

**Financial Results
for the First Half of the Year Ending December 31, 2011—Consolidated
[Japan GAAP]**

August 5, 2011

Company name: **Tokai Carbon Co., Ltd.**
 Listings: Tokyo Stock Exchange, first section
 Security code: 5301
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 Scheduled dates
 Scheduled date for submission of quarterly report: August 10, 2011
 Commencement of dividend payments: September 1, 2011
 Supplementary reference documents to support the
 quarterly financial statements: Yes
 Explanatory meeting to discuss the quarterly financial
 statements will be held: Yes (for institutional investors and
 analysts only)

**1. Consolidated Financial Results for the End of the First Half of the Year Ending
December 31, 2011 (January 1 to June 30, 2011)**

(Amounts rounded down to the nearest millions of yen)

(1) Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First half ended June 30, 2011	52,887	(2.7)	5,395	2.4	5,406	10.3	1,847	(34.4)
First half ended June 30, 2010	54,371	46.4	5,270	542.4	4,903	312.6	2,815	—

	Net income per share	Net income per share—fully diluted
	yen	yen
First half ended June 30, 2011	8.65	—
First half ended June, 2010	12.93	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
As of June 30, 2011	159,052	108,080	66.0	491.18
As of December 31, 2010	155,304	105,605	66.6	484.53

Note: Shareholders' equity:
 As of June 30, 2011: ¥104,898 million
 As of December 31, 2010: ¥103,482 million

2. Dividends

Record date	Annual dividend				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full-year
Year ended December 31, 2010	yen —	yen 4.00	yen —	yen 4.00	yen 8.00
Year ending December 31, 2011	—	4.00			
Year ending December 31, 2011 (forecast)			—	4.00	8.00

Note: No revision of dividend forecast in the quarter under review

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2011 (January 1 to December 31, 2011)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full year	109,500	1.7	10,200	(3.5)	10,200	3.5	5,500	(2.3)	25.75

Note: No revision of forecast of earnings in the quarter under review

4. Other Information (For more information, please refer to “2. Miscellaneous” on page 3 in the “Attachments” section)

(1) Changes Affecting the Status of Significant Subsidiaries: None

Newly consolidated: ___ company (companies) (name of company)

Excluded from consolidation: ___ company (companies) (name of company)

Note: changes in specified subsidiaries that involved changes in the scope of consolidation.

(2) Application of Simplified Accounting Practices and Specific Accounting Methods: Yes

Note: The “Yes/no” item indicates whether or not the item has applied the simplified accounting practices and accounting methods specific to the preparation of quarterly financial statements.

(3) Changes in Accounting Principles, Procedures, and Method of Disclosure

1) Changes in accordance with amendments to accounting standards: Yes

2) Changes other than the above: None

Note: The “Yes/no” item indicates whether or not the principles, procedures and methods of disclosure for quarterly consolidated financial statements incorporated in the “significant changes in methods of disclosure used to prepare quarterly consolidated financial statements” were changed.

(4) Number of Shares Issued (Common stock)

1) Number of shares issued at end of the period (including treasury stock):

As of June 30, 2011:	224,943,104 shares
As of December 31, 2010:	224,943,104 shares

2) Number of shares held in treasury at end of the period:

As of June 30, 2011:	11,378,058 shares
As of December 31, 2010:	11,368,713 shares

3) Average number of shares during the period (quarterly cumulative period):

First half ended June 30, 2011:	213,570,186 shares
First half ended June 30, 2010:	217,759,995 shares

***Status of conducting the "Quarterly Review"**

At the time that these quarterly financial results were released, the review process for disclosing quarterly consolidated financial statements under the Financial Instruments and Exchange Act had been completed.

***Appropriate use of earnings forecasts and other important information**

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation as well as certain reasonable assumptions. Actual results may differ materially from those expressed or implied by forward-looking statements due to a range of factors. For the assumptions underlying the earnings forecasts presented and other information regarding the use of such forecasts, please refer to "1. (3) Qualitative Information Related to Forecasts of Consolidated Results" on page 3 in the "Attachments" section.

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*The company intends to conduct an explanatory meeting for investors on the date indicated below.
The documents distributed during that explanatory meeting will be posted on the company website at the earliest possible opportunity.
- Explanatory meeting for analysts: August 12, 2011 (Friday)

1. Qualitative Information Related to Consolidated Quarterly Earnings Results

(1) Qualitative Information Related to Consolidated Operating Results

In the first half of fiscal 2011 (the period from January 1 to June 30, 2011), the Japanese economy saw partial recovery such as rising exports and improvement of corporate earnings with the rebound of the global economy, primarily in emerging countries. Although the Great East Japan Earthquake on March 11, 2011 had abruptly brought supply constraints and forced many industries to lower corporate activities, subsequent recovery of supply chains helped economic activities to pick up.

Under these circumstances, the industries in which the Tokai Carbon Group's customers operate (e.g., rubber products, steel, IT hardware, and industrial machinery) suffered a decrease in demand due to the Earthquake. However, with the recovery of their production activities, demand is also headed for recovery.

As for the Group, operations were suspended at some facilities such as Tokai Carbon Ishinomaki Plant (Ishinomaki City, Miyagi Prefecture) and the Sendai Plant of Tokai Konetsu Kogyo Co., Ltd., a consolidated subsidiary (Shibata-cho, Miyagi Prefecture) due to damage by the earthquake. The Sendai Plant of Tokai Konetsu Kogyo Co., Ltd., only suffered minor damage on buildings and equipments, and already resumed normal operations at the end of March. However, Tokai Carbon Ishinomaki Plant suffered heavy damage by the tsunami, and is in the process of restoration to resume operations by December 2011.

As a result, consolidated net sales in the first half under review decreased by 2.7% year-on-year to ¥52,887 million. Operating income increased by 2.4% year-on-year to ¥5,395 million and ordinary income rose 10.3% year-on-year to ¥5,406 million. Quarterly net income decreased by 34.4% year-on-year to ¥1,847 million, partly because of the extraordinary losses of ¥2,350 million including the loss of ¥2,137 million due to the damage by the Great East Japan Earthquake.

The performance of our principal business segments is as follows:

Please note that the Group has changed its segmentations since the first quarter of the period under review. For the matters related to business segments as part of the segment information disclosure, please refer to 3. Quarterly Consolidated Financial Statements (5) Segment Information.

Because of the change, the year-on-year comparison is not available and thus not provided.

Carbon Black

Although there was an earthquake-induced production cutback in the automotive industry, demand has been favorable due to steady production in the tire industry both within and outside of Japan. However, because of the prolonged operation suspensions at Tokai Carbon Ishinomaki Plant due to the earthquake, sales volume declined significantly after March.

As a result, net sales in the carbon black segment were ¥19,537 million, and operating income was ¥2,824 million.

Carbon and Ceramics

Graphite Electrodes

With the world crude steel production remained above 100 million tons per month and with electric arc furnace steel production on its way to recovery, the shipment to domestic customers remained firm. However, sales volume of electrodes decreased because of the declined shipment to Asian countries. In addition, sales prices for both domestic and overseas customers remained low partly due to the appreciation of the yen. As a result, net sales of graphite electrodes were ¥16,282 million.

Fine Carbon

Although domestic demand suffered a temporary decline due to the impact of the earthquake, rapid recovery has been seen with the production restoration among customers.

Overseas demand has also been favorable based on the strong demand in industries including solar cells and semiconductors, centering on China, Korea and other Asian countries. As a result, net sales of fine carbon products were ¥9,684 million.

Consequently, net sales in the carbon and ceramics segment were ¥25,967 million, and operating income was ¥2,487 million.

Other Operations

Friction Materials

Sales for construction machinery markets, our major client segment, have increased with continued demand growth for construction machinery in China and increased demand for mining equipment. The negative impact on the demand by the earthquake was negligible. As a result, net sales of friction materials were ¥4,098 million.

Industrial Furnaces and Related Products

Our major clients in IT-related industries are on a recovery trend with improved operating ratios at their production facilities. This led to the sales increase of our heating elements and related products. Sales of industrial furnaces also increased with gradual recoveries of capital investment, though proactive capital investment was cautiously considered.

As a result, net sales of industrial furnaces and related products were ¥2,919 million.

Others

Net sales from property leasing and other business were ¥364 million.

As a result, net sales in the other operations segment were ¥7,381 million, with the operating income of ¥891 million.

(2) Qualitative Information Related to Changes in Consolidated Financial Position

As of June 30, 2011, consolidated assets totaled ¥159,052 million, a ¥3,748 million increase from previous fiscal year-end. Current assets totaled ¥85,168 million, a ¥3,483 million increase from the 2010 fiscal year-end, reflecting an increase in cash and cash equivalents and inventories despite the decrease in notes and accounts receivable. Fixed assets totaled ¥73,884 million, an increase of ¥265 million from the 2010 fiscal year-end, which was mainly due to an increase of tangible fixed assets.

Consolidated liabilities totaled ¥50,972 million at June 30, 2011, an increase of ¥1,273 million from the 2010 fiscal year-end. Of this total, current liabilities accounted for ¥39,761 million, up ¥11,135 million from the 2010 fiscal year-end, mainly as a result of an increase in current portion of long-term debt and accrued expenses. Fixed liabilities totaled ¥11,210 million, a decrease of ¥9,861 million from the 2010 fiscal year-end, which was mainly due to a decrease in long-term debt.

Consolidated net assets totaled ¥108,080 million at June 30, 2011, an increase of ¥2,474 million from the 2010 fiscal year-end. This is primarily attributable to increased retained earnings and minority interests.

Consequently, the shareholders' equity ratio decreased 0.6 percentage point from the end of December 2010 to 66.0%.

(3) Qualitative Information Related to Forecasts of Consolidated Results

As described in the recent announcement of 'Notice of Extraordinary Losses related to Great East Japan Earthquake and Announcement of Earnings Forecasts' (announced on July 29, 2011), the Group has revised its full year earnings forecasts for the fiscal year ending December 2011. For details, please refer to the concerned material.

2. Miscellaneous

(1) Changes in Significant Subsidiaries

Not applicable

(2) Application of Simplified Accounting Practices and Specific Accounting Methods

Simplified accounting practices

Method of calculating income taxes and deferred tax assets and liabilities

The calculation of the amount of income taxes paid is based on a method to limit to material terms added/subtracted items and tax deduction items.

The determination of the recoverability of deferred tax assets is based on the future earnings forecast that was used in the previous consolidated fiscal year's account settlement and tax

planning, assuming there are no significant changes in the business environment and in occurrence of temporary differences after the fiscal 2010 year-end.

(3) Changes in Accounting Principles, Procedures and Method of Disclosure

Changes in accounting policy

Application of Accounting Standard for Asset Retirement Obligations

Beginning in the first quarter under review, the Company has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). The effect of this adoption on operating income and ordinary income for the consolidated first half under review was not material, but the relevant amount, ¥55 million in total, was posted as extraordinary losses.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(millions of yen)

	As of the End of the First Half under Review (June 30, 2011)	Summarized Consolidated Balance Sheet as of the End of the Previous Fiscal Year (December 31, 2010)
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	15,361	12,076
Notes and accounts receivable	29,028	31,494
Merchandise and finished goods	9,556	9,171
Work in process	15,648	15,413
Raw materials and supplies	10,984	9,282
Deferred tax assets	722	688
Other	3,918	3,622
Allowance for doubtful accounts	(52)	(65)
Total current assets	85,168	81,684
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,397	15,155
Machinery, equipment and vehicles, net	18,685	20,189
Furnaces, net	2,458	2,542
Land	7,081	7,087
Construction in progress	6,584	5,053
Other, net	875	886
Total tangible fixed assets	51,081	50,916
Intangible fixed assets		
Software	384	465
Other	24	24
Total intangible fixed assets	409	490
Investments and other assets		
Investment securities	20,536	20,451
Deferred tax assets	256	244
Other	1,655	1,570
Allowance for doubtful accounts	(54)	(54)
Total investment and other assets	22,393	22,212
Total fixed assets	73,884	73,619
Total assets	159,052	155,304

(millions of yen)

	As of the End of the First Half under Review (June 30, 2011)	Summarized Consolidated Balance Sheet as of the End of the Previous Fiscal Year (December 31, 2010)
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	15,605	15,051
Short-term borrowings	6,754	5,992
Current portion of long-term debt	10,270	280
Income taxes payable	746	1,350
Accrued expenses	2,682	1,222
Reserve for bonuses	223	175
Deferred tax liabilities	0	—
Other	3,477	4,553
Total current liabilities	39,761	28,625
Fixed liabilities		
Long-term debt	2,085	12,162
Deferred tax liabilities	4,271	4,209
Provision for retirement benefits	2,570	2,411
Reserve for directors' retirement benefits	132	226
Reserve for executive officers' retirement benefits	40	58
Provision for environment and safety measures	924	924
Other	1,186	1,080
Total fixed liabilities	11,210	21,072
Total liabilities	50,972	49,698
Net assets		
Shareholders' capital		
Common stock	20,436	20,436
Additional paid-in capital	17,502	17,502
Retained earnings	72,380	71,387
Treasury stock	(7,130)	(7,126)
Total Shareholders' capital	103,189	102,200
Valuation and translation adjustments		
Net unrealized gains/losses on other securities	5,760	5,823
Deferred hedge gain/loss	(0)	0
Foreign currency translation adjustments	(4,051)	(4,541)
Total valuation and translation adjustments	1,708	1,282
Minority interests	3,181	2,123
Total net assets	108,080	105,605
Total liabilities and net assets	159,052	155,304

(2) Quarterly Consolidated Statements of Operations
(Consolidated first half of the year)

(millions of yen)

	Previous Consolidated First Half (From January 1 to June 30, 2010)	Consolidated First Half under Review (From January 1 to June 30, 2011)
	Amount	Amount
Net sales	54,371	52,887
Cost of sales	42,088	40,702
Gross profit	12,283	12,184
Selling, general and administrative expenses	7,012	6,788
Operating income	5,270	5,395
Non-operating income		
Interest income	17	25
Dividend income	182	212
Rental income	146	139
Equity in income of non-consolidated subsidiaries and affiliates	93	81
Other non-operating income	253	187
Total non-operating income	694	646
Non-operating expense		
Interest expense	304	288
Foreign exchange loss	398	92
Other non-operating expense	359	254
Total non-operating expense	1,061	635
Ordinary income	4,903	5,406
Extraordinary income		
Reversal of allowance for doubtful accounts	—	1
Gain on sales of fixed assets	35	—
Total extraordinary income	35	1
Extraordinary losses		
Loss on disaster	—	2,137
Loss on valuation of investment securities	—	126
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	55
Impairment loss	15	25
Loss on valuation of membership	—	4
Provision for environment and safety measures	292	—
Total extraordinary losses	307	2,350
Income before income taxes	4,631	3,058
Income taxes, inhabitants tax, and enterprise taxes	1,638	1,007
Income taxes adjustments	12	77
Total income taxes	1,650	1,084
Income before minority interests	—	1,973
Minority interests in income (loss) of consolidated subsidiaries	165	125
Net income	2,815	1,847

(3) Quarterly Consolidated Statements of Cash Flows

(millions of yen)

	Previous Consolidated First Half (From January 1 to June 30, 2010)	Consolidated First Half under Review (From January 1 to June 30, 2011)
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes	4,631	3,058
Depreciation and amortization	4,273	3,978
Impairment loss	15	25
Increase (decrease) in allowance for doubtful accounts	(52)	(14)
Increase (decrease) in reserve for bonuses	36	47
Increase (decrease) in provision for retirement benefits	37	30
(Increase) decrease in prepaid pension cost	(111)	(112)
Increase (decrease) in reserve for directors' retirement benefits	(42)	(94)
Increase (decrease) in reserve for executive officers' retirement benefits	(20)	(17)
Increase (decrease) in provision for environment and safety measures	290	—
Interest and dividends income	(200)	(237)
Interest paid	304	288
Foreign exchange (gain) loss	79	(6)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(93)	(81)
(Gain) loss on valuation of investment securities	—	126
(Gain) loss on sales of fixed assets	(35)	—
Loss on disaster	—	2,137
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	55
(Increase) decrease in trade receivables	(2,444)	2,609
(Increase) decrease in inventories	2,847	(2,295)
Increase (decrease) in trade payables	621	521
(Increase) decrease in advance payment	(169)	—
Other	346	(591)
Subtotal	10,315	9,429
Interest and dividends received	250	276
Interest paid	(284)	(274)
Payments for loss on disaster	—	(114)
Income taxes paid	(1,554)	(1,573)
Net cash provided by (used in) operating activities	8,725	7,744
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	201	63
Purchase of tangible fixed assets	(3,110)	(5,090)
Sales of tangible fixed assets	157	—
Purchase of intangible fixed assets	(41)	(51)
Purchase of stocks of subsidiaries and affiliates	—	(210)
Other	(6)	(7)
Net cash provided by (used in) investing activities	(2,800)	(5,295)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(2,389)	803
Repayment of long-term debt	(5)	(140)
Dividend paid	(871)	(854)
Proceeds from minority shareholders	—	1,023
Cash dividends paid to minority shareholders	—	(52)
Other	(26)	(4)
Net cash provided by (used in) financing activities	(3,291)	776

(millions of yen)

	Previous Consolidated First Half (From January 1 to June 30, 2010)	Consolidated First Half under Review (From January 1 to June 30, 2011)
	Amount	Amount
Effect of exchange rate changes on cash and cash equivalents	(434)	122
Increase (decrease) in cash and cash equivalents	2,199	3,347
Cash and cash equivalents at beginning of the period	8,977	14,005
Cash and cash equivalents at end of the period	11,176	17,352

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment Information

Business segment information

Previous consolidated first half (from January 1 to June 30, 2010)

(millions of yen)

	Carbon and Graphite Products	Industrial Furnaces and Related Products	Other	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	51,452	2,710	208	54,371	—	54,371
(2) Inter-segment sales	182	35	276	494	(494)	—
Total	51,635	2,745	485	54,866	(494)	54,371
Operating income	4,798	365	137	5,300	(29)	5,270

Notes:

1. Method of segmentation

Business segmentation is primarily based on such factors as nature of product, method of production and use of the product concerned.

2. Major products by business segment

Business segments	Major products
Carbon and Graphite Products	Carbon black for rubber products, artificial graphite electrodes for electric arc furnaces, fine-carbon products (specialty graphite products), friction materials, carbon brush, impervious graphite, pencil lead-cores
Industrial Furnaces and Related Products	Industrial electric furnaces, gas furnaces, silicon carbide heating element/alumina refractory, heat-insulating refractory, silicon carbide heating elements, ceramic resistors
Other	Cargo transportation, Property leasing

Geographic segment information

Previous consolidated first half (from January 1 to June 30, 2010)

(millions of yen)

	Japan	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	34,511	8,411	8,501	2,947	54,371	—	54,371
(2) Inter-segment sales	3,959	225	308	39	4,533	(4,533)	—
Total	38,471	8,636	8,809	2,987	58,905	(4,533)	54,371
Operating income	2,965	981	1,145	162	5,254	15	5,270

Notes:

1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) Europe: Germany, United Kingdom, Italy and Sweden
 - (2) Asia: Thailand and China
 - (3) Other: North America

Overseas net sales

Previous consolidated first half (from January 1 to June 30, 2010)

(millions of yen)

	Asia	Europe	Other areas	Total
I. Overseas net sales	15,562	7,856	5,066	28,485
II. Consolidated net sales				54,371
III. Ratio of overseas net sales to consolidated net sales	28.6%	14.5%	9.3%	52.4%

Notes:

1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) Asia: South Korea, China, Taiwan, Thailand and Indonesia
 - (2) Europe: Germany, United Kingdom, Italy and Sweden
 - (3) Other areas: North America, Middle East, Africa, South America and Oceania
3. "Overseas net sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

Segment information

1. Overview of reporting segments

The Company's reporting segments are regularly reviewed by the Board of Directors, using the segregated financial information available within each segment of the Company to determine the allocation of management resources and evaluate business results.

The Company organizes divisions classified by products at the head office and each division has been engaged in its business activities by comprehensively developing domestic and overseas strategies for products.

Therefore, the Company is composed of segment classified by products based on division. The "carbon black business" and "carbon and ceramics businesses" constitute the Company's reporting segments.

The main products of each reporting segment are as follows:

Reporting segment	Major products
Carbon Black	Carbon black (for rubber product, black pigment and conductive materials)
Carbon and Ceramics	Artificial graphite electrodes for electric arc furnaces, fine-carbon products (specialty graphite products), carbon brush, impervious graphite, pencil lead-cores

2. Information concerning net sales and income or loss by reporting segment

Consolidated first half under review (from January 1 to June 30, 2011)

(millions of yen)

	Reporting Segment			Other operation (Note 1)	Total	Adjustments (Note 2)	Amounts on statements of operations (Note 3)
	Carbon Black	Carbon and Ceramics	Total				
Net sales:							
External sales	19,537	25,967	45,505	7,381	52,887	—	52,887
Inter-segment sales	37	140	178	196	375	(375)	—
Total	19,575	26,108	45,683	7,578	53,262	(375)	52,887
Segment income	2,824	2,487	5,312	891	6,204	(808)	5,395

Notes:

1. "Other operation" is a business segment not included in the reporting segments. It includes businesses involving friction materials business, industrial furnaces and the related products business and property leasing, etc.
2. The amount of adjustment of segment income is ¥808 million, including ¥781 million of the corporate expenses unallotted to each reporting segment. The corporate expenses consist of research and development expenses which are not attributed to the reporting segment.
3. Segment income corresponds to operating income in the Quarterly consolidated statements of operations.

(Additional Information)

Beginning in the first quarter under review, the Company has applied "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

(6) Notes When the Amount of Shareholders' Equity has Changed Significantly

Not applicable