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# **Fiscal 2005**

## **Presentation for IR Meeting**

### **(Extract)**

**Tokuyama Corporation**

**May 15, 2006**



# Financial Highlights

(Billions of Yen)

	Fiscal 2005		Fiscal 2004		Changes			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
<b>【Profit and Loss】</b>						%		%
Net sales	263.3	171.1	237.5	155.4	+ 25.8	+10	+ 15.7	+10
Operating income	24.3	17.0	18.1	10.2	+ 6.1	+33	+ 6.7	+65
Ordinary income	21.4	16.1	15.3	8.6	+ 6.1	+40	+ 7.4	+86
Net income	13.9	10.7	11.0	7.6	+ 2.9	+26	+ 3.1	+41
<b>【Financial Position】</b>								
Total assets	361.1	306.8	308.9	258.3	+ 52.1		+ 48.5	
Shareholders' equity	179.0	166.0	134.3	125.3	+ 44.6		+ 40.7	
Equity ratio	49.6%	54.1%	43.5%	48.5%	+6.1%		+5.6%	

[Issue of new shares +21.3 billion, Unrealized gains on available-for-sale securities +17.7 billion]



# Fiscal 2005 Highlights

- ◆ The sharp rise in raw material & fuel prices was offset by price revisions in chemicals & cement, etc
- ◆ The price adjustment in polycrystalline silicon contributed greatly to the increase in operating income.

**Net Sales : Non-consolidated +¥15.7 billion, Consolidated +¥25.8 billion**

- ◆ Non-consolidated : mainly increases in Net Sales by the price factor

Polycrystalline silicon, Caustic soda, PO, Cement

- ◆ Consolidated :

(Quantitative factors) Kansai Tokuyama trading Co., Ltd. (newly consolidated), Shanon Co., Ltd.,  
Ready mixed concrete subsidiaries

(Price factors) Shin Dai-ichi Vinyl Corporation (PVC), Sun · Tox Co.,Ltd. (OPP film)

**Cost of Sales : Non-consolidated +¥7.8 billion, Consolidated +¥12.5 billion**

- ◆ The cost increases by the steep rises in raw materials and fuels prices
- ◆ Change for treating costs of 2 group companies

\* In case treatment of costs was changed in the previous fiscal year : +¥ 17.5 billion (Consolidated cost of sales)



# Factors Affecting Chemicals Segment

(Billions of Yen)

	Net sales			Operating income		
	Fiscal 2005	Fiscal 2004	Change	Fiscal 2005	Fiscal 2004	Change
<b>Tokuyama</b>	<b>74.8</b>	<b>69.6</b>	<b>+ 5.1</b>	<b>3.9</b>	<b>4.3</b>	<b>▲ 0.4</b>
<b>Subsidiaries</b>	<b>27.8</b>	<b>26.0</b>	<b>+ 1.7</b>	<b>3.7</b>	<b>4.1</b>	<b>▲ 0.4</b>
<b>Total</b>	<b>102.6</b>	<b>95.7</b>	<b>+ 6.8</b>	<b>7.6</b>	<b>8.5</b>	<b>▲ 0.8</b>

	Factors impacting Net Sales	Factors impacting Operating Income
<b>Tokuyama</b>	<p><b>Chlor-Alkali</b> Increases in sales due to sales price revisions of Caustic soda, Propylene Oxide, etc</p> <p><b>NOC</b> Increase in sales due to sales price revisions of IPA</p> <p><b>Vinyl chloride monomer (VCM)</b> Increase in sales due to sales price revisions to Shin Dai-ichi Vinyl Corp.</p>	<p><b>Soda ash, Calcium chloride, Chlor-Alkali, NOC</b> On a par with the previous fiscal year, offsetting a steep rise in raw materials &amp; fuels prices by adjusting prices</p> <p><b>Vinyl chloride monomer (VCM)</b> Decrease in operating income due to the rise in raw materials and fuels costs</p>
<b>Tokuyama Group</b>	<p><b>Shin Dai-ichi Vinyl Corp. (PVC)</b> Increase in sales due to sales price revisions</p> <p><b>Sun Tox Co.,Ltd.</b> Increase in sales due to sales price revisions and increased sales volume</p>	<p><b>Shin Dai-ichi Vinyl Corp. (PVC)</b> Decrease in operating income, not offsetting higher raw materials prices by adjusting prices</p> <p><b>Sun Tox Co.,Ltd.</b> Improvement in operating income by adjusting the price and promoting efficiency of production</p>



# Factors Affecting Specialty Products Segment

(Billions of Yen)

	Net sales			Operating income		
	Fiscal 2005	Fiscal 2004	Change	Fiscal 2005	Fiscal 2004	Change
<b>Tokuyama</b>	<b>54.7</b>	<b>45.8</b>	<b>+ 8.8</b>	<b>14.0</b>	<b>6.9</b>	<b>+ 7.0</b>
<b>Subsidiaries</b>	<b>21.9</b>	<b>21.2</b>	<b>+ 0.7</b>	<b>2.0</b>	<b>2.2</b>	<b>▲ 0.2</b>
<b>Total</b>	<b>76.7</b>	<b>67.1</b>	<b>+ 9.5</b>	<b>16.1</b>	<b>9.2</b>	<b>+ 6.8</b>

	Factors impacting Net Sales	Factors impacting Operating Income
<b>Tokuyama</b>	<p><b>【 Si business 】</b>  <b>Electronics materials</b> Robust sales of polycrystalline silicon, contribution from price adjustment  <b>Silica and derivatives</b> Steady sales of fumed silica</p> <p><b>【Advanced materials business 】</b>  <b>IC Chemicals</b> Increase in sales of high purity chemicals for semiconductors and liquid crystal  <b>Shapal (Aluminum nitride)</b> A recovery of sales in the latter half of the fiscal year</p>	<p><b>【 Si business 】</b>  <b>Electronics materials</b> Increase in operating income due to price adjustment  <b>Silica and derivatives</b> Fumed silica was in a slump due to an increase in depreciation cost. So was Precipitated silica due to a hike in raw materials costs, etc.</p> <p><b>【Advanced materials business 】</b>  <b>IC Chemicals</b> Decrease in operating income due to steep price increases for raw materials and an increase in depreciation cost  <b>Shapal (Aluminum nitride)</b> Increase in operating income due to a recovery of sales</p>
<b>Tokuyama Group</b>	<p><b>Taiwan Tokuyama Corp.</b> Increase in sales of high purity chemicals for semiconductors and liquid crystal  <b>Tokuyama Siam Silica Co., Ltd.</b> Sales increase due to alliance with Oriental Silicas Corp.  <b>Eurodia Industrie S.A.</b> Decrease in sales due to discontinuance of the big project  <b>Figaro Engineering Inc.</b> Decreased sales because last year's special procurements were over</p>	<p><b>Taiwan Tokuyama Corp.</b> Increase in operating income due to sales increase and cost reduction  <b>Eurodia Industrie S.A., A&amp;T Corp.</b> Decrease in operating income due to decreased sales and a rise in selling expenses</p>



# Factors Affecting Cement, Building Materials and Others Segment

(Billions of Yen)

	Net sales			Operating income		
	Fiscal 2005	Fiscal 2004	Change	Fiscal 2005	Fiscal 2004	Change
<b>Tokuyama</b>	<b>41.6</b>	<b>39.8</b>	<b>+ 1.8</b>	<b>2.0</b>	<b>1.8</b>	<b>+ 0.1</b>
<b>Subsidiaries</b>	<b>42.3</b>	<b>34.7</b>	<b>+ 7.5</b>	<b>1.4</b>	<b>1.4</b>	<b>+ 0.0</b>
<b>Total</b>	<b>84.0</b>	<b>74.6</b>	<b>+ 9.3</b>	<b>3.4</b>	<b>3.2</b>	<b>+ 0.2</b>

	Factors impacting Net Sales	Factors impacting Operating Income
<b>Tokuyama</b>	<p><b>Cement</b> Increase in sales due to price adjustments and increased cement-type stabilizer</p> <p><b>Environmental resources business</b> Increase in sales due to a larger amount of disposal</p>	<p><b>Cement</b> Decrease in operating income, not making the sufficient price correction to offset the rise in coal price</p> <p><b>Environmental resources business</b> Increase in operating income due to a larger amount of disposal</p>
<b>Tokuyama Group</b>	<p><b>Cement and others sales subsidiaries</b> Increase in sales due to the new consolidation of Kansai Tokuyama Trading, a recovery of cement sales, and so forth</p> <p><b>Ready Mixed Concrete companies</b> Increase in sales due to a recovery of sales volume</p> <p><b>Shanon Co., Ltd.</b> Increase in sales due to increased sales of plastic window sashes</p>	<p><b>Ready Mixed Concrete companies</b> Improvement in operating income due to a recovery of sales volume, rationalization, etc.</p> <p><b>Shanon Co., Ltd.</b> Decrease in operating income because of sales price lowering, the sharp rise in raw materials prices, and the increased selling expenses</p>



# Net Sales/Operating income by Business Segment

( Billions of Yen )

	Fiscal 2005		Fiscal 2004		Changes			
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	%	Operating income	%
<b>Chemicals</b>	102.6	7.6	95.7	8.5	+ 6.8	+ 7	▲ 0.8	▲ 10
Tokuyama	74.8	3.9	69.6	4.3	+ 5.1	-	▲ 0.4	-
Tokuyama Group (including consolidation adjustment)	27.8	3.7	26.0	4.1	+ 1.7	-	▲ 0.4	-
<b>Specialty Products</b>	76.7	16.1	67.1	9.2	+ 9.5	+14	+ 6.8	+74
Tokuyama	54.7	14.0	45.8	6.9	+ 8.8	-	+ 7.0	-
Tokuyama Group (including consolidation adjustment)	21.9	2.0	21.2	2.2	+ 0.7	-	▲ 0.2	-
<b>Cement, Building Materials and Others</b>	84.0	3.4	74.6	3.2	+ 9.3	+12	+ 0.2	+ 7
Tokuyama	41.6	2.0	39.8	1.8	+ 1.8	-	+ 0.1	-
Tokuyama Group (including consolidation adjustment)	42.3	1.4	34.7	1.4	+ 7.5	-	+ 0.0	-
<b>Total</b>	263.3	27.2	237.5	21.0	+25.8	-	+ 6.2	-
Inter-segment eliminations and corporate	-	▲ 2.9	-	▲ 2.8	-	-	▲ 0.1	-
<b>Consolidated results</b>	263.3	24.3	237.5	18.1	+25.8	+10	+ 6.1	+33



## The assumptions of performance forecasts for Fiscal 2006

		06/ First half	06/ Latter half
<b>Domestic naphtha price</b> (¥/KL)		52,700	50,800
<b>Exchange rate</b> (¥/\$)	<b>imports</b>	120	115
	<b>exports</b>	115	110



# Net Sales/Operating income by Business Segment (Full year comparison )

( Billions of Yen )

	2006 Estimate		2005 Results		Changes			
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	%	Operating income	%
<b>Chemicals</b>	108.1	4.2	102.6	7.6	+ 5.4	+ 5	▲ 3.4	▲ 45
Tokuyama	79.6	2.0	74.8	3.9	+ 4.7	-	▲ 1.9	-
Tokuyama Group (including consolidation adjustment)	28.5	2.2	27.8	3.7	+ 0.6	-	▲ 1.5	-
<b>Specialty Products</b>	89.2	24.0	76.7	16.1	+12.4	+16	+ 7.8	+49
Tokuyama	66.6	21.6	54.7	14.0	+11.8	-	+ 7.5	-
Tokuyama Group (including consolidation adjustment)	22.6	2.4	21.9	2.0	+ 0.6	-	+ 0.3	-
<b>Cement, Building Materials and Other</b>	87.7	4.3	84.0	3.4	+ 3.6	+ 4	+ 0.8	+23
Tokuyama	41.8	2.4	41.6	2.0	+ 0.1	-	+ 0.3	-
Tokuyama Group (including consolidation adjustment)	45.9	1.9	42.3	1.4	+ 3.5		+ 0.4	-
<b>Total</b>	285.0	32.5	263.3	27.2	+21.6	-	+ 5.2	-
Inter-segment eliminations and corporate		▲ 3.5	-	▲ 2.9		-	▲ 0.5	-
<b>Consolidated results</b>	285.0	29.0	263.3	24.3	+21.6	+ 8	+ 4.6	+19



# Net Sales/Operating income by Business Segment

(First half & Latter half / FY2006)

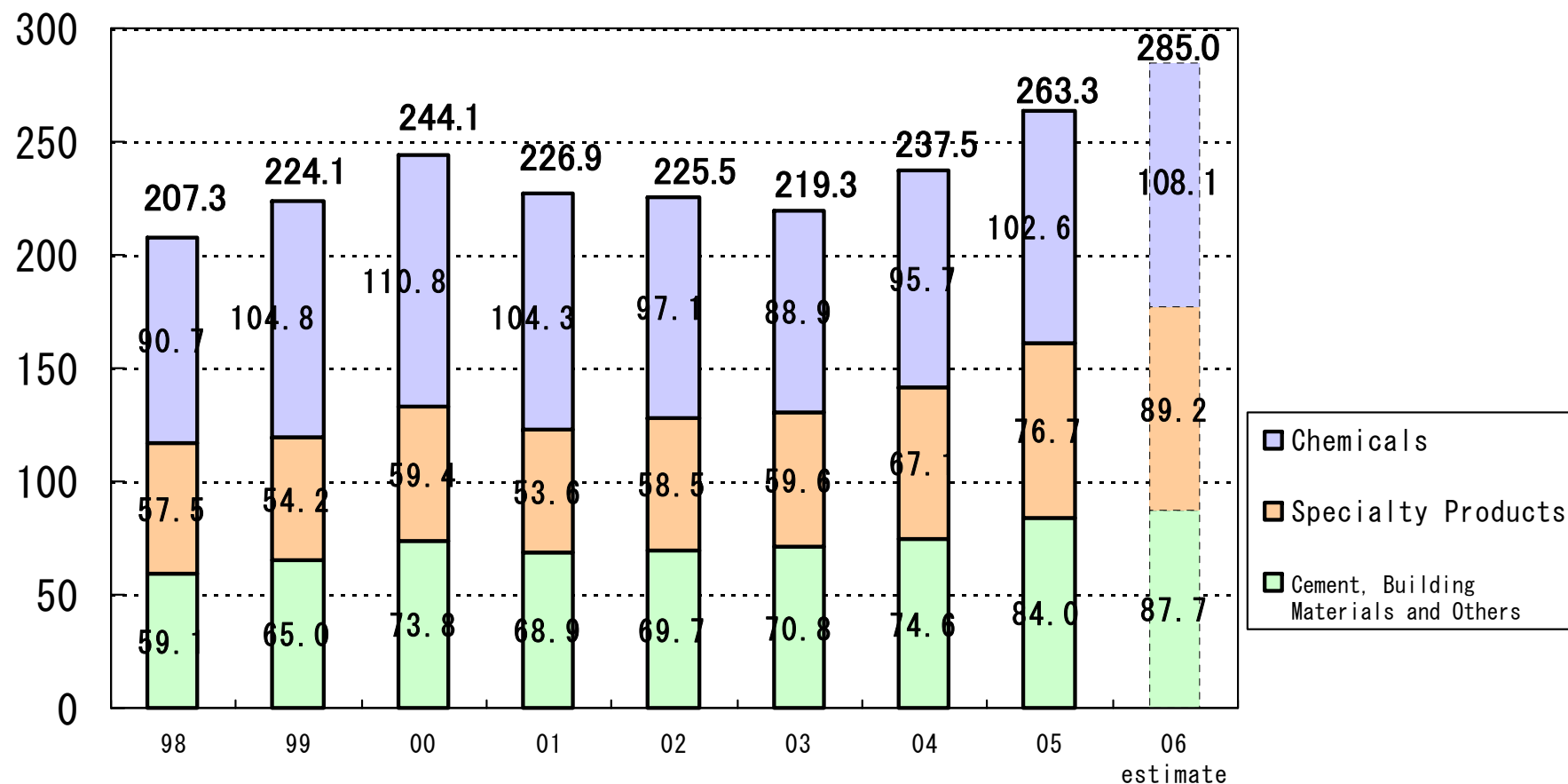
( Billions of Yen )

	06/First half Estimate		06/Latter half Estimate		2006 Total (Estimate)	
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
Chemicals	53.6	2.1	54.5	2.1	108.1	4.2
Specialty Products	41.9	11.1	47.3	12.9	89.2	24.0
Cement, Building Materials and Others	43.0	2.0	44.7	2.3	87.7	4.3
<b>Total</b>	<b>138.5</b>	<b>15.2</b>	<b>146.5</b>	<b>17.3</b>	<b>285.0</b>	<b>32.5</b>
Inter-segment eliminations and corporate	-	▲ 1.7	-	▲ 1.8	-	▲ 3.5
<b>Consolidated results</b>	<b>138.5</b>	<b>13.5</b>	<b>146.5</b>	<b>15.5</b>	<b>285.0</b>	<b>29.0</b>



# Sales by Business Segment (consolidated)

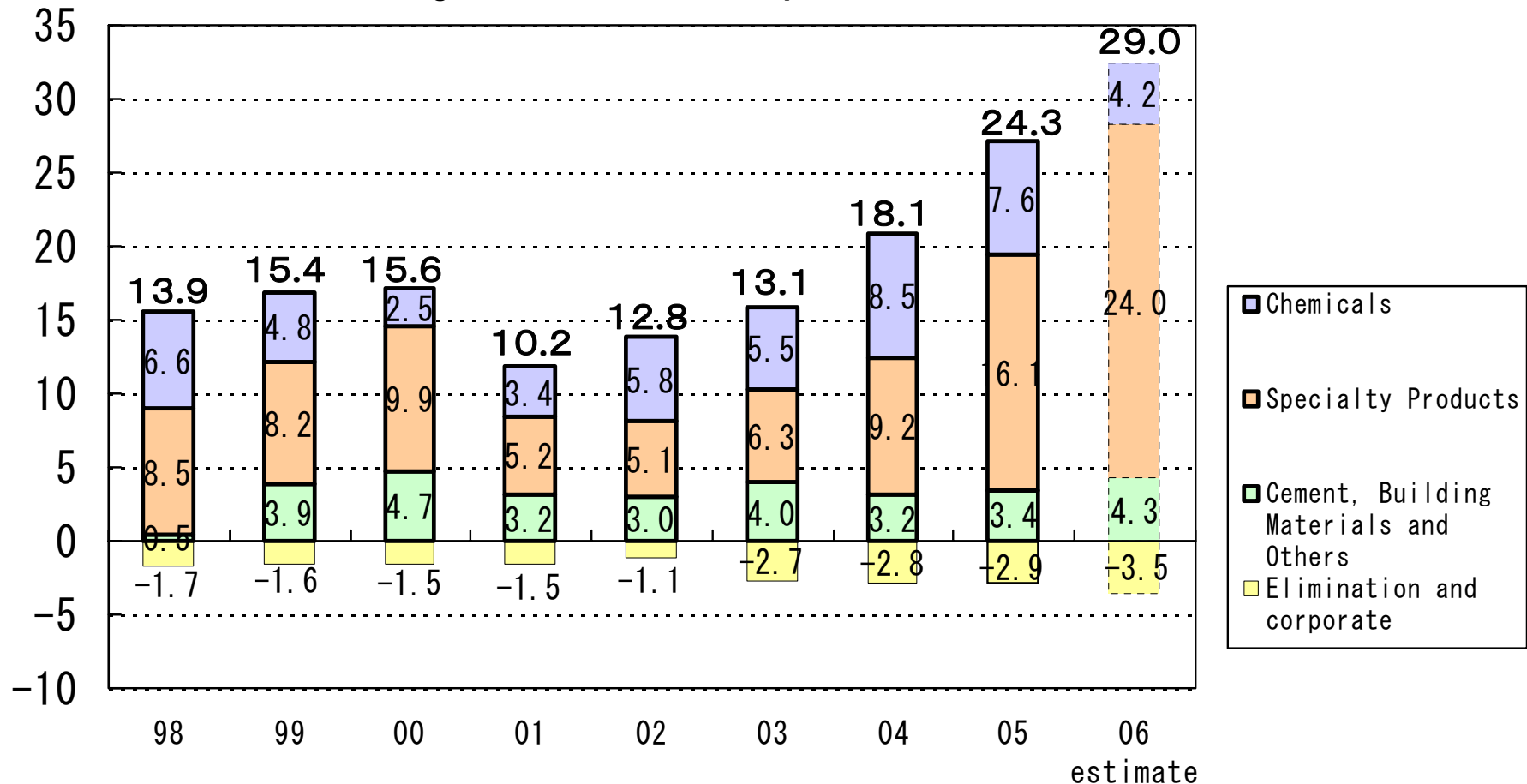
( Billions of Yen )



# Operating income by Business Segment (consolidated)

(The new accounting standard has been adopted since FY03)

( Billions of Yen )



# Business Growth

## ■ The progress of Electronics materials business

### ◇ A verification plant (the VLD method) of Polycrystalline silicon for solar cells

Completed on December, 2005 ⇒ **Steady progress has been made with the verification test.**

### ◇ Recognition & strategy on capacity expansion of Polycrystalline silicon

- As for solar cells use, we will gain a larger share in the world market by focusing every efforts on verifying the VLD method technology having competitive advantages.
- We have already started another project under consideration for expanding our capacity in polycrystalline silicon for semiconductors (the Siemens method).

⇒ **We will take the best business scenario taking every factor into account, while seeing the long-term trend of supply & demand.**



# Policy regarding Large-scale Purchases of Tokuyama's Shares (Anti-Takeover Measures)

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## (1) Purpose of introduction of the Policy regarding Large-scale Purchases

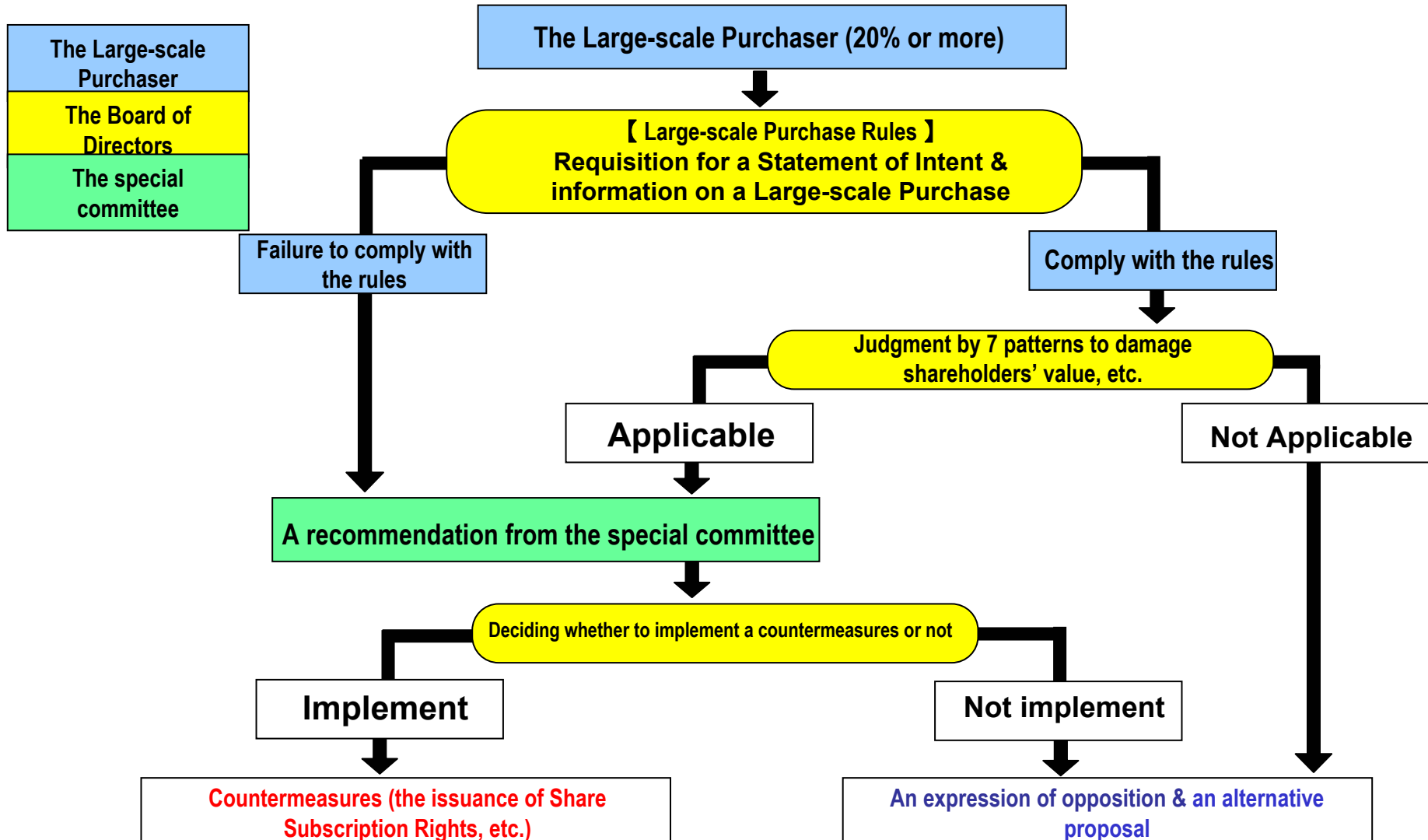
- ▶ Protection of the common interest of Tokuyama's shareholders
  - ▶ For the purpose of securing information & time for the shareholders to decide whether or not to accept a Large-scale Purchase of Tokuyama's shares

## (2) The Outline of the Policy regarding Large-scale Purchases

- ▶ Type of Prior warning to the Large-scale Purchasers
- ▶ Establishment of Large-scale Purchase Rules (Provision of information + 60~90 days suspension of purchases )
- ▶ Countermeasures against those who fail to comply with the rules or significantly damage value
  - ▶ In activating a Countermeasure, Tokuyama's Board of Directors shall consult the Special Committee.
  - ▶ As to whether to activate a Countermeasure or not, Tokuyama's Board of Directors shall respect the recommendation of the Special Committee to the utmost, and decide whether to take it or not.
- ▶ The introduction of this policy will be brought up as an agenda proposal at the Ordinary General Shareholders' Meeting.



# Anti-Takeover Measures (Policy regarding Large-scale Purchases)



# Principal indicators

( Billions of Yen )

		Fiscal 2006 estimate		Fiscal 2005		Fiscal 2004	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Capital expenditure	Approved limit total	23.9	21.8	24.5	22.1	17.5	15.0
	Results	—	—	20.9	18.4	14.3	12.5
Depreciation		18.0	14.9	18.1	14.2	18.4	14.6
R&D expenses		11.5	9.3	9.3	7.2	8.8	6.8

