Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2008

November 11, 2008

Tokuyama Corporation **Stock exchange listings:** **Tokyo, Osaka**
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Scheduled date for the filing of the quarterly consolidated financial statements : November 14, 2008
Scheduled date of interim dividends payout : December 8, 2008

1. Consolidated results for fiscal second quarter ended September 30, 2008 (April 1, 2008 - September 30, 2008)

(1) Performance **(cumulative)** 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 [%]
Second Quarter Fiscal 2008	160,145	-	14,643	-	14,478	-
Second Quarter Fiscal 2007	150,225	6.0	18,173	20.2	16,631	22.0

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2008	8,860	-	32.31	-
Second Quarter Fiscal 2007	9,821	21.8	35.79	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2008	401,035	213,113	51.4	752.55
March 31, 2008	383,264	206,135	51.9	725.37

(Reference) Shareholders' equity: Sept. 30, 2008: 206,259 million yen Mar. 31, 2008: 199,010 million yen

2. Dividends

	Dividends per share				
(Period)	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2007, ended Mar 31, 2008	-	3.00	-	6.00	9.00
Fiscal 2008, ending Mar 31, 2009	-	3.00	-	-	-
Fiscal 2008 (Forecast)	-	-	-	3.00	6.00

Fiscal 2007 year-end dividends per share of 6 yen include commemorative dividends of 3 yen.
(Note) Revision of dividends forecast during this quarter: No

3. The consolidated performance forecast for Fiscal 2008 (April 1, 2008 - March 31, 2009)

(% indicates the rate of change over the previous fiscal year.)

	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 2008	331,000	7.7	30,000	(15.1)	28,500	(6.2)	17,500	(7.4)	63.85

(Note) Revision of consolidated performance forecast during this quarter: No

4. Other information

(1) Changes of significant subsidiaries in the scope of consolidation during this period

: No

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

: Yes

(Note) Please refer to “4. Other information” on page 5 for further details.

(3) Changes of accounting principles, procedures and presentation methods, etc. related to the preparation of the quarterly consolidated financial statements

i. Changes by revision of accounting standard: Yes

ii. Changes other than the above: Yes

(Note) Please refer to “4. Other information” on page 6 for further details.

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

i.	Number of shares issued at end of period (including treasury stock):	2nd Quarter Fiscal 2008:	275,671,876	Fiscal 2007:	275,671,876
ii.	Number of treasury stock at end of period:	2nd Quarter Fiscal 2008:	1,591,174	Fiscal 2007:	1,314,323
iii.	Average number of shares over period*:	2nd Quarter Fiscal 2008:	274,267,552	2nd Quarter Fiscal 2007:	274,389,657

*calculated for the term from the beginning of the fiscal year to the end of the 2nd quarter, Sept. 30

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

(1) 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.

(2) Effective from the current consolidated fiscal year, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and its Implementation Guidance, the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14).
The quarterly consolidated financial statements have been prepared in accordance with the “Regulation on Quarterly Consolidated Financial Reporting.”

[Qualitative information on consolidated financial statements]

1. Qualitative information on consolidated business results

In the Second Quarter Fiscal 2008 (from April 1, 2008 to September 30, 2008), we registered increase in net sales, while operating income fell compared with the corresponding period of the previous fiscal year.

Chemicals

Despite sales price revisions and cost reduction, the performance in this segment was unfavorable due to a negative impact of rising raw materials and fuel prices.

As a result of the above, this segment recorded sales of ¥62.3 billion, up 9.0% compared with the corresponding period of the previous fiscal year, and operating income of ¥1.3 billion, a decrease of 48.8% year on year. Sales rose, while operating income fell.

This segment accounted for 38.9% of total net sales.

Specialty Products

Sales of polycrystalline silicon remained brisk. In contrast, results of functional powders, high-purity chemicals for electronics manufacturing, etc. overall were adversely affected by the steep rise of raw materials and fuel prices.

A&T Corporation recorded unfavorable results, owing to weak sales of laboratory information systems etc.

As a result of the above, sales in this segment were ¥54.4 billion, an increase of 8.5% compared with the corresponding period of the previous fiscal year, and operating income was ¥15.4 billion, a decrease of 0.6% year on year. Sales rose, while operating income declined.

This segment net sales accounted for 34.0% of the Company’s total sales.

Cement, Building Materials and Others

In the cement business, Tokuyama revised sales prices in response to steeply rising prices of coal, other raw materials and fuel.

However, business conditions became harsh, because not only demand for public works has been following a gradual downward trend, but demand for private-sector capital investment and housing construction has fallen due to price hikes of building materials. In addition, increased depreciation, which resulted from a change in economic useful life of certain fixed assets in accordance with the revised Corporation Tax Law, had a negative impact on profitability of the business, with the result that the performance of this business was sluggish.

The recycling & environment business secured profit, as a result of, among others, an effort to lower costs.

In the building materials and others business, the Shanon group, which is developing plastic window sash business, endeavored to revise sales prices and lower costs in response to decreased demand and rising raw materials prices. However, the business performance was weak.

As a result of the above, this segment sales were ¥43.4 billion, an increase of 1.2% from the corresponding period of the previous fiscal year, and an operating loss was ¥130 million, a decrease of 107.9% year on year. Sales rose over the corresponding period of the previous fiscal year, although operating income dropped.

The segment's net sales accounted for 27.1% of Tokuyama's total sales.

2. Qualitative information on consolidated financial position

As of September 30, 2008, total assets amounted to ¥401.0 billion, an increase of ¥17.7 billion compared with those as of March 31, 2008. This was due primarily to an increase of ¥14.1 billion in tangible fixed assets.

Total liabilities amounted to ¥187.9 billion, an increase of ¥10.7 billion compared with those as of March 31, 2008. This mainly reflected an increase of ¥4.4 billion in trade notes and accounts.

Net assets totaled ¥213.1 billion, an increase of ¥6.9 billion compared with those as of March 31, 2008. The main contributory factor was, among others, an increase of ¥7.2 billion in retained earnings.

3. Qualitative information on consolidated performance forecast

In view of a worldwide economic recession and the impact of fluctuations in raw materials and fuel prices, we reviewed our performance forecast. As a result of this review, we have not revised the performance forecast for Fiscal 2008, which were made public on May 12, 2008.

4. Other information

(1) Changes of significant subsidiaries in the scope of consolidation during this period

Nothing to report

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

1) Simplified accounting methods

Reporting is omitted, as they are of little significance.

2) Accounting methods specific to the preparation of the quarterly consolidated financial statements

[Calculation of income tax expense]

With regard to income tax expense, based on a rational estimate of an effective tax rate after application of tax effect accounting on income before income taxes in the current consolidated fiscal year, the amount of the income tax expense was calculated by multiplying income before income taxes in this term (from Apr. 1, 2008 to Sept. 30, 2008) by the estimated effective tax rate.

The amount of income taxes–deferred is included in "income taxes (total)."

(3) Changes of accounting principles, procedures and presentation methods, etc. related to the preparation of the quarterly consolidated financial statements

1) Adoption of the accounting standard for quarterly financial reporting

Effective from the current consolidated fiscal year, the Company has adopted the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12, March 14, 2007) and its Implementation Guidance, the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No.14, March 14, 2007). The quarterly consolidated financial statements have been prepared in accordance with the "Regulation on Quarterly Consolidated Financial Reporting."

2) Change in valuation basis and valuation method for important assets

Previously the lower of cost method mainly based on the moving-average method was applied for valuing inventories held for sale in the ordinary course of business. However, effective from the first quarter of the current fiscal year, the "Accounting Standard for Valuation of Inventories" (ASBJ Statement No.9, July 5, 2006) has been applied. In accordance with this accounting standard the inventories stated above are valued by the cost method mainly based on the moving-average method (writing the book value of the inventories down based on profitability decrease).

This change had little effect on the Company's operating results.

3) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the first quarter of the current fiscal year, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006), and makes the necessary adjustments to the consolidated financial statements.

The application of this accounting treatment had little effect on the Company's operating results.

4) Application of accounting standards for lease transactions

With regard to finance lease transactions without ownership transfer, previously the same accounting treatment as is used for lease transactions was applied. However, the application of the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 (issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Council, revised on March 30, 2007)) and the "Guidance on Accounting Standard for Lease Transaction" (ASBJ Guidance No.16 (issued on January 18, 1994 by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, revised on March 30, 2007)) to quarterly financial reporting was permitted, effective from the consolidated fiscal year starting on and after April 1, 2008. In accordance with this change the Company adopted these accounting standards from the first quarter of the current fiscal year and changed the accounting treatment for the finance lease transactions without ownership transfer from the previous one to that applicable to usual trading transactions.

The leased assets are depreciated to the residual value of zero by the straight-line method, using the lease term as useful life.

The application of these accounting standards had little effect on the Company's operating results.

With regard to finance lease transactions without ownership transfer on which lease transactions occurred prior to the first fiscal year to which they are applied, the same accounting treatment as is used for usual lease transactions continues to be applied.

5) Change in an accounting treatment applied to labor cost of the Company's employees on loan to other companies

Previously, the Company's payment for labor cost of employees on loan to other companies was treated as non-operating expense. However, effective from the first quarter of the current fiscal year, the payment for labor cost of employees on loan to consolidated subsidiaries has been treated as "Cost of sales" or "Selling, general and administrative expenses," considering what the employees on loan are doing in the consolidated subsidiaries' business activities.

The Company has made this change in order to present the consolidated operating results more accurately, because the ratio of the payment for labor cost of employees on loan to consolidated subsidiaries to the Company's total labor cost has become more significant with the development of the Tokuyama Group companies home and abroad.

The impact of this change was to reduce operating income by ¥862 million in this term (from Apr. 1, 2008 to Sept. 30, 2008), compared with the previous treatment. This change had no effect on ordinary income and income before income taxes.

6) Change in an accounting treatment applied to allowance for repairs

Previously, all the allowances for repairs were recorded as current liabilities.

However, effective from the end of the first quarter of the current fiscal year, an allowance for repairs within one year from the start to completion is recorded as current liabilities, and an allowance for repairs more than one year from the start to completion is recorded as long-term liabilities.

This change was decided in order to present the Company's financial position more accurately, as facilities repairs based on long-term plans has become more significant as a result of aggressive capital investments.

For your reference, balance of an allowance for repairs, which was included in "accrued expenses" in current liabilities, was ¥2,783 million at the end of the previous fiscal year.

(Additional information)

[Change in useful life of tangible fixed assets]

Reviewing economic useful life in accordance with the revision of the Corporation Tax Law, effective from the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries have changed useful life of tangible fixed assets, mostly machine and equipment, in accordance with the revised Corporation Tax Law.

The impact of this change was to increase depreciation by ¥362 million compared with applying the previous useful life and to reduce operating income, ordinary income and income before income taxes by ¥328 million respectively in this term (from Apr. 1, 2008 to Sept. 30, 2008).

Segment information

Second Quarter Fiscal 2008 (cumulative, April 1, 2008 – September 30, 2008) (Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
Sales						
Sales to customers	62,324	54,408	43,411	160,145	—	160,145
Inter-segment sales/transfer	729	23	8,366	9,119	(9,119)	—
Total	63,053	54,432	51,778	169,265	(9,119)	160,145
Operating expenses	61,654	38,972	51,917	152,543	(7,041)	145,501
Operating income (loss)	1,399	15,460	(138)	16,721	(2,078)	14,643

Second Quarter Fiscal 2007 (cumulative, April 1, 2007 – September 30, 2007) (Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
Sales						
Sales to customers	57,168	50,158	42,898	150,225	—	150,225
Inter-segment sales/transfer	883	24	6,090	6,998	(6,998)	—
Total	58,051	50,183	48,988	157,223	(6,998)	150,225
Operating expenses	55,317	34,625	47,244	137,188	(5,136)	132,051
Operating income	2,734	15,557	1,743	20,035	(1,862)	18,173