

Summary of Consolidated Financial Statements for the Third Quarter Fiscal 2013 (JPGAAP)

January 31, 2014

Tokuyama Corporation

(URL <http://www.tokuyama.co.jp/>)

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Stock exchange listings:

Tokyo

Local Code :

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Scheduled date for the filing of the quarterly consolidated financial statements : February 14, 2014

Scheduled date of dividends payout : -

Preparation of supplementary quarterly explanatory materials: Yes

Quarterly business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal third quarter ended Dec. 31, 2013 (Apr. 1, 2013 – Dec. 31, 2013)

(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 [%]
Third Quarter Fiscal 2013	207,920	10.0	12,508	353.6	9,835	-
Third Quarter Fiscal 2012	189,058	(10.4)	2,757	(74.0)	(109)	-

(Note) Comprehensive income: 3rd Q FY13: 10,850 million yen [-%] 3rd Q FY12: (8,376) million yen [-%]

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Third Quarter Fiscal 2013	7,491	-	21.53	-
Third Quarter Fiscal 2012	(10,842)	-	(31.16)	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Dec. 31, 2013	532,325	232,691	42.5	650.39
Mar. 31, 2013	518,251	223,871	42.0	625.29

(Reference) Shareholders' equity: Dec. 31, 2013: 226,269 million yen Mar. 31, 2013: 217,554 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2012, ended Mar 31, 2013	(yen) -	(yen) -	(yen) -	(yen) 3.00	(yen) 3.00
Fiscal 2013, ending Mar 31, 2014	-	3.00	-		
Fiscal 2013 (Forecast)				3.00	6.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for fiscal 2013 (April 1, 2013 - March 31, 2014)

(% indicates the rate of change over the corresponding previous period)

	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)
Fiscal 2013	286,000	10.6	18,000	165.8	14,000	333.1	10,000	-	28.74

(Note) Revision of the latest consolidated performance forecast: Yes

*The Company announced the news release, "Notice concerning Revision of Performance Forecast," on January 31, 2014.

*Notes

(1) Changes in significant subsidiaries during this period (Apr. 1, 2013 – Dec. 31, 2013)

: No

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: -

(Note) This item means changes in significant subsidiaries with changes in the scope of consolidation during this period (Apr. 1, 2013 – Dec. 31, 2013).

(2) Application of accounting methods specific to the preparation of the quarterly consolidated financial statements

: Yes

(3) Changes of accounting policies, changes in accounting estimates, and retrospective restatements

i. Changes of accounting policies by revision of accounting standards: No

ii. Changes of accounting policies other than the above: No

iii. Changes in accounting estimates: No

iv. Retrospective restatements: No

(4) Number of shares issued (in common stock)

i. Number of shares issued at end of period (including treasury stock):	Third Quarter Fiscal 2013:	349,671,876	Fiscal 2012:	349,671,876
ii. Number of treasury stock at end of period:	Third Quarter Fiscal 2013:	1,773,018	Fiscal 2012:	1,742,749
iii. Average number of shares over period:	Third Quarter Fiscal 2013:	347,914,599	Third Quarter Fiscal 2012:	347,939,642

(Note) Notice on the implementation of quarterly review procedures

This summary of quarterly consolidated financial statements is not subject to quarterly review procedures in line with the Financial Instruments and Exchange Act. At the point of disclosure of this summary of quarterly consolidated financial statements, the quarterly consolidated financial statements review procedures in line with the Financial Instruments and Exchange Act are underway.

(Note) Cautions pertaining to appropriate use of performance forecast and other particular items

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

1. Qualitative information on consolidated quarterly results

(1) Explanation concerning business results

Consolidated results for the third quarter fiscal 2013 (accumulated figures, April 1, 2013 - December 31, 2013) are summarized as follows:

(Unit: Billions of yen)

	Net sales	Operating income	Ordinary income (loss)	Net income (loss)
Third Quarter Fiscal 2013	207.9	12.5	9.8	7.4
Third Quarter Fiscal 2012	189.0	2.7	(0.1)	(10.8)
Rate of change (%)	10.0	353.6	-	-

Net sales

Despite such negative factors as decreased sales volume of polycrystalline silicon, consolidated net sales increased 10.0%, or ¥18.8 billion compared with the corresponding period of the previous year, to ¥207.9 billion. In addition to increased sales volume of cement and related products, this was largely attributable to selling price revisions of petrochemicals and an increase in sales volume, which was due to the fact that difficulties at our vinyl chloride monomer (VCM) plant were resolved.

Cost of sales

Despite decreased sales volume of polycrystalline silicon, Companywide thoroughgoing cutbacks in costs and other factors, cost of sales increased 7.2%, or ¥10.1 billion compared with the corresponding period of the previous year, to ¥151.2 billion, due chiefly to increased sales volume of VCM and cement and domestic naphtha price hikes.

SG&A expenses

SG&A expenses decreased 2.3%, or ¥1.0 billion compared with the corresponding period of the previous year, to ¥44.1 billion, due mainly to lower distribution costs as a result of decreased sales volume of polycrystalline silicon and Companywide

thoroughgoing cutbacks in costs.

Operating income

Operating income increased 353.6%, or ¥9.7 billion compared with the corresponding period of the previous year, to ¥12.5 billion, due chiefly to Companywide thoroughgoing cutbacks in costs.

Non-operating income/expenses, Ordinary income/loss

Despite an increase in interest expenses and costs of idle operations, non-operating income/expenses improved by ¥0.1 billion compared with the corresponding period of the previous year, due chiefly to a change from foreign exchange losses recorded in the corresponding period of the previous year to foreign exchange gains. As a result, ordinary income/loss improved by ¥9.9 billion compared with the corresponding period of the previous year, to ordinary income of ¥9.8 billion.

Extraordinary gains/losses, Income/loss before income taxes, Income/loss before minority interests, Net income/loss

Extraordinary gains/losses improved by ¥1.1 billion compared with the corresponding period of the previous year, mainly because the Company did not record the provision for business restructuring charges relating to Excel Shanon Corporation in the period under review, which was recorded in the corresponding period of the previous year.

As a result of the above, income/loss before income taxes improved by ¥11.0 billion compared with the corresponding period of the previous year, to income of ¥9.3 billion.

Income/loss before minority interests improved by ¥17.9 billion from the corresponding period of the previous year, to income of ¥7.3 billion, mainly because the Company did not post a reversal of deferred tax assets in the period under review, which was posted in the corresponding period of the previous year.

After deducting minority interests, the Company recorded net income of ¥7.4

billion. Net income/loss improved by ¥18.3 billion from the corresponding period of the previous year.

(Operating results by segment)

Sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Third Quarter Fiscal 2013	64,016	35,241	58,147	40,582	35,782	233,770	(25,850)	207,920
Third Quarter Fiscal 2012	57,562	36,594	52,947	36,766	29,793	213,664	(24,606)	189,058
Rate of change (%)	11.2	(3.7)	9.8	10.4	20.1	9.4	-	10.0

Operating income (loss)

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Third Quarter Fiscal 2013	1,398	2,310	4,773	3,083	3,439	15,005	(2,497)	12,508
Third Quarter Fiscal 2012	358	(1,247)	3,993	1,758	1,871	6,733	(3,976)	2,757
Rate of change (%)	290.3	-	19.5	75.4	83.8	122.8	-	353.6

(Note 1) Sales and operating income (loss) shown above include inter-segment transactions.

(Note 2) From the first quarter fiscal 2013, the Advanced Components segment was renamed the Life & Amenity segment. We only changed the segment's name and therefore the product lines of the said reportable segment have not been changed.

Also, with the aim of implementing more proper management of operating results, the Company changed the accounting treatment method for expenses that were classified as "Adjustment." By this change, the Company has directly imposed expenses clearly related to specific segments, which had been previously classified as "Adjustment," on specific segments.

Sales and operating income (loss) for the third quarter fiscal 2012 have been recalculated to reflect the above-mentioned changes.

Chemicals

With regard to vinyl chloride monomer (VCM), sales increased compared with the corresponding period of the previous year. In addition to the fact that difficulties at our VCM plant, which occurred in the corresponding period of the

previous year, were resolved, this was attributable to a rise in export prices resulting from the weaker yen.

With regard to caustic soda, the facility utilization rate of the electrolysis plant rose, as the above-mentioned difficulties at the VCM plant were resolved. Due to this factor, domestic sales volume recovered.

With regard to polyvinyl chloride (PVC), we worked to revise selling prices to absorb a rise in the price of domestic naphtha.

As a result of the above, segment net sales increased 11.2% compared with the corresponding period of the previous year, to ¥64.0 billion and operating income increased 290.3% to ¥1.3 billion. The segment reported higher earnings on higher sales.

Specialty Products

With regard to polycrystalline silicon, although the semiconductor-grade market was on the path of recovery, sales volume of semiconductor-grade polycrystalline silicon decreased. This was largely attributable to inventory adjustments in supply chains. In contrast, the solar-grade market remained sluggish due to excess supply. Against this backdrop, we adopted a sales strategy that focused on profits and as a result, sales of solar-grade polycrystalline silicon were soft particularly in terms of volume.

With regard to fumed silica and high-purity chemicals for electronics manufacturing, we revised selling prices in order to absorb the rise of raw material and fuel prices. In addition to this, due to a rise in export prices arising from the weaker yen, sales of these products increased compared with the corresponding period of the previous year.

With regard to aluminum nitride, sales increased due to the recovery of the semiconductor market.

As a result of the above, segment net sales decreased 3.7% compared with the corresponding period of the previous year, to ¥35.2 billion, while operating income was ¥2.3 billion.

Cement

With regard to cement, domestic sales volume increased due to the recovery in demand in Japan. In addition, the Company made Tokuyama Nouvelle Calédonie S.A. a subsidiary in June 2013. Due to these factors, sales increased compared with the corresponding period of the previous year.

In the recycling and environment-related business, the Company accepted a larger volume of waste as a result of its higher cement production.

As a result of the above, segment net sales increased 9.8% compared with the corresponding period of the previous year, to ¥58.1 billion and operating income increased 19.5% to ¥4.7 billion. The segment reported higher earnings on higher sales.

Life & Amenity

Sales volume of plastic lens-related materials increased owing to the recovery from damage to the supply chain caused by the flooding in Thailand, which occurred in 2011.

With regard to polyolefin film, we revised selling prices to absorb price increases in raw materials and worked to expand sales. Due to these efforts, sales increased compared with the corresponding period of the previous year.

With regard to dental materials and equipment, sales increased due largely to sales expansion of products shipped to overseas markets and a rise in export prices arising from the weaker yen.

With regard to plastic window sashes, sales volume increased due to business

reconstruction and sales expansion on the back of the recovery in housing starts. As a result of the above, segment net sales increased 10.4% compared with the corresponding period of the previous year, to ¥40.5 billion and operating income increased 75.4% to ¥3.0 billion. The segment reported higher earnings on higher sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of December 31, 2013, total assets amounted to ¥532.3 billion, an increase of ¥14.0 billion compared with those as of March 31, 2013.

This was largely attributable to an increase in property, plant and equipment resulting mainly from construction of polycrystalline silicon manufacturing facilities in Malaysia. On the other hand, deposits at bank and securities, which were held to be allotted for the payment of construction expenses, decreased.

Total liabilities amounted to ¥299.6 billion, an increase of ¥5.2 billion compared with those as of March 31, 2013.

This was mainly due to short-term loans raised by the medium-term commitment line contracts, which were concluded for the payment of construction expenses for the Malaysia project.

Net assets totaled ¥232.6 billion, an increase of ¥8.8 billion compared with those as of March 31, 2013. This was due to an increase in retained earnings and unrealized holding gains on available-for-sale securities.

(3) Explanation concerning information related to future prediction such as consolidated performance forecast

Based on the current performance trend, the Company has revised the performance forecast for fiscal 2013, announced on April 30, 2013. For further

details, please see the Company's news release, "Notice concerning Revision of Performance Forecast," dated January 31, 2014.

The performance forecast has been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

Segment information

Third Quarter Fiscal 2012 (accumulated figures, April 1, 2012 – December 31, 2012)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	56,841	30,227	52,810	35,338	13,839	189,058	-	189,058
Inter-segment sales/transfer	721	6,366	136	1,428	15,953	24,606	(24,606)	-
Total	57,562	36,594	52,947	36,766	29,793	213,664	(24,606)	189,058
Segment income (loss)	358	(1,247)	3,993	1,758	1,871	6,733	(3,976)	2,757

*1 “Others” segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 The segment income (loss) adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

*3 With regard to segment income (loss), operating income in the quarterly consolidated statement of income has been calculated by adjusting the sum total of the reportable segments’ income/loss and the “Others” segment’s income.

2. Information on impairment loss of fixed assets or goodwill by reportable segment

(Significant impairment loss for fixed assets)

There were no material facts to be reported in the reportable segments. During the third quarter fiscal 2012 (April 1, 2012 – December 31, 2012), impairment losses that were not allocated to the reportable segments amounted to ¥339 million.

Third Quarter Fiscal 2013 (accumulated figures, April 1, 2013 – December 31, 2013)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	63,186	27,469	58,016	39,455	19,791	207,920	-	207,920
Inter-segment sales/transfer	829	7,772	131	1,126	15,991	25,850	(25,850)	-
Total	64,016	35,241	58,147	40,582	35,782	233,770	(25,850)	207,920
Segment income (loss)	1,398	2,310	4,773	3,083	3,439	15,005	(2,497)	12,508

*1 “Others” segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 The segment income adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

*3 With regard to segment income, operating income in the quarterly consolidated statement of income has been calculated by adjusting the sum total of the reportable segments’ income and the “Others” segment’s income.

2. Information on changes in reportable segments

From the first quarter fiscal 2013, the Advanced Components segment was renamed the Life & Amenity segment. We only changed the segment’s name and therefore the product lines of the said reportable segment

have not been changed.

Also, with the aim of implementing more proper management of operating results, the Company changed the accounting treatment method for expenses that were classified as “Adjustment.” By this change, the Company has directly imposed expenses clearly related to specific segments, which had been previously classified as “Adjustment,” on specific segments.

Information on sales and income (loss) by reportable segment for the third quarter fiscal 2012, which have been recalculated to reflect the above-mentioned changes, is presented in the “Third Quarter Fiscal 2012 (April 1, 2012 – December 31, 2012)” on the previous page.

Consolidated quarterly balance sheets	Millions of yen	
	3/31/2013	12/31/2013
Assets		
Current assets		
Cash and deposits	44,897	32,767
Notes and accounts receivable-trade	65,371	65,387
Securities	8,310	50
Merchandise and finished goods	20,275	17,579
Work in process	13,277	11,405
Raw materials and supplies	17,110	19,150
Deferred tax assets	547	562
Other	16,528	11,042
Allowance for doubtful accounts	(205)	(171)
Total current assets	186,114	157,774
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	100,129	102,092
Accumulated depreciation	(68,452)	(71,005)
Buildings and structures, net	31,676	31,087
Machinery, equipment and vehicles	451,758	439,998
Accumulated depreciation	(401,103)	(389,746)
Machinery, equipment and vehicles, net	50,655	50,252
Tools, furniture and fixtures	23,044	22,963
Accumulated depreciation	(21,086)	(21,291)
Tools, furniture and fixtures, net	1,958	1,671
Land	32,895	32,887
Lease assets	1,482	1,514
Accumulated depreciation	(685)	(830)
Lease assets, net	796	684
Construction in progress	156,388	194,522
Total property, plant and equipment	274,370	311,105
Intangible assets		
Goodwill	175	3,456
Lease assets	22	29
Other	7,757	6,810
Total intangible assets	7,955	10,295
Investments and other assets		
Investment securities	31,476	35,914
Long-term loans receivable	4,017	3,567
Deferred tax assets	965	971
Other	13,710	12,935
Allowance for investment loss	(21)	(22)
Allowance for doubtful accounts	(337)	(217)
Total investments and other assets	49,811	53,149
Total noncurrent assets	332,137	374,550
Total assets	518,251	532,325

Consolidated quarterly balance sheets	Millions of yen	
	3/31/2013	12/31/2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	38,152	41,258
Short-term loans payable	8,912	21,865
Commercial papers	4,000	4,000
Current portion of long-term loans payable	22,144	19,666
Lease obligations	338	294
Income taxes payable	948	1,269
Deferred tax liabilities	1,377	507
Provision for bonuses	1,949	910
Provision for repairs	1,755	2,072
Provision for product warranties	94	46
Provision For Restructuring	29	16
Other	35,923	23,372
Total current liabilities	115,626	115,281
Noncurrent liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	101,796	107,863
Lease obligations	514	436
Deferred tax liabilities	5,993	7,388
Provision for retirement benefits	969	1,064
Provision for directors' retirement benefits	214	193
Provision for repairs	2,687	2,671
Allowance for loss on compensation for building materials	1,276	912
Provision for environmental measures	156	136
Provision For Restructuring	—	1
Asset retirement obligations	5	5
Other	15,138	13,678
Total noncurrent liabilities	178,753	184,352
Total liabilities	294,380	299,633
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,670
Retained earnings	99,058	104,435
Treasury stock	(1,414)	(1,424)
Total shareholders' equity	208,773	214,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,566	10,212
Deferred gains or losses on hedges	2,238	779
Foreign currency translation adjustment	(1,023)	1,137
Total accumulated other comprehensive income	8,781	12,129
Minority interests	6,316	6,421
Total net assets	223,871	232,691
Total liabilities and net assets	518,251	532,325

