

Summary of Consolidated Financial Statements for the First Half Fiscal 2003

Nov. 10, 2003

Tokuyama Corporation

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Stock exchange listings: Tokyo, Osaka
Code number: 4043
Use of U.S. accounting standard: No

1. Consolidated results for fiscal half ended September 30, 2003 (April 1, 2003 - September 30, 2003)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
First Half Fiscal 2003	108,359	(2.6)	6,061	(1.4)	3,903	73.1
First Half Fiscal 2002	111,272	(2.6)	6,150	13.4	2,255	(12.4)
Fiscal 2002	225,527		12,852		6,328	

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Half Fiscal 2003	1,303	76.3	5.12	-
First Half Fiscal 2002	739	(25.0)	2.90	-
Fiscal 2002	316		1.22	-

(2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity/Total assets	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
Sept. 30, 2003	306,602	117,039	38.2	459.91
Sept. 30, 2002	335,758	113,779	33.9	446.46
March 31, 2003	316,751	111,272	35.1	437.15

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
First Half Fiscal 2003	14,242	(7,399)	(18,731)	26,580
First Half Fiscal 2002	20,727	(8,941)	(6,436)	40,872
Fiscal 2002	38,400	(15,807)	(19,682)	38,440

2. Projected performance for Fiscal 2003 (From April 1, 2003 to March 31, 2004)

	Net sales	Operating Income	Ordinary Income	Net income
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2003	221,000	14,000	9,000	4,500

Reference: Prospected net income per share for fiscal 2003 : 17.68 yen

The prospects have been prepared on the basis of information available at this point, and may be different from the actual performance because of various factors that may arise from now on.

Current Situation of Tokuyama Group

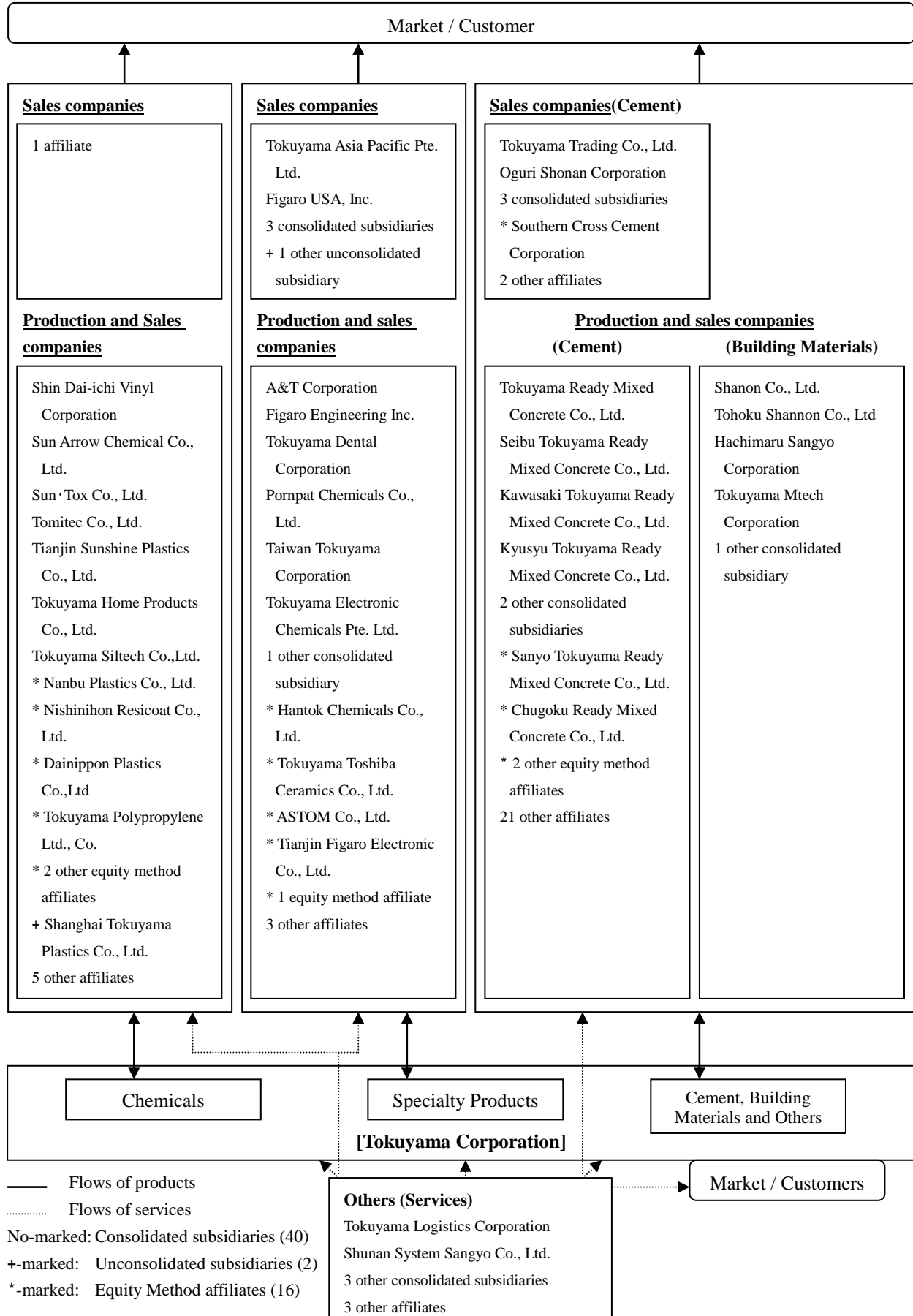
Tokuyama group consists of parent company Tokuyama Corporation, 42 subsidiaries and 51 affiliates. The Group is producing and selling mainly chemical products such as soda ash and caustic soda, vinyl chloride monomer/polymer, film products, fine chemicals, medical materials, electronics materials, cement, plastic sash and so, as well as providing services related to those products

Relationship among the Group's business segments, Tokuyama Corporation's business areas and subsidiaries and affiliates is summarized as a following table.

Business Segments	Business Areas	Major subsidiaries and affiliates
Chemicals	Chemicals Business Film Business	Shin Dai-ichi Vinyl Corporation Sun Arrow Chemical Co., Ltd. Sun·Tox Co., Ltd. Tomitec Co., Ltd. Tianjin Sunshine Plastics Co., Ltd. Tokuyama Home Products Co., Ltd. Tokuyama Siltech Co., Ltd. Nanbu Plastics Co., Ltd. Nishinohon Resicoat Co., Ltd. Dainippon Plastics Co., Ltd. Tokuyama Polypropylene Ltd., Co. 9 other subsidiaries and affiliates (Total: 20 companies)
Specialty Products	Si Business Advanced Materials Business	A&T Corporation Figaro Engineering Inc. Tokuyama Dental Corporation Pornpat Chemicals Co., Ltd. Taiwan Tokuyama Corporation Tokuyama Electronic Chemicals Pte., Ltd. Hantok Chemicals Co., Ltd. Tokuyama Toshiba Ceramics Co., Ltd. ASTOM Co., Ltd. Tianjin Figaro Electronic Co., Ltd. Tokuyama Asia Pacific Pte. Ltd. Figaro USA, Inc. 9 other subsidiaries and affiliates (Total: 21 companies)
Cement, Building Materials and Others	Cement Business Building Materials Business Other Businesses	Tokuyama Ready Mixed Concrete Co., Ltd. Seibu Tokuyama Ready Mixed Concrete Co., Ltd. Kawasaki Tokuyama Ready Mixed Concrete Co., Ltd. Kyusyu Tokuyama Ready Mixed Concrete Co., Ltd. Sanyo Tokuyama Ready Mixed Concrete Co., Ltd. Chugoku Ready Mixed Concrete Co., Ltd. Tokuyama Trading Co., Ltd. Oguri Shonan Corporation Southern Cross Cement Corporation Shanon Co., Ltd. Tohoku Shannon Co., Ltd. Hachimaru Sangyo Corporation Tokuyama Mtech Corporation Tokuyama Logistics Corporation Shunan System Sangyo Co., Ltd. 37 other subsidiaries and affiliates (Total: 52 companies)

Business Structure Diagram

The current situation of Tokuyama Group described above can be shown as the following business structure diagram.



Business Strategy

I. Management Policy

Our group's basic corporate principle is to realize "Tokuyama group sustainably chosen by its customers" which is highly evaluated by its stakeholders such as shareholders, customers and employees through efforts to sustain and increase its corporate values with enhancing corporate moral and implementing compliance with laws and other regulations.

Based on the relationship with our customers, accumulated technologies, and our pride on manufacturing, which have been built through our long-time operation, we will try to improve ourselves continuously and respond to environmental changes actively with considering those changes as our business opportunities to enter new business fields.

II. Medium- and Long-term Strategy

Competitions in the market are getting fiercer in world-wide scale. Japanese economy is still in a difficult situation. To win the competitions under such difficult economical conditions, we are going to reform profit structure, strengthen business profitability and increase operating cash flows by steadily implementing three-years management plan from Fiscal 2002 to Fiscal 2004 with paying enough attention to maintaining current capital efficiency and financial stability. Three main points of the three-years management plan are as follows,

1. Customer-oriented structural reforms and strategic growth initiatives
2. Cost-cutting initiatives
3. Development of a system to maintain employee spirit and moral

We have chosen ROA (Return On Assets) as a key measure in setting our group's performance target with aiming to improve capital efficiency and increase cash flows. We are targeting to achieve over 2.5% of ROA at the last year of the current three-years management plan.

*ROA = Net income / Total Assets

III. Establishment of a Management Organization

To respond more quickly and flexibly to changes in the economic environment, and to implement management strategies more efficiently and effectively, since July 2002 we have discontinued our executive committee meetings in favor of manager meetings. Attendees at these meetings will include the president, the heads of each division, and a few designated directors. Meetings will be held twice a month, and coordinated with those of the Board of Directors to facilitate agile decision-making. In addition, we have set Compliance Committee from this July to strengthen our compliance system about laws and other regulations.

IV. Targets and Goals

Reorganization of Tokuyama Corporation's businesses into four business divisions: Chemicals, Si (Silicon), Advanced Materials and Cement, which started since April 2002, has well-established, and each division is trying to achieve agile response to customers' needs by strengthening cooperative relationship among business functions such as planning, development, production and selling, and provide customer service that is autonomous and responsive. Furthermore, not only to each business division, we are also delegating more authority throughout the Group and been trying to establish a structure that each business unit serves the needs of its customer quickly and accurately.

More details on the status of the current three-year management plan are outlined as follows;

1. Development of Structural Reform

Our structural reform has three main themes; "Reform of the Business Structure", "Reform of the Business Functions", and "Strengthening of Tokuyama Factory's Competitive Edge". At the "Reform of the Business Structure" we are working on to further strengthen the foundation of each of our business, seeking alliances with other companies. And regarding "Reform of the Business Functions", following the spin-off of Tokuyama Information Service Corporation, we are going to promote the reform of

administrative offices of the headquarters as shared services. On the other hand, for “Strengthening of Tokuyama Factory’s Competitive Edge”, we will implement project-wise plans, which include the promotion of zero-emissions operations and energy conservation. We have achieved the further energy cost reduction by switching fuels for No.8 boiler of our own power plant when we renewed the boiler. In addition, we are also planning to increase the capacity of No.9 turbine of our power plant by 24,000 kw when the turbine is renewed.

2. Strategic Growth

The Strategic Growth Initiative focus on the two major fields of “Information & Electronics” and “Environment & Energy”. Each business division is creating or expanding their businesses by focusing on identify of needs in the existing markets or around customers. On the other hand, the company-wide R&D projects are trying to launch businesses such as development of optical material with the different viewpoint from those of our existing business divisions. Under the realization that the foundation of the Strategic Growth should root in our R&D, we will be pursuing creation of the growth business fields with strengthening the cooperative relationship with public research institutions or customers.

3. Cost Reduction

We are also pursuing cost reduction to rebuild our profit structure. In addition to our short-term measures that we have done so far to reduce cost, we are going to build long-lasting low-cost structure.

4. Personnel Policy

Since we are realizing that the employees and their motivated spirits will support the rebuilding of the profit structure, we are developing a personnel policy so that each employee are encouraged to demonstrate their abilities to the maximum extent.

5. Environmentally Responsible Business Development

We will do various environmental activities aggressively, such as promotion of material recycling business or keeping emissions of carbon dioxide from our factories flat, to fulfill our responsibilities in sustainable society and become the corporate group which is highly evaluated by society and our customers.

6. Strengthening the Financial Position

We will pursue the more efficient financial position by reducing the liquidity on-hand and interest-bearing debt throughout the Group.

Business performance and Financial Review

I. Business performance

1. Highlights for first half period ended September 30, 2003

(1) Performance overview

Japanese economy looks like having bottomed out, because the demand of IT-related products is showing the sign of full recovery and both investment on equipment and export at manufacturing sector are gradually increasing. However, despite the war in Iraq has ended in a shorter period than expected, the price of petrochemicals is still staying at higher level, and drastic change of exchange rate toward yen's appreciation would have negative impact on Japanese economy from the second half of the current fiscal year.

Faced with these difficult conditions, Tokuyama implemented cost-cutting measures, focusing on reductions in fixed costs such as personnel, purchasing, distribution/logistics, maintenance and repair. On the operational side as well we maximized efforts to maintain and/or correct retail price in order to preserve profits, and to acquire new customers. However, the escalation of global competition, the pressure from customers to reduce the retail prices because of the progress of deflation and the rising cost of petrochemicals have affected largely on our performance.

As a result of the above, the performance for this first half period is as follows.

(Unit: millions of yen)

	Net sales	Operating income	Ordinary income	Net income
First Half Fiscal 2003	108,359	6,061	3,903	1,303
First Half Fiscal 2002	111,272	6,150	2,255	739
Year-on-year change (%)	(2.6)	(1.4)	73.1	76.3

(2) Performance by segment for this first half period

<Chemicals>

· Chemicals business

Regarding caustic soda, although the sales volume has increased with the recovery of Japanese economy and the operating income has improved because of the cost reduction, the conditions surrounding the operation are still difficult and the retail price has eroded. The sales and income of microporous film has grown steadily, but slumps in the sales of soda ash, sodium silicate, cullet and organic solvent have pushed down the overall profits of chemical businesses. Though Shin Dai-ichi Vinyl Corporation continuously tackled to the reform of profit structure based on the cost reduction and the retail price revision, the company could not return to profitable. As a result of above factors, the chemicals business recorded decrease both in revenues and profits.

· Film business

Sun·Tox Co., Ltd. has tackled to correct the retail price since the previous fiscal year, but was delayed in adequately raising product prices to keep pace with increases in raw material cost because of fierce sales competition. The performance of Tianjin Sunshine Plastics Co., Ltd. has also deteriorated and the company recorded decrease in revenue and profits because of the fierce competition in the film market in China.

The above factors combined to produce the revenue of 44,343 millions yen (9.8% decrease from previous period) and operation income of 2,316 millions yen (22.9% decrease from first half of previous period) in Chemicals segment. The sales of Chemicals segment shares 40.9% of the total sales.

<Specialty Products>

· Si business

In the electronics materials operation, the sales of polycrystalline silicon for silicon wafers and solar panels has been steady, but the demand of the silicontetrachlorides gas has been affected by the inventory adjustment of the customers, and the total sales of electronics material is staying at the same level as first half of previous period. However, despite the depreciation of the polycrystalline

silicon plant was accounted in non-operating expenses in first half of previous period because the plant was operated at far below its full capacity, it was accounted in cost of sales in this period because the plant was operated steadily. Therefore, the operation recorded decrease in profits.

In the silica and derivatives operation, some markets in Asia such as automobile, electronic appliances and investment on public infrastructure were active, and export of silica for those areas has increased. The performance at oversea subsidiary Pornpat Chemicals Co., Ltd. has also progressed steady. As a result, the operation recorded increase both in revenues and profits.

·Advanced materials business

The demand of aluminum nitride showed recovery especially at the application related DVD, and the demands of high purity chemicals for semiconductor and liquid crystal display were also steady. In the fine chemicals such as pharmaceutical and agricultural chemical bulks and intermediates, the slump in the sales of pharmaceutical chemical bulks was covered by the sales of various intermediates. In IEM Systems operation based on ion-exchange membranes technology, the sales of membranes and equipment for the production of salt has decreased because of the deregulation of import of salt, however, the performance of Eurodia Industrie S.A., an oversea subsidiary in Europe, showed strong growth. The medical diagnosis system of A&T Corporation also showed strong growth as a result of increased sales of laboratory system, as medical facilities incorporate more technology into their operations. Dental materials from Tokuyama Dental Corporation had difficulty in increasing sales due to the decrease of the health insurance coverage to the medical expenses. Performance of Figaro Engineering Inc. stagnated because of the fierce competition at gas sensor market. As a result of these factors, the advanced materials business recorded positive results.

In total among the segment, the sales is 29,588 millions yen (2.5% increase from first half of previous period) and the operating profits is 2,827 millions yen (0.1% increase from first half of previous period). The sales of Specialty Products segment shares 27.3% of the total sales.

<Cement, Building Materials and Others>

·Cement business

Though the business environment surrounding the cement business has been difficult because of the reduction in public works projects and investment on equipment at private sector, the increase of contracts of public projects such as tunnels and dams in the western part of Japan as well as export contributed to keep the sales to the same level as the previous period. The profits has increased due to growth of recycling of waste materials business and cost reduction.

·Building materials business

Subsidiary Shanon Co., Ltd. recorded increase in both revenues and profits because the sales around Tokyo area expanded even in the slump in housing starts.

·Other businesses

In other operations, comprising transport, property maintenance and other operations, efforts were made to increase administrative efficiency throughout the Group.

As a result, the sales is 34,427 millions yen (3.6% increase from first half of previous period) and the operating profits is 1,522 millions yen (60.1% increase from first half of previous period). The sales of Cement, Building Materials and Others segment shares 31.8% of the total sales.

2. Outlook for Fiscal 2003

Although Japanese economy bottomed out with being supported by the recovery of investment on equipment and export especially at manufacturing sector, we still need to be apprehensive about the high level of oil price and the influence of yen's drastic appreciation, and cannot be optimistic about our future environment.

Toward our futures under such uncertainty, we will continue to reform our profit structure by focusing on reductions in fixed costs and the retail price revisions.

Considering above conditions, outlook of business performance for fiscal 2003 is as follows.

(Unit : millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2003	221,000	14,000	9,000	4,500
Fiscal 2002	225,527	12,852	6,328	316
Year-on-year change (%)	(2.0)	8.9	42.2	-

In preparing above outlook, it is assumed that the exchange rates are 115 yen/\$ (export) and 120 yen/\$ (import) and the domestic naphtha price is 24,900 yen per kilo-liter.

. Financial performance

1. Cash Flows for first half period ended September 30, 2003

(Unit: millions of yen)

	Fiscal half ended Sept. 30, 2003	Fiscal half ended Sept. 30, 2002
Net cash provided by operating activities	14,242	20,727
Net cash used in investing activities	(7,399)	(8,941)
Net cash used in financing activities	(18,731)	(6,436)
Effect of exchange rate changes on cash and cash equivalents	28	(36)
Increase(decrease) of cash and cash equivalents	(11,859)	5,312
Increase (decrease) of cash and cash equivalents due to changes of scope of consolidation	-	(253)
Cash and cash equivalents for fiscal half ended September 30, 2003 (Cash and cash equivalents for fiscal ended March 31, 2003)	26,580 (38,440)	40,872 (35,813)

(1) Cash flows from operating activities

Although income before income tax for this interim period increased 1,346 million yen from first half of previous period to 3,527 million yen, net cash provided by operating activities during this first half period decreased 6,485 million yen from first half of previous period to 14,242 million yen, because refund of corporate tax was included in first half of previous period and depreciation decreased in this period.

(2) Cash flows from investing activities

In addition to having held the investment on equipment within the amount of depreciation, we also sold some of investment securities, so that new cash used in investing activities declined 1,542 million yen from first half of previous period to 7,399 million yen.

(3) Cash flows from financing activities

Since we have tried to reduce the interest-bearing debt by redemption of corporate bond and effort to contract interest-bearing debt, net cash used in financing activities increased 12,295 million yen from first half of previous period to 18,731 million yen.

As a result, the remaining cash and cash equivalent as of September 30, 2003 decrease 11,859 million yen from the amount as of April 1, 2003 to 26,580 million yen.

2. Transitions of indices about financial position

	As of Sept. 30, 2001	As of March 31, 2002	As of Sept. 30, 2002	As of March 31, 2003	As of Sept. 30, 2003
Shareholders' Equity ratio (%)	33.1	33.0	33.9	35.1	38.2
Current-value-based Shareholders' Equity ratio (%)	23.0	29.6	28.3	31.6	35.4
Debt redemption term (years)	6.4	6.3	3.5	3.4	4.0
Interests coverage ratio	6.2	6.4	12.4	12.1	10.5

Formulas

Shareholders' Equity ratio: [Shareholders' equity]/[Total assets]

Current-value-based Shareholders' Equity ratio: [Total current value of stocks]/[Total assets]

Debt redemption term: [Interest-bearing debt]/[Operating cash flows multiplied by two]

([Interest-bearing debt]/[Operating cash flows] is used for the date as of March 31, 2003)

Interest coverage ratio: [Operating cash flows]/[Interest paid]

* Each numbers were calculated by using numbers from consolidated financial results.

* Total current value of stocks were calculated by following formula:

[Stock price as of the end of the period]*[Number of outstanding shares (less treasury stocks)]

* Cash flows from operating activities of consolidated financial statement were used for the calculations.
Interest paid of consolidated cash flow statement were used for the calculations.

3. Segment information

First Half Fiscal 2003 (April 1, 2003 – September 30, 2003)

(Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
I Sales						
Sales						
Sales to customers	44,343	29,588	34,427	108,359	-	108,359
Inter-segment sales/transfer	761	90	2,984	3,836	(3,836)	-
Total	45,104	29,679	37,411	112,196	(3,836)	108,359
Operating expense	42,788	26,851	35,889	105,529	(3,231)	102,297
Operating income	2,316	2,827	1,522	6,667	(605)	6,061
II Assets						
Assets	92,514	74,265	76,114	242,894	63,707	306,602
Depreciation	3,106	3,430	2,084	8,620	269	8,890
Capital expenditures	3,049	1,582	2,893	7,524	28	7,553

First Half Fiscal 2002 (April 1, 2002 – September 30, 2002)

(Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
I Sales						
Sales						
Sales to customers	49,165	28,876	33,231	111,272	-	111,272
Inter-segment sales/transfer	731	27	2,337	3,096	(3,096)	-
Total	49,896	28,903	35,569	114,369	(3,096)	111,272
Operating expense	46,891	26,079	34,618	107,589	(2,466)	105,122
Operating income	3,004	2,824	950	6,780	(629)	6,150
II Assets						
Assets	101,215	80,142	78,486	259,844	75,914	335,758
Depreciation	3,426	4,406	2,210	10,043	272	10,316
Capital expenditures	3,239	1,717	1,564	6,522	178	6,700

Fiscal 2002 (April 1, 2002 – March 31, 2003)

(Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
I Sales						
Sales						
Sales to customers	97,155	58,574	69,798	225,527	-	225,527
Inter-segment sales/transfer	1,471	79	4,613	6,164	(6,164)	-
Total	98,627	58,653	74,411	231,692	(6,164)	225,527
Operating expense	92,795	53,502	71,377	217,675	(5,000)	212,675
Operating income	5,831	5,151	3,034	14,017	(1,164)	12,852
II Assets						
Assets	96,068	77,833	73,961	247,864	68,886	316,751
Depreciation	7,652	8,155	4,482	20,290	575	20,865
Capital expenditures	5,169	3,890	3,657	12,717	540	13,258