

Consolidated Financial Statements

For the first half year (January 1 to June 30, 2013)



MEMBERSHIP

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)			
	2012	2013	Increase (Decrease)	2013
	¥	¥	%	\$
Net sales	352,313	401,409	13.9	4,071,502
Operating income	16,019	6,723	(58.0)	68,189
Ordinary income	14,423	5,387	(62.6)	54,641
Net income	7,884	2,158	(72.6)	21,893
Net income per share: Basic	5.27	1.44	—	0.01
Net income per share: Diluted	5.21	—	—	—

Note

Comprehensive income :

Results for the first half year (January 1 to June 30, 2013) ¥19,141million (\$194,151thousand)

Results for the first half year (January 1 to June 30, 2012) ¥11,762million (\$119,307thousand)

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

	Dec. 31, 2012	Jun.30, 2013	Jun.30, 2013
		¥	¥
Total assets	933,162	967,071	9,809,017
Total equity	314,966	330,700	3,354,292
	%	%	%
Stockholders' equity ratio	29.2	29.6	29.6

(3) Dividends:

	2012	2013 Forecast
Q1 dividends per share (¥)	—	—
Q2 dividends per share (¥)	0.00	0.00
Q3 dividends per share (¥)	—	—
End of Term dividends per share (¥)	3.00	3.00
Annual dividends per share (¥)	3.00	3.00

II. Forecast of performance for the year ending December 31, 2013

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

	fiscal year	
	¥	\$
Net sales	850,000	8,621,564
Operating income	26,000	263,718
Ordinary income	22,000	223,146
Net income	10,000	101,430
Net income per share	6.68	0.07

*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, but not limited to, 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 ¥98.59 throughout this statement for convenience only.

[Business Results and Financial Conditions]

1. Analysis of business results

(1) Summary

During the first half of 2013 (January 1 - June 30), the Japanese economy showed signs of partial recovery, reflecting the easing of the yen's appreciation as a result of monetary relaxation and the improvement in personal consumption. However, despite continuous gradual economic recovery in the United States, the uncertainty of the world economy deepened, reflecting clear signs of slowdown in the Chinese economy and slower growth of emerging economies, including India. As a result, production activities of the Japanese manufacturing industry continued in a depressed state. In the petrochemicals industry, production adjustments continued due to lower demand in China. In the electronic parts/materials industry, production of smartphones increased, but severe production adjustments continued for PCs.

Under these circumstances, the Showa Denko Group is aiming to strengthen its presence on the global market by implementing its medium-term consolidated business plan PEGASUS launched in 2011. The Group is promoting its growth strategies with the hard disk (HD) media and graphite electrode businesses as its "Wings," while aiming to build up strong and diversified businesses on a global scale and establish leading positions in various market segments. The Group will redesign its business models in response to the changes in competitive conditions for respective operations.

The Group recorded consolidated net sales of ¥401,409 million in the first half of 2013, up 13.9% from the same period of the previous year, due mainly to higher sales in the Petrochemicals segment. However, operating income decreased 58.0%, to ¥6,723 million, reflecting reductions in the book value of rare earth inventory and lower shipment volumes of HD media, both in the Electronics segment, as well as lower shipment volumes of graphite electrodes, in the Inorganics segment. The Group recorded an ordinary income of ¥5,387 million, down 62.6%, and a net income of ¥2,158 million, down 72.6%.

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	352,313	401,409	49,096
Operating income	16,019	6,723	-9,296
Ordinary income	14,423	5,387	-9,036
Net income	7,884	2,158	-5,726

(2) A breakdown of net sales and operating income by segment (January 1 - June 30, 2013)

[Petrochemicals segment]

The Petrochemicals segment's sales increased 86.5%, to ¥135,420 million. Despite some production adjustments due to lower olefin demand in Asia, production of ethylene and propylene increased from the same period of the previous year, when we had trouble with our ethylene plant. Sales of olefins increased due to higher shipment volumes and higher selling prices, reflecting the rise in naphtha prices. Sales of organic chemicals were up due to higher shipment volumes of vinyl acetate and allyl alcohol. The segment recorded an operating loss of ¥45 million (an improvement of ¥2,143 million).

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	72,595	135,420	62,825
Operating income	-2,188	-45	2,143

[Chemicals segment]

The Chemicals segment's sales decreased 1.3%, to ¥61,921 million. Production of liquefied ammonia decreased from the same period of the previous year. Sales of liquefied ammonia were maintained at the level of the same period of the previous year, while sales of acrylonitrile decreased due to the stagnant market. Sales of chloroprene rubber increased due to higher export volumes. As a result, overall sales of basic chemicals increased. Sales of industrial gases and functional chemicals decreased. Sales of electronic chemicals were maintained at the level of the same period of the previous year. The segment recorded an operating income of ¥559 million (up ¥770 million), due partly to the improvement in the basic chemicals business.

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	62,717	61,921	-796
Operating income	-211	559	770

[Electronics segment]

The Electronics segment's sales decreased 22.5%, to ¥66,172 million. Production of HD media decreased from the same period of the previous year, reflecting the HDD industry's inventory adjustments. Sales of HD media decreased due to lower shipment volumes, reflecting lower PC demand, notwithstanding steady demand for server applications. Sales of rare earth magnetic alloys decreased due to the influence of the magnet industry's severe inventory adjustments, which hit the bottom in the first quarter of the year. Sales of compound semiconductors also decreased, reflecting the non-consolidation of the gallium-nitride LED business as a result of its structural reform. Operating income decreased 53.2%, to ¥8,356 million, due partly to the influence of reductions in the book value of rare earth inventory.

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	85,409	66,172	-19,236
Operating income	17,861	8,356	-9,506

[Inorganics segment]

The Inorganics segment's sales fell 5.7%, to ¥31,025 million. Production of graphite electrodes decreased from the level of the same period of the previous year. Sales of graphite electrodes decreased due to lower shipment volumes, reflecting the influence of inventory adjustments by the world's steelmaking industry, centering on Europe and China. Sales of ceramics were maintained at the level of the same period of the previous year.

due to higher shipment volumes for electronic materials applications, notwithstanding lower sales of alumina. The segment recorded an operating loss of ¥643 million (down ¥2,979 million).

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	32,915	31,025	-1,890
Operating income	2,336	-643	-2,979

[Aluminum segment]

The Aluminum segment's sales fell 8.2%, to ¥43,664 million. Production of high-purity foils for capacitors increased from the same period of the previous year. The protracted production adjustments by capacitor manufacturers ended in the first quarter, and demand increased in the second quarter. Sales of rolled products increased slightly due to higher shipment volumes of high-purity foils for capacitors. Shipment volumes of aluminum cylinders for laser beam printers were maintained at the level of the same period of the previous year, but those of Shotic forged products were down. As a result, overall sales of aluminum specialty components decreased. Sales of aluminum cans slipped. The segment recorded an operating income of ¥2,931 million, up 158.4%, due partly to the recovery of the rolled products business.

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	47,582	43,664	-3,918
Operating income	1,134	2,931	1,796

[Others segment]

The Others segment's sales increased 19.7%, to ¥82,324 million. Sales of lithium ion battery (LIB) materials slipped due to lower shipment volumes for automotive applications, notwithstanding higher shipment volumes for smartphone and tablet PC applications. Shoko Co., Ltd.'s sales increased, reflecting higher sales in overseas businesses and the consolidation of Shoko (Shanghai) Co., Ltd. The segment recorded an operating loss of ¥900 million (down ¥1,138 million) due partly to the rise in fixed costs in the LIB materials business.

(Unit: millions of yen)

	1H 2012	1H 2013	Increase/decrease
Sales	68,780	82,324	13,545
Operating income	238	-900	-1,138

(3) Major steps taken or decided in the first half of 2013

[General]

- Strategic partnership in the fullerene business

In January, SDK entered into a strategic partnership with Mitsubishi Corporation (MC) in the fullerene business. As part of the arrangement, SDK acquired from MC a 50%

stake in Frontier Carbon Corporation (FCC), a producer and marketer of fullerene products, thereby making FCC a 50-50 joint venture between MC and SDK. Fullerene is a molecule composed entirely of carbon. It takes the form of a soccer ball and is one nanometer in diameter. As the molecule is soluble in organic solvents and is an excellent electron acceptor, it is seen as a promising material in the field of electronics, particularly for such applications as n-type material for organic photovoltaic cells. SDK has over 10 years of experience commercially producing carbon nanotube (VGCF™). SDK is therefore confident that its nanotechnology acquired through the VGCF business can be practically applied to the fullerene business. SDK and FCC will jointly undertake R&D and marketing activities towards the commercialization of fullerene products.

- Developing technology for volume production of graphene

SDK developed, in cooperation with Tohoku University's Institute of Multidisciplinary Research for Advanced Materials and as part of the Japan Science and Technology Agency's Adaptable and Seamless Technology Transfer Program, a volume production technology for graphene—an innovative carbon material—using supercritical fluid. Graphene, a single-layer sheet of carbon atoms arranged in a regular hexagonal pattern, has advantages such as high electron mobility (more than 100 times that of silicon) and thermal/chemical stability. The newly developed technology enables the speedy and low-cost production of high-quality graphene by using organic solvents in the form of supercritical fluid and by a peeling process. The technology will open up a new field of applications, including light/strong components, battery materials, and power generation, in addition to the existing electronic materials applications. SDK will further promote R&D to commercialize the new technology.

- Developing microwave-based new materials for printed electronics

SDK developed an innovative microwave-heating printing technology to form electronic circuits, and started placing printable conductive ink and ink-curing units on the market. In cooperation with Tokyo Institute of Technology, and The National Institute of Advanced Industrial Science and Technology, SDK developed new technology to control spark discharge at the time of microwave heating. SDK also developed a printable silver/carbon hybrid conductive ink optimized for microwave-heating. Furthermore, SDK and Osaka University jointly developed a halogen-free conductive adhesive that can be used under microwave-heating, thereby preventing the problem of short circuits. As a result, it is now possible to easily form electronic circuits and mount devices on flexible printed circuit substrates, in which plastic films and other materials with low heat resistance are used. Printed electronics—the technology to manufacture electronic circuits through printing—is expected to be increasingly used as an efficient production method for electronics, electric appliances, and transport machinery.

- Chairman Takahashi's receipt of award from the Government of Singapore

In July, SDK Chairman Kyohei Takahashi received The Public Service Star (Distinguished Friends of Singapore) Award from the Government of Singapore. The prestigious Public Service Star awards are given to industrialists who are considered to have made great contributions to the economic growth of Singapore. The DFS Award was granted to Takahashi in recognition of SDK's active investments in Singapore in the area of the hard disk industry (one of the major industries in Singapore), and its contributions to innovation and job creation. SDK will continue to strengthen the business, expecting further growth in demand for HD media for nearline server and other applications.

[Chemicals segment]

- Expanding sales of liquefied ammonia in the Tohoku region

In June, SDK started reconstruction work of its liquefied ammonia distribution base in Soma District, Fukushima Prefecture, which had been damaged by the Great East Japan Earthquake. The new facility will open in March 2014. SDK's liquefied ammonia (*Ecoann*TM) is approved as "eco-friendly goods for procurement" by major electric power companies because the product is partly based on used plastics. Liquefied ammonia is used in the production of synthetic fibers. It is also used for removing nitrogen oxides contained in exhaust gas from thermal electric power plants. SDK forecasts steady demand for *Ecoann*TM as thermal electric power plants are expected to continue operating at high rates. To further expand sales of *Ecoann*TM as an important component of the basic chemicals business, SDK decided to operate the liquefied ammonia distribution base in Soma District by itself. In this connection, SDK merged Marusho Kogyo Co., Ltd., a wholly owned subsidiary for operating the base, on April 25.

- Starting commercial production of anode binder for LIBs

In February, SDK started volume production of "*Polyso*TM LB Series" water-based anode binder for LIBs. The product is a water-based emulsion containing acrylic synthetic resin particles, ensuring lower environmental impact at the time of LIB production compared with solvent-based binders. It provides such advantages as low electrical resistance, good temperature characteristics, and good adhesion to anode collectors, thereby contributing toward extending the life and increasing the capacity of LIBs. A binder causes cathode/anode active materials (for release and intake of lithium ions) to stick together. It also causes additives to stick together, and active materials to adhere to collectors. Thus, the product is attracting attention as one of the key materials that largely influence the performance of LIBs.

- Receipt of award for energy-saving project

SDK's Kawasaki Plant completed a project for energy-saving by integrating boiler operations at the plant site. Specifically, the steam generated at boiler facilities of the Ohgimachi district is sent to Showa Denko Gas Products' Kawasaki facility (which is located within the same plant site) through a pipeline, and to the Ohkawa district across a canal, using a seabed tunnel. The new system has enabled the Kawasaki Plant to reduce energy consumption by 42% and CO2 emissions by around 2,400 tons a year. Owing to this achievement, the Kawasaki Plant received an award from Kawasaki City on the occasion of its event of "Kawasaki Environment Show Window 2012."

[Electronics segment]

- Completion of plant growth facility in Fukushima using SDK's specialty LED chips

In April, a new plant growth facility was completed at Kawauchi Village, Fukushima Prefecture, in which SDK's specialty LED chips and innovative cultivation method (the "*Shigyo* methodTM") are used. The facility represents a completely closed system cut off from the outside air and insects, enabling agricultural production uninfluenced by changes in weather and atmospheric temperature. The facility has the capability to produce up to 8,000 heads of leaf lettuce and green herbs. The facility uses SDK's LED chips that emit red light with optimized wavelengths for plant growth (660nm) in the highest brightness in the world (as of April 26, 2013) in combination with the "*Shigyo* methodTM", which was developed jointly by SDK and Yamaguchi University. Compared with fluorescent-lamp-based plant growth facilities, this system can increase the yield by two times or more, and reduce air-conditioning-related electricity costs, as it involves lower level of heat generation. Thus, the new system enables profitable

operation of plant growth facilities.

[Inorganics segment]

- Establishing a graphite electrode subsidiary in China
SDK completed its procedure for acquiring a controlling stake in Sinosteel Sichuan Carbon Co., Ltd., a manufacturer of graphite electrodes in China. In March, SDK made the company a subsidiary, renaming it as Showa Denko Sichuan Carbon Inc. SDK has so far been supplying high-quality graphite electrodes mainly to the markets in advanced countries from its production sites, one each in Japan and the United States. With the establishment of its Chinese subsidiary, SDK is now ready to supply “volume-zone” products for emerging markets. Thus, SDK will steadily promote its strategy of “being active on two fronts,” serving both the high-end and volume-zone product markets.

[Aluminum segment]

- New sensor chosen for hospital beds
In February, SDK’s aluminum-based sensor was chosen by France Bed Co., Ltd. for use in its sensor system for hospital beds. Owing to the light and rigid nature of aluminum, the system catches a very small amount of sensor deformation under a bed-user’s weight and converts it into electric signals. SDK’s proprietary algorithm is used to detect a user’s movement, such as turning over, getting up, sitting on, and leaving the bed, based on the changes of weight following the move of a user. SDK is also developing devices for measuring a user’s biological information, such as a non-contact-type sleep (breathing) sensor, aiming to expand sales in the area of health-care and security.

[Others segment]

- Increasing LIB packaging material production capacity
Showa Denko Packaging Co., Ltd., a subsidiary of SDK, decided to further increase its production capacity for LIB-packaging aluminum laminated films, in addition to the expansion already completed in July. After the additional expansion, Showa Denko Packaging’s production capacity at the end of 2014 will be increased by three times before the expansions. Showa Denko Packaging is offering its aluminum laminated film—a composite material of resin film and aluminum foil—for packaging LIBs. Compared with metallic LIBs (such as cylindrical type), aluminum-laminated-film-based pouch type LIBs provide higher flexibility in molding, lighter weight, and better heat dissipation. Thus, the share of pouch type is increasing, and the market for LIB-packaging aluminum laminated films is expected to grow rapidly.

2. Financial conditions for the January 1 - June 30, 2013 period

a) Situation of assets, liabilities and total assets

Total assets at the end of the first-half year period amounted to ¥967,071 million, an increase of ¥33,909 million from the level at December 31, 2012. Total assets were up due partly to the increase in accounts receivable and fixed assets following the consolidation of subsidiaries, including Showa Denko Sichuan Carbon. Total liabilities increased ¥18,176 million, to ¥636,371 million, due mainly to the increase in interest-bearing debt following the said consolidation of subsidiaries. Net assets at the end of the first-half year period amounted to ¥330,700 million, up ¥15,733 million, owing to the recording of net income for the period and the increase in foreign currency translation adjustments, notwithstanding the payment of dividends for 2012.

b) Situation of cash flows

Net cash provided by operating activities during the first half of 2013 amounted to ¥17,076 million, an increase of ¥14,610 million from the same period of the previous year. This reflects the disappearance of the influence of the ethylene plant trouble that occurred in the first half of 2012. Net cash used in investing activities increased ¥7,723 million, to ¥27,345 million, due partly to the increase in purchase of plant, property and equipment. Cash flows from financing activities ended up in proceeds of ¥8,167 million, an increase of ¥4,832 from the same period of the previous year, due partly to the increase in interest-bearing debt. As a result, after the effects of exchange rate fluctuations are taken into account, cash and cash equivalents at the end of the first-half year period increased ¥2,350 million, to ¥53,604 million.

3. Performance forecast

We announced our revised performance forecast on July 29, 2013. The table below shows our revised performance forecast for the full year.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Revised forecast for the full year	850,000	26,000	22,000	10,000

For the second half of the year, we assume an exchange rate of ¥98 to the U.S. dollar and a naphtha price of ¥60,700/KL.

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2012	Jun. 30, 2013	Jun. 30, 2013
Assets	¥	¥	\$
Current assets			
Cash and deposits	51,606	54,070	548,432
Notes and accounts receivable-trade	138,189	147,830	1,499,447
Merchandise and finished goods	52,980	55,075	558,625
Work in process	13,506	16,097	163,270
Raw materials and supplies	55,275	53,540	543,057
Other	30,658	36,247	367,653
Allowance for doubtful accounts	(107)	(134)	(1,358)
Total current assets	342,108	362,725	3,679,125
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	81,593	84,843	860,560
Machinery, equipment and vehicles, net	115,167	116,404	1,180,685
Land	254,257	254,688	2,583,306
Other, net	22,236	31,531	319,823
Total property, plant and equipment	473,253	487,466	4,944,374
Intangible assets			
Goodwill	120	629	6,375
Other	10,198	10,999	111,565
Total intangible assets	10,318	11,628	117,941
Investments and other assets			
Investment securities	67,778	74,633	757,008
Other	40,247	31,142	315,875
Allowance for doubtful accounts	(542)	(523)	(5,306)
Total investments and other assets	107,483	105,252	1,067,577
Total noncurrent assets	591,054	604,346	6,129,891
Total assets	933,162	967,071	9,809,017
Liabilities			
Current liabilities			
Notes and accounts payable-trade	107,241	110,057	1,116,314
Short-term loans payable	63,741	77,714	788,250
Current portion of long-term loans payable	46,623	50,398	511,186
Commercial papers	25,000	30,000	304,290
Provision	3,265	5,225	52,997
Other	77,247	76,038	771,257
Total current liabilities	323,118	349,432	3,544,295
Noncurrent liabilities			
Bonds payable	30,000	30,000	304,290
Long-term loans payable	176,898	177,170	1,797,038
Provision for retirement benefits	23,433	21,876	221,885
Other provision	2,351	28	284
Other	62,396	57,866	586,931
Total noncurrent liabilities	295,078	286,939	2,910,429
Total liabilities	618,196	636,371	6,454,724
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,425,738
Capital surplus	62,222	62,221	631,111
Retained earnings	53,172	51,410	521,447
Treasury stock	(145)	(146)	(1,485)
Total shareholders' equity	255,812	254,048	2,576,812
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	924	4,727	47,951
Deferred gains or losses on hedges	(305)	(78)	(789)
Revaluation reserve for land	28,025	28,025	284,260
Foreign currency translation adjustment	(11,722)	(199)	(2,015)
Total accumulated other comprehensive income	16,922	32,476	329,406
Minority interests	42,232	44,176	448,074
Total net assets	314,966	330,700	3,354,292
Total liabilities and net assets	933,162	967,071	9,809,017

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2012	2013	2013
	¥	¥	\$
Net sales	352,313	401,409	4,071,502
Cost of sales	295,446	354,598	3,596,693
Gross profit	56,867	46,811	474,809
Selling, general and administrative expenses	40,848	40,089	406,620
Operating income	16,019	6,723	68,189
Non-operating income			
Interest income	83	81	824
Dividends income	580	695	7,052
Equity in earnings of affiliates	526	—	—
Foreign exchange gains	—	1,331	13,499
Miscellaneous income	2,494	1,635	16,582
Total non-operating income	3,683	3,742	37,957
Non-operating expenses			
Interest expenses	2,427	2,070	20,997
Equity in losses of affiliates	—	551	5,592
Miscellaneous expenses	2,852	2,457	24,917
Total non-operating expenses	5,279	5,078	51,505
Ordinary income	14,423	5,387	54,641
Extraordinary income			
Gain on sales of investment securities	10	519	5,267
Compensation income from cancellation of contracts	—	756	7,664
Compensation income	145	—	—
Other	162	263	2,665
Total extraordinary income	317	1,538	15,596
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	785	609	6,181
Loss on restructuring of subsidiaries and affiliates	—	1,377	13,971
Other	4,718	838	8,504
Total extraordinary losses	5,504	2,825	28,656
Income before income taxes and minority interests	9,236	4,099	41,581
Income taxes	562	1,248	12,657
Income before minority interests	8,674	2,852	28,924
Minority interests in income	790	694	7,035
Net income	7,884	2,158	21,889

Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2012	2013	2013
	¥	¥	\$
Income before minority interests	8,674	2,852	28,924
Other comprehensive income:			
Valuation difference on available-for-sale securities	1,252	3,873	39,282
Deferred gains or losses on hedges	(960)	235	2,388
Foreign currency translation adjustments	2,769	12,146	123,195
Share of other comprehensive income of affiliates applied for equity method	28	36	362
Total other comprehensive income	3,089	16,290	165,227
Comprehensive income	11,762	19,141	194,151
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	10,764	17,637	178,893
Comprehensive income attributable to minority interests	998	1,504	15,259

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2012	2013	2013
	¥	¥	\$
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	9,236	4,099	41,581
Depreciation and amortization	23,126	20,226	205,148
Impairment loss	2,303	331	3,360
Amortization of goodwill	601	659	6,680
Increase (decrease) in provision for retirement benefits	(653)	(1,588)	(16,109)
Interest and dividends income	(663)	(777)	(7,876)
Interest expenses	2,427	2,070	20,997
Equity in (earnings) losses of affiliates	(526)	551	5,592
Loss (gain) on sales and valuation of investment securities	252	(369)	(3,746)
Loss on retirement of noncurrent assets	783	596	6,041
Loss (gain) on sales of noncurrent assets	(121)	(44)	(444)
Decrease (increase) in notes and accounts receivable-trade	11,373	(2,092)	(21,216)
Decrease (increase) in inventories	(10,601)	2,806	28,461
Increase (decrease) in notes and accounts payable-trade	(3,422)	(2,505)	(25,409)
Other, net	(27,502)	(3,974)	(40,308)
Subtotal	6,615	19,989	202,752
Interest and dividends income received	1,157	1,212	12,295
Interest expenses paid	(2,517)	(2,064)	(20,932)
Income taxes paid	(2,789)	(2,062)	(20,912)
Net cash provided by (used in) operating activities	2,466	17,076	173,204
Net cash provided by (used in) investing activities			
Proceeds from sales and redemption of securities	2	2	23
Purchase of property, plant and equipment	(20,266)	(22,523)	(228,448)
Proceeds from sales of property, plant and equipment	637	167	1,691
Proceeds from transfer of business	2,829	15	148
Purchase of investment securities	(1,121)	(3,441)	(34,906)
Proceeds from sales of investment securities	72	543	5,508
Purchase of investments in subsidiaries	(248)	(3)	(31)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(823)	(8,346)
Net decrease (increase) in short-term loans receivable	59	0	3
Payments of long-term loans receivable	(931)	(225)	(2,282)
Collection of long-term loans receivable	116	119	1,202
Other, net	(771)	(1,175)	(11,922)
Net cash provided by (used in) investing activities	(19,622)	(27,345)	(277,360)
Net increase (decrease) in short-term loans payable	1,954	7,641	77,505
Net increase (decrease) in commercial papers	22,000	5,000	50,715
Proceeds from long-term loans payable	19,200	25,600	259,661
Repayment of long-term loans payable	(29,348)	(23,027)	(233,563)
Proceeds from issuance of bonds	10,000	-	-
Redemption of bonds	(10,000)	-	-
Proceeds from stock issuance to minority shareholders	-	1,031	10,462
Cash dividends paid	(4,460)	(4,458)	(45,215)
Cash dividends paid to minority shareholders	(1,408)	(1,191)	(12,079)
Other, net	(4,603)	(2,430)	(24,650)
Net cash provided by (used in) financing activities	3,335	8,167	82,836
Effect of exchange rate change on cash and cash equivalents	993	3,190	32,361
Net increase (decrease) in cash and cash equivalents	(12,828)	1,088	11,041
Cash and cash equivalents at beginning of period	55,026	51,254	519,872
Increase in cash and cash equivalents from newly consolidated subsidiary	-	1,249	12,673
Increase in cash and cash equivalents resulting from merger	-	12	121
Cash and cash equivalents at end of period	42,198	53,604	543,707

(Reference)

SEGMENT INFORMATION (previous 2Q ended)

The operations of the Companies for the year ended June 30, 2012 and 2013 was summarised by industry segment as follows:

Year ended June 30, 2012	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥70,284	¥58,147	¥84,349	¥28,654	¥45,295	¥65,584	¥-	¥352,313
Inter-segment	2,311	4,570	1,060	4,261	2,287	3,195	(17,684)	-
Total	72,595	62,717	85,409	32,915	47,582	68,780	(17,684)	352,313
Operating income (loss)	(¥2,188)	(¥211)	¥17,861	¥2,336	¥1,134	¥238	(¥3,153)	¥16,019

Year ended June 30, 2013	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	¥131,829	¥56,950	¥65,551	¥26,803	¥41,006	¥79,269	¥-	¥401,409
Inter-segment	3,591	4,970	621	4,222	2,658	3,055	(19,117)	-
Total	135,420	61,921	66,172	31,025	43,664	82,324	(19,117)	401,409
Operating income (loss)	(¥45)	¥559	¥8,356	(¥643)	¥2,931	(¥900)	(¥3,535)	¥6,723

Year ended June 30, 2013	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
Sales								
Outside customers	\$1,337,143	\$577,647	\$664,889	\$271,868	\$415,924	\$804,031	\$-	\$4,071,502
Inter-segment	36,420	50,415	6,299	42,824	26,960	30,985	(193,902)	-
Total	1,373,563	628,062	671,188	314,691	442,884	835,016	(193,902)	4,071,502
Operating income (loss)	(\$456)	\$5,670	\$84,752	(\$6,520)	\$29,727	(\$9,124)	(\$35,859)	\$68,189