

Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2010 (JPGAAP)

November 11, 2010

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 : November 15, 2010

Scheduled date of dividends payout:

December 6, 2010

Preparation of supplementary quarterly explanatory materials: Yes

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

1. Consolidated results for fiscal second quarter ended Sept. 30, 2010 (Apr. 1, 2010 – Sept. 30, 2010)

(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 [%]
Second Quarter Fiscal 2010	139,685	6.8	8,775	4.8	5,976	(14.8)
Second Quarter Fiscal 2009	130,799	(18.3)	8,369	(42.8)	7,013	(51.6)

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2010	2,924	(31.5)	8.40	-
Second Quarter Fiscal 2009	4,268	(51.8)	14.91	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Sept. 30, 2010	467,576	242,232	50.4	677.49
Mar. 31, 2010	452,893	243,606	52.4	682.03

(Reference) Shareholders' equity: Sept. 30, 2010: 235,749 million yen Mar. 31, 2010: 237,338 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter (yen)	2nd quarter (yen)	3rd quarter (yen)	Year-end (yen)	Total (yen)
Fiscal 2009, ended Mar 31, 2010	-	3.00	-	3.00	6.00
Fiscal 2010, ending Mar 31, 2011	-	3.00			
Fiscal 2010 (Forecast)			-	3.00	6.00

(Note) Revision of dividends forecast during this quarter: No

3. Consolidated performance forecast for Fiscal 2010 (April 1, 2010 - March 31, 2011)

(% 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 2010	286,000	4.7	17,500	6.2	14,000	(8.8)	7,500	0.6	21.55

(Note) Revision of consolidated performance forecast during this quarter: Yes

*The Company announced the news release, "Tokuyama Corporation Announces Difference between Estimates in Performance Forecast for First Half Fiscal 2010 and Actuals, and Revised Performance Forecast for Fiscal 2010," on November 11, 2010.

4. Other information

(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 simplified accounting methods and specific accounting methods

: Yes
 (Note) This item means application of simplified accounting methods and accounting methods specific to the preparation of the quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures, presentation methods, etc.

i. Changes by revision of accounting standards: Yes
 ii. Changes other than the above: No

(Note) This item means changes in accounting principles, procedures, presentation methods, etc., which are given in “Changes in significant matters which are bases of the preparation of the quarterly consolidated financial statements,” related to the preparation of the quarterly consolidated financial statements.

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

i.	Number of shares issued at end of period (including treasury stock):	Second Quarter Fiscal 2010:	349,671,876	Fiscal 2009:	349,671,876
ii.	Number of treasury stock at end of period:	Second Quarter Fiscal 2010:	1,695,292	Fiscal 2009:	1,685,474
iii.	Average number of shares over period:	Second Quarter Fiscal 2010:	347,980,913	Second Quarter Fiscal 2009:	286,342,628

(Note) Notice on the implementation of quarterly review procedures
 This summary of quarterly consolidated financial statements is not subject to quarterly review procedures. At the point of disclosure of this summary of quarterly consolidated financial statements, the quarterly financial statements review procedures in line with the Financial Instruments and Exchange Act have been implemented.

(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 results for this quarter

(1) Qualitative information on consolidated business results

Consolidated results for the second quarter Fiscal 2010 (April 1, 2010 - September 30, 2010) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Second Quarter Fiscal 2010	139,685	8,775	5,976	2,924
Second Quarter Fiscal 2009	130,799	8,369	7,013	4,268
Rate of change (%)	6.8	4.8	(14.8)	(31.5)

Net sales

Consolidated net sales increased 6.8%, or ¥8.8 billion compared with the corresponding period of the previous year, to ¥139.6 billion, owing to increased sales volume resulting from the economic recovery, the selling price revisions of some products including petrochemicals, and other factors.

Cost of sales

Cost of sales increased 8.8%, or ¥8.1 billion compared with the corresponding period of the previous year, to ¥101.1 billion, due to increased sales volume, a rise in prices of ethylene and propylene which are main raw materials for the Company's operations, and other factors.

SG&A expenses

SG&A expenses increased 1.0%, or ¥0.2 billion compared with the corresponding period of the previous year, to ¥29.8 billion, due to an increase in physical distribution costs as a result of increased sales volume, increased R&D expenses, and other factors.

Operating income

Operating income increased 4.8%, or ¥0.4 billion compared with the

corresponding period of the previous year, to ¥8.7 billion, due chiefly to decreased depreciation expenses and the higher rate of operation as well as increased sales volume and the selling price revisions of some products.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses worsened by ¥1.4 billion compared with the corresponding period of the previous year due to, among others, a foreign exchange loss. Ordinary income decreased 14.8%, or ¥1.0 billion compared with the corresponding period of the previous year, to ¥5.9 billion, due to the above-mentioned factor etc.

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

Extraordinary gains/losses worsened by ¥1.7 billion compared with the corresponding period of the previous year due to, among others, a provision for loss on compensation for products and a loss from closing a subsidiary.

As a result of the above, income before income taxes decreased 40.1%, or ¥2.7 billion compared with the corresponding period of the previous year, to ¥4.1 billion.

After deducting income taxes etc. calculated in an appropriate way, the Company recorded income before minority interests of ¥3.3 billion. After adjusting minority interests, the Company posted net income of ¥2.9 billion, down 31.5%, or ¥1.3 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	Advanced Components				
Second Quarter Fiscal 2010	38,779	46,233	30,316	21,485	20,735	157,550	(17,865)	139,685
Second Quarter Fiscal 2009	34,844	42,119	30,209	21,019	16,981	145,174	(14,374)	130,799
Rate of change (%)	11.3	9.8	0.4	2.2	22.1	8.5	-	6.8

Operating income/loss

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Advanced Components				
Second Quarter Fiscal 2010	1,265	7,312	623	1,128	1,219	11,549	(2,774)	8,775
Second Quarter Fiscal 2009	967	8,431	(12)	630	870	10,886	(2,517)	8,369
Rate of change (%)	30.8	(13.3)	-	78.9	40.1	6.1	-	4.8

※Sales and operating income/loss in each segment include inter-segment transaction.

※Sales and operating income/loss for the second quarter Fiscal 2009 (April 1, 2009 – September 30, 2009) are reclassified based on the new segments.

Chemicals

Sales increased substantially, due to selling price revisions that were made at the beginning of the year as well as increased sales volume of petrochemicals including vinyl chloride resin and PO (propylene oxide) backed by a recovery in demand mainly in the automobile and electronics industries. With regard to profit, despite rising raw material and fuel prices as well as a fall in caustic soda selling prices caused by the worsening of supply-demand balance, operating income increased compared with the corresponding period of the previous year, due to the abovementioned effects.

As a result of the above, this segment recorded sales of ¥38.7 billion, up 11.3%

compared with the corresponding period of the previous year, and operating income of ¥1.2 billion, a 30.8% year-on-year increase. Both sales and operating income improved.

Specialty Products

Sales of polycrystalline silicon increased due to an increase in shipment volume backed by growing demand for solar cells. However, operating income decreased due mainly to a fall in the selling prices and the negative impact of the stronger yen.

Fumed silica sales increased due chiefly to strong shipments of its application in polishing material used for CMP for liquid crystals and semiconductors, with the result that operating income improved.

The aluminum nitride business posted higher operating income on higher sales, as its shipment remained strong owing chiefly to a recovery in the semiconductor market.

Most of the other products in this segment posted sales increases due to a recovery in their sales volume backed by a recovery in demand in the semiconductor and liquid crystal industries.

As a result of the above, sales in the segment were ¥46.2 billion, an increase of 9.8% compared with the corresponding period of the previous year, while operating income was ¥7.3 billion, a 13.3% year-on-year decrease. The segment reported lower operating income on higher sales.

Cement

Domestic sales volume of cement decreased, as government demand for cement continued to decline, and private demand was slow to recover. On top of that, waste handling volume also decreased as a result of decreased cement

production. Despite these negative factors, the Cement segment recorded about the same level of sales as those of the corresponding period of the previous year, as one subsidiary was newly consolidated in the third quarter of the previous fiscal year. Under such a severe business environment, the segment implemented structural reform of its cement operations and made streamlining efforts.

As a result of the above, the segment sales were ¥30.3 billion, an increase of 0.4% from the corresponding period of the previous year, and operating income was ¥0.6 billion. Both sales and operating income increased over the corresponding period of the previous year.

Advanced Components

Figaro Engineering Inc. posted an increase in sales owing mainly to increased volume of shipment for the North America market. Sun-Tox Co., Ltd. registered higher sales due to increased sales volume of film for industrial use and other types of film as well as selling price revisions. On the other hand, sales of Excel Shanon Corporation decreased owing to soft sales, and sales of Tokuyama Dental Corporation also declined owing to fiercer competition in the home market.

With regard to profit, the segment posted a jump in operating income due to rationalization effects in the segment's companies as well as Figaro Engineering's profit increase.

As a result of the above, the segment recorded sales of ¥21.4 billion, up 2.2% compared with the corresponding period of the previous year, and operating income of ¥1.1 billion, a 78.9% year-on-year increase. Both sales and operating income increased.

(2) Qualitative information on consolidated financial position

(Status of assets, liabilities and net assets)

As of September 30, 2010, total assets amounted to ¥467.5 billion, an increase of ¥14.6 billion compared with those as of March 31, 2010. This was primarily due to a decrease of ¥58.6 billion in cash in hand and deposits at bank, an increase of ¥43.8 billion in others in investments and other assets, and an increase of ¥23.6 billion in others in current assets.

Total liabilities amounted to ¥225.3 billion, an increase of ¥16.0 billion compared with those as of March 31, 2010. This mainly reflected an increase of ¥20.0 billion in corporate bond.

Net assets totaled ¥242.2 billion, a decrease of ¥1.3 billion compared with those as of March 31, 2010.

(3) Qualitative information on consolidated performance forecast

Based on the current performance trend, the Company has revised the performance forecast for the First Half Fiscal 2010 (April 1, 2010 to September 30, 2010) and Fiscal 2010 (Full year, April 1, 2010 to March 31, 2011), announced on August 2, 2010. For further details, see the Company's news release, "Tokuyama Corporation Announces Difference between Estimates in Performance Forecast for First Half Fiscal 2010 and Actuals, and Revised Performance Forecast for Fiscal 2010," released on November 11, 2010.

The performance forecast contained in this material 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

Second Quarter Fiscal 2009 (cumulative, April 1, 2009 – September 30, 2009)

(Millions of yen)

	Chemicals	Specialty products	Cement, building materials and others	Total	Corporate or elimination	Consolidated
Sales						
Sales to customers	45,423	50,471	34,904	130,799	—	130,799
Inter-segment sales/transfer	616	22	7,334	7,973	(7,973)	—
Total	46,040	50,493	42,239	138,773	(7,973)	130,799
Operating income (loss)	2,459	8,629	(593)	10,495	(2,126)	8,369

(Supplementary information)

Effective from the first quarter Fiscal 2010, the Company Group has adopted an “Accounting Standard – ASBJ Statement No.17 Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (issued on March 27, 2009) and its “Implementation Guidance – ASBJ Guidance No. 20 Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (issued on March 21, 2008).

1. Summary of reportable segments

The Company Group is composed of segments by product group based on business divisions and the Independent Business Management Div., and has four reportable segments, “Chemicals,” “Specialty Products,” “Cement,” and “Advanced Components.”

Main products etc. of each reportable segment are as follows:

Reportable segment	Main products etc.
Chemicals	Caustic soda, soda ash, calcium chloride, layered sodium disilicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol, methylene chloride
Specialty Products	Polycrystalline silicon, fumed silica, precipitated silica, aluminum nitride, pharmaceutical ingredients and intermediates, plastic lens related materials for glasses, metal washing solvents, high-purity chemicals for electronics manufacturing, environment-related equipment, microporous film
Cement	Ordinary Portland cement, high early-strength Portland cement, Portland blast-furnace slag cement, ready-mixed concrete, cement-type stabilizer, waste treatment
Advanced Components	Biaxial-oriented polypropylene film, co-extrusion multi-layer film, cast polypropylene film, plastic window sashes, clinical analyzers and systems, dental materials and equipment, gas sensors, ion exchange membranes

2. Information on sales and income/loss by reportable segment

Second Quarter Fiscal 2010 (cumulative, April 1, 2010 – September 30, 2010)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Advanced Components				
Sales								
Sales to customers	38,317	39,453	30,096	21,086	10,731	139,685	-	139,685
Inter-segment sales/transfer	461	6,780	220	399	10,003	17,865	(17,865)	-
Total	38,779	46,233	30,316	21,485	20,735	157,550	(17,865)	139,685
Segment income	1,265	7,312	623	1,128	1,219	11,549	(2,774)	8,775

*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 Adjustment includes basic R&D expenses not related to each reportable segment and other expenses.

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