for the first two quarters, and the net income for the first nine months.