

## First Half 2012 Financial Results

### I . First Half 2012 Results

#### 1. Summary

(Unit: billions of yen, except for stockholders' equity/share and net income/share)

Items	1st half, 2011 (Jan.-Jun.)	1st half, 2012 (Jan.-Jun.)	Increase
Net Sales	416.5	352.3	-64.2
Operating Income	22.1	16.0	-6.1
Net Income	7.8	7.9	0.1
Net Income per share	¥5.22	¥5.27	¥0.05
Cash dividends per share	¥163.61	¥172.01	¥8.40

#### 2. Net Sales and Operating Income by Segment

(Unit: billions of yen)

Segment		1st half, 2011 (Jan.- Jun.)	1st half, 2012 (Jan.- Jun.)	Increase	CQ1, 2012 (Jan. - Mar.)	CQ2, 2012 (Apr.-Jun.)
Petrochemicals	Net Sales	127.0	72.6	-54.5	47.1	25.5
	Operating Income	4.1	-2.2	-6.3	0.1	-2.3
Chemicals	Net Sales	66.3	62.7	-3.6	30.6	32.1
	Operating Income	2.8	-0.2	-3.1	0.6	-0.8
Electronics	Net Sales	68.6	85.4	16.8	41.5	44.0
	Operating Income	7.5	17.9	10.3	8.7	9.1
Inorganics	Net Sales	40.0	32.9	-7.1	16.1	16.8
	Operating Income	5.6	2.3	-3.3	1.5	0.8
Aluminum	Net Sales	61.7	47.6	-14.2	21.5	26.1
	Operating Income	3.6	1.1	-2.5	-0.2	1.4
Others	Net Sales	76.6	68.8	-7.8	33.6	35.2
	Operating Income	1.5	0.2	-1.3	0.2	0.1
Adjustment	Net Sales	-23.8	-17.7	6.1	-9.0	-8.7
	Operating Income	-3.1	-3.2	-0.1	-1.3	-1.9
Total	Net Sales	416.5	352.3	-64.2	181.3	170.9
	Operating Income	22.1	16.0	-6.1	9.5	6.5

#### 3. Cash Flow (Consolidated)

(Unit: billions of yen)

Cash Flows from:	1st half, 2011 (Jan.- Jun.)	1st half, 2012 (Jan.- Jun.)	Increase
Operating Activities	13.9	2.5	-11.4
Investing Activities	-19.1	-18.8	0.3
Free Cash Flow	-5.2	-16.3	-11.1
Financing Activities	-1.4	3.3	4.7
Other	0.0	0.9	1.0
Net increase in Cash	-6.6	-12.1	-5.5

#### 4. Reference (Consolidated)

(Unit: billions of yen)

Items	1st half, 2011 (Jan.- Jun.)	1st half, 2012 (Jan.- Jun.)	Increase
Capital expenditures	19.6	20.7	1.1
Depreciation and amortization	24.7	23.1	-1.5
R&D expenditures	11.0	10.2	-0.8
Total assets	927.4	932.2	4.8
Interest bearing debt	359.3	361.4	2.1
Gap between interest/dividend income and interest expense	-2.1	-1.8	0.3
Total number of employees	11,790	9,905	-1,885
Exchange rate (yen/US\$)	82	80	Yen strengthened by 2/\$
Domestic naphtha price (yen/kl)	55,750	57,350	1,600

II. Forecast for 20121. Summary

(Unit: billions of yen, except for net income/share and cash dividends/share)

Items	2011	2012 Forecast	Increase
Net Sales	854.2	790.0	-64.2
Operating Income	47.4	42.0	-5.4
Net Income	17.0	18.0	1.0
Net income per share	¥11.35	¥12.03	¥0.68
Cash dividends per share	¥3.00	¥3.00(planned)	-

(Note) 2012 forecast was revised on Aug. 1, 2012.

2. Net sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2011	2012 Forecast	Increase
Petrochemicals	Net Sales	250.4	195.0	-55.4
	Operating Income	3.5	0.0	-3.5
Chemicals	Net Sales	130.2	135.0	4.8
	Operating Income	2.0	2.5	0.5
Electronics	Net Sales	165.0	175.0	10.0
	Operating Income	30.2	33.5	3.3
Inorganics	Net Sales	77.6	75.0	-2.6
	Operating Income	9.6	7.5	-2.1
Aluminum	Net Sales	124.3	100.0	-24.3
	Operating Income	6.2	4.0	-2.2
Others	Net Sales	150.6	145.0	-5.6
	Operating Income	1.9	1.0	-0.9
Adjustment	Net Sales	-43.9	-35.0	8.9
	Operating Income	-6.1	-6.5	-0.4
Total	Net Sales	854.2	790.0	-64.2
	Operating Income	47.4	42.0	-5.4

(Note) 2012 forecast was revised on Aug. 1, 2012.

III. Reference

(Unit: billions of yen, except for total number of employees, exchange rate and domestic naphtha price)

Items	2011	2012 Forecast	Increase
Capital expenditures	38.8	50.3	11.5
Depreciation and amortization	49.4	47.0	-2.4
R & D expenditures	21.6	21.2	-0.4
Interest-bearing debt	347.3	350.0	2.7
Gap between interest / dividend income and interest expense	-4.3	-3.9	0.4
Total number of employees	11,542	10,087	-1,455
Exchange rate (yen/US\$)	(1st half) 82	(1st half) 80	(1st half) -2
	(2nd half) 78	(2nd half) 80	(2nd half) 2
Domestic naphtha price (yen/kl)	(1st half) 55,750	(1st half) 57,350	(1st half) 1,600
	(2nd half) 53,300	(2nd half) 52,400	(2nd half) -900

The performance forecast for 2012 is based on the economic conditions and the Company's business policy at this point of time. Please note that actual results may differ materially from the forecast due to a variety of factors, including changes in the market conditions.

## Consolidated Financial Statements

For the first half year (January 1 to June 30, 2012)



## 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)			
	2011	2012	Increase (Decrease)	2012
Net sales	¥ 416,527	¥ 352,293	(15.4)%	\$ 4,441,974
Operating income	22,100	16,019	(27.5)	201,981
Ordinary income	18,055	14,423	(20.1)	181,854
Net income	7,810	7,884	0.9	99,401
Net income per share: Basic	5.22	5.27	—	0.07
Net income per share: Diluted	—	5.21	—	0.07

## Note

## Comprehensive income :

Results for the first half year (January 1 to June 30, 2012) ¥11,762million (\$148,310thousand)

Results for the first half year (January 1 to June 30, 2011) ¥9,219million (\$116,236thousand)

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

	Dec. 31, 2011	Jun.30, 2012	Jun.30, 2012
Total assets	¥ 941,303	¥ 932,195	\$ 11,753,813
Total equity	295,745	299,223	3,772,832
	%	%	%
Stockholders' equity ratio	26.8	27.6	27.6

(3) Dividends:

	2011	2012 Forecast
Q1 dividends per share (¥)	—	—
Q2 dividends per share (¥)	0.00	0.00
Q3 dividends per share (¥)	—	—
End of Term dividends per share (¥)	3.00	3.00
Annual dividends per share (¥)	3.00	3.00

## II. Forecast of performance for the year ending December 31, 2012

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

	fiscal year	
	¥	\$
Net sales	790,000	9,960,913
Operating income	42,000	529,568
Ordinary income	36,000	453,915
Net income	18,000	226,958
Net income per share	12.03	0.15

\*There is no change from the full-year 2012 performance forecast announced on February 9, 2012.

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.

## Note

The U.S. dollar is valued at ¥79.31 throughout this statement for convenience only.

## [Business Results and Financial Conditions]

### 1. Analysis of business results

#### (1) Summary

During the first half of 2012 (January 1 – June 30), the Japanese economy showed signs of gradual recovery in production and capital investment. However, uncertain conditions persisted due to slowdown in overseas economies amid the sovereign debt crisis in Europe. In the petrochemicals industry, severe production adjustments continued due to the slackening supply-demand situation in China.

Under these circumstances, the Showa Denko Group is working hard to ensure its “Evolution into a Company That Creates Added Value” by carrying out its medium-term consolidated business plan PEGASUS. The Group is aiming to build up strong and diversified businesses on a global scale and establish leading positions on the market.

The Company recorded net sales of ¥352,293 million in the first half of 2012, down 15.4% from the same period of the previous year. Although net sales in the Electronics segment increased due to higher shipment volumes of hard disk (HD) media, net sales in the Petrochemicals segment substantially decreased as a result of the ethylene plant trouble. The Company posted operating income of ¥16,019 million, down 27.5%, and ordinary income of ¥14,423 million, down 20.1%. Net income amounted to ¥7,884 million, up 0.9% from the same period of the previous year, when we recorded extraordinary losses due to the Great East Japan Earthquake.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	416,527	352,293	- 64,234
Operating income	22,100	16,019	- 6,081
Ordinary income	18,055	14,423	- 3,632
Net income	7,810	7,884	74

#### (2) A breakdown of net sales and operating income by segment (January 1 – June 30, 2012)

As statements in the quarterly reports are now required to be made on a cumulative basis, this report has been prepared on that basis.

#### [Petrochemicals segment]

The Petrochemicals segment's sales decreased 42.9%, to ¥72,595 million. Production of ethylene and propylene decreased substantially from the same period of the previous year. The decrease reflected the suspension of operations caused by the ethylene plant trouble in March, which suspension lasted until early June. The decrease also reflected production adjustments due to the slackening supply-demand situation in Asian countries. Sales of olefins decreased substantially due to lower shipment volumes. Sales of organic chemicals were down due to lower shipment volumes of vinyl acetate and other products. The segment recorded operating loss of ¥2,188 million, down ¥6,264 million.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	127,045	72,595	- 54,450
Operating income	4,076	- 2,188	- 6,264

#### [Chemicals segment]

The Chemicals segment's sales decreased 5.5%, to ¥62,702 million. Production of liquefied ammonia was maintained at the level of the same period of the previous year. Sales of functional polymers declined slightly, and sales of industrial gases fell. Sales of liquefied ammonia were up, while sales of chloroprene rubber were maintained at the level of the same period of the previous year. Meanwhile, sales of acrylonitrile decreased due to production cuts amid slackening supply-demand situation and the fall in market prices. As a result, overall sales of basic chemicals decreased. Sales of electronic chemicals were maintained at the level of the same period of the previous year, due to the remaining influence of production adjustments in the semiconductor/LCD industries. The segment recorded operating loss of ¥211 million, down ¥3,056 million, due partly to the rise in raw material/fuel costs.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	66,324	62,702	- 3,622
Operating income	2,845	- 211	- 3,056

#### [Electronics segment]

The Electronics segment's sales increased 24.5%, to ¥85,409 million. Production of HD media increased from the same period of the previous year, reflecting capacity expansions carried out in the previous year. Sales of HD media increased due to higher shipment volumes, reflecting steady demand and smooth recovery of the HDD industry from the flooding in Thailand. Sales of compound semiconductors increased from the same period of the previous year due to higher shipment volumes for new backlight applications, notwithstanding the remaining influence of production adjustments in the electrical appliance industry. Sales of rare earth magnetic alloys increased due to the remaining influence of the sharp rise in raw material costs in the middle of the previous year, notwithstanding the influence of production adjustments in the rare earth magnet industry. Operating income jumped 137.1%, to ¥17,861 million.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	68,586	85,409	16,823
Operating income	7,533	17,861	10,328

#### [Inorganics segment]

The Inorganics segment's sales fell 17.8%, to ¥32,915 million. Production of graphite electrodes in the first half was maintained at the level of the same period of the previous year. Sales of graphite electrodes in the United States increased due to higher selling

prices. However, sales of graphite electrodes on a non-consolidated basis declined. As a result, overall sales of graphite electrodes were maintained at the level of the same period of the previous year. Sales of ceramics decreased due to a sharp decline in volumes of shipments for electronic material applications. Operating income declined 58.5%, to ¥2,336 million.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	40,046	32,915	- 7,131
Operating income	5,626	2,336	- 3,290

#### [Aluminum segment]

The Aluminum segment's sales fell 22.9%, to ¥47,577 million. Production of high-purity foils for capacitors decreased from the same period of the previous year. Sales of rolled products decreased as the high-purity foils business was affected by inventory adjustments in the capacitor industry. Sales of extrusions/specialty products decreased due partly to lower shipment volumes of aluminum cylinders for laser beam printers. Sales of *Shotic* forged products increased due to higher shipment volumes, and sales of aluminum cans slightly increased. Sales of heat exchangers decreased substantially, reflecting the transfer of the automotive heat exchanger business to Keihin Corporation in January 2012. Operating income decreased 68.6%, to ¥1,134 million.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	61,734	47,577	- 14,157
Operating income	3,618	1,134	- 2,483

#### [Others segment]

The Others segment's sales decreased 10.2%, to ¥68,780 million. Sales of lithium ion battery materials decreased due to lower shipment volumes. Shoko Co., Ltd.'s sales decreased, reflecting lower sales of chemicals and metals. Operating income fell 84.1%, to ¥238 million.

(Unit: millions of yen)

	1H 2011	1H 2012	Increase/decrease
Sales	76,552	68,780	- 7,772
Operating income	1,503	238	- 1,264

### (3) Major steps taken or decided in the first half of 2012

#### [General]

- Launch of company-wide campaign to recycle industrial wastes, aiming to achieve "zero emissions"

In May, SDK launched a company-wide campaign to recycle industrial wastes resulting from manufacturing processes, replacing site-by-site efforts. As a first phase, SDK will collect organic wastes from respective operation sites in Japan, gasifying them at the plastic recycling plant in Kawasaki for use as raw materials for ammonia and carbon

dioxide gas. SDK aims to process inorganic wastes as well, achieving “zero emission” by the end of 2015. By doing so, SDK will almost halve the costs of entrusting the disposal of industrial wastes to outside companies.

Note: “Zero emission” was first proposed by the United Nations University in 1994. The concept calls for the realization of a recycling-based society through maximum utilization of resources and energy, and reduction of emissions to the environment to nearly zero. At SDK, the term is defined as “reduction of final volume of landfill disposal to 1% or less of the total volume of wastes generated in a year (1,200 tons or less).”

#### [Petrochemicals segment]

- Temporary suspension, and restart of ethylene plant

On March 18, a trouble occurred in the cooling unit of SDK’s two-line ethylene plant at the Oita Complex. SDK initially had planned to suspend production at the 200,000 t/y line from March 7 to March 29, and at the 495,000 t/y line from March 15 to March 21, respectively, to conduct periodic maintenance and cleaning of cracking furnaces. Due to the need to repair the cooling unit, SDK extended the period for suspension of operations. SDK resumed the normal operation of the ethylene plant on June 13.

#### [Chemicals segment]

- Establishment of subsidiary for high-purity-gas-related business

In July, SDK started using its wholly owned subsidiary Shanghai Showa Electronics Materials Co., Ltd. (SSE) to strengthen its business in China related to high-purity gases for electronics. SSE produces and sells equipment for treating used high-purity gases resulting from the production of semiconductors. SSE will expand its operations in the future, covering production, sale, and distribution of high-purity gases for the Chinese electronics industry.

#### [Electronics segment]

- Establishment of JV for GaN LED chip business

In April, SDK decided to split its business in gallium-nitride (GaN)-based blue LED chips, and transfer 70% of shares in the new company to Toyoda Gosei Co., Ltd. by the end of 2012. SDK is already cooperating with Toyoda Gosei, a world leader for the development and marketing of GaN LEDs. By establishing a joint venture with Toyoda Gosei for the GaN LED business, SDK will aim to achieve synergistic effect in R&D, improving brightness and production efficiency. In the LED business other than the GaN LED chips, such as AlGaInP, GaAs, and GaP, SDK will continue its independent operations.

#### [Inorganics segment]

- Investment in a graphite electrode company in China

In April, SDK signed an agreement with Sinosteel Corporation, of China, to acquire 67% of shares in Sinosteel’s wholly owned subsidiary Sinosteel Sichuan Carbon Co., Ltd. This is in accordance with SDK’s plan to expand operations in China and other Asian countries to supply graphite electrodes used in electric steel production. Sichuan Carbon will become SDK’s subsidiary subject to ratification by related government organizations. When Sichuan Carbon’s 22,000 t/y plant is added to the existing facilities in Japan and the United States, the Showa Denko Group’s total graphite electrode production capacity will reach 127,000 t/y. After capacity expansion in the United States, the Group’s total capacity will further increase to 157,000 t/y in 2014. Thus, SDK will establish itself as a leading supplier of graphite electrodes in the world.

[Aluminum segment]

- Construction of a high-purity aluminum foils plant in China

As part of its plan to expand the capacitor-grade high-purity aluminum foils business, SDK has decided to build a new plant in China. A groundbreaking ceremony was held in March at a site in Nantong, Jiangsu Province. The new plant in China, scheduled for start-up in the second half of 2013, will finish rolled foils supplied from SDK's Sakai Plant, and supply final products to customers in China. Aluminum electrolytic capacitors are used widely in electric appliances and transport machinery. Demand for aluminum electrolytic capacitors in China is expected to grow, reflecting continued economic growth in that country. With the establishment of the new plant in China, SDK aims to meet the growing demand for capacitor-grade high-purity aluminum foils in a timely manner.

- Transfer of automotive heat exchanger business

In January, SDK completed the transfer of its business in automotive air-conditioner heat exchangers (condensers, evaporators, etc.) to Keihin Corporation by transferring 60% of shares in Thermal Technology Corporation. The remaining 40% of shares will be transferred to Keihin Corporation two years later.

## 2. Financial conditions for the January 1 – June 30, 2012 period (as compared with the conditions at December 31, 2011)

Total assets at the end of June amounted to ¥932,195 million, a decrease of ¥9,108 million from the level at December 31, 2011. Total assets were down, reflecting the decrease in assets as a result of the transfer of the automotive heat exchanger business. Total liabilities decreased ¥12,586 million, to ¥632,972 million, due to the fall in accounts payable, despite the increase in interest-bearing debt. Net assets at the end of June increased ¥3,478 million, to ¥299,223 million, owing to the recording of quarterly net income and increases in foreign currency translation adjustments, notwithstanding the payment of dividends for 2011.

## 3. Performance forecast

As for matters relating to performance forecast, please refer to the separate announcement of August 1, 2012 entitled "SDK Revises Full-Year 2012 Performance Forecast." For the second half of 2012, we assume that the exchange rate will be ¥80 to the U.S. dollar and the naphtha price will be ¥52,400/KL.



## Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2011	Jun. 30, 2012	Jun. 30, 2012
Assets	¥	¥	\$
Current assets			
Cash and deposits	55,187	42,413	534,769
Notes and accounts receivable-trade	139,364	127,640	1,609,379
Merchandise and finished goods	52,589	57,170	720,846
Work in process	11,059	12,128	152,918
Raw materials and supplies	60,067	62,637	789,772
Other	29,811	42,310	533,479
Allowance for doubtful accounts	(186)	(128)	(1,614)
Total current assets	347,890	344,170	4,339,549
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	84,218	81,982	1,033,690
Machinery, equipment and vehicles, net	123,495	119,129	1,502,062
Land	254,851	254,608	3,210,290
Other, net	19,800	19,422	244,891
Total property, plant and equipment	482,363	475,141	5,990,933
Intangible assets			
Goodwill	1,441	713	8,986
Other	9,684	9,746	122,889
Total intangible assets	11,125	10,459	131,876
Investments and other assets			
Investment securities	59,570	64,745	816,353
Other	41,246	39,310	495,656
Allowance for doubtful accounts	(891)	(1,630)	(20,554)
Total investments and other assets	99,925	102,425	1,291,456
Total noncurrent assets	593,413	588,025	7,414,264
Total assets	941,303	932,195	11,753,813
Liabilities			
Current liabilities			
Notes and accounts payable-trade	117,152	113,117	1,426,270
Short-term loans payable	68,122	70,263	885,930
Current portion of long-term loans payable	59,414	53,034	668,688
Commercial papers	—	22,000	277,393
Current portion of bonds	20,000	10,000	126,088
Provision	3,023	3,518	44,360
Other	82,136	62,780	791,571
Total current liabilities	349,846	334,712	4,220,300
Noncurrent liabilities			
Bonds payable	20,000	30,000	378,263
Long-term loans payable	179,772	176,063	2,219,930
Provision for retirement benefits	24,720	24,074	303,542
Other provision	2,190	1,840	23,195
Other	69,029	66,283	835,752
Total noncurrent liabilities	295,711	298,260	3,760,681
Total liabilities	645,557	632,972	7,980,981
Net assets			
Shareholders' equity			
Capital stock	140,564	140,564	1,772,330
Capital surplus	62,222	62,222	784,544
Retained earnings	48,851	51,473	649,010
Treasury stock	(143)	(145)	(1,823)
Total shareholders' equity	251,494	254,114	3,204,061
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(4,939)	(3,741)	(47,165)
Deferred gains or losses on hedges	(913)	(1,863)	(23,487)
Revaluation reserve for land	28,240	28,240	356,074
Foreign currency translation adjustment	(21,955)	(19,323)	(243,640)
Total accumulated other comprehensive income	433	3,314	41,782
Minority interests	43,819	41,796	526,990
Total net assets	295,745	299,223	3,772,832
Total liabilities and net assets	941,303	932,195	11,753,813

## Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2011	2012	2012
	¥	¥	\$
Net sales	416,527	352,293	4,441,974
Cost of sales	350,479	295,426	3,724,950
Gross profit	66,048	56,867	717,024
Selling, general and administrative expenses	43,948	40,848	515,043
Operating income	22,100	16,019	201,981
Non-operating income			
Interest income	75	83	1,041
Dividends income	544	580	7,315
Equity in earnings of affiliates	431	526	6,631
Subsidy income	185	1,127	14,216
Miscellaneous income	1,182	1,367	17,233
Total non-operating income	2,418	3,683	46,436
Non-operating expenses			
Interest expenses	2,724	2,427	30,603
Miscellaneous expenses	3,739	2,852	35,961
Total non-operating expenses	6,463	5,279	66,564
Ordinary income	18,055	14,423	181,854
Extraordinary income			
Gain on sales of noncurrent assets	27	123	1,554
Compensation income	—	145	1,831
Reversal of provision for retirement benefits	660	—	—
Other	659	49	614
Total extraordinary income	1,346	317	3,999
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	630	785	9,903
Impairment loss	350	2,303	29,043
Loss on the Great East Japan Earthquake	2,925	—	—
Other	4,507	2,415	30,450
Total extraordinary losses	8,412	5,504	69,395
Income before income taxes and minority interests	10,989	9,236	116,457
Income taxes	1,795	562	7,091
Income before minority interests	9,194	8,674	109,367
Minority interests in income	1,385	790	9,965
Net income	7,810	7,884	99,401

## Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2011	2012	2012
	¥	¥	\$
Income before minority interests	9,194	8,674	109,367
Other comprehensive income:			
Valuation difference on available-for-sale securities	(184)	1,252	15,790
Deferred gains or losses on hedges	295	(960)	(12,111)
Foreign currency translation adjustments	(78)	2,769	34,913
Share of other comprehensive income of affiliates applied for equity method	(9)	28	351
Total other comprehensive income	24	3,089	38,944
Comprehensive income	9,219	11,762	148,310
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	7,868	10,764	135,722
Comprehensive income attributable to minority interests	1,350	998	12,588

## Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the first half year (Jan. 1-Jun. 30)		
	2011	2012	2012
	¥	¥	\$
<b>Net cash provided by (used in) operating activities</b>			
Income before income taxes and minority interests	10,989	9,236	116,457
Depreciation and amortization	24,674	23,126	291,596
Impairment loss	350	2,303	29,043
Amortization of goodwill	600	601	7,577
Increase (decrease) in provision for retirement benefits	(1,118)	(653)	(8,235)
Interest and dividends income	(619)	(663)	(8,356)
Interest expenses	2,724	2,427	30,603
Equity in (earnings) losses of affiliates	(431)	(526)	(6,631)
Loss (gain) on sales and valuation of investment securities	40	252	3,180
Loss on retirement of noncurrent assets	608	783	9,877
Loss (gain) on sales of noncurrent assets	(4)	(121)	(1,528)
Decrease (increase) in notes and accounts receivable-trade	(10,929)	11,373	143,404
Decrease (increase) in inventories	(6,975)	(10,601)	(133,662)
Increase (decrease) in notes and accounts payable-trade	(12,294)	(3,422)	(43,152)
Other, net	10,878	(27,502)	(346,760)
Subtotal	18,492	6,615	83,412
Interest and dividends income received	1,548	1,157	14,594
Interest expenses paid	(2,800)	(2,517)	(31,741)
Income taxes paid	(3,335)	(2,789)	(35,166)
Net cash provided by (used in) operating activities	13,906	2,466	31,098
<b>Net cash provided by (used in) investing activities</b>			
Payments into time deposits	(812)	-	-
Proceeds from withdrawal of time deposits	854	814	10,267
Proceeds from sales and redemption of securities	2	2	29
Purchase of property, plant and equipment	(16,904)	(20,266)	(255,530)
Proceeds from sales of property, plant and equipment	423	637	8,032
Proceeds from transfer of business	92	2,829	35,676
Purchase of investment securities	(2,542)	(1,121)	(14,129)
Proceeds from sales of investment securities	225	72	905
Purchase of investments in subsidiaries	-	(248)	(3,124)
Net decrease (increase) in short-term loans receivable	(392)	59	742
Payments of long-term loans receivable	(1,641)	(931)	(11,738)
Collection of long-term loans receivable	1,968	116	1,456
Other, net	(399)	(771)	(9,726)
Net cash provided by (used in) investing activities	(19,125)	(18,807)	(237,139)
Net increase (decrease) in short-term loans payable	7,725	1,954	24,642
Net increase (decrease) in commercial papers	(1,000)	22,000	277,393
Proceeds from long-term loans payable	34,177	19,200	242,088
Repayment of long-term loans payable	(32,899)	(29,348)	(370,041)
Proceeds from issuance of bonds	-	10,000	126,088
Redemption of bonds	-	(10,000)	(126,088)
Cash dividends paid	(4,455)	(4,460)	(56,233)
Cash dividends paid to minority shareholders	(1,385)	(1,408)	(17,758)
Other, net	(3,517)	(4,603)	(58,041)
Net cash provided by (used in) financing activities	(1,355)	3,335	42,049
Effect of exchange rate change on cash and cash equivalents	(28)	947	11,945
Net increase (decrease) in cash and cash equivalents	(6,602)	(12,059)	(152,046)
Cash and cash equivalents at beginning of period	42,610	54,257	684,114
Increase in cash and cash equivalents from newly consolidated subsidiary	35	-	-
Increase in cash and cash equivalents resulting from merger	4	-	-
Cash and cash equivalents at end of period	36,047	42,198	532,068

(Reference)

**SEGMENT INFORMATION (previous 2Q ended)**

The operations of the Companies for the 6 Months ended June 30, 2011 and 2012 was summarised by industry segment as follows:

<b>6 Months ended June 30, 2011</b>		Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
<b>Sales</b>								
Outside customers.....	¥123,247	¥60,840	¥67,474	¥35,028	¥58,604	¥71,334	¥-	¥416,527
Inter-segment.....	3,799	5,484	1,112	5,018	3,130	5,218	(23,761)	-
Total.....	127,045	66,324	68,586	40,046	61,734	76,552	(23,761)	416,527
Operating income (loss).....	¥4,076	¥2,845	¥7,533	¥5,626	¥3,618	¥1,503	(¥3,101)	¥22,100

<b>6 Months ended June 30, 2012</b>		Millions of yen						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
<b>Sales</b>								
Outside customers.....	¥70,284	¥58,132	¥84,349	¥28,654	¥45,290	¥65,584	¥-	¥352,293
Inter-segment.....	2,311	4,570	1,060	4,261	2,287	3,195	(17,684)	-
Total.....	72,595	62,702	85,409	32,915	47,577	68,780	(17,684)	352,293
Operating income (loss).....	(¥2,188)	(¥211)	¥17,861	¥2,336	¥1,134	¥238	(¥3,153)	¥16,019

<b>6 Months ended June 30, 2012</b>		Thousands of U.S. dollars						
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminium	Others	Elimination	Consolidated
<b>Sales</b>								
Outside customers.....	\$886,197	\$732,968	\$1,063,540	\$361,292	\$571,044	\$826,934	\$-	\$4,441,974
Inter-segment.....	29,134	57,622	13,360	53,726	28,836	40,291	(222,969)	-
Total.....	915,332	790,590	1,076,900	415,017	599,880	867,225	(222,969)	4,441,974
Operating income (loss).....	(\$27,585)	(\$2,661)	\$225,209	\$29,457	\$14,303	\$3,007	(\$39,750)	\$201,981