

Consolidated Financial Statements

For the 1st half year (January 1 to June 30, 2009)



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	2009	Increase (Decrease)	2009
	¥	¥	%	\$
Net sales	510,788	286,683	(43.9)	2,985,970
Operating income	24,626	(22,861)	—	(238,114)
Ordinary income	18,047	(34,334)	—	(357,606)
Net income	11,730	(46,531)	—	(484,647)
Net income per share: Basic	9.40	(37.29)	—	(0.388)
Net income per share: Diluted	—	—	—	—

Notes

Important changes in accounting policies : applicable

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

	Dec. 31, 2008	Jun. 30, 2009	Jun. 30, 2009
	¥	¥	\$
Total assets	962,010	906,851	9,445,378
Total equity	265,459	217,400	2,264,344
Total equity per share	192.85	155.19	1.62
	%	%	%
Stockholders' equity ratio	25.0	21.4	21.4

(4) Dividends:

	2008
Q1 dividends per share (¥)	—
Q2 dividends per share (¥)	0.0
Q3 dividends per share (¥)	—
End of Term dividends per share (¥)	5.0
Annual dividends per share (¥)	5.0

※The dividends for 2009 is still undecided.

II . Forecast of performance for the year ending December 31, 2009

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

	2009	
	¥	\$
Net sales	670,000	6,978,440
Operating income	(17,000)	(177,065)
Ordinary income	(34,500)	(359,338)
Net income	(46,500)	(484,325)
Net income per share	(37.27)	(0.39)

※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.

As for the revision of performance forecast for the full-year 2009, please refer to the separate news release of July 30, 2009.

Notes

The U.S. dollar is valued at ¥96.01 throughout this statement for convenience only.

[Business Results and Financial Conditions]

1. Analysis of business results

As this is the first year of the quarterly financial reporting system, the figures for the same period (the first two quarters) of the previous year were not audited by independent accountants. Thus, those figures and increase/decrease percentages are provided for the purpose of reference only.

(1) Summary

The Japanese economy, which experienced a substantial decline in export and production in the first quarter (January 1-March 31) due to the quick deterioration in the world economy, saw some signs of recovery in export and production in the second quarter (April 1-June 30). Nevertheless, the conditions remained severe, reflecting the worsening employment situation and low levels of corporate earnings.

The Showa Denko Group had consolidated net sales of ¥165,648 million in the second quarter, reflecting increases in plant utilization and shipment volumes. However, the Group recorded an operating loss of ¥7,192 million due to the prolonged inventory adjustments in the customer industries for its electronics and aluminum operations, although the margin of loss reduced from the figure for the first quarter. The Group recorded an ordinary loss of ¥10,703 million; and a net loss of ¥24,450 million, due partly to the recording of loss on impairment of fixed assets in the aluminum and other businesses.

As a result, consolidated net sales for the first half of 2009 (January 1-June 30) totaled ¥286,683 million, down 43.9 % from the same period of last year, reflecting lower shipment volumes in respective business segments. The Group recorded an operating loss of ¥22,861 million, down ¥47,488 million; an ordinary loss of ¥34,334 million, down ¥52,381 million; and a net loss of ¥46,531 million, down ¥58,261 million.

(2) Summary of results by segment

(Petrochemicals)

In the second quarter, shipment volumes of olefins and organic chemicals were up from the first quarter, reflecting the recovery of demand. The Petrochemicals segment posted net sales of ¥56,071 million and operating income of ¥2,554 million in the second quarter.

The segment's sales in the first half of 2009 amounted to ¥96,229 million, down 53.0% from the same period of last year. The fall in sales was due to the substantial decline in

shipment volumes in the first quarter and lower selling prices, reflecting the decline in naphtha costs. Operating income amounted to ¥2,031 million, down 66.3%.

(Chemicals)

In the second quarter, shipment volumes of acrylonitrile and chloroprene rubber increased from the first quarter results. The Chemicals segment's net sales reached ¥27,012 million in the second quarter. However, the segment recorded an operating loss of ¥284 million.

The segment's sales in the first half of 2009 amounted to ¥46,805 million, up 14.8% from the same period of last year, reflecting the consolidation of Showa Tansan Co., Ltd., in June 2008. However, the segment recorded an operating loss of ¥1,130 million, down ¥4,795 million, as a result of production cuts, centering on acrylonitrile.

(Electronics)

In the second quarter, shipment volumes of hard disk (HD) media and semiconductor-processing specialty gases recovered from the first quarter levels, reflecting increased demand. Shipment volumes of compound semiconductors and rare-earth magnetic alloys were also up, despite the effect of prolonged inventory adjustments in customer industries. The Electronics segment had net sales of ¥27,126 million in the second quarter. However, the segment recorded an operating loss of ¥6,346 million.

The segment's sales in the first half of 2009 amounted to ¥43,024 million, down 57.4% from the same period of last year, due mainly to lower shipment volumes of HD media in the first quarter. The segment recorded an operating loss of ¥15,683 million, down ¥23,157 million.

(Inorganics)

In the second quarter, the segment was affected by continued stagnant demand for ceramics and graphite electrodes as well as prolonged inventory adjustments by the electric arc furnace steelmaking industry. The Inorganics segment had net sales of ¥12,428 million in the second quarter. However, the segment recorded an operating loss of ¥128 million.

The segment's sales in the first half of 2009 amounted to ¥22,880 million, down 47.4% from the same period of last year, as a result of the decrease in shipment volumes. The segment posted an operating income of ¥314 million, down 96.8%.

(Aluminum and other)

In the second quarter, shipment volumes of high-purity aluminum foils for capacitors (the rolled products business), automotive parts (the heat exchanger and *Shotric* businesses), and aluminum cans increased from the first quarter levels. However, shipment volumes of aluminum cylinders for laser beam printers (the extrusions/specialty products business) decreased. The Aluminum segment had net sales of ¥43,012 million in the second quarter. However, the segment recorded an operating loss of ¥2,303 million.

The segment's sales in the first half of 2009 amounted to ¥77,744 million, down 35.6% from the same period of last year, as a result of the decrease in shipment volumes. The segment recorded an operating loss of ¥6,762 million, down ¥7,478 million.

2. Financial Conditions

Total assets at June 30, 2009 decreased ¥55,159 million from the level at March 31, 2009, to ¥906,851 million. The decrease was due mainly to the fall in accounts receivable, reflecting the decline in net sales, and in inventories. Interest-bearing debt increased ¥39,315 million, to ¥432,229 million. Net assets at the end of the second quarter decreased ¥48,059 million, to ¥217,400 million, owing to the net loss for the quarter and the payment of dividends for the previous fiscal year.

3. Performance forecast

As for the performance forecast for full-year 2009, please refer to a separate news release "SDK Announces Extraordinary Losses; Differences between Forecast and Results for First Half; and Revised Performance Forecast for Full-Year 2009" issued today.

4. Major steps taken in the first half of 2009

[Petrochemicals]

- Expansion of production capacity for high-value-added polypropylene

SunAllomer Ltd., an affiliate of ours to which the equity method is applied, will modify its plant in Oita to start producing high-value-added polypropylene. At the same time, the capacity of the plant will be increased by approximately 60,000 tons a year to make up for the resultant capacity shortage for existing product mix. Furthermore, the company will modify the plant to conserve energy and improve the efficiency of equipment management. Construction work will be completed in the first half of 2010.

[Electronics]

- Launch of Showa Denko HD Yamagata

On July 1, we started up Showa Denko HD Yamagata K.K., by acquiring Fujitsu Limited's HD media production subsidiary. The company is SDK's fourth HD media production site in the world, following the existing sites in Chiba Prefecture (Japan),

Taiwan and Singapore. As the world's largest independent HD media supplier, SDK will continue developing and supplying large-capacity HD media to meet customer needs.

- Launch of 3.5-inch 500 GB HD media

In January, we began commercial shipments of 3.5-inch HD media with storage capacity of 500 gigabytes per disk. To the best of our knowledge, this product had the world's highest storage capacity for this size available on the market as of February 2009. Demand for high-capacity HD media is growing for such applications as high-definition HDD recorders that can record digital high-definition TV programs as well as PCs that can record and edit moving pictures.

- Development of AlGaInP red LED chips optimized for plant growth

In April, we started selling samples of AlGaInP LED chips that emit red light with the wavelength of 660 nm: the optimum light for accelerating the growth of plants. To the best of our knowledge, the product had the world's highest output as of April 2009 as LED chips that emit red light with the wavelength of 660 nm. We will develop applications for these red LED chips, mainly for use at facilities that grow lettuce and other vegetables in an environment of controlled lighting. In May, these chips were adopted by the Ministry of Economy, Trade and Industry at its fully-controlled facility that supplies a model for such facilities to be built in Japan.

- Commercialization of VGCFTM-X, a new grade of carbon nanotube

We decided to build a 400-ton-a-year plant at Oita Complex to produce VGCFTM-X, a new grade of carbon nanotube with an optimized design for resin composite applications. Commercial shipments will begin in the first half of 2010. A small added amount of VGCFTM-X can give stable electric conductivity to resins. Thus, it will find applications in static-free plastic cases for the carriage of semiconductor/HD media parts in a clean room, contributing to securing good quality of these parts. We concluded a patent cross-license agreement with Hyperion Catalysis International, Inc., of the United States, which owns many key patents pertaining to materials and applications in the area of carbon nanotubes, including for resin composites.

- Launch of graphite anode material for lithium-ion batteries in electric vehicles

We started selling a new grade of SCMGTM (shape-controlled micro graphite) for use as anode material in large lithium-ion batteries for electric vehicles (EVs). Demand for EVs is expected to grow as they contribute to conservation of resources. SCMGTM enables the use of heavy current and extends the life of lithium-ion batteries. In view of the expected growth in demand, we decided to increase our SCMGTM production capacity at Omachi from 1,000 tons a year at present to 3,000 tons a year in 2012,

investing approximately ¥2 billion.

- Expansion of the C₄F₆ etching gas business

This year, we will start producing high-purity C₄F₆ etching gas in Kawasaki in cooperation with Air Products and Chemicals, Inc., of the United States. Demand for C₄F₆ is expected to grow due to its improved processability and selectivity as well as very low environmental impact.

- Transfer of the conductive polymer aluminum capacitors business

In June, we decided to transfer our solid conductive polymer aluminum capacitors business to Murata Manufacturing Co., Ltd. The transfer will be completed by the end of this year. SDK will continue speedily concentrating its operations on strategically selected areas.

[Inorganics]

- Trial manufacture of photocatalyst under NEDO project

Showa Titanium Co., Ltd., a consolidated subsidiary of ours, started commercial production of a new visible-light-responsive photocatalyst. The photocatalyst has been developed under a project sponsored by the New Energy and Industrial Technology Development Organization (NEDO). Unlike conventional photocatalysts, the new product effectively fulfills air-cleaning, stain-proofing, and antiviral/antibacterial functions inside a fluorescent-lamp-lighted room.

- Reduction of CO₂ emissions from graphite electrode production

We completed our shift in fuel from heavy oil to liquefied natural gas (LNG) in the baking process for graphite electrode production at the Omachi Plant. This helps the Plant to reduce CO₂ emissions by 10,000 tons a year. To facilitate the fuel shift, we built a 270-kl LNG storage facility within the premises of the Plant. LNG is gasified at the facility and supplied to the baking process. Surplus waste heat collected at the Plant is used as heat source for the gasification of LNG.

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2008	Jun. 30, 2009	Jun. 30, 2009
Assets	¥	¥	\$
Current assets			
Cash and deposits	40,954	43,444	452,499
Notes and accounts receivable-trade	117,190	101,094	1,052,949
Merchandise and finished goods	53,118	44,832	466,956
Work in process	11,700	11,225	116,915
Raw materials and supplies	52,930	42,108	438,579
Other	46,714	34,687	361,283
Allowance for doubtful accounts	(950)	(848)	(8,835)
Total current assets	321,657	276,542	2,880,344
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	94,992	92,138	959,675
Machinery, equipment and vehicles, net	152,535	143,019	1,489,628
Land	256,042	256,094	2,667,372
Other, net	28,063	26,044	271,266
Total property, plant and equipment	531,633	517,296	5,387,941
Intangible assets			
Goodwill	3,511	4,018	41,850
Other	9,531	9,823	102,313
Total intangible assets	13,042	13,841	144,164
Investments and other assets			
Investment securities	65,623	68,320	711,593
Other	31,237	31,825	331,479
Allowance for doubtful accounts	(1,182)	(974)	(10,142)
Total investments and other assets	95,677	99,172	1,032,930
Total noncurrent assets	640,353	630,309	6,565,034
Total assets	962,010	906,851	9,445,378
Liabilities			
Current liabilities			
Notes and accounts payable-trade	140,427	84,768	882,908
Short-term loans payable	100,717	99,099	1,032,172
Current portion of bonds		3,000	31,247
Current portion of long-term loans payable	59,448	66,250	690,033
Commercial papers		18,000	187,480
Income taxes payable	1,477	1,066	11,100
Provision	2,654	5,635	58,696
Other	59,052	58,080	604,941
Total current liabilities	363,774	335,898	3,498,578
Noncurrent liabilities			
Bonds payable	36,000	33,000	343,714
Long-term loans payable	196,750	212,880	2,217,272
Provision for retirement benefits	28,659	27,583	287,289
Other provision	2,756	109	1,131
Other	68,614	79,981	833,051
Total noncurrent liabilities	332,777	353,553	3,682,456
Total liabilities	696,551	689,451	7,181,034
Net assets			
Shareholders' equity			
Capital stock	121,904	121,904	1,269,699
Capital surplus	37,945	37,945	395,217
Retained earnings	73,146	20,638	214,959
Treasury stock	(173)	(173)	(1,805)
Total shareholders' equity	232,822	180,314	1,878,070
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	4,983	5,942	61,892
Deferred gains or losses on hedges	(6,093)	(5,125)	(53,378)
Revaluation reserve for land	21,896	21,888	227,974
Foreign currency translation adjustment	(12,981)	(9,386)	(97,764)
Total valuation and translation adjustments	7,805	13,319	138,724
Minority interests	24,832	23,767	247,550
Total net assets	265,459	217,400	2,264,344
Total liabilities and net assets	962,010	906,851	9,445,378

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)	
	2009	2009
	¥	\$
Net sales	286,683	2,985,970
Cost of sales	267,363	2,784,738
Gross profit	19,320	201,232
Selling, general and administrative expenses	42,182	439,346
Operating loss	(22,861)	(238,114)
Non-operating income		
Interest income	91	943
Dividends income	894	9,308
Subsidy income	793	8,255
Miscellaneous income	1,942	20,224
Total non-operating income	3,719	38,731
Non-operating expenses		
Interest expenses	3,665	38,177
Equity in losses of affiliates	1,162	12,105
Loss on reduction of operation	4,802	50,018
Miscellaneous expenses	5,561	57,923
Total non-operating expenses	15,191	158,223
Ordinary loss	(34,334)	(357,606)
Extraordinary income		
Gain on sales of investment securities	1,525	15,888
Other	418	4,353
Total extraordinary income	1,943	20,241
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,398	14,564
Impairment loss	8,415	87,642
Loss on valuation of inventories	5,544	57,748
Other	1,091	11,362
Total extraordinary losses	16,448	171,317
Loss before income taxes and minority interests (△)	(48,839)	(508,682)
Income taxes	(2,284)	(23,792)
Minority interests in loss (△)	(23)	(243)
Net loss	(46,531)	(484,647)

Notes

The U.S. dollar is valued at ¥96.01 throughout this statement for convenience only.

Consolidated quarterly statements of cash flows

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)	
	2009	2009
	¥	\$
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(48,839)	(508,682)
Depreciation and amortization	27,874	290,324
Impairment loss	8,415	87,642
Amortization of goodwill	456	4,753
Increase (decrease) in provision for retirement benefits	(1,095)	(11,405)
Interest and dividend income	(984)	(10,251)
Interest expenses	3,665	38,177
Equity in (earnings) losses of affiliates	1,162	12,105
Loss (gain) on sales and valuation of investment securities	(1,334)	(13,898)
Loss on retirement of noncurrent assets	1,389	14,465
Loss (gain) on sales of noncurrent assets	(21)	(221)
Decrease (increase) in notes and accounts receivable–trade	16,705	173,991
Decrease (increase) in inventories	20,838	217,035
Increase (decrease) in notes and accounts payable–trade	(50,716)	(528,233)
Other, net	5,847	60,900
Subtotal	(16,638)	(173,298)
Interest and dividends income received	1,406	14,647
Interest expenses paid	(3,542)	(36,892)
Income taxes (paid) refund	1,182	12,311
Net cash provided by (used in) operating activities	(17,592)	(183,232)
Net cash provided by (used in) investment activities		
Proceeds from sales and redemption of securities	2	24
Purchase of property, plant and equipment	(23,714)	(246,995)
Proceeds from sales of property, plant and equipment	19,507	203,175
Proceeds from transfer of business	252	2,625
Purchase of investment securities	(6,179)	(64,358)
Proceeds from sales of investment securities	4,395	45,772
Purchase of investments in subsidiaries	(18)	(191)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	64	667
Decrease (increase) in short-term loans receivable	(774)	(8,061)
Payments of long-term loans receivable	(1,348)	(14,040)
Collection of long-term loans receivable	39	403
Other, net	(1,622)	(16,890)
Net cash provided by (used in) investment activities	(9,396)	(97,868)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,413)	(25,133)
Increase (decrease) in commercial papers	18,000	187,480
Proceeds from long-term loans payable	54,365	566,240
Repayment of long-term loans payable	(32,272)	(336,134)
Cash dividends paid	(6,187)	(64,445)
Cash dividends paid to minority shareholders	(908)	(9,459)
Other, net	(2,718)	(28,313)
Net cash provided by (used in) financing activities	27,866	290,237
Effect of exchange rate change on cash and cash equivalents	1,430	14,894
Net increase (decrease) in cash and cash equivalents	2,307	24,032
Cash and cash equivalents at beginning of period	40,949	426,507
Cash and cash equivalents at end of period	43,256	450,539

SEGMENT INFORMATION

The operations of the Companies for the half-year ended June 30, 2009 was summarised by industry segment as follows:

Half-year ended June 30, 2009	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
Outside customers.....	¥96,229	¥46,805	¥43,024	¥22,880	¥77,744	¥-	¥286,683
Inter-segment.....	750	28	95	18	224	(1,115)	-
Total.....	<u>96,979</u>	<u>46,834</u>	<u>43,119</u>	<u>22,898</u>	<u>77,968</u>	<u>(1,115)</u>	<u>286,683</u>
Operating income.....	<u>¥2,031</u>	<u>(¥1,130)</u>	<u>(¥15,683)</u>	<u>¥314</u>	<u>(¥6,762)</u>	<u>(¥1,631)</u>	<u>(¥22,861)</u>

Half-year ended June 30, 2009	Thousands of U.S. dollars						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
Outside customers.....	\$1,002,280	\$487,504	\$448,122	\$238,313	\$809,750	\$-	\$2,985,970
Inter-segment.....	7,810	295	985	186	2,333	(11,609)	-
Total.....	<u>1,010,091</u>	<u>487,799</u>	<u>449,107</u>	<u>238,499</u>	<u>812,083</u>	<u>(11,609)</u>	<u>2,985,970</u>
Operating income.....	<u>\$21,153</u>	<u>(\$11,775)</u>	<u>(\$163,351)</u>	<u>\$3,271</u>	<u>(\$70,428)</u>	<u>\$(16,984)</u>	<u>(\$238,114)</u>

(Reference)

Consolidated Statements of Income (previous 2Q ended)

(¥ in millions, US\$ in thousands)

	Results for the 1st half year (Jan. 1 – Jun. 30)	
	2008	2008
	¥	\$
Net sales	510,788	4,799,741
Cost of sales	443,373	4,166,260
Selling, general and administrative expense	42,789	402,072
Operating income	24,626	231,408
Non-operating income	4,324	40,633
Interest and dividends income	989	9,297
Equity in earnings of affiliates	239	2,249
Gain on the sales of inventories	1,472	13,832
Miscellaneous income	1,623	15,255
Non-operating expense	10,903	102,456
Interest expenses	3,907	36,712
Miscellaneous expenses	6,997	65,745
Ordinary income	18,047	169,585
Extraordinary income	4,332	40,702
Gain on sales of noncurrent assets	713	6,704
Gain on sales of investment securities	1,764	16,575
Other	1,854	17,423
Extraordinary loss	4,554	42,797
Loss on sales and retirement of noncurrent assets	2,370	22,274
Provision of allowance for doubtful accounts	5	47
Other	2,179	20,476
Income before income taxes	17,824	167,491
Income taxes—current	5,307	49,873
Income taxes—deferred	439	4,128
Minority interests in income	347	3,262
Net income	11,730	110,228

Notes

The U.S. dollar is valued at ¥106.42 throughout this statement for convenience only.

(Reference)**Consolidated Statements of Cash Flows (previous 2Q ended)**

(¥ in millions, US\$ in thousands)

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

Notes

The U.S. dollar is valued at ¥106.42 throughout this statement for convenience only.

(Reference)

SEGMENT INFORMATION (previous 2Q ended)

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

Half-year ended June 30, 2008	Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Elimination	Consolidated
Sales							
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
Sales							
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

Notes

The U.S. dollar is valued at ¥106.42 throughout this statement for convenience only.