

Consolidated Financial Statements
For the 1st half year (January 1 to June 30, 2007)



I . Consolidated Financial Results

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

	Results for the 1st half year			
	2007	2006	Increase (Decrease)	2007
	¥	¥	%	\$
Net sales	485,127	426,993	13.6	3,935,804
Operating income	34,956	33,784	3.5	283,592
Ordinary income	27,082	28,518	(5.0)	219,716
Net income	15,070	15,061	0.1	122,262
Net income per share: Basic	12.81	13.18	-	0.104
Net income per share: Diluted	12.07	12.37	-	0.098

Notes

Important changes in accounting policies : not applicable

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

	Jun. 30, 2007	Jun. 30, 2006	Jun. 30, 2007
	¥	¥	\$
Total assets	1,048,500	980,856	8,506,407
Total equity	283,128	250,748	2,296,994
Total equity per share	213.47	177.39	1.73
	%	%	%
Stockholders' equity ratio	24.0	20.7	24.0

(3) Cash flows: (¥ in millions, US\$ in thousands)

	Results for the 1st half year		
	2007	2006	2007
	¥	¥	\$
Cash flows from operating activities	20,056	32,217	162,713
Cash flows from investing activities	(32,528)	(17,299)	(263,897)
Cash flows from financing activities	(14,083)	(23,660)	(114,254)
Cash and cash equivalents at end of the year	29,115	28,509	236,208

II . Forecast of performance for the year ending December 31, 2007

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

	2007	
	¥	\$
Net sales	1,000,000	8,112,932
Operating income	74,000	600,357
Ordinary income	60,500	490,832
Net income	33,000	267,727
Net income per share	27.49	0.22

※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.

Notes

The U.S. dollar is valued at ¥123.26 throughout this statement for convenience only.

1. Business results

a) Analysis of business results

i) Overview

Despite the soaring crude oil prices and other instability factors, the Japanese economy continued to grow in the first half of 2007 owing to the rise in capital spending against the background of strong corporate earnings and steady exports to the EU and Asia.

In the chemical and nonferrous metals industries, costs of naphtha, aluminum ingot, and other raw materials soared, resulting in a continued severe environment. Meanwhile, the electronics-parts and materials industry showed a steady growth despite partial inventory adjustments.

Under the circumstances, the Showa Denko Group made progress with the implementation of its medium-term consolidated business plan, the Passion Project, aimed at laying the groundwork for long-term, sustainable growth. Under the plan, the Group accelerated the development of “new growth driver” businesses while carrying out structural reforms and reducing costs.

As a result, consolidated net sales in the first half of 2007 increased 13.6 % from the same period of last year, to ¥485,127 million, and operating income increased 3.5%, to ¥34,956 million. However, ordinary income fell 5.0%, to ¥27,082 million, due to increases in non-operating expenses. Net income rose 0.1%, to ¥15,070 million, due mainly to the fall in extraordinary losses.

ii) Summary of results by segment

(Petrochemicals)

Production of ethylene and propylene in the first half of 2007 increased compared with the same period of last year when there was a maintenance shutdown conducted once in every four years. Sales of olefins were up due to the rise in shipment volumes as well as the rise in selling prices, reflecting soaring raw material costs. Sales of organic chemicals were also up due to the rise in selling prices, reflecting higher feedstock costs, and higher shipment volumes of vinyl acetate.

As a result, the Petrochemicals segment's sales increased 32.3%, to ¥192,195 million, and operating income jumped 61.5%, to ¥10,884 million.

(Chemicals)

Production of liquefied ammonia decreased. Sales of acrylonitrile rose due to higher selling prices, and sales of caustic soda, chlorine, and hydrochloric acid rose due to

steady shipment volumes. Meanwhile, sales of industrial gases, including oxygen, nitrogen, and hydrogen, fell.

Sales of amino acids, *Elaslen*TM chlorinated polyethylene, and *Shodex*TM liquid chromatography columns increased due to higher shipment volumes. Sales of *Shoprene*TM chloroprene rubber were up due to higher selling prices.

As a result, the Chemicals segment's sales rose 2.9%, to ¥39,137 million, and operating income jumped 67.2%, to ¥3,271 million.

(Electronics)

Production of hard disk (HD) media increased due to the start-up of new production facilities. Sales of HD media increased, reflecting the growing demand and start-up of the new facilities. Sales of compound semiconductors were maintained at the year-earlier level.

Sales of semiconductor-processing specialty gases decreased due to the fall in shipment volumes of LCD panel cleaning agents. Meanwhile, sales of rare-earth magnetic alloys increased substantially due to higher shipment volumes and selling prices.

As a result, the Electronics segment's sales increased 9.1%, to ¥85,779 million. However, operating income fell 38.4%, to ¥9,770 million, due to cost increases following the transition to product lines with higher storage capacity as well as increased depreciation expenses as a result of capacity expansion.

(Inorganics)

Production of graphite electrodes continued at high levels. Sales of ceramics were maintained at previous year's level. However, sales of graphite electrodes increased due to continued steady demand at home and abroad.

As a result, the Inorganics segment's sales increased 11.9%, to ¥39,397 million. Operating income rose 33.6%, to ¥9,559 million, due mainly to steady exports of graphite electrodes from domestic plant and steady performance at U.S. subsidiary Showa Denko Carbon, Inc.

(Aluminum and other)

Production of automotive heat exchangers in the first half of 2007 increased in Japan and the U.S., although there was a slight decline in Europe. Production of rolled products and *Shotic*TM forged products increased, while that of commodity extrusions fell.

Sales from ingot marketing rose, reflecting the trends in the international market. Sales of rolled products were up due to the rise in selling prices, reflecting soaring feedstock costs, and higher shipment volumes of high-purity foils for capacitors. In the extrusions/specialty products business, sales rose due to higher shipment volumes of aluminum cylinders for laser printers and the rise in selling prices of extrusions. Sales of heat exchangers increased slightly in all three regions of Japan, U.S., and Europe. Sales of *Shotic*TM forged products increased due to higher selling prices. Sales of aluminum cans also increased due to higher shipment volumes and selling prices. Meanwhile, the aluminum alloys business was transferred in the second half of 2006.

As a result, the Aluminum segment's sales decreased 1.0%, to ¥128,619 million, but operating income increased 8.1%, to ¥4,099 million.

iii) Major steps taken in the first half of 2007

(Chemicals)

- Development of new photo-curing isocyanate monomer
The Company developed a new grade of photo-curing isocyanate monomer product (*KarenzMOI*TM-EG) and started sample shipments in July. Compared with the existing *KarenzMOI*TM product, which is used mainly for the production of LCD displays and semiconductors, the new grade features high adhesion strength and curing rate while reducing cure shrinkage by 40%. As a result, *KarenzMOI*TM-EG is expected to find such new applications as surface coating and adhesives.
- Launch of water-soluble vitamin E derivative for skin care
The Company began full-scale marketing of a new water-soluble vitamin E derivative (*TPNa*TM) for use in cosmetics. *TPNa*TM is readily soluble in aqueous solutions, enabling easy formulation in cosmetics. It is readily absorbed through the skin, and transformed quickly into vitamin E in the skin. Thus, *TPNa*TM is expected to be effective as raw material for skin care product.

(Electronics)

- Commercial production of 3.5-inch HD media
In June, the Company began commercial shipments of 334 gigabyte, 3.5-inch HD media based on the perpendicular magnetic recording (PMR) technology. As of June 2007, the product represented the world's largest storage capacity as a 3.5-inch HD media. Demand for large-capacity HD media is growing due to the rise in shipment volumes of HDD recorders that enable high-vision recording of digital high-vision TV programs as well as PCs that enable storage and editing of moving pictures. In January, we started up a PMR-technology-based new plant in Singapore, ensuring stable supply of high-storage-capacity HD media to our customers.

- Developing high-performance, large area-emission organic EL panels

The Company is developing singlelayer organic electroluminescent (organic EL) devices based on innovative phosphorescent polymer materials. For the green and red light, we have achieved the highest-level external quantum efficiency. Durability for the green light has already reached 350,000 hours. The Company is developing a large area-emission panel based on this polymer technology, aiming to commercialize high-performance organic EL panels for use in displays and general lighting.

- New crystal growth technology for nitride-based semiconductors

The Company has succeeded in developing a new process for making high-quality nitride-based compound semiconductors to meet growing demand for use in blue/white LEDs. The process, called “*Hybrid PPD*™,” enables the use of four-inch epitaxial wafers with high quality. The Company has also succeeded in developing blue LEDs with the highest-level brightness on the market today. While blue LEDs are currently used mainly in automotive parts and traffic signals, demand is expected to increase at the annual rate of nearly 20% in the coming five years, due to the development of new applications, including LCD backlighting. In view of substantial increases in orders, the Company decided to expand its LED chip production capacity at its Chiba site from the originally planned level of 100 million units per month to 200 million per month by the end of June 2008.

- Special gas storage facility in South Korea

In June, the Company’s specialty gas storage facility was completed in Anseong-si, Gyeonggi-do, South Korea. The facility is intended as a measure to better serve the rapidly growing semiconductor and LCD panel market in that country. With the completion of the facility, the Company will provide specialty gases to its customers in South Korea in a more timely and reliable manner.

(Inorganics)

- Capacity expansion for 30”- and 32”-diameter graphite electrodes

Last year, the Company began strengthening its production setup of 30-inch- and 32-inch-diameter graphite electrodes for use in electric arc furnace steelmaking. As a result, a new line of graphitizing furnace will be completed at the Omachi Plant, Japan, in July and expanded facilities will start up at Showa Denko Carbon, Inc., in the U.S., in the second half of this year. Upon completion, our total production capacity of these large-diameter graphite electrodes will increase from 15,000 tons per year to 25,000 tons per year. Total investments in the capacity expansion will be approximately ¥1 billion.

- Establishment of JV for F/S regarding alumina project in Indonesia

In April, the Company established P.T. Indonesia Chemical Alumina, a joint venture with PT. ANTAM Tbk of Indonesia, Straits Trading Amalgamated Resources Private Limited of Singapore, and Marubeni Corporation of Japan. The JV was established to jointly study the feasibility of a chemical-grade alumina project in Indonesia.

(Aluminum and other)

- Expanding automotive heat exchanger business in China

We increased our equity participation in Grand Ocean-Showa Auto Air Conditioning (Dalian) Co., Ltd., making it our consolidated subsidiary. Grand Ocean-Showa will expand its production capacity and start producing new *NRT*TM *III* condensers with around 20% higher performance compared with existing products.

- Absorption of Showa Financing K.K.

In July, the Company absorbed its wholly owned subsidiary Showa Financing K.K. By taking over Showa Financing's operations, we will enhance the efficiency of financing activities within our Group.

- Launch of world's first aluminum cups for chilled coffee

Our subsidiary Showa Denko Packaging Co., Ltd. began marketing aluminum cups for beverages, mainly for chilled coffee. This represents the industry's first aluminum cups for chilled coffee, providing high shielding effectiveness and ensuring preservation of natural flavor and taste. The main bodies of the cups can be recycled as aluminum metal.

iv) Projections for 2007 (full-year)

Overall projections

As to the Japanese economy in the second half of 2007, gradual recovery will continue owing to increased capital investment against the background of high-level corporate earnings and recovery in personal consumption. However, due to such factors as exchange rate fluctuations, the rise in prices of oil, aluminum ingots and other raw materials, and possible slowdown of the U.S. economy, the business environment is forecast to remain severe.

Under the circumstances, the Showa Denko Group will aim to lay the groundwork for long-term, sustainable growth based on the Passion Project and pursue thorough cost reductions, thereby striving to improve competitiveness and earning power. The Showa Denko Group's performance forecast for 2007 (full-year) is as follows:

(Unit: millions of yen)

	Results for the term ended Dec. 31, '06	Forecast for the term ending Dec. 31, '07	Difference	Rate of change
Net sales	914,533	1,000,000	85,467	9.3%
Operating income	68,727	74,000	5,273	7.7%
Ordinary income	57,514	60,500	2,986	5.2%
Net income	28,836	33,000	4,164	14.4%

Net sales, operating income and ordinary income will increase over the previous year to ¥1,000,000 million, ¥74,000 million, and ¥60,500 million, respectively. Net income will increase to ¥33,000 million. The above forecast is based on the assumption that the exchange rate of the yen will be ¥115 to the U.S. dollar and the naphtha price will be ¥56,000/KL.

For details, please refer to the separate news release issued today pertaining to the revision of the full-year performance forecast.

Net sales by business segment

(Unit: millions of yen)

	Results for the term ended Dec. 31, '06	Forecast for the term ending Dec. 31, '07	Difference	Rate of change
Petrochemicals	335,383	380,000	44,617	13.3%
Chemicals	79,201	80,000	799	1.0%
Electronics	165,541	200,000	34,459	20.8%
Inorganics	74,301	80,000	5,699	7.7%
Aluminum and other	260,107	260,000	- 107	- 0.0%
Total	914,533	1,000,000	85,467	9.3%

b) Financial Conditions

i) Assets, liabilities and total equity at June 30, 2007

Although we continued our efforts to reduce assets, total assets increased ¥10,676 million, to ¥1,048,500 million due to increases in inventories and fixed assets. Interest-bearing debt further decreased ¥6,855 million, to ¥426,317 million. As a result, total liabilities fell ¥6,959 million, to ¥765,372 million.

Total equity increased ¥17,635 million, to ¥283,128 million. Notwithstanding the payment of dividends for the previous fiscal year, total equity increased due mainly to a rise in net income for the first half 2007.

ii) Cash flows in first half of 2007

Net cash provided by operating activities decreased ¥12,161 million from the same period of last year, to ¥20,056 million, due to a rise in working capital, reflecting higher raw material costs, and increased payments of corporation tax. Net cash used in investing activities increased ¥15,229 million, to ¥32,528 million, due to increases in capital expenditures.

Thus, the free cash flow decreased ¥27,390 million, to the payment of ¥12,472 million. Net cash used in financing activities decreased ¥9,577 million, to ¥14,083 million, due to reductions in interest-bearing debt. As a result, cash and cash equivalents at June 30, 2007 decreased ¥25,985 million, to ¥29,115 million.

iii) Projections for 2007 (full-year)

For the full-year of 2007, cash flows from operating activities will decrease while payments in the category of cash flows from investing activities will continue to increase, due to capital expenditures centering on the Electronics segment. Thus, free cash flow for the year will end up in net payments of about ¥12,300 million, representing a decrease of around ¥47,700 million, from last year's net proceeds of ¥35,450 million. Interest-bearing debt at the end of the year will be ¥410,000 million, down ¥23,200 million from the end of last year.

iv) Trends in cash flow indexes

	2004	1H 2005	2005	1H 2006	2006	1H 2007
Equity ratio	18.8%	21.3%	21.0%	20.7%	22.7%	24.0%
Equity ratio on a market value basis	32.0%	32.3%	53.3%	59.3%	51.6%	50.1%
Debt maturity (years)	8.4	--	5.8	--	4.7	--
Interest coverage ratio	5.9	8.2	8.9	8.8	12.5	4.8

[Notes]

Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Total market value of listed shares / Total assets

Debt maturity (years): Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payment

- Each index is calculated by relevant formulas with financial figures quoted from the consolidated balance sheet.

- Equity is calculated by deducting minority interests from total equity.
- Market capitalization is calculated by multiplying the closing share price at the term-end by the number of shares issued, after deducting treasury stock.
- As to the cash flows, the amount of “cash flows from operating activities” in the consolidated cash flow statement is used.
- “Interest-bearing debt” refers to loans payable, commercial paper, and bonds out of all liabilities listed in the consolidated balance sheet.
- As to the interest payment, the amount of “interest expense” in the consolidated cash flow statement is used.

c) Basic policy for appropriation of profits and dividend for the year

We consider payment of dividends as our important obligation to shareholders and decide on dividend payment after examining the performance of the term and the need for internal reserves for future business expansion. While we have decided to forgo the payment of interim dividends for the first half of 2007, we are planning to pay a term-end dividend of 5.00 yen per share, an increase of 1.00 yen per share from the previous year.

2. Situation of the Showa Denko Group

Since there is no important change from the descriptions of “business content” and “situation of subsidiaries/affiliates” contained in the latest issue of financial statement submitted on March 29, 2007, further explanation is omitted.

3. Management Policy

a) Showa Denko’s basic management policy

(Vision)

We at the Showa Denko Group will provide products and services that are useful and safe and exceed our customers’ expectations, thereby enhancing the value of the Group, giving satisfaction to our shareholders, and contributing to the sound growth of international society as a responsible corporate citizen.

(Code of conduct as basic management policy)

- We will develop and provide useful and safe technologies, products, and services to contribute to the sound growth of society.
- We will observe the laws of Japan and of the foreign countries in which we operate, abide by the Company rules, and strive to maintain the social order.
- We will conduct business in Japan and abroad based on the principle of fair and free competition.
- We will do our best to ensure safety and to protect the global environment.
- We will make sure that we maintain good communications with the public and disclose accurate information on our Company in a timely manner.

- We will respect human rights and create a cheerful and comfortable working environment.
- We will act as a member of the international society and contribute to the development of regions in which we operate.

b) Management indexes

The Showa Denko Group regards operating income, which shows the results of operations, a profit ratio (operating income/net sales), and ROA (operating income/total assets ratio) as important management indexes.

c) Medium to long-term business strategy

i) Implementation of new business plan, the Passion Project

At the basis of the Passion Project is an “image” of the Showa Denko Group in 2010. The Group’s main objective is to contribute to the sound growth of society. The Passion Project is an action plan for the 2006-2008 period to lay the groundwork for long-term, sustainable growth.

ii) The “image” of the Showa Denko Group in 2010

Through the provision of products and services, the Group aims to increase its corporate value and fulfill the expectations of all stakeholders, including its shareholders and customers. By doing so, the Group aims to earn the full trust and confidence of the market and society.

- Pursuit of “the unique chemical company with individualized products” based on advanced technologies

The Group aims to develop individualized businesses with competitive edges by deepening and merging a wide range of material technologies while acquiring new device/module technologies.

- Improving financial strength

The Group will improve its financial strength by reducing the interest-bearing debt and expanding stockholders’ equity.

- Corporate social responsibility (CSR)

The Group aims to earn the full trust and confidence of the market and society, always managing operations based on the principles of CSR.

iii) Financial targets under the Passion Project

Under the Passion Project, which runs from 2006 through 2008, we will concentrate on measures to accelerate the development of “new growth driver” businesses, continuously expand profit, and improve financial strength with a view to achieving the “image” of the

Group in 2010.

Passion Project financial targets

Unit: billions of yen, except for profit ratio, ROA and D/E ratio

	2005 (Results)	2006		2007		2008 (Plan)
		Plan	Results	Plan	Forecast *	
Net sales	811.9	800.0	914.5	870.0	1,000.0	940.0
Operating income	57.2	62.0	68.7	73.0	74.0	85.0
Profit ratio (operating income basis)	7.0%	7.8%	7.5%	8.4%	7.4%	9.0%
ROA (operating income/total assets)	5.8%	--	6.6%	--	--	8.5%
Interest-bearing debt at term-end	448.8	461.0	433.2	435.3	410.0	400.0
D/E ratio (times)	2.17	2.1	1.84	1.6	--	1.4

* Forecast for 2007: As announced on August 7, 2007

d) Our tasks

The Showa Denko Group is promoting its growth strategy by establishing individualized and competitive businesses through the deepening and interconnections of its wide-ranging material technologies. The Group is also striving to improve the competitiveness of its base businesses. Thus, the Group aims to lay the groundwork for long-term sustainable growth and fulfill its social responsibility.

Under the Passion Project, the Group gives top priority to accelerated development of “new growth driver” businesses, continued expansion of profits, and improvement of financial strength through reductions of interest-bearing debt and strengthening of stockholders’ equity. At the same time, the Group is managing all its operations from the standpoint of CSR, aiming to earn the full trust and confidence of the market and society.

To ensure sustainable growth and long-term corporate value, the Group has established its internal control system involving corporate governance, compliance and risk management. In line with the established basic policy, the Group is taking various measures to strengthen its internal control system.

The Group is contributing to the sound growth of society by developing and providing useful and safe technologies, products and services. The Group makes its utmost efforts to ensure safety, and to protect the global environment by conserving resources and energy, as well as reducing the amount of industrial waste and chemical substance discharge.

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Jun. 30, 2007 (A)	Dec. 31, 2006 (B)	(A)-(B)	Jun. 30, 2006	Jun. 30, 2007
Assets	¥	¥	¥	¥	\$
Current assets					
Cash and deposit	29,123	55,424	(26,302)	28,538	236,269
Notes and accounts receivable	173,373	176,218	(2,846)	162,719	1,406,561
Inventories	111,703	86,313	25,390	84,407	906,235
Deferred tax assets	2,966	3,232	(266)	4,144	24,061
Other current assets	29,065	28,852	212	28,077	235,799
Allowance for doubtful receivables	(1,735)	(1,587)	(148)	(2,174)	(14,074)
Total current assets	344,493	348,453	(3,960)	305,711	2,794,851
Fixed assets					
Tangible fixed assets	567,669	549,991	17,678	525,339	4,605,462
Buildings and structures	104,902	93,438	11,464	92,079	851,063
Machinery and transports	157,526	137,435	20,091	129,798	1,277,998
Equipments	10,568	9,507	1,060	9,866	85,734
Land	261,886	263,930	(2,044)	266,059	2,124,662
Construction in process	32,788	45,680	(12,892)	27,537	266,005
Intangible fixed assets	18,207	18,408	(201)	23,216	147,713
Goodwill	7,510	7,897	(387)	12,590	60,925
Other intangible fixed assets	10,698	10,511	187	10,626	86,788
Investments and other assets	118,130	120,972	(2,841)	126,589	958,381
Investment securities	99,602	97,031	2,571	102,910	808,065
Deferred tax assets	3,685	7,567	(3,883)	7,984	29,893
Other investments	16,458	18,105	(1,647)	18,110	133,524
Allowance for doubtful accounts	(1,615)	(1,732)	118	(2,415)	(13,100)
Total fixed assets	704,006	689,370	14,636	675,145	5,711,556
Total assets	1,048,500	1,037,823	10,676	980,856	8,506,407
Liabilities					
Current liabilities					
Notes and accounts payable	165,178	161,456	3,723	138,216	1,340,079
Short-term loans payable	85,060	110,348	(25,288)	99,690	690,082
Commercial paper	83,241	83,899	(657)	74,218	675,333
Current portion of long-term loans payable	8,000	6,000	2,000	-	64,903
Current portion of bonds	-	8,500	(8,500)	23,500	-
Income taxes payable	5,563	7,404	(1,841)	4,047	45,131
Reserve for periodic repairs	284	17	267	117	2,307
Reserve for bonus payment	1,955	2,186	(232)	2,042	15,857
Reserve for restructuring expenses	490	2,214	(1,724)	697	3,972
Other current liabilities	44,359	46,801	(2,441)	45,822	359,886
Total current liabilities	394,130	428,825	(34,695)	388,350	3,197,550
Long-term liabilities					
Bonds	29,000	19,000	10,000	16,000	235,275
Bonds with subscription warrant	21,792	22,257	(465)	22,875	176,797
Long-term loans payable	199,224	183,168	16,056	191,448	1,616,292
Deferred tax liabilities	6,671	7,295	(623)	7,790	54,125
Deferred tax liabilities due to land revaluation	46,781	46,878	(97)	47,235	379,530
Accrued pension and severance costs	32,937	34,919	(1,981)	38,713	267,220
Reserve for directors' retirement allowance	47	422	(375)	368	381
Reserve for periodic repairs	1,148	788	360	248	9,312
Other long-term liabilities	33,641	28,779	4,862	17,080	272,931
Total long-term liabilities	371,242	343,506	27,736	341,758	3,011,862
Total liabilities	765,372	772,331	(6,959)	730,108	6,209,413
Equity					
Stockholders' equity					
Common stock	111,057	110,824	233	110,514	901,001
Capital surplus	27,116	26,883	233	11,157	219,992
Retained earnings	57,833	47,333	10,499	33,485	469,193
Treasury stock	(174)	(152)	(22)	(114)	(1,413)
Total Stockholders' equity	195,832	184,888	10,944	155,042	1,588,772
Valuations and adjustments					
Securities valuation surplus	22,814	19,286	3,528	19,148	185,086
Deferred hedge gains (losses)	2,537	3,607	(1,069)	3,225	20,584
Revaluation reserve (Land revaluation)	23,854	23,996	(142)	24,181	193,527
Foreign currency translation adjustments	6,171	3,633	2,538	1,123	50,066
Total valuations and adjustments	55,376	50,521	4,855	47,678	449,263
Minority interests	31,919	30,083	1,836	48,028	258,959
Total equity	283,128	265,492	17,635	250,748	2,296,994
Total liabilities and equity	1,048,500	1,037,823	10,676	980,856	8,506,407

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)			
	2007(A)	2006(B)	(A)-(B)	2007
	¥	¥	¥	\$
Net sales	485,127	426,993	58,134	3,935,804
Cost of sales	406,624	352,346	54,278	3,298,910
Selling, general and administrative expense	43,548	40,864	2,684	353,302
Operating income	34,956	33,784	1,172	283,592
Non-operating income	4,602	2,894	1,708	37,337
Interest and dividend income	1,135	983	152	9,212
Equity in earnings of non-consolidated subsidiaries and affiliates	1,381	884	497	11,207
Miscellaneous incomes	2,085	1,027	1,059	16,918
Non-operating expense	12,476	8,159	4,316	101,213
Interest paid	4,219	3,640	579	34,230
Miscellaneous expenses	8,256	4,519	3,737	66,983
Ordinary income	27,082	28,518	(1,436)	219,716
Extraordinary profit	2,985	3,749	(764)	24,217
Gain on fixed assets sold	438	86	352	3,552
Gain on investment securities sold	1,171	2,909	(1,738)	9,500
Gain on business transfer	340	150	190	2,758
Other extraordinary profits	1,036	604	433	8,407
Extraordinary loss	4,514	6,433	(1,919)	36,624
Loss on fixed assets sold or retired	2,702	3,643	(942)	21,919
Impairment of fixed assets	372	-	372	3,018
Special severance pay	230	162	68	1,864
Allowance for doubtful receivables	42	870	(828)	341
Reserve for restructuring expenses	-	12	(12)	-
Other extraordinary losses	1,169	1,746	(577)	9,483
Income before income taxes	25,553	25,834	(281)	207,308
Income taxes (current)	7,688	5,140	2,548	62,373
Income taxes (deferred)	1,718	4,215	(2,497)	13,936
Minority interests	1,077	1,418	(341)	8,738
Net income	15,070	15,061	9	122,262

Consolidated Statements of Changes in Equity

For the 1st half year ended June 30, 2007

(¥ in millions)

	Stockholder's equity					Valuations and adjustments					Minority interest	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Securities valuation surplus	Deferred hedge gains (losses)	revaluation reserve	Foreign currency translation adjustments	Total		
Balance at December 31, 2006	110,824	26,883	47,333	(152)	184,888	19,286	3,607	23,996	3,633	50,521	30,083	265,492
Conversion of subscription warrant	233	232			465							465
Cash dividends			(4,702)		(4,702)							(4,702)
Net income for the first half year			15,070		15,070							15,070
Treasury stock acquired				(27)	(27)							(27)
Treasury stock sold		1		5	7							7
Decrease due to changes in affiliates to which the equity method was			(10)		(10)							(10)
Reversal of land revaluation			142		142							142
Others			0		0	3,528	(1,069)	(142)	2,538	4,855	1,836	6,691
Balance at June 30, 2007	111,057	27,116	57,833	(174)	195,832	22,814	2,537	23,854	6,171	55,376	31,919	283,128

For the 1st half year ended June 30, 2006

(¥ in millions)

	Stockholder's equity					Valuations and adjustments					Minority interest	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Securities valuation surplus	Deferred hedge gains (losses)	revaluation reserve	Foreign currency translation adjustments	Total		
Balance at December 31, 2005	110,451	11,090	21,868	(96)	143,314	19,485	-	42,339	1,600	63,425	49,050	255,789
Conversion of subscription warrant	63	62			125							125
Cash dividends			(3,428)		(3,428)							(3,428)
Net income for the first half year			15,061		15,061							15,061
Treasury stock acquired				(25)	(25)							(25)
Treasury stock sold		4		7	12							12
Increase due to changes in consolidated subsidiaries			23		23							23
Decrease due to changes in consolidated subsidiaries			(39)		(39)							(39)
Reversal of land revaluation			2		2							2
Others			(3)		(3)	(337)	3,225	(18,158)	(477)	(15,747)	(1,023)	(16,773)
Balance at June 30, 2006	110,514	11,157	33,485	(114)	155,042	19,148	3,225	24,181	1,123	47,678	48,028	250,748

For the 1st half year ended June 30, 2006

(US\$ in thousands)

	Stockholder's equity					Valuations and adjustments					Minority interest	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Securities valuation surplus	Deferred hedge gains (losses)	revaluation reserve	Foreign currency translation adjustments	Total		
Balance at December 31, 2005	899,109	218,100	384,012	(1,235)	1,499,986	156,463	29,259	194,675	29,476	409,873	244,062	2,153,921
Conversion of subscription warrant	1,892	1,880			3,773							3,773
Cash dividends			(38,146)		(38,146)							(38,146)
Net income for the first half year			122,262		122,262							122,262
Treasury stock acquired				(221)	(221)							(221)
Treasury stock sold		12		42	53							53
Decrease due to changes in affiliates to which the equity method was			(83)		(83)							(83)
Reversal of land revaluation			1,148		1,148							1,148
Others			(2)		(2)	28,623	(8,675)	(1,148)	20,590	39,390	14,898	54,286
Balance at June 30, 2006	901,001	219,992	469,193	(1,413)	1,588,772	185,086	20,584	193,527	50,066	449,263	258,959	2,296,994

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)		
	2007	2006	2007
	¥	¥	\$
Cash flows from operating activities			
Income before income taxes	25,553	25,834	207,308
Adjustments for:			
Depreciation and amortization	22,397	18,365	181,708
Impairment of fixed assets	372	—	3,018
Amortization of excess of cost over equity in net assets acquired	569	671	4,614
Increase (decrease) in reserve for business restructuring expenses	(1,724)	(220)	(13,990)
Increase (decrease) in accrued pension and severance costs	(2,153)	(3,828)	(17,469)
Interest and dividend income	(1,135)	(983)	(9,212)
Interest expense	4,219	3,640	34,230
Equity in earnings of the non-consolidated subsidiaries and affiliates	(1,381)	(884)	(11,207)
Loss on sale and write-down of investment securities, net	(1,127)	(2,793)	(9,141)
Loss on the disposal of property, plant and equipment	2,205	3,681	17,888
Loss on sale of property, plant and equipment	59	245	479
(Increase) decrease in trade receivables	3,501	(2,242)	28,402
(Increase) decrease in inventories	(24,745)	(8,661)	(200,757)
Increase (decrease) in trade payables	2,507	(1,697)	20,339
Others	2,654	6,255	21,535
Subtotal	31,770	37,382	257,745
Interest and dividend received	2,148	1,491	17,429
Interest paid	(4,234)	(3,643)	(34,350)
Income taxes paid	(9,628)	(3,014)	(78,113)
Net cash provided by operating activities	20,056	32,217	162,712
Cash flows from investing activities			
Proceeds from sales of marketable securities	2	2	19
Payments for purchases of property, plant and equipment	(40,688)	(27,607)	(330,103)
Proceeds from sales of property, plant and equipment	2,370	5,084	19,228
Proceeds from business transfer	340	—	2,758
Payments for purchases of investment securities	(378)	(220)	(3,066)
Proceeds from sales of investment securities	4,461	5,073	36,189
Proceeds from repayment of investment securities	1,000	1,000	8,113
Payments for purchases of consolidated subsidiaries' securities	—	(1,778)	—
Proceeds from purchases of consolidated subsidiaries	405	—	3,287
Proceeds from sales of consolidated subsidiaries	846	1,914	6,859
(Increase) decrease in short-term loans, net	55	(448)	448
Payments for long-term loans	(88)	(90)	(713)
Proceeds from collection of long-term loans	194	172	1,578
Others	(1,047)	(402)	(8,492)
Net cash used in investing activities	(32,528)	(17,299)	(263,895)
Cash flows from financing activities			
Increase (decrease) in short-term debt, net	(26,368)	1,567	(213,921)
Increase (decrease) in commercial paper	2,000	—	16,226
Proceeds from issuance of long-term debt	50,426	31,736	409,103
Repayments of long-term debt	(36,039)	(51,736)	(292,381)
Proceeds from issuance of bonds	10,000	—	81,129
Redemption of bonds	(8,500)	(930)	(68,960)
Payments of dividends	(4,653)	(3,428)	(37,749)
Payments of dividends to minority shareholders	(552)	(687)	(4,481)
Others	(397)	(183)	(3,219)
Net cash used in financing activities	(14,083)	(23,660)	(114,252)
Effect of exchange rate changes on cash and cash equivalents	570	(131)	4,623
Increase (decrease) in cash and cash equivalents	(25,985)	(8,873)	(210,812)
Cash and cash equivalents at beginning of the year	55,100	37,233	447,020
Effect of adjustment of newly consolidated subsidiaries on cash and cash equivalents at beginning of the year	—	149	—
Cash and cash equivalents at end of the year	29,115	28,509	236,208

SEGMENT INFORMATION

The operations of the Companies for the half-year ended June 30, 2007 and 2006 were summarised by industry segment as follows:

Half-year ended June 30, 2007	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
Outside customers	¥192,195	¥39,137	¥85,779	¥39,397	¥128,619	¥-	¥485,127
Inter-segment	1,378	80	98	20	11,552	(13,129)	-
Total	193,573	39,217	85,878	39,418	140,171	(13,129)	485,127
Operating costs	182,689	35,945	76,108	29,859	136,072	(10,502)	450,172
Operating income	¥10,884	¥3,271	¥9,770	¥9,559	¥4,099	¥(2,627)	¥34,956

Half-year ended June 30, 2006	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
Outside customers	¥145,245	¥38,041	¥78,602	¥35,212	¥129,893	¥-	¥426,993
Inter-segment	1,094	468	204	44	23,934	(25,744)	-
Total	146,339	38,509	78,806	35,256	153,827	(25,744)	426,993
Operating costs	139,602	36,552	62,957	28,104	150,035	(24,040)	393,209
Operating income	¥6,738	¥1,957	¥15,848	¥7,152	¥3,793	¥(1,704)	¥33,784

Half-year ended June 30, 2007	Thousands of U.S. dollars						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
Outside customers	\$1,559,267	\$317,513	\$695,923	\$319,627	\$1,043,475	\$-	\$3,935,804
Inter-segment	11,179	651	799	165	93,721	(106,515)	-
Total	1,570,445	318,164	696,722	319,792	1,137,196	(106,515)	3,935,804
Operating costs	1,482,146	291,623	617,463	242,241	1,103,939	(85,200)	3,652,212
Operating income	\$88,299	\$26,541	\$79,259	\$77,551	\$33,256	\$(21,314)	\$283,592

The operations of the Companies for the half-year ended June 30, 2007 and 2006 were summarized by geographic area as follows:

Half-year ended June 30, 2007	Millions of yen			
	Domestic Companies	Overseas Companies	Elimination	Consolidated
Sales				
Outside customers	¥413,647	¥71,480	¥-	¥485,127
Inter-segment	15,469	3,081	(18,550)	-
Total	429,116	74,561	(18,550)	485,127
Operating costs	401,231	64,726	(15,785)	450,172
Operating income	¥27,886	¥9,835	¥(2,765)	¥34,956

Half-year ended June 30, 2006	Millions of yen			
	Domestic Companies	Overseas Companies	Elimination	Consolidated
Sales				
Outside customers	¥366,284	¥60,709	¥-	¥426,993
Inter-segment	12,881	3,712	(16,593)	-
Total	379,165	64,421	(16,593)	426,993
Operating costs	354,302	53,696	(14,789)	393,209
Operating income	¥ 24,863	¥ 10,726	¥(1,805)	¥ 33,784

Half-year ended June 30, 2007	Thousands of U.S. dollars			
	Domestic Companies	Overseas Companies	Elimination	Consolidated
Sales				
Outside customers	\$3,355,894	\$579,911	\$-	\$3,935,804
Inter-segment	125,499	24,999	(150,498)	-
Total	3,481,393	604,909	(150,498)	3,935,804
Operating costs	3,255,157	525,117	(128,062)	3,652,212
Operating income	\$226,236	\$79,792	\$(22,436)	\$283,592

Overseas sales, which represent sales to customers outside of Japan, of the Companies for the half-year ended June 30, 2007 and 2006 were summarised by geographic area as follows:

Half-year ended June 30, 2007	Millions of yen		
	Asia	Others	Overseas sales
Overseas sales	¥120,253	¥36,337	¥156,591
Consolidated net sales			485,127
Ratio of overseas sales to consolidated net sales	24.8%	7.5%	32.3%

Half-year ended June 30, 2006	Millions of yen		
	Asia	Others	Overseas sales
Overseas sales	¥97,793	¥31,302	¥129,095
Consolidated net sales			426,993
Ratio of overseas sales to consolidated net sales	22.9%	7.3%	30.2%

Half-year ended June 30, 2007	Thousands of U.S. dollars		
	Asia	Others	Overseas sales
Overseas sales	\$975,607	\$294,804	\$1,270,411