

Consolidated Financial Statements

For the first half year (January 1 to June 30, 2010)



I . Consolidated Financial Results

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

| | Results for the first half year (Jan.1–Jun.30) | | | |
|-------------------------------|--|---------|------------------------|-----------|
| | 2009 | 2010 | Increase (Decrease) | 2010 |
| | ¥ | ¥ | % | \$ |
| Net sales | 286,683 | 384,099 | 34.0 | 4,341,078 |
| Operating income | (22,861) | 17,744 | — | 200,547 |
| Ordinary income | (34,334) | 14,049 | — | 158,780 |
| Net income | (46,531) | 7,701 | — | 87,042 |
| Net income per share: Basic | (37.29) | 5.15 | — | 0.058 |
| 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)

| | Jun. 31, 2009 | Jun. 31, 2010 | Jun. 31, 2010 |
|----------------------------|---------------|---------------|---------------|
| | ¥ | ¥ | \$ |
| Total assets | 958,303 | 939,549 | 10,618,778 |
| Total equity | 286,722 | 279,038 | 3,153,680 |
| Total equity per share | 163.11 | 157.91 | 1.78 |
| | % | % | % |
| Stockholders' equity ratio | 25.5 | 25.2 | 25.2 |

(4) Dividends:

| | 2009 | 2010 Forecast |
|-------------------------------------|------|---------------|
| Q1 dividends per share (¥) | — | — |
| Q2 dividends per share (¥) | 0.0 | 0.0 |
| Q3 dividends per share (¥) | — | — |
| End of Term dividends per share (¥) | 3.0 | 3.0 |
| Annual dividends per share (¥) | 3.0 | 3.0 |

II . Forecast of performance for the year ending December 31, 2010

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

| | fiscal year | |
|----------------------|-------------|-----------|
| | ¥ | \$ |
| Net sales | 825,000 | 9,324,141 |
| Operating income | 40,000 | 452,080 |
| Ordinary income | 32,000 | 361,664 |
| Net income | 14,000 | 158,228 |
| Net income per share | 9.35 | 0.11 |

※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 ¥88.48 throughout this statement for convenience only.

[Business Results]

1. Analysis of business results

(1) Summary

The Japanese economy saw signs of recovery in the first quarter (January 1 - March 31) with gradual increases in export and production against the background of improved economic conditions in foreign countries, centering on China. In the second quarter (April 1 – June 30), however, there emerged risks such as the concern about economic slowdown in Europe and drastic changes in the foreign exchange/stock markets, notwithstanding the continuation of the recovery trend against the background of improved economic conditions in foreign countries.

The Showa Denko Group recorded increases in sales and profit in the second quarter due to higher shipment volumes centering on the Electronics and Aluminum segments, reflecting the sharp rise in the production by the electronics and automobile industries.

The Group's consolidated net sales in the second quarter 2010 increased 18.6% from the same period of last year, to ¥196,405 million. The Group recorded operating income of ¥10,717 million, up ¥17,909 million, due to the rise in shipment volumes and the effect of rationalization measures taken last year, and ordinary income of ¥8,944 million, up ¥19,647 million. The Group recorded quarterly net income of ¥4,208 million, up ¥28,658 million, due mainly to the reduction in extraordinary losses.

As for the first two quarters (January 1 – June 30), the Group's consolidated net sales increased 34.0% from the same period of last year, to ¥384,099 million. The Group recorded operating income of ¥17,744 million (up ¥40,606 million), ordinary income of ¥14,049 million (up ¥48,383 million), and net income of ¥7,701 million (up ¥54,232 million).

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 384,099 | 286,683 | 97,416 | 196,405 | 165,648 | 30,757 | 187,694 | 8,711 |
| Operating income | 17,744 | - 22,861 | 40,606 | 10,717 | - 7,192 | 17,909 | 7,028 | 3,689 |
| Ordinary income | 14,049 | - 34,334 | 48,383 | 8,944 | - 10,703 | 19,647 | 5,104 | 3,840 |
| Net income | 7,701 | - 46,531 | 54,232 | 4,208 | - 24,450 | 28,658 | 3,493 | 714 |

(2) Summary of results by business segment

(Petrochemicals)

In the second quarter, production of ethylene, propylene and other products decreased from the same period of last year as a result of the shutdown maintenance in March and April of the ethylene plant and derivative plants. Despite the fall in shipment volumes due to the shutdown maintenance, sales of olefins increased owing to higher selling prices, reflecting the rise in the price of raw material naphtha. Sales of organic chemicals were down due to the decline in shipment volumes of vinyl acetate and other products.

As a result, the Petrochemicals segment's sales in the second quarter rose 11.1%, to ¥62,269 million. However, operating income fell 77.5%, to ¥575 million, due to the influence of the shutdown maintenance.

As for the total figures for the first and second quarters, the Petrochemicals segment's sales increased 31.4% from the same period of last year, to ¥126,446 million. However, operating income fell 20.7%, to ¥1,610 million, due to the influence of the shutdown maintenance.

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|---------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 126,446 | 96,229 | 30,217 | 62,269 | 56,071 | 6,198 | 64,177 | - 1,908 |
| Operating income | 1,610 | 2,031 | - 421 | 575 | 2,554 | - 1,979 | 1,034 | - 459 |

(Chemicals)

In the second quarter, production of ammonia increased from the same period of last year. Sales of ammonia increased due to higher shipment volumes. Sales of acrylonitrile were up owing to higher shipment volumes, reflecting the recovery in demand for fiber applications, and the rise in selling prices. Sales of chloroprene rubber increased as a result of the rise in demand for automobile applications. Meanwhile, Showa Tansan Co., Ltd.'s sales declined. (The company changed its fiscal term in the second quarter of last year. This year, there is no influence of that change.)

As a result, the Chemicals segment's sales in the second quarter fell 15.6%, to ¥22,799 million. However, the segment recorded operating income of ¥1,101 million, up ¥1,386 million, due partly to the rise in operating income from acrylonitrile operations.

As for the total figures for the first and second quarters, the Chemicals segment's sales decreased 4.7% from the same period of last year, to ¥44,596 million. However, the segment recorded operating income of ¥2,221 million, up ¥3,351 million.

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|---------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 44,596 | 46,805 | - 2,209 | 22,799 | 27,012 | - 4,213 | 21,798 | 1,001 |
| Operating income | 2,221 | - 1,130 | 3,351 | 1,101 | - 284 | 1,386 | 1,119 | - 18 |

(Electronics)

In the second quarter, production of HD media increased substantially from the same period of last year. Sales of HD media increased due to higher shipment volumes, reflecting brisk demand centering on notebook PC applications. Sales of compound semiconductors increased due to higher shipment volumes, for both commodity and ultrabright LEDs. Sales of semiconductor-processing specialty gases and rare earth magnetic alloys increased due to higher shipment volumes, reflecting the recovery in demand.

As a result, the Electronics segment's sales in the second quarter increased 63.1%, to ¥44,242 million. The segment recorded operating income of ¥4,223 million, up ¥10,569 million.

As for the total figures for the first and second quarters, the Electronics segment's sales increased 101.8% from the same period of last year, to ¥86,830 million. The segment recorded operating income of ¥6,750 million, up ¥22,433 million.

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|---------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 86,830 | 43,024 | 43,806 | 44,242 | 27,126 | 17,117 | 42,588 | 1,655 |
| Operating income | 6,750 | - 15,683 | 22,433 | 4,223 | - 6,346 | 10,569 | 2,527 | 1,697 |

(Inorganics)

In the second quarter, production of graphite electrodes increased from the same period of last year. Sales of graphite electrodes increased due to higher shipment volumes in Japan and the United States, reflecting higher plant utilization in the electric arc furnace steelmaking industry. Sales of ceramics increased due to higher shipment volumes.

As a result, the Inorganics segment's sales in the second quarter increased 59.2%, to ¥19,780 million. The segment recorded operating income of ¥2,558 million, up ¥2,686 million.

As for the total figures for the first and second quarters, the Inorganics segment's sales increased 62.3% from the same period of last year, to ¥37,145 million. Operating income increased 1,069.6%, to ¥3,673 million.

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|---------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 37,145 | 22,880 | 14,264 | 19,780 | 12,428 | 7,352 | 17,365 | 2,414 |
| Operating income | 3,673 | 314 | 3,359 | 2,558 | - 128 | 2,686 | 1,115 | 1,443 |

(Aluminum and Other)

In the second quarter, production of high-purity aluminum foils for capacitors increased from the same period of last year. Sales of rolled products were up due to higher shipment volumes of high-purity foils for capacitors, reflecting steady demand from the capacitor industry. Sales of extrusions/specialty products rose due to higher shipment volumes of aluminum cylinders for laser beam printers.

In the heat exchanger business, sales rose due to higher shipment volumes, centering on China. Sales of *Shotic*TM forged products increased because of the rise in shipments to the automobile industry. Sales of aluminum cans decreased, reflecting lower shipment volumes.

As a result, the Aluminum segment's sales in the second quarter rose 10.0%, to ¥47,315 million. The segment recorded operating income of ¥2,747 million (up ¥5,050 million) due to the rise in shipment volumes and the effect of its structural reform steps taken last year.

As for the total figures for the first and second quarters, the Aluminum segment's sales increased 14.6% from the same period of last year, to ¥89,082 million. The segment recorded operating income of ¥4,573 million, up ¥11,335 million.

(Unit: Millions of yen)

| | 10 1Q – 2Q (Jan.-Jun.) | Vs. 1Q – 2Q 2009 | | 10 2Q (Apr.-Jun.) | Vs. 2Q 09 | | Vs. 1Q 10 | |
|---------------------|------------------------------|------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | | 09 1Q – 2Q (Jan.-Jun.) | Increase/ decrease | | 09 2Q (Apr.-Jun.) | Increase/ decrease | 10 1Q (Jan.-Mar.) | Increase/ Decrease |
| Net sales | 89,082 | 77,744 | 11,338 | 47,315 | 43,012 | 4,303 | 41,766 | 5,549 |
| Operating income | 4,573 | - 6,762 | 11,335 | 2,747 | - 2,303 | 5,050 | 1,826 | 921 |

(3) Major steps taken or decided in the first and second quarters of 2010

[Petrochemicals]

- Introduction of modern cracking furnaces at Oita Complex

We renovated our ethylene production facility at our Oita Complex, mainly through the replacement of seven cracking furnaces with two modern high-efficiency furnaces (each having the capacity to produce 100,000 tons of ethylene a year). The renovation was conducted during the period of the shutdown maintenance, and the new facilities started up in May 2010. As a result of the renovation, we have achieved the highest-level energy efficiency among petrochemical complexes in Japan, while reducing CO₂ emissions by approximately 60,000 tons a year.

- Full-scale production of environment-friendly solvent

In February, we started production of n-propyl acetate at our Oita Complex. The product is used as solvent for special gravure printing ink. Demand for n-propyl acetate is expected to increase owing to its lower impact on the environment as well as higher safety, compared with conventional solvents.

- Oita Complex commended for safety performance

Our Oita Complex received the 34th “best safety award” from the Japan Chemical Industry Association and the Japan Responsible Care Council. This was in recognition of the Oita Complex's strenuous efforts to ensure safety, as witnessed by its achievement of continuous no-accident operations for 6.68 million hours. The Showa Denko Group will continue to raise employees' awareness of safety and step up relevant activities.

[Chemicals]

- Start-up of new distribution base for *Ecoann*TM ammonia in Tohoku region

Our subsidiary Marusho Kogyo Co., Ltd. established a new distribution base at Soma

Port in Fukushima Prefecture to increase transport efficiency of *Ecoann*TM liquefied ammonia in the Tohoku region and improve the level of service. *Ecoann*TM ammonia, which is produced from used plastic, has been approved by major electric power companies as product for Green Purchasing. *Ecoann*TM ammonia is used for removing nitrogen oxides included in exhaust gases from thermal electric power plants.

- Strengthening the business for exhaust-gas disposal unit pertaining to semiconductor/LCD panel production

To strengthen our business for disposing of perfluorocarbons (PFCs*) used in the production of semiconductors and LCD panels, we acquired Hitachi, Ltd.'s relevant business based on the catalysis process. SDK's existing business is based on the decomposition reaction process. As a result of the acquisition, we will seek to expand our business in the area of large LCD panels. We will also develop a hybrid type exhaust-gas disposal unit by combining the two processes, and start selling the new product in 2011.

Note: The term "PFCs" refers to fluorocarbons that do not contain hydrogen/chlorine atoms as well as sulfur hexafluoride. Together with carbon dioxide, PFCs are classified as greenhouse gases to be reduced under the Kyoto Protocol.

[Electronics]

- Expansion of HD media production capacity

We will increase our HD media production capacity to meet growing demand. The Showa Denko Group's total HD media production capacity will be increased from 22 million disks a month as of the end of March 2010, to 25 million disks a month by the end of March 2011. Specifically, a new clean room and additional production lines will be installed, step by step, at our subsidiary Showa Denko HD Singapore Pte. Ltd. In addition, we will increase production capacities at our HD media production sites in Japan (Chiba and Yamagata) and Taiwan. Total investments will amount to approximately ¥10 billion. Demand for hard disk drives (HDDs), containing HD media, is expected to grow steadily in coming years centering on notebook PC applications.

- Completion of rare earth metal plant in Vietnam

Our subsidiary Showa Denko Rare-Earth Vietnam Co., Ltd. completed a new rare earth metal plant in Vietnam and started production in May. The plant produces 800 tons a year in total of didymium and dysprosium metals, which are used as raw material for neodymium-based high-performance magnetic alloys. In addition to current applications in electronics, such as HDDs and automotive parts, neodymium-based high-performance magnets are expected to be increasingly used in electric vehicles and energy-saving electric appliances. In its rare earth metal production, Showa Denko Rare-Earth Vietnam will process raw materials and recycle magnets purchased from

various sources inside and outside Vietnam. The metals thus produced will be used at SDK's rare earth magnetic alloy plants.

- Production of electronic cleaning agents in China

In August 2010, we will start commercial production of high-purity cyclohexanone at a new plant built by our subsidiary Zhejiang Quzhou Juhua Showa Electronic Chemical Materials Co., Ltd., in Zhejiang Province, China. High-purity cyclohexanone is used as cleaning agent for removal of photoresist and as solvent for photoresist in the production of semiconductors and LCD panels. With the establishment of the high-purity cyclohexanone supply setup in China, we will strengthen our electronic cleaning agent business and serve the needs of the rapidly growing electronics industry in Asia.

- Thermoelectric conversion in a waste incinerator: Start of demonstration experiments

SDK and Plantec Inc. have started full-scale demonstration experiments in power generation based on waste heat, using SDK's thermoelectric conversion modules in a waste incinerator built by Plantec. SDK's thermoelectric elements and modules have achieved high conversion efficiency in the medium operational temperature range of 300-600°C. In this process, heat energy is directly converted into electricity. We will promote commercialization of this energy-saving technology that effectively uses waste heat.

[Aluminum]

- Start-up of Cooling Device Business Development Dept.

In April, we established a Cooling Device Business Development Department to meet growing demand for devices for cooling power electronics installed in hybrid cars. With the establishment of the new department that integrates development / production / marketing functions, we will expand the power electronics cooling device business to meet increasing demand for this energy-saving product.

- Development of new LNG evaporator

Our subsidiary Showa Denko Aluminum Trading K.K. launched a new type of evaporator for liquefied natural gas (LNG) through heat exchange with the atmosphere, successfully doubling the continuous operation time. The device is an outdoor heat exchanger that fully utilizes the high thermal conductivity of aluminum. After evaporation, the natural gas is used in power generation and as city gas. Since LNG generates less carbon dioxide at the time of burning compared with oil and coal, consumption of LNG will increase as a measure to prevent global warming. Thus, demand is expected to expand for LNG evaporators that use the heat of the atmosphere.

2. Financial Conditions

Total assets at the end of June 30 decreased ¥18,754 million from the end of last year, to

¥939,549 million. The decrease was mainly due to reductions in accounts receivable and investment securities. Interest-bearing debt decreased ¥8,294 million, to ¥365,617 million, as a result of continued reduction efforts. Total liabilities decreased ¥11,070 million, to ¥660,512 million. Total net assets decreased ¥7,684 million, to ¥279,038 million. The decrease was due mainly to the payment of dividends for 2009 and a reduction in valuation difference on available-for-sale securities, notwithstanding the recording of quarterly net income.

3. Projections for 2010

As for the performance forecast for full-year 2010, please refer to the news release “SDK Revises Performance Forecast for Full-Year 2010” issued on August 3, 2010.

Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

| | Dec. 31, 2009 | Jun. 30, 2010 | Jun. 30, 2010 |
|---|------------------|------------------|-------------------|
| Assets | ¥ | ¥ | \$ |
| Current assets | | | |
| Cash and deposits | 62,514 | 40,127 | 453,519 |
| Notes and accounts receivable-trade | 147,579 | 144,547 | 1,633,665 |
| Merchandise and finished goods | 40,542 | 43,544 | 492,132 |
| Work in process | 11,509 | 11,484 | 129,795 |
| Raw materials and supplies | 40,283 | 45,146 | 510,239 |
| Other | 30,783 | 31,570 | 356,799 |
| Allowance for doubtful accounts | (559) | (477) | (5,387) |
| Total current assets | 332,650 | 315,941 | 3,570,761 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | 91,086 | 90,077 | 1,018,046 |
| Machinery, equipment and vehicles, net | 134,821 | 144,352 | 1,631,470 |
| Land | 255,774 | 255,261 | 2,884,956 |
| Other, net | 22,592 | 18,387 | 207,806 |
| Total property, plant and equipment | 504,273 | 508,077 | 5,742,278 |
| Intangible assets | | | |
| Goodwill | 3,832 | 3,231 | 36,517 |
| Other | 9,722 | 9,472 | 107,057 |
| Total intangible assets | 13,554 | 12,704 | 143,575 |
| Investments and other assets | | | |
| Investment securities | 65,084 | 57,193 | 646,395 |
| Other | 43,655 | 46,512 | 525,677 |
| Allowance for doubtful accounts | (914) | (877) | (9,909) |
| Total investments and other assets | 107,826 | 102,828 | 1,162,164 |
| Total noncurrent assets | 625,653 | 623,609 | 7,048,017 |
| Total assets | 958,303 | 939,549 | 10,618,778 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade | 116,553 | 113,615 | 1,284,081 |
| Short-term loans payable | 74,601 | 79,575 | 899,350 |
| Current portion of long-term loans payable | 59,862 | 58,813 | 664,702 |
| Commercial papers | 15,000 | 13,200 | 149,186 |
| Current portion of bonds | 13,000 | 10,000 | 113,020 |
| Provision | 5,380 | 3,041 | 34,365 |
| Other | 69,561 | 73,876 | 834,946 |
| Total current liabilities | 353,958 | 352,119 | 3,979,650 |
| Noncurrent liabilities | | | |
| Bonds payable | 23,000 | 23,000 | 259,946 |
| Long-term loans payable | 188,448 | 181,029 | 2,045,993 |
| Provision for retirement benefits | 27,088 | 26,681 | 301,554 |
| Other provision | 46 | 336 | 3,799 |
| Other | 79,042 | 77,345 | 874,156 |
| Total noncurrent liabilities | 317,624 | 308,392 | 3,485,448 |
| Total liabilities | 671,581 | 660,512 | 7,465,098 |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 140,564 | 140,564 | 1,588,647 |
| Capital surplus | 62,225 | 62,224 | 703,251 |
| Retained earnings | 29,311 | 32,323 | 365,310 |
| Treasury stock | (174) | (176) | (1,987) |
| Total shareholders' equity | 231,925 | 234,934 | 2,655,221 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | 2,574 | (4,448) | (50,270) |
| Deferred gains or losses on hedges | (204) | (1,286) | (14,530) |
| Revaluation reserve for land | 21,764 | 21,964 | 248,238 |
| Foreign currency translation adjustment | (11,962) | (14,846) | (167,785) |
| Total valuation and translation adjustments | 12,172 | 1,385 | 15,653 |
| Minority interests | 42,625 | 42,719 | 482,806 |
| Total net assets | 286,722 | 279,038 | 3,153,680 |
| Total liabilities and net assets | 958,303 | 939,549 | 10,618,778 |

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

| | Results for the second quarter (Jan. 1-Jun. 30) | | |
|--|---|---------|-----------|
| | 2009 | 2010 | 2010 |
| | ¥ | ¥ | \$ |
| Net sales | 286,683 | 384,099 | 4,341,078 |
| Cost of sales | 267,363 | 323,031 | 3,650,897 |
| Gross profit | 19,320 | 61,067 | 690,180 |
| Selling, general and administrative expenses | 42,182 | 43,323 | 489,633 |
| Operating income (loss) | (22,861) | 17,744 | 200,547 |
| Non-operating income | | | |
| Interest income | 91 | 104 | 1,178 |
| Dividends income | 894 | 597 | 6,749 |
| Equity in earnings of affiliates | — | 728 | 8,227 |
| Rent income on noncurrent assets | — | 582 | 6,577 |
| Subsidy income | 793 | — | — |
| Miscellaneous income | 1,942 | 532 | 6,014 |
| Total non-operating income | 3,719 | 2,543 | 28,745 |
| Non-operating expenses | | | |
| Interest expenses | 3,665 | 2,859 | 32,314 |
| Equity in losses of affiliates | 1,162 | — | — |
| Loss on reduction of operation | 4,802 | — | — |
| Miscellaneous expenses | 5,561 | 3,380 | 38,199 |
| Total non-operating expenses | 15,191 | 6,239 | 70,513 |
| Ordinary income (loss) | (34,334) | 14,049 | 158,780 |
| Extraordinary income | | | |
| Gain on sales of investment securities | 1,525 | — | — |
| Subsidy | — | 2,045 | 23,109 |
| Other | 418 | 902 | 10,191 |
| Total extraordinary income | 1,943 | 2,946 | 33,300 |
| Extraordinary loss | | | |
| Loss on sales and retirement of noncurrent assets | 1,398 | 1,598 | 18,065 |
| Impairment loss | 8,415 | — | — |
| Loss on valuation of inventories | 5,544 | — | — |
| Other | 1,091 | 4,588 | 51,857 |
| Total extraordinary losses | 16,448 | 6,187 | 69,923 |
| Income (loss) before income taxes and minority interests | (48,839) | 10,808 | 122,157 |
| Income taxes | (2,284) | 1,893 | 21,397 |
| Minority interests in income (loss) | (23) | 1,214 | 13,718 |
| Net income (loss) | (46,531) | 7,701 | 87,042 |

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

| | Results for the second quarter (Jan. 1–Jun. 30) | | |
|--|---|----------|-----------|
| | 2010 | 2009 | 2010 |
| | ¥ | ¥ | \$ |
| Net cash provided by (used in) operating activities | | | |
| Income (loss) before income taxes and minority interests | 10,808 | (48,839) | 122,157 |
| Depreciation and amortization | 24,654 | 27,874 | 278,642 |
| Impairment loss | 1,147 | 8,415 | 12,967 |
| Amortization of goodwill | 601 | 456 | 6,794 |
| Increase (decrease) in provision for retirement benefits | (393) | (1,095) | (4,445) |
| Interest and dividends income | (701) | (984) | (7,926) |
| Interest expenses | 2,859 | 3,665 | 32,314 |
| Equity in (earnings) losses of affiliates | (728) | 1,162 | (8,227) |
| Loss (gain) on sales and valuation of investment securities | 113 | (1,334) | 1,273 |
| Loss on retirement of noncurrent assets | 1,412 | 1,389 | 15,960 |
| Loss (gain) on sales of noncurrent assets | 62 | (21) | 705 |
| Decrease (increase) in notes and accounts receivable–trade | 2,165 | 16,705 | 24,469 |
| Decrease (increase) in inventories | (8,774) | 20,838 | (99,166) |
| Increase (decrease) in notes and accounts payable–trade | (2,020) | (50,716) | (22,835) |
| Other, net | (7,830) | 5,847 | (88,497) |
| Subtotal | 23,375 | (16,638) | 264,184 |
| Interest and dividends income received | 1,202 | 1,406 | 13,579 |
| Interest expenses paid | (3,000) | (3,542) | (33,907) |
| Income taxes (paid) refund | (1,564) | 1,182 | (17,680) |
| Net cash provided by (used in) operating activities | 20,012 | (17,592) | 226,177 |
| Net cash provided by (used in) investing activities | | | |
| Proceeds from sales and redemption of securities | 2 | 2 | 26 |
| Purchase of property, plant and equipment | (23,565) | (23,714) | (266,328) |
| Proceeds from sales of property, plant and equipment | 533 | 19,507 | 6,020 |
| Proceeds from transfer of business | 1,283 | 252 | 14,498 |
| Purchase of investment securities | (1,091) | (6,179) | (12,336) |
| Proceeds from sales of investment securities | 112 | 4,395 | 1,267 |
| Purchase of investments in subsidiaries | – | (18) | – |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | – | 64 | – |
| Decrease (increase) in short-term loans receivable | 641 | (774) | 7,248 |
| Payments of long-term loans receivable | (541) | (1,348) | (6,112) |
| Collection of long-term loans receivable | 68 | 39 | 765 |
| Other, net | (684) | (1,622) | (7,729) |
| Net cash provided by (used in) investing activities | (23,242) | (9,396) | (262,679) |
| Net cash provided by (used in) financing activities | | | |
| Net increase (decrease) in short-term loans payable | 5,304 | (2,413) | 59,948 |
| Increase (decrease) in commercial papers | (1,800) | 18,000 | (20,344) |
| Proceeds from long-term loans payable | 25,300 | 54,365 | 285,940 |
| Repayment of long-term loans payable | (33,546) | (32,272) | (379,133) |
| Redemption of bonds | (3,000) | – | (33,906) |
| Cash dividends paid | (4,451) | (6,187) | (50,300) |
| Cash dividends paid to minority shareholders | (1,049) | (908) | (11,854) |
| Other, net | (4,774) | (2,718) | (53,953) |
| Net cash provided by (used in) financing activities | (18,015) | 27,866 | (203,601) |
| Effect of exchange rate change on cash and cash equivalents | (1,141) | 1,430 | (12,899) |
| Net increase (decrease) in cash and cash equivalents | (22,386) | 2,307 | (253,002) |
| Cash and cash equivalents at beginning of period | 62,507 | 40,949 | 706,456 |
| Cash and cash equivalents at end of period | 40,122 | 43,256 | 453,454 |

(Reference)

SEGMENT INFORMATION (previous 2Q ended)

The operations of the Companies for the year ended June 30, 2009 and 2010 was summarised by industry segment as follows:

| 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 | 96,979 | 46,834 | 43,119 | 22,898 | 77,968 | (1,115) | 286,683 |
| Operating income (loss) | ¥2,031 | (¥1,130) | (¥15,683) | ¥314 | (¥6,762) | (¥1,631) | (¥22,861) |

| Year ended June 30, 2010 | Millions of yen | | | | | | |
|--------------------------|-----------------|-----------|-------------|------------|-----------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminium | Elimination | Consolidated |
| Sales | | | | | | | |
| Outside customers | ¥126,446 | ¥44,596 | ¥86,830 | ¥37,145 | ¥89,082 | ¥- | ¥384,099 |
| Inter-segment | 721 | 69 | 243 | 22 | 58 | (1,113) | - |
| Total | 127,167 | 44,665 | 87,073 | 37,167 | 89,140 | (1,113) | 384,099 |
| Operating income (loss) | ¥1,610 | ¥2,221 | ¥6,750 | ¥3,673 | ¥4,573 | (¥1,081) | ¥17,744 |

| Year ended June 30, 2010 | Thousands of U.S. dollars | | | | | | |
|--------------------------|---------------------------|-----------|-------------|------------|-------------|-------------|--------------|
| | Petrochemicals | Chemicals | Electronics | Inorganics | Aluminium | Elimination | Consolidated |
| Sales | | | | | | | |
| Outside customers | \$1,429,088 | \$504,027 | \$981,352 | \$419,811 | \$1,006,800 | \$- | \$4,341,078 |
| Inter-segment | 8,147 | 780 | 2,744 | 248 | 656 | (12,575) | - |
| Total | 1,437,235 | 504,807 | 984,096 | 420,060 | 1,007,455 | (12,575) | 4,341,078 |
| Operating income (loss) | \$18,192 | \$25,096 | \$76,286 | \$41,509 | \$51,684 | (\$12,219) | \$200,547 |

Notes