

**Consolidated Financial Statements**

For the 1st half year (January 1 to June 30, 2008)



**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			
	2008	2007	Increase (Decrease)	2008
	¥	¥	%	\$
Net sales	510,788	485,127	5.3	4,799,741
Operating income	24,626	34,956	(29.5)	231,408
Ordinary income	18,047	27,082	(33.4)	169,585
Net income	11,730	15,070	(22.2)	110,228
Net income per share: Basic	9.40	12.81	-	0.088
Net income per share: Diluted	-	12.07	-	-

Notes

Important changes in accounting policies : not applicable

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

	Jun. 30, 2008	Jun. 30, 2007	Jun. 30, 2008
	¥	¥	\$
Total assets	1,016,744	1,048,500	9,554,065
Total equity	306,636	283,128	2,881,377
Total equity per share	225.04	213.47	2.11
	%	%	%
Stockholders' equity ratio	27.6	24.0	27.6

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

	Results for the 1st half year		
	2008	2007	2008
	¥	¥	\$
Cash flows from operating activities	12,520	20,056	117,647
Cash flows from investing activities	(24,370)	(32,528)	(228,994)
Cash flows from financing activities	1,741	(14,083)	16,356
Cash and cash equivalents at end of the year	21,857	29,115	205,389

**II . Forecast of performance for the year ending December 31, 2008**

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

	2008	
	¥	\$
Net sales	1,120,000	10,524,338
Operating income	59,000	554,407
Ordinary income	46,500	436,948
Net income	28,000	263,108
Net income per share	22.44	0.21

※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 ¥106.42 throughout this statement for convenience only.

## 1. Business results

### a) Analysis of business results

#### i) Overview

The Japanese economy in the first half of 2008 faced a difficult situation marked by weaknesses in exports, capital spending and corporate earnings, reflecting the continuation of high crude oil prices, the sharp appreciation of the yen against the U.S. dollar, and the impact of the subprime mortgage crisis on the financial market.

In the chemical and nonferrous metals industries, costs of raw materials, including naphtha, remained at high levels and fuel/transportation costs also increased, resulting in a continued severe environment. The electronics-parts and materials industry also faced a severe situation due to partial inventory adjustments.

Under the circumstances, the Showa Denko Group proceeded 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 for the first half of 2008 increased 5.3 % from the same period of last year, to ¥510,788 million. However, operating income decreased 29.5%, to ¥24,626 million, owing to the sharp rise in raw material/fuel costs, the appreciation of the yen, and increases in depreciation expenses. Ordinary income fell 33.4%, to ¥18,047 million, and net income was down 22.2%, to ¥11,730 million.

#### ii) Summary of results by segment

##### (Petrochemicals)

Production of ethylene and propylene in the first half of 2008 decreased compared with the same period of last year. Sales of olefins were up due to the rise in selling prices, reflecting soaring raw material costs. Sales of organic chemicals fell due partly to lower shipment volumes of acetic acid, notwithstanding the rise in selling prices of organic chemicals, reflecting higher feedstock costs.

As a result, the Petrochemicals segment's sales increased 6.5%, to ¥204,652 million. However, operating income fell 44.6%, to ¥6,032 million, due to soaring feedstock costs and the fall in prices of olefins and acetic acid on overseas markets.

##### (Chemicals)

Production of liquefied ammonia was maintained at the level of the same period of last

year. Sales of acrylonitrile and chloroprene rubber rose due to steady shipment volumes and selling prices. Sales of ammonia were up due to higher selling prices while sales of industrial gases and amino acids increased owing to the rise in shipment volumes.

As a result, the Chemicals segment's sales rose 4.2%, to 40,770 million, and operating income increased 12.0%, to ¥3,665 million.

#### (Electronics)

Production of hard disk (HD) media increased as a result of the capacity expansion. Sales of HD media increased due to higher shipment volumes. Sales of compound semiconductors were up, reflecting the start of shipments of ultrabright LED chips.

Sales of semiconductor-processing specialty gases were maintained at the level of the same period of last year. Meanwhile, sales of rare-earth magnetic alloys increased substantially due to higher shipment volumes and selling prices, reflecting the sharp rise in raw material costs.

As a result, the Electronics segment's sales increased 17.8%, to ¥101,061 million. However, operating income fell 23.5%, to ¥7,473 million, due to the rise in depreciation expenses, reflecting the capacity expansion, and the appreciation of the yen, notwithstanding higher shipment volumes of HD media.

#### (Inorganics)

Production of graphite electrodes continued at high levels. Sales of ceramics increased slightly. Sales of graphite electrodes were up due to continued steady demand at home and abroad.

As a result, the Inorganics segment's sales increased 10.4%, to ¥43,504 million. Operating income rose 2.7%, to ¥9,817 million, due mainly to steady exports of graphite electrodes.

#### (Aluminum and other)

Production of automotive heat exchangers in the first half of 2008 increased in Japan and Europe, although the production fell somewhat in the U.S. Production of commodity extrusions and rolled products fell, but production of high-purity aluminum foils rose.

Sales from ingot marketing were down due to lower shipment volumes. Sales of rolled products fell as a result of our withdrawal from the commodity foils business in the previous year, notwithstanding steady operations of high-purity foils for capacitors. In

the extrusions/specialty products business, sales decreased as shipment volumes of commodity extrusions fell owing to the stagnant demand from the building industry, notwithstanding higher shipment volumes of aluminum cylinders for laser printers.

In the heat exchangers business, sales fell in the U.S., but sales in Japan were maintained at the level of the same period of last year, and sales increased in Europe. As a result, overall sales from the business were maintained at the level of the same period of last year. Sales of *Shotic*<sup>TM</sup> forged products decreased due to lower shipment volumes for automotive parts applications. Sales of aluminum cans also decreased due to lower shipment volumes.

As a result, the Aluminum segment's sales fell 6.1%, to ¥120,800 million, and operating income decreased 82.5%, to ¥716 million. The fall in the segment's operating income was due to lower demand from the construction and automobile industries as well as the sharp rise in fuel costs for our power generation business as an independent power provider.

iii) Major steps taken in the first half of 2008

(Petrochemicals)

- Expansion of allyl alcohol production capacity at Oita

In May, the Company completed the expansion of its allyl alcohol production capacity at Oita Petrochemical Complex, raising the capacity from 56,000 tons a year to 70,000 tons a year. Allyl alcohol is used as raw material for perfume, pharmaceutical intermediates and allyl ester resin (for use in spectacle lenses).

(Chemicals)

- Sale of shares in Kokusai Eisei

In March, the Company sold 90% of the shares it owned in its wholly owned consolidated subsidiary Kokusai Eisei Co., Ltd., to Iwatani International Corporation.

- Installation of GHG decomposition unit

In June, the Company decided to install a greenhouse gas (GHG) decomposition unit at its Kawasaki site for start-up in March 2009. The installation of the unit will enable the Showa Denko Group to reduce GHG emissions by 6% in compliance with the Kyoto Protocol without relying on emission trading.

- Tender offer for Showa Tansan's common stock

In June, the Company changed the status of Showa Tansan Co., Ltd. from an affiliate, to which the equity method was applied, to a consolidated subsidiary by increasing its ownership of Showa Tansan's shares through a tender offer.

- Expansion of chloroprene rubber production capacity

The Company has decided to expand its chloroprene rubber production capacity at its Kawasaki site from 20,000 tons a year to 23,000 tons a year. The construction work began in July, for completion in September this year. Demand for chloroprene rubber is steadily increasing for use in automotive parts and many other applications owing to the material's high resistance to oils, heat and weather as well as its high flame retardance.

#### (Electronics)

- Launch of the world's first 1.3-inch HD media

In January, the Company began commercial shipments of 1.3-inch HD media with storage capacity of 40 gigabytes per disk. The product had, in our estimate, the world's highest storage capacity for this size available on the market as of the end of last month. The product will help produce light-weight hard disk drives with lower electricity consumption and higher resistance to shock.

- Launch of 80 lm/W AlGaInP ultrabright red LED chips

In May, the Company started commercial shipment of AlGaInP ultrabright red LED chips with luminous efficiency of 80 lumen per watt, representing a 40% improvement over the Company's existing grade. To the best of our knowledge, the product had the world's highest luminous efficiency for this type available on the market as of May this year. AlGaInP ultrabright LED chips are now used mainly in outdoor displays. However, new applications are being developed, including automotive parts (rear lights, interior lighting) and LCD backlighting for flat-panel TVs.

#### (Inorganics)

- Graphite electrode production capacity expansion

In the graphite electrode business, the Showa Denko Group has maximized production/distribution efficiency at the two production bases—one each in Japan and the United States. The Group has also established technical advantages, as demonstrated by its position as the first company to produce the world's largest 32-inch-diameter graphite electrodes. Showa Denko Carbon, Inc. (SDKC), our consolidated subsidiary in the U.S., has been leading the industry in production efficiency, providing high-quality graphite electrodes in a large amount. SDKC has recently completed a series of debottlenecking, expanding its capacity to 45,000 tons a year (up 5,000 tons a year). As a result, the Group's total graphite electrode production capacity has reached 105,000 tons a year.

(Aluminum and other)

- High-purity aluminum foil production capacity expansion

In January, our subsidiary Showa Denko Sakai Aluminum K.K. (SSK) completed a new line for refining aluminum slabs. With the completion, SSK's high-purity foil production capacity was expanded from 1,500 tons a month to more than 1,800 tons a month. High-purity aluminum foils are used in the production of electrolytic capacitors, whose demand has increased substantially in recent years for use in high-performance electric appliances, such as flat-panel TVs, and automotive parts. We are the leading supplier of high-purity aluminum foils in Japan and overseas markets. We will continue to meet customer expectations through further capacity expansion in a timely manner and the provision of high-quality products.

- Environment-friendly pipes made from recycled PET bottles

In June, *Showa Ecopipe*<sup>TM</sup>, a drainage/ventilation pipe produced and marketed by our subsidiary Showa Denko Kenzai K.K. using recycled PET bottles, was adopted commercially for the first time in a condominium. Compared with existing hard PVC pipes, *Showa Ecopipe*<sup>TM</sup> needs only one-third energy-input for production, contributing to the reduction in CO<sub>2</sub> emissions. Also, *Showa Ecopipe*<sup>TM</sup> does not emit chlorine-based toxic gases at the time of incineration. Thus, *Showa Ecopipe*<sup>TM</sup> has been certified as "Eco Mark product" by the Japan Environment Association.

- New aluminum melting furnace at Oyama

In June, the Company completed the modernization work of aluminum casting facilities at its Oyama Plant, installing new melting furnaces with the capacity of producing 60,000 tons of billets a year. The modernization is intended as a measure to ensure the delivery of high-quality fabricated aluminum products to customers.

iv) Projections for 2008 (full-year)

Overall projections

As to the Japanese economy in the second half of 2008, the risk of slowdown is increasing in view of the expected continuation of high prices of oil and other raw materials, possible slowdown of the U.S. economy amid the subprime mortgage crisis, as well as fluctuations in exchange rates and in the stock market.

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 2008 (full-year) is as follows:

(Unit: millions of yen)

	Results for the term ended Dec. 31, '07	Forecast for the term ending Dec. 31, '08	Difference	Rate of change
Net sales	1,023,238	1,120,000	96,762	9.5%
Operating income	76,671	59,000	- 17,671	- 23.0%
Ordinary income	59,989	46,500	- 13,489	- 22.5%
Net income	33,066	28,000	- 5,066	- 15.3%

Net sales will increase over the previous year to ¥1,120,000 million. Operating income and ordinary income will amount to ¥59,000 million, and ¥46,500 million, respectively. Net income will be ¥28,000 million. The above forecast is based on the assumption that the exchange rate of the yen will be ¥105 to the U.S. dollar and the naphtha price will be ¥85,800/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, '07	Forecast for the term ending Dec. 31, '08	Difference	Rate of change
Petrochemicals	395,105	470,000	74,895	19.0%
Chemicals	84,709	95,000	10,291	12.1%
Electronics	201,013	215,000	13,987	7.0%
Inorganics	84,599	90,000	5,401	6.4%
Aluminum and other	257,811	250,000	- 7,811	- 3.0%
Total	1,023,238	1,120,000	96,762	9.5%

## Operating income by business segment

(Unit: millions of yen)

	Results for the term ended Dec. 31, '07	Forecast for the term ending Dec. 31, '08	Difference	Rate of change
Petrochemicals	19,574	13,000	- 6,574	- 33.6%
Chemicals	7,431	8,000	569	7.7%
Electronics	25,833	20,000	- 5,833	- 22.6%
Inorganics	20,894	21,000	106	0.5%
Aluminum	8,042	3,500	- 4,542	- 56.5%
HQ costs and other	- 5,103	- 6,500	- 1,397	- 27.4%
Total	76,671	59,000	- 17,671	- 23.0%

### b) Financial Conditions

#### i) Assets, liabilities and total equity at June 30, 2008

Total assets decreased ¥12,885 million, to ¥1,016,744 million, due to our continued efforts to reduce assets, including the sale of marketable securities. Despite our continued reduction efforts, interest-bearing debt increased ¥8,437 million, to ¥404,082 million. However, total liabilities fell ¥20,862 million, to ¥710,107 million.

Total equity increased ¥7,977 million, to ¥306,636 million, due to net income for the first half 2008, notwithstanding the payment of dividends for the previous fiscal year.

#### ii) Cash flows in first half of 2008

Net cash provided by operating activities decreased ¥7,536 million from the same period of last year, to ¥12,520 million, due to a rise in working capital, reflecting higher raw material costs. Net cash used in investing activities decreased ¥8,158 million, to ¥24,370 million, due to the fall in capital expenditures.

The free cash flow amounted to the payment of ¥11,850 million, representing a reduction in payment by ¥622 million. Net cash used in financing activities amounted to the proceeds of ¥1,741 million, compared with the payment of ¥14,083 million in the same period of last year. This was due to higher demand for funds caused by increases in working capital, reflecting the sharp rise in raw material costs. As a result, cash and cash equivalents at June 30, 2008 decreased ¥10,029 million, to ¥21,857 million.

#### iii) Projections for 2008 (full-year)

For the full-year of 2008, cash flows from operating activities will decrease due to increases in working capital, reflecting the sharp rise in raw material costs. Meanwhile,



payments in the category of cash flows from investing activities will decrease due to the fall in capital expenditures. The free cash flow for the year will end up in net payments of about ¥7,100 million, representing an increase in payment by around ¥4,800 million from last year's net payment of ¥2,331 million. Interest-bearing debt at the end of the year will be ¥400,000 million, almost the same as at the end of last year.

iv) Trends in cash flow indexes

	2005	1H 2006	2006	1H 2007	2007	1H 2008
Equity ratio	21.0%	20.7%	22.7%	24.0%	26.9%	27.6%
Equity ratio on a market value basis	53.3%	59.3%	51.6%	50.1%	48.5%	34.6%
Debt maturity (years)	5.8	--	4.7	--	5.9	--
Interest coverage ratio	8.9	8.8	12.5	4.7	8.0	3.1

[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 2008, we are planning to pay a term-end dividend of 6.00 yen per share, an increase of 1.00 yen per share from the previous year.

2. Situation of the Showa Denko Group

During the first half of 2008, Kokusai Eisei Co., Ltd. was removed from the list of

consolidated subsidiaries as we sold 90% of Kokusai Eisei shares we had owned. Meanwhile, Showa Tansan Co., Ltd., an affiliate to which the equity method had been applied, became our consolidated subsidiary by tender offer for its common stock.

### 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 the consolidated 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	Results	Plan	Results	Plan	Forecast *
Net sales	811.9	800.0	914.5	870.0	1,023.2	940.0	1,120
Operating income	57.2	62.0	68.7	73.0	76.7	85.0	59.0
Profit ratio (operating income basis)	7.0%	7.8%	7.5%	8.4%	7.5%	9.0%	5.3%
ROA (operating income/total assets)	5.8%	--	6.6%	--	7.4%	8.5%	--
Interest-bearing debt at term-end	448.8	461.0	433.2	435.3	395.6	400.0	400.0
D/E ratio (times)	2.17	2.1	1.84	1.6	1.43	1.4	--

The original plan was announced on November 29, 2005.

\* Forecast for 2008: As announced on August 7, 2008

#### d) Our tasks

In the final year of the Passion Project, the Showa Denko Group is aiming to lay the

groundwork for long-term, sustainable growth and to pursue thorough cost reductions, thereby striving to improve competitiveness and earning power.

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 is strengthening corporate governance, compliance and risk management, taking various measures to achieve the goals.

The Group is contributing to the sound growth of society by developing and providing useful and safe technologies, products and services. The Group is making 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 emissions.

## Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Jun. 30, 2008 (A)	Dec. 31, 2007 (B)	(A)-(B)	Jun. 30, 2007	Jun. 30, 2008
Assets	¥	¥	¥	¥	\$
<b>Current assets</b>					
Cash on hand and in banks	21,864	31,894	(10,029)	29,123	205,453
Notes and accounts receivable	166,202	177,607	(11,405)	173,373	1,561,756
Inventories	123,667	109,335	14,332	111,703	1,162,070
Deferred tax assets	2,253	3,225	(972)	2,966	21,172
Other current assets	31,177	28,033	3,144	29,065	292,961
Allowance for doubtful receivables	(1,396)	(1,724)	328	(1,735)	(13,118)
<b>Total current assets</b>	<b>343,768</b>	<b>348,369</b>	<b>(4,602)</b>	<b>344,493</b>	<b>3,230,294</b>
<b>Fixed assets</b>					
Tangible fixed assets	554,583	559,283	(4,700)	567,669	5,211,269
Buildings and structures	100,158	101,123	(965)	104,902	941,159
Machinery and transports	165,688	169,202	(3,513)	157,526	1,556,930
Equipments	11,502	11,135	367	10,568	108,080
Land	260,008	260,562	(555)	261,886	2,443,224
Construction in process	17,227	17,260	(34)	32,788	161,876
Intangible fixed assets	14,412	15,141	(729)	18,207	135,423
Goodwill	3,958	5,123	(1,165)	7,510	37,193
Other intangible fixed assets	10,454	10,018	435	10,698	98,231
Investments and other assets	103,981	106,835	(2,855)	118,130	977,079
Investment securities	83,492	86,765	(3,273)	99,602	784,553
Deferred tax assets	8,218	7,539	679	3,685	77,223
Other investments	13,587	14,078	(491)	16,458	127,672
Allowance for doubtful accounts	(1,316)	(1,547)	231	(1,615)	(12,370)
<b>Total fixed assets</b>	<b>672,976</b>	<b>681,259</b>	<b>(8,284)</b>	<b>704,006</b>	<b>6,323,771</b>
<b>Total assets</b>	<b>1,016,744</b>	<b>1,029,629</b>	<b>(12,885)</b>	<b>1,048,500</b>	<b>9,554,065</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Notes and accounts payable	145,364	168,604	(23,239)	165,178	1,365,951
Short-term loans payable	83,801	87,424	(3,623)	85,060	787,453
Current portion of long-term loans payable	52,890	60,433	(7,543)	83,241	496,993
Commercial paper	15,500	6,500	9,000	8,000	145,649
Current portion of bonds	3,000	3,000	-	-	28,190
Income taxes payable	4,315	9,962	(5,647)	5,563	40,549
Reserve for periodic repairs	190	513	(324)	284	1,781
Reserve for bonus payment	2,322	2,096	227	1,955	21,824
Reserve for restructuring expenses	68	226	(158)	490	635
Other current liabilities	51,221	41,971	9,250	44,359	481,313
<b>Total current liabilities</b>	<b>358,671</b>	<b>380,728</b>	<b>(22,057)</b>	<b>394,130</b>	<b>3,370,338</b>
<b>Long-term liabilities</b>					
Bonds	36,000	36,000	-	29,000	338,282
Bonds with subscription warrant	-	-	-	21,792	-
Long-term loans payable	212,891	202,289	10,602	199,224	2,000,482
Deferred tax liabilities	7,307	6,283	1,025	6,671	68,666
Deferred tax liabilities due to land revaluation	47,055	46,508	547	46,781	442,162
Accrued pension and severance costs	30,085	31,176	(1,091)	32,937	282,703
Reserve for directors' retirement allowance	-	35	(35)	47	-
Reserve for periodic repairs	2,126	1,561	565	1,148	19,973
Other long-term liabilities	15,972	26,391	(10,419)	33,641	150,081
<b>Total long-term liabilities</b>	<b>351,436</b>	<b>350,242</b>	<b>1,194</b>	<b>371,242</b>	<b>3,302,350</b>
<b>Total liabilities</b>	<b>710,107</b>	<b>730,970</b>	<b>(20,862)</b>	<b>765,372</b>	<b>6,672,687</b>
<b>Equity</b>					
<b>Stockholders' equity</b>					
Common stock	121,904	121,904	-	111,057	1,145,497
Capital surplus	37,952	37,892	60	27,116	356,628
Retained earnings	81,307	75,856	5,451	57,833	764,022
Treasury stock	(198)	(199)	1	(174)	(1,856)
<b>Total Stockholders' equity</b>	<b>240,966</b>	<b>235,453</b>	<b>5,513</b>	<b>195,832</b>	<b>2,264,291</b>
<b>Valuations and adjustments</b>					
Securities valuation surplus	14,094	16,075	(1,982)	22,814	132,435
Deferred hedge gains (losses)	2,219	436	1,783	2,537	20,852
Revaluation reserve (Land revaluation)	23,441	23,676	(235)	23,854	220,270
Foreign currency translation adjustments	52	1,722	(1,670)	6,171	488
<b>Total valuations and adjustments</b>	<b>39,806</b>	<b>41,909</b>	<b>(2,103)</b>	<b>55,376</b>	<b>374,046</b>
<b>Minority interests</b>	<b>25,864</b>	<b>21,297</b>	<b>4,567</b>	<b>31,919</b>	<b>243,041</b>
<b>Total equity</b>	<b>306,636</b>	<b>298,659</b>	<b>7,977</b>	<b>283,128</b>	<b>2,881,377</b>
<b>Total liabilities and equity</b>	<b>1,016,744</b>	<b>1,029,629</b>	<b>(12,885)</b>	<b>1,048,500</b>	<b>9,554,065</b>

## Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)			
	2008(A)	2007(B)	(A)–(B)	2008
	¥	¥	¥	\$
Net sales	510,788	485,127	25,661	4,799,741
Cost of sales	443,373	406,624	36,750	4,166,260
Selling, general and administrative expense	42,789	43,548	(760)	402,072
Operating income	24,626	34,956	(10,329)	231,408
Non-operating income	4,324	4,602	(278)	40,633
Interest and dividend income	989	1,135	(146)	9,297
Equity in earnings of non-consolidated subsidiaries and affiliates	239	1,381	(1,142)	2,249
Gain on the sale of inventories	1,472	192	1,280	13,832
Miscellaneous incomes	1,623	1,893	(269)	15,255
Non-operating expense	10,903	12,476	(1,572)	102,456
Interest paid	3,907	4,219	(312)	36,712
Start-up expense	–	3,513	(3,513)	–
Miscellaneous expenses	6,997	4,743	2,253	65,745
Ordinary income	18,047	27,082	(9,035)	169,585
Extraordinary profit	4,332	2,985	1,347	40,702
Gain on fixed assets sold	713	438	276	6,704
Gain on investment securities sold	1,764	1,171	593	16,575
Other extraordinary profits	1,854	1,376	478	17,423
Extraordinary loss	4,554	4,514	40	42,797
Loss on fixed assets sold or retired	2,370	2,702	(331)	22,274
Allowance for doubtful receivables	5	42	(37)	47
Other extraordinary losses	2,179	1,771	408	20,476
Income before income taxes	17,824	25,553	(7,728)	167,491
Income taxes (current)	5,307	7,688	(2,381)	49,873
Income taxes (deferred)	439	1,718	(1,278)	4,128
Minority interests	347	1,077	(730)	3,262
Net income	11,730	15,070	(3,340)	110,228

## Consolidated Statements of Changes in Equity

For the 1st half year ended June 30, 2008

(¥ 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, 2007	121,904	37,892	75,856	(199)	235,453	16,075	436	23,676	1,722	41,909	21,297	298,659
Cash dividends			(6,239)		(6,239)							(6,239)
Net income for the first half year			11,730		11,730							11,730
Treasury stock acquired				(9)	(9)							(9)
Treasury stock sold		60		10	70							70
Increase due to inclusion in consolidation			6		6							6
Increase due to exclusion in consolidation			15		15							15
Decrease due to inclusion in consolidation			(60)		(60)							(60)
Others			(1)		(1)	(1,982)	1,783	(235)	(1,670)	(2,103)	4,567	2,464
Balance at June 30, 2008	121,904	37,952	81,307	(198)	240,966	14,094	2,219	23,441	52	39,806	25,864	306,636

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 exclusion from equity method			(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, 2008

(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, 2007	1,145,497	356,063	712,799	(1,869)	2,212,491	151,056	4,094	222,474	16,181	393,805	200,123	2,806,418
Cash dividends			(58,625)		(58,625)							(58,625)
Net income for the first half year			110,228		110,228							110,228
Treasury stock acquired				(81)	(81)							(81)
Treasury stock sold		565		93	658							658
Increase due to inclusion in consolidation			52		52							52
Increase due to exclusion in consolidation			140		140							140
Decrease due to inclusion in consolidation			(567)		(567)							(567)
Reversal of land revaluation												
Others			(5)		(5)	(18,620)	16,758	(2,204)	(15,693)	(19,759)	42,918	23,153
Balance at June 30, 2008	1,145,497	356,628	764,022	(1,856)	2,264,291	132,435	20,852	220,270	488	374,046	243,041	2,881,377

## Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)		
	2008	2007	2008
	¥	¥	\$
<b>Cash flows from operating activities</b>			
Income before income taxes	17,824	25,553	167,491
Adjustments for:			
Depreciation and amortization	29,308	22,397	275,399
Impairment of fixed assets	—	372	—
Amortization of excess of cost over equity in net assets acquired	526	569	4,947
Increase (decrease) in reserve for business restructuring expenses	(158)	(1,724)	(1,488)
Increase (decrease) in accrued pension and severance costs	(1,721)	(2,153)	(16,170)
Interest and dividend income	(989)	(1,135)	(9,297)
Interest expense	3,907	4,219	36,712
Equity in earnings of the non-consolidated subsidiaries and affiliates	(239)	(1,381)	(2,249)
Loss on sale and write-down of investment securities, net	(1,663)	(1,127)	(15,623)
Loss on the disposal of property, plant and equipment, net	2,238	2,205	21,033
(Gain) loss on sale of property, plant and equipment, net	(581)	59	(5,463)
(Increase) decrease in trade receivables	17,671	3,501	166,046
(Increase) decrease in inventories	(15,514)	(24,745)	(145,779)
Increase (decrease) in trade payables	(27,391)	2,507	(257,381)
Others	1,985	2,654	18,652
Subtotal	25,203	31,770	236,829
Interest and dividend received	2,234	2,148	20,990
Interest paid	(4,017)	(4,234)	(37,750)
Income taxes paid	(10,900)	(9,628)	(102,422)
Net cash provided by operating activities	12,520	20,056	117,647
<b>Cash flows from investing activities</b>			
Proceeds from sales of marketable securities	2	2	22
Payments for purchases of property, plant and equipment	(27,981)	(40,688)	(262,927)
Proceeds from sales of property, plant and equipment	3,570	2,370	33,546
Proceeds from business transfer	426	340	4,007
Payments for purchases of investment securities	(2,068)	(378)	(19,431)
Proceeds from sales of investment securities	4,942	4,461	46,440
Proceeds from repayment of investment securities	—	1,000	—
Payments for purchases of consolidated subsidiaries	(1,403)	—	(13,183)
Proceeds from purchases of consolidated subsidiaries	—	405	—
Proceeds from sales of consolidated subsidiaries	418	846	3,925
(Increase) decrease in short-term loans, net	(1,776)	55	(16,692)
Payments for long-term loans	(1)	(88)	(12)
Proceeds from collection of long-term loans	112	194	1,052
Others	(611)	(1,047)	(5,741)
Net cash used in investing activities	(24,370)	(32,528)	(228,994)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term debt, net	(2,931)	(26,368)	(27,543)
Increase (decrease) in commercial paper	9,000	2,000	84,571
Proceeds from issuance of long-term debt	36,600	50,426	343,920
Repayments of long-term debt	(32,525)	(36,039)	(305,633)
Proceeds from issuance of bonds	—	10,000	—
Redemption of bonds	—	(8,500)	—
Payments of dividends	(6,187)	(4,653)	(58,133)
Payments of dividends to minority shareholders	(779)	(552)	(7,324)
Others	(1,437)	(397)	(13,501)
Net cash used in financing activities	1,741	(14,083)	16,356
Effect of exchange rate changes on cash and cash equivalents	(1,089)	570	(10,230)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(11,198)</b>	<b>(25,985)</b>	<b>(105,220)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>31,887</b>	<b>55,100</b>	<b>299,629</b>
Effect of adjustment of newly consolidated subsidiaries on cash and cash equivalents at beginning of the year	1,169	—	10,980
<b>Cash and cash equivalents at end of the year</b>	<b>21,857</b>	<b>29,115</b>	<b>205,389</b>



## SEGMENT INFORMATION

The operations of the Companies for the half-year ended June 30, 2007 and 2008 were summarised by industry segment as follows:

Half-year ended June 30, 2007	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
<b>Sales</b>							
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, 2008	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
<b>Sales</b>							
Outside customers	¥204,652	¥40,770	¥101,061	¥43,504	¥120,800	¥-	¥510,788
Inter-segment	1,320	68	146	355	12,798	(14,686)	-
Total	205,972	40,838	101,207	43,859	133,598	(14,686)	510,788
Operating costs	199,940	37,174	93,734	34,041	132,882	(11,609)	486,162
Operating income	¥6,032	¥3,665	¥7,473	¥9,817	¥716	¥(3,076)	¥24,626

Half-year ended June 30, 2008	Thousands of U.S. dollars						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
<b>Sales</b>							
Outside customers	\$1,923,061	\$383,109	\$949,646	\$408,796	\$1,135,128	\$-	\$4,799,741
Inter-segment	12,400	637	1,369	3,332	120,259	(137,999)	-
Total	1,935,462	383,746	951,015	412,128	1,255,388	(137,999)	4,799,741
Operating costs	1,878,785	349,310	880,791	319,879	1,248,659	(109,090)	4,568,333
Operating income	\$56,677	\$34,436	\$70,224	\$92,250	\$6,729	\$(28,908)	\$231,408

The operations of the Companies for the half-year ended June 30, 2007 and 2008 were summarized by geographic area as follows:

Half-year ended June 30, 2007	Millions of yen				
	Japan	Asia	Others	Elimination	Consolidated
<b>Sales</b>					
Outside customers	¥413,647	¥42,039	¥29,440	¥-	¥485,127
Inter-segment	15,469	2,981	402	(18,852)	-
Total	429,116	45,020	29,843	(18,852)	485,127
Operating costs	401,231	39,890	25,134	(16,083)	450,172
Operating income	¥27,886	¥5,130	¥4,709	¥(2,769)	¥34,956

Half-year ended June 30, 2008	Millions of yen				
	Japan	Asia	Others	Elimination	Consolidated
<b>Sales</b>					
Outside customers	¥426,458	¥54,122	¥30,209	¥-	¥510,788
Inter-segment	16,528	2,995	303	(19,825)	-
Total	442,986	57,116	30,512	(19,825)	510,788
Operating costs	420,784	55,554	26,818	(16,995)	486,162
Operating income	¥22,202	¥1,562	¥3,693	¥(2,831)	¥24,626

Half-year ended June 30, 2008	Thousands of U.S. dollars				
	Japan	Asia	Others	Elimination	Consolidated
<b>Sales</b>					
Outside customers	\$4,007,311	\$508,565	\$283,864	\$-	\$4,799,741
Inter-segment	155,309	28,139	2,846	(186,295)	-
Total	4,162,620	536,705	286,711	(186,295)	4,799,741
Operating costs	3,953,997	522,028	252,004	(159,696)	4,568,333
Operating income	\$208,624	\$14,676	\$34,707	\$(26,598)	\$231,408

Overseas sales, which represent sales to customers outside of Japan, of the Companies for the half-year ended June 30, 2007 and 2008 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, 2008	Millions of yen		
	Asia	Others	Overseas sales
Overseas sales	¥135,082	¥37,586	¥172,668
Consolidated net sales			510,788
Ratio of overseas sales to consolidated net sales	26.4%	7.4%	33.8%

Half-year ended June 30, 2008	Thousands of U.S. dollars		
	Asia	Others	Overseas sales
Overseas sales	\$1,269,329	\$353,185	\$1,622,515