

Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2011 (JPGAAP)

November 10, 2011

Tokuyama Corporation

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

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Stock exchange listings:

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Scheduled date for the filing of the quarterly consolidated financial statements : November 14, 2011

Scheduled date of dividends payout : December 5, 2011

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, 2011 (Apr. 1, 2011 – Sept. 30, 2011)

(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 2011	141,912	1.6	8,194	(6.6)	5,603	(6.2)
Second Quarter Fiscal 2010	139,685	6.8	8,775	4.8	5,976	(14.8)

(Note) Comprehensive income: 2nd Quarter FY11: 2,553 million yen [-%] 2nd Quarter FY10: (172) million yen [-%]

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2011	2,709	(7.3)	7.79	-
Second Quarter Fiscal 2010	2,924	(31.5)	8.40	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Sept. 30, 2011	494,647	249,085	49.0	696.51
Mar. 31, 2011	474,708	247,656	50.8	693.18

(Reference) Shareholders' equity: Sept. 30, 2011: 242,351 million yen Mar. 31, 2011: 241,196 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2010, ended Mar 31, 2011	(yen) -	(yen) 3.00	(yen) -	(yen) 3.00	(yen) 6.00
Fiscal 2011, ending Mar 31, 2012	-	3.00			
Fiscal 2011 (Forecast)			-	3.00	6.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for Fiscal 2011 (April 1, 2011 - March 31, 2012)

(% 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 2011	292,500	0.9	16,000	(20.6)	12,000	(30.8)	7,500	(23.2)	21.55

(Note) Revision of the latest consolidated performance forecast: No

*The Company announced the news release, "Tokuyama Corporation Announces Revised Performance Forecast," on November 4, 2011.

4. Other information

(1) Changes in significant subsidiaries during this period (Apr. 1, 2011 – Sept. 30, 2011)

: No

(Note) This item means changes in significant subsidiaries with changes in the scope of consolidation during this period (Apr. 1, 2011 – Sept. 30, 2011).

(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):	Second Quarter Fiscal 2011:	349,671,876	Fiscal 2010:	349,671,876
ii. Number of treasury stock at end of period:	Second Quarter Fiscal 2011:	1,722,325	Fiscal 2010:	1,716,789
iii. Average number of shares over period:	Second Quarter Fiscal 2011:	347,951,964	Second Quarter Fiscal 2010:	347,980,913

(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 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 quarterly results

(1) Qualitative information on consolidated business results

Consolidated results for the second quarter Fiscal 2011 (accumulated figures, April 1, 2011 - September 30, 2011) are summarized as follows:

(Unit: Billions of yen)

	Net sales	Operating income	Ordinary income	Net income
Second Quarter Fiscal 2011	141.9	8.1	5.6	2.7
Second Quarter Fiscal 2010	139.6	8.7	5.9	2.9
Rate of change (%)	1.6	(6.6)	(6.2)	(7.3)

Net sales

Consolidated net sales increased 1.6%, or ¥2.2 billion compared with the corresponding period of the previous year, to ¥141.9 billion, owing chiefly to increased sales volume of some products, such as caustic soda and vinyl chloride resin, and the selling price revisions of petrochemicals and other products.

Cost of sales

Despite a decrease in depreciation expenses of polycrystalline silicon manufacturing facilities, cost of sales increased 0.1%, or ¥0.1 billion compared with the corresponding period of the previous year, to ¥101.2 billion, due chiefly to a rise in prices of ethylene and propylene which are main raw materials for the Company's petrochemicals.

SG&A expenses

SG&A expenses increased 9.0%, or ¥2.6 billion compared with the corresponding period of the previous year, to ¥32.4 billion, due mainly to an increase in depreciation expenses arising from the start of operation of new mission-critical systems.

Operating income

Despite increased sales volume and selling price revisions of some products, operating income decreased 6.6%, or ¥0.5 billion compared with the corresponding period of the previous year, to ¥8.1 billion, due chiefly to increased depreciation expenses arising from the start of operation of new mission-critical systems.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses improved by ¥0.2 billion compared with the corresponding period of the previous year owing to, among others, a decrease in a foreign exchange loss. As the decrease in operating income was offset by this positive impact, ordinary income decreased no more than ¥0.3 billion (down 6.2%) compared with the corresponding period of the previous year, to ¥5.6 billion.

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

Extraordinary gains/losses improved by ¥1.3 billion compared with the corresponding period of the previous year, owing chiefly to a decrease in a loss from closing a subsidiary.

As a result of the above, income before income taxes increased 24.6%, or ¥1.0 billion compared with the corresponding period of the previous year, to ¥5.1 billion.

After recording income taxes calculated in an appropriate way, income before minority interests was ¥3.0 billion, down 8.0%, or ¥0.2 billion compared with the corresponding period of the previous year. After deducting minority interests, the Company recorded net income of ¥2.7 billion, down 7.3%, or ¥0.2 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 2011	42,776	42,575	31,589	21,969	20,798	159,708	(17,795)	141,912
Second Quarter Fiscal 2010	38,779	46,233	30,316	21,485	20,735	157,550	(17,865)	139,685
Rate of change (%)	10.3	(7.9)	4.2	2.2	0.3	1.4	-	1.6

Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Advanced Components				
Second Quarter Fiscal 2011	871	6,943	1,010	1,141	871	10,838	(2,643)	8,194
Second Quarter Fiscal 2010	1,265	7,312	623	1,128	1,219	11,549	(2,774)	8,775
Rate of change (%)	(31.1)	(5.1)	62.0	1.2	(28.5)	(6.2)	-	(6.6)

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

Chemicals

Sales increased, owing mainly to the selling price revision effect of petrochemicals, such as vinyl chloride resin and PO (propylene oxide), and an increase in sales volume of caustic soda, vinyl chloride resin and other products as a result of the temporary suspension of the competition's operations caused by the Great East Japan Earthquake.

With regard to profit, despite the aforementioned positive factors, operating income decreased compared with the corresponding period of the previous year., due to lower profits of soda ash and caustic soda in the domestic market caused by higher prices of raw materials and fuel; a decline in vinyl chloride monomer export profitability arising from the strong yen; and other factors.

As a result of the above, this segment recorded sales of ¥42.7 billion, up 10.3% compared with the corresponding period of the previous year, and operating income of ¥0.8 billion, a decrease of 31.1% year on year. The segment reported lower operating income on higher sales.

Specialty Products

Polycrystalline silicon sales declined due to the negative impact of the strong yen as well as a decrease in sales volume in the first quarter (Apr. 1, 2011 to Jun. 30, 2011) that arose mainly from the Great East Japan Earthquake. In the second quarter (Jul. 1, 2011 to Sept. 30, 2011), however, sales volume recovered. On the other hand, with regard to profit, despite higher raw material and fuel prices as well as the aforementioned factors, operating income increased owing mainly to a decrease in depreciation expenses of manufacturing facilities that began operations in fiscal 2009.

Both sales and operating income of pharmaceutical ingredients increased owing chiefly to strong sales of those used for generic drugs.

Fumed silica sales declined due mainly to the negative impact of the Great East Japan Earthquake, decreased sales volume of its application to polishing material used for CMP for semiconductors, and the negative impact of the strong yen.

Both sales and operating income of aluminum nitride declined, due to decreased sales volume caused by a slowdown in the semiconductor market.

Operating income of other products, including high-purity chemicals for electronics manufacturing, in general declined due mainly to higher raw material and fuel prices and the negative impact of the strong yen.

As a result of the above, sales in this segment were ¥42.5 billion, a decrease of 7.9% compared with the corresponding period of the previous year, and operating income was ¥6.9 billion, a decrease of 5.1% year on year. The

segment reported lower operating income on lower sales.

Cement

Cement sales volume increased, backed by a slight increase in domestic demand. In addition, the Company accepted a larger volume of wastes used as alternative raw materials and fuel for cement production as a result of its increased cement production volume. Owing to these factors, the segment recorded higher sales than those of the corresponding period of the previous year.

With regard to profit, despite higher prices of raw materials and fuel including coal, the segment recorded increased operating income, as it not only has been implementing the structural reform of its cement operations since last fiscal year but also revised selling prices.

As a result of the above, this segment sales were ¥31.5 billion, an increase of 4.2% from the corresponding period of the previous year, and operating income was ¥1.0 billion, a 62.0% year-on-year increase.

Both sales and operating income increased over the corresponding period of the previous year.

Advanced Components

Although gas sensor sales at Figaro Engineering Inc. decreased due to the Great East Japan Earthquake and the strong yen and Excel Shanon Corporation reported soft sales due to repair and replacement work arising from the plastic window sash (fireproof and fire-resistant grade) problem, the segment's sales increased mainly on increased sales of ASTOM Corporation.

With regard to profit, the segment reported higher operating income owing mainly to the positive impact of ASTOM Corporation's increased sales mentioned above and Tokuyama Dental Corporation's new product

introductions.

As a result of the above, this segment recorded sales of ¥21.9 billion, up 2.2% compared with the corresponding period of the previous year, and operating income of ¥1.1 billion, an increase of 1.2% year on year. Both sales and operating income increased.

(2) Qualitative information on consolidated financial position

(Status of assets, liabilities and net assets)

As of September 30, 2011, total assets amounted to ¥494.6 billion, an increase of ¥19.9 billion compared with those as of March 31, 2011. This was primarily due to an increase of ¥25.6 billion in others in property, plant and equipment (net amount), an increase of ¥15.9 billion in cash in hand and deposits at bank, and a decrease of ¥15.2 billion in others in investments and other assets.

Total liabilities amounted to ¥245.5 billion, an increase of ¥18.5 billion compared with those as of March 31, 2011. This mainly reflected an increase of ¥19.9 billion in corporate bonds.

Net assets totaled ¥249.0 billion, an increase of ¥1.4 billion compared with those as of March 31, 2011.

(Cash flows)

As of September 30, 2011, cash and cash equivalents were ¥91.5 billion, an increase of ¥22.8 billion compared with those as of March 31, 2011.

Net cash provided by operating activities totaled ¥12.0 billion during this period (Apr. 1, 2011 – Sept. 30, 2011) (¥21.0 billion in the corresponding period of the previous fiscal year).

Principal items included depreciation expenses of ¥13.5 billion (¥15.2 billion in

the corresponding period of the previous fiscal year), a ¥5.1 billion increase in proceeds arising from a decrease in trade receivables (a ¥6.6 billion increase in proceeds in the corresponding period of the previous fiscal year), a ¥4.8 billion increase in payments arising from a decrease in provision for loss on compensation for products (a ¥2.1 billion increase in payments in the corresponding period of the previous fiscal year), and a ¥4.7 billion increase in payments arising from an increase in inventories (a ¥1.0 billion decrease in payments in the corresponding period of the previous fiscal year).

Net cash used in investing activities totaled ¥12.0 billion during this period (Apr. 1, 2011 – Sept. 30, 2011) (¥80.2 billion in the corresponding period of the previous fiscal year).

This mainly included payments for purchases of property, plant and equipment of ¥11.5 billion (¥12.6 billion in the corresponding period of the previous fiscal year). With regard to the corresponding period of the previous fiscal year, a major contributory factor was payments for purchases of money held in trust of ¥67.6 billion.

Net cash provided by financing activities amounted to ¥22.8 billion during this period (Apr. 1, 2011 – Sept. 30, 2011) (¥17.7 billion in the corresponding period of the previous fiscal year).

This was primarily attributed to proceeds from the issue of corporate bonds of ¥20.0 billion (¥20.0 billion in the corresponding period of the previous fiscal year), proceeds from long-term debt of ¥10.2 billion (¥1.4 billion in the corresponding period of the previous fiscal year), and payments for redemption of corporate bonds of ¥5.0 billion.

(3) Qualitative information on consolidated performance forecast

Based on the current performance trend, the Company has revised the performance forecast for Fiscal 2011 (Full year, April 1, 2011 to March 31, 2012), announced on May 12, 2011. For further details, see the Company's news release, "Tokuyama Corporation Announces Revised Performance Forecast," released on November 4, 2011.

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 2010 (accumulated figures, April 1, 2010 – September 30, 2010)

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	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.

Second Quarter Fiscal 2011 (accumulated figures, April 1, 2011 – September 30, 2011)

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	Advanced Components				
Sales								
Sales to customers	42,312	36,134	31,440	21,529	10,496	141,912	-	141,912
Inter-segment sales/transfer	464	6,440	149	439	10,301	17,795	(17,795)	-
Total	42,776	42,575	31,589	21,969	20,798	159,708	(17,795)	141,912
Segment income	871	6,943	1,010	1,141	871	10,838	(2,643)	8,194

*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.