

Summary of Consolidated Financial Statements for the First Quarter Fiscal 2014 (JPGAAP)

July 31, 2014

Tokuyama Corporation

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

Representative: Kazuhisa Kogo, President and Representative Director

Contact: Taro Kobayashi, General Manager, Corporate Communications & Investor Relations Dept.
+81-3-6205-4832

Stock exchange listings:

Tokyo

Local Code :

4043

Scheduled date for the filing of the quarterly consolidated financial statements : August 11, 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 first quarter ended June 30, 2014 (April 1, 2014 - June 30, 2014)

(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 Quarter Fiscal 2014	71,215	10.6	5,579	79.9	4,553	82.1
First Quarter Fiscal 2013	64,362	0.7	3,101	330.1	2,500	-

(Note) Comprehensive income: 1st Q FY14: 4,390 million yen [51.1%] 1st Q FY13: 2,905 million yen [-%]

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Quarter Fiscal 2014	3,575	76.5	10.28	-
First Quarter Fiscal 2013	2,026	-	5.82	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
June 30, 2014	580,461	238,698	39.9	665.33
Mar. 31, 2014	576,315	236,453	39.9	660.18

(Reference) Shareholders' equity: June 30, 2014: 231,456 million yen Mar. 31, 2014: 229,667 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2013, ended Mar 31, 2014	(yen) -	(yen) 3.00	(yen) -	(yen) 3.00	(yen) 6.00
Fiscal 2014, ending Mar 31, 2015	-				
Fiscal 2014 (Forecast)		3.00	-	3.00	6.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for fiscal 2014 (April 1, 2014 - March 31, 2015)

(% indicates the rate of change over the corresponding previous periods respectively)

	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)
First Half Fiscal 2014	144,000	6.6	10,000	28.0	7,500	23.1	6,000	32.8	17.25
Fiscal 2014	300,500	4.6	18,500	(8.7)	13,500	(9.8)	9,500	(7.0)	27.31

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

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

*Notes

(1) Changes in significant subsidiaries during this period

: 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.

(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: Yes

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):	First Quarter Fiscal 2014:	349,671,876	Fiscal 2013:	349,671,876
ii. Number of treasury stock at end of period:	First Quarter Fiscal 2014:	1,787,363	Fiscal 2013:	1,782,644
iii. Average number of shares over period:	First Quarter Fiscal 2014:	347,892,060	First Quarter Fiscal 2013:	347,923,729

(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.

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the first quarter fiscal 2014 (April 1, 2014 - June 30, 2014) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
First Quarter Fiscal 2014	71,215	5,579	4,553	3,575
First Quarter Fiscal 2013	64,362	3,101	2,500	2,026
Rate of change (%)	10.6	79.9	82.1	76.5

Net sales

Consolidated net sales increased 10.6%, or ¥6.8 billion compared with the corresponding period of the previous year, to ¥71.2 billion. In addition to increased sales volumes of cement and caustic soda and selling price revisions of petrochemicals and caustic soda, this was attributable to strong sales of active pharmaceutical ingredients and other products.

Cost of sales

Cost of sales increased 7.4%, or ¥3.4 billion compared with the corresponding period of the previous year, to ¥50.1 billion, due chiefly to increased sales volume and a rise in raw material costs arising from domestic naphtha price hikes.

SG&A expenses

SG&A expenses increased 6.5%, or ¥0.9 billion compared with the corresponding period of the previous year, to ¥15.4 billion, due mainly to higher distribution costs resulting from increased sales volume.

Operating income

Operating income increased 79.9%, or ¥2.4 billion compared with the corresponding period of the previous year, to ¥5.5 billion, due chiefly to increased

sales volume and profitability improvement of petrochemicals.

Non-operating income/expenses, Ordinary income

Despite a decrease in costs of idle operations, non-operating income/expenses deteriorated by ¥0.4 billion compared with the corresponding period of the previous year, due chiefly to an increase in interest expenses and a change from foreign exchange gains recorded in the corresponding period of the previous year to foreign exchange losses.

As a result of the above, ordinary income increased 82.1%, or ¥2.0 billion compared with the corresponding period of the previous year, to ¥4.5 billion.

Extraordinary income/losses, Income before income taxes and minority interests, Income before minority interests, Net income

Extraordinary income/losses improved by ¥15 million compared with the corresponding period of the previous year.

As a result of the above, income before income taxes and minority interests increased 83.5%, or ¥2.0 billion compared with the corresponding period of the previous year, to ¥4.5 billion.

Income before minority interests increased 89.4%, or ¥1.7 billion compared with the corresponding period of the previous year, to ¥3.7 billion. After deducting minority interests, the Company recorded net income of ¥3.5 billion. Consequently, net income increased 76.5%, or ¥1.5 billion compared with 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				
First Quarter Fiscal 2014	22,694	11,149	19,396	14,019	12,853	80,114	(8,899)	71,215
First Quarter Fiscal 2013	21,125	10,297	17,311	12,586	11,174	72,495	(8,133)	64,362
Rate of change (%)	7.4	8.3	12.0	11.4	15.0	10.5	-	10.6

Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
First Quarter Fiscal 2014	1,278	992	1,477	1,192	1,567	6,508	(928)	5,579
First Quarter Fiscal 2013	362	542	1,331	732	858	3,827	(726)	3,101
Rate of change (%)	253.0	83.0	10.9	62.8	82.5	70.0	-	79.9

(Note) Sales and operating income in each segment include inter-segment transactions.

Chemicals

With regard to caustic soda, sales increased compared with the corresponding period of the previous year. In addition to steady domestic and overseas sales, this was attributable to our efforts to revise selling prices in order to absorb a rise in raw material prices.

With regard to vinyl chloride monomer (VCM), despite an increase in raw material costs arising from domestic naphtha price hikes, profitability improved owing to high export prices against the backdrop of stronger Asian market conditions.

With regard to polyvinyl chloride (PVC), sales were steady despite a slowdown in demand for some of its applications. We revised selling prices to absorb a rise in

raw material prices, and as a result, sales increased compared with the corresponding period of the previous year.

As a result of the above, segment net sales increased 7.4% compared with the corresponding period of the previous year, to ¥22.6 billion and operating income increased 253.0% to ¥1.2 billion. The segment reported higher earnings on higher sales.

Specialty Products

With regard to semiconductor-grade polycrystalline silicon, sales volume increased owing mainly to strong demand for mobile terminals including smartphones. On the other hand, with regard to solar cell-grade polycrystalline silicon, although the market was on the path of recovery against the backdrop of the growth in demand for solar panels, sales decreased compared with the corresponding period of the previous year. This was due to the fact that we decreased shipments in line with a sales strategy that focused on profits.

With regard to fumed silica, sales were steady, mainly of its application as a polishing material for semiconductors.

With regard to aluminum nitride, sales increased compared with the corresponding period of the previous year. This was attributable to an increase in sales volumes of such applications as heat dissipation materials used for power devices for industrial machinery and LEDs.

With regard to high-purity chemicals for electronics manufacturing, sales increased compared with the corresponding period of the previous year, owing to strong sales of such applications as semiconductor and liquid crystal production.

As a result of the above, segment net sales increased 8.3% compared with the corresponding period of the previous year, to ¥11.1 billion and operating

income increased 83.0% to ¥0.9 billion. The segment reported higher earnings on higher sales.

Cement

In the cement business, sales increased compared with the corresponding period of the previous year. This was attributable to steady cement and ready-mixed concrete sales against the backdrop of demand on a recovery path in Japan.

In the recycling and environment-related business, sales increased compared with the corresponding period of the previous year, because 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 12.0% compared with the corresponding period of the previous year, to ¥19.3 billion and operating income increased 10.9% to ¥1.4 billion. The segment reported higher earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients grew owing to increased sales volumes of generic drugs and other applications.

With regard to microporous film, sales of such applications as sanitary articles including disposable diapers were steady.

With regard to polyolefin film, we revised selling prices to absorb a rise in raw material prices, and as a result of this, sales increased compared with the corresponding period of the previous year.

With regard to gas sensors, sales increased compared with the corresponding period of the previous year. This was attributable to strong overseas sales of such applications as gas alarm devices and air cleaners.

With regard to medical diagnosis systems, profitability rose compared with the

corresponding period of the previous year. In addition to steady sales of products for blood testing, this was attributable to our cost reduction efforts.

As a result of the above, segment net sales increased 11.4% compared with the corresponding period of the previous year, to ¥14.0 billion and operating income increased 62.8% to ¥1.1 billion. The segment reported higher earnings on higher sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2014, total assets amounted to ¥580.4 billion, an increase of ¥4.1 billion compared with those as of March 31, 2014.

This was largely attributable to an increase in property, plant and equipment resulting mainly from construction of polycrystalline silicon manufacturing facilities in Malaysia.

Total liabilities amounted to ¥341.7 billion, an increase of ¥1.9 billion compared with those as of March 31, 2014.

Net assets totaled ¥238.6 billion, an increase of ¥2.2 billion compared with those as of March 31, 2014.

(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, announced on April 30, 2014. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast," dated July 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.

2. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheets

	Millions of yen	
	3/31/2014	6/30/2014
Assets		
Current assets		
Cash and deposits	27,605	34,649
Notes and accounts receivable - trade	67,495	63,505
Securities	43,050	41,050
Merchandise and finished goods	14,131	15,721
Work in process	9,896	10,110
Raw materials and supplies	17,878	16,860
Deferred tax assets	1,068	1,121
Other	10,635	10,644
Allowance for doubtful accounts	(138)	(139)
Total current assets	191,623	193,524
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,709	102,660
Accumulated depreciation	(71,685)	(72,129)
Buildings and structures, net	31,024	30,531
Machinery, equipment and vehicles	441,874	442,523
Accumulated depreciation	(392,062)	(394,047)
Machinery, equipment and vehicles, net	49,812	48,475
Tools, furniture and fixtures	23,002	22,969
Accumulated depreciation	(21,360)	(21,380)
Tools, furniture and fixtures, net	1,642	1,588
Land	32,667	32,630
Leased assets	2,156	2,300
Accumulated depreciation	(895)	(984)
Leased assets, net	1,261	1,315
Construction in progress	206,692	212,225
Total property, plant and equipment	323,100	326,767
Intangible assets		
Goodwill	3,608	3,245
Leased assets	29	27
Other	6,493	6,010
Total intangible assets	10,131	9,282
Investments and other assets		
Investment securities	33,334	35,647
Long-term loans receivable	3,473	3,464
Deferred tax assets	839	856
Net defined benefit asset	7,804	6,335
Other	6,264	4,952
Allowance for investment loss	(21)	(21)
Allowance for doubtful accounts	(233)	(348)
Total investments and other assets	51,460	50,886
Total non-current assets	384,692	386,937
Total assets	576,315	580,461

Millions of yen

3/31/2014 6/30/2014

	3/31/2014	6/30/2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,089	39,494
Short-term loans payable	12,347	11,628
Commercial papers	4,000	4,000
Current portion of long-term loans payable	8,811	9,346
Lease obligations	376	379
Income taxes payable	1,865	802
Deferred tax liabilities	1	0
Provision for bonuses	2,056	1,159
Provision for repairs	1,429	2,228
Provision for product warranties	132	75
Provision for restructuring	13	10
Other	28,173	28,703
Total current liabilities	99,297	97,829
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	164,278	167,061
Lease obligations	953	1,001
Deferred tax liabilities	7,338	8,267
Provision for directors' retirement benefits	207	200
Provision for repairs	2,747	2,934
Allowance for loss on compensation for building materials	842	765
Provision for environmental measures	131	119
Net defined benefit liability	1,112	1,117
Asset retirement obligations	5	5
Other	12,946	12,458
Total non-current liabilities	240,565	243,933
Total liabilities	339,862	341,762
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,670
Retained earnings	107,155	108,224
Treasury shares	(1,428)	(1,429)
Total shareholders' equity	216,856	217,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,369	10,074
Deferred gains or losses on hedges	749	746
Foreign currency translation adjustment	2,710	1,701
Remeasurements of defined benefit plans	982	1,011
Total accumulated other comprehensive income	12,811	13,533
Minority interests	6,785	7,242
Total net assets	236,453	238,698
Total liabilities and net assets	576,315	580,461

(2) Consolidated Quarterly Statements of Income

	Millions of yen	
	Q1 FY2013	Q1 FY2014
Net sales	64,362	71,215
Cost of sales	46,734	50,170
Gross profit	17,627	21,044
Selling, general and administrative expenses		
Selling expenses	8,527	9,006
General and administrative expenses	5,998	6,458
Total selling, general and administrative expenses	14,525	15,464
Operating income	3,101	5,579
Non-operating income		
Interest income	9	23
Dividend income	307	344
Share of profit of entities accounted for using equity method	131	215
Foreign exchange gains	289	—
Dividends income of group term insurance	181	209
Other	232	231
Total non-operating income	1,150	1,025
Non-operating expenses		
Interest expenses	639	1,157
Group Term Insurance Expenses	237	241
Other	874	652
Total non-operating expenses	1,752	2,051
Ordinary income	2,500	4,553
Extraordinary income		
Gain on sales of non-current assets	2	46
Gain on bargain purchase	—	5
Gain on sales of investment securities	88	—
Total extraordinary income	91	51
Extraordinary losses		
Impairment loss	—	32
Loss on disposal of non-current assets	36	27
Loss on sales of shares of subsidiaries and associates	78	—
Total extraordinary losses	114	59
Income before income taxes and minority interests	2,477	4,545
Income taxes	508	816
Income before minority interests	1,968	3,728
Minority interests in income (loss)	(57)	153
Net income	2,026	3,575

(3) Consolidated Quarterly Statements of Comprehensive Income

	Millions of yen	
	Q1 FY2013	Q1 FY2014
Income before minority interests	1,968	3,728
Other comprehensive income		
Valuation difference on available-for-sale securities	577	1,700
Deferred gains or losses on hedges	(872)	(3)
Foreign currency translation adjustment	1,130	(1,001)
Share of other comprehensive income of entities accounted for using equity	101	(62)
Remeasurements of defined benefit plans, net of tax	—	28
Total other comprehensive income	937	661
Comprehensive income	2,905	4,390
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,902	4,296
Comprehensive income attributable to minority interests	3	93

(4) Segment information

First Quarter Fiscal 2013 (April 1, 2013 – June 30, 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	20,869	8,037	17,268	12,177	6,008	64,362	-	64,362
Inter-segment sales/transfer	256	2,260	42	409	5,165	8,133	(8,133)	-
Total	21,125	10,297	17,311	12,586	11,174	72,495	(8,133)	64,362
Segment income	362	542	1,331	732	858	3,827	(726)	3,101

*1 The “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 allocable to a specific reportable segment.

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

2. Information on impairment loss of non-current assets or goodwill by reportable segment

(Significant change of the amount of goodwill)

In the Cement segment, the Company acquired shares of Holcim (Nouvelle Calédonie) S.A. so that it would become the Company’s subsidiary. (The subsidiary’s name was changed to Tokuyama Nouvelle Calédonie S.A. as of June 28, 2013.) During the first quarter fiscal 2013 (April 1, 2013 to June 30, 2013), the amount of increase in goodwill brought by the said event was ¥3,374 million.

First Quarter Fiscal 2014 (April 1, 2014 – June 30, 2014)

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	22,503	8,174	19,369	13,620	7,548	71,215	-	71,215
Inter-segment sales/transfer	191	2,975	27	398	5,305	8,899	(8,899)	-
Total	22,694	11,149	19,396	14,019	12,853	80,114	(8,899)	71,215
Segment income	1,278	992	1,477	1,192	1,567	6,508	(928)	5,579

*1 The “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 allocable to a specific reportable segment.

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

2. Information on changes in reportable segments

(Adoption of the accounting standard for retirement benefits)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued on May 17, 2012; hereinafter “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter “Retirement Benefits Implementation Guidance”), effective from this first quarter of fiscal 2014, the Company adopted the provisions specified under the main clause of Section 35 of Retirement Benefits Accounting Standard and the main clause of Section 67 of Retirement Benefits Implementation Guidance. Under the new accounting policy, the Company has revised a method for calculating retirement benefit obligations and service costs and changed the attribution method for estimated retirement benefits from a fixed amount standard to a payment calculation standard. At the same time, the Company has changed a method for determining the discount rate from using a discount rate based on the years similar to the average remaining service period of employees to using a single weighted average discount rate which reflects the projected retirement benefit payment period and an amount by projected payment period. The effect of this change on segment information was immaterial.