
First Half Fiscal 2006 Presentation for IR Meeting (Extract)

Tokuyama Corporation
November 10, 2006



Financial Highlights

(Billions of yen)

	1 st Half Fiscal 2006		1 st Half Fiscal 2005		Change			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
Profit and Loss					Amount	%	Amount	%
Net sales	141.7	93.4	123.7	80.5	+17.9	14	+12.9	16
Operating income	15.1	12.0	10.3	6.9	+4.7	45	+5.0	72
Ordinary income	13.6	11.8	8.8	6.5	+4.7	53	+5.3	81
Net income	8.0	7.2	5.6	4.5	+2.4	42	+2.7	60
Financial Position	As of September 30, 2006		As of March 31, 2006		Change			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
Total assets	361.8	308.0	361.1	306.8	+0.7		+1.2	
Net assets	187.8	169.4	179.0	166.0	+8.8		+3.3	
Equity ratio	50.6%	55.0%	49.6%	54.1%	+1.0%		+0.9%	

* Consolidated net assets as of September 30, 2006 include minority interests of ¥ 4.6 billion.

First Half FY2006 Performance Highlights

- Despite price correction, the Chemicals segment saw profits decrease because of a time lag between the price correction and price hikes of raw materials and fuel.
- Price corrections of polycrystalline silicon contributed greatly to an increase in overall operating income.

Net sales: +¥12.9 billion (non-consolidated); +¥17.9 billion (consolidated)

◆ **Non-consolidated: Increased mainly because of price factors.**

Price factors: Polycrystalline silicon, vinyl chloride monomer (VCM), PO, caustic soda and IPA

Quantitative factors: Recycling & Environment business, VCM and overall advanced materials of the Specialty Products segment

◆ **Consolidated:**

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

Quantitative factors: Sun-Tox Co., Ltd., Shanon Corporation and Kansai Tokuyama Trading Co., Ltd. (effects of its consolidation period)

Cost of sales: - ¥6.8 billion (non-consolidated); - ¥11.6 billion (consolidated)

* The negative sign represents cost increase

◆ **Increase in costs because of price hikes of raw materials and fuel**

* **Effects of Kansai Tokuyama Trading's consolidation period: - ¥2.5 billion**



Factors Affecting Performance by Segment: Chemicals

(Billions of yen)

	Net Sales			Operating income		
	1 st Half FY2006	1 st Half FY2005	Change	1 st Half FY2006	1 st Half FY2005	Change
Tokuyama	40.2	35.1	+5.0	1.6	1.5	+0.0
Tokuyama Group	15.0	13.5	+1.4	1.6	2.0	-0.4
Total	55.2	48.7	+6.5	3.2	3.6	-0.3

	Factors Affecting Net Sales	Factors Affecting Operating Income
Tokuyama	<p>Chlor-alkali : Increase in revenues because of price correction of caustic soda and propylene oxide</p> <p>Vinyl chloride monomer (VCM): Increase in revenues because of price correction</p> <p>New organic chemicals (NOC): Increase in sales because of price correction of IPA</p>	<p>Chlor-alkali: Increase in income because of price correction, etc.</p> <p>Vinyl chloride monomer (VCM): Absorption of higher costs</p> <p>New organic chemicals (NOC): Decrease in income because of failure to offset higher costs by correcting prices</p>
Tokuyama Group	<p>Shin Dai-ichi Vinyl Corporation (PVC): Increase in revenues because of price correction</p> <p>Sun-Tox Co., Ltd.: Rise in revenues owing to an increase in sales volume and price correction</p>	<p>Shin Dai-ichi Vinyl Corporation (PVC): Decrease in income because of failure to offset higher costs by correcting prices</p> <p>Sun-Tox Co., Ltd.: Rise in income owing to an increase in sales volume and price correction</p>



Factors Affecting Performance by Segment: Specialty Products

(Billions of yen)

	Net Sales			Operating income		
	1 st Half FY2006	1 st Half FY2005	Change	1 st Half FY2006	1 st Half FY2005	Change
Tokuyama	32.7	25.5	+7.2	11.3	6.1	+5.2
Tokuyama Group	10.1	9.8	+0.2	0.7	0.5	+0.2
Total	42.8	35.4	+7.4	12.1	6.6	+5.4

	Factors Affecting Net Sales	Factors Affecting Operating Income
Tokuyama	<p><u>Si business</u> Electronic materials: Increase in revenues because of price correction of polycrystalline silicon Silica & derivatives: Rise in revenues because of an increase in sales volume of fumed silica</p> <p><u>Advanced materials business</u> Fine chemicals: Robust sales of plastic lens materials Shapal (aluminum nitride): Steady sales to manufacturers of communications devices and semiconductor manufacturing equipment IC chemicals: Increase in sales volume of high purity chemicals for semiconductors and liquid crystals</p>	<p><u>Si business</u> Electronic materials: Increase in income because of price correction of polycrystalline silicon</p> <p><u>Advanced materials business</u> Fine chemicals: Rise in income because of robust sales of plastic lens materials Shapal: Increase in income thanks to a rise in sales volume</p>
Tokuyama Group	<p>Figaro Engineering Inc.: Increase in revenues because of steady sales of sensors Tokuyama Dental Corporation: Rise in sales supported by buoyant exports A&T Corporation: Fall in revenues owing to a decline in sales of Laboratory Information System</p>	<p>Figaro Engineering Inc.: Increase in income because of a rise in sales volume A&T Corporation: Rise in income thanks to a reduction in costs</p>



Factors Affecting Performance by Segment: Cement, Building Materials and Others

(Billions of yen)

	Net Sales			Operating income		
	1 st Half FY2006	1 st Half FY2005	Change	1 st Half FY2006	1 st Half FY2005	Change
Tokuyama	20.4	19.8	+0.5	0.8	0.6	+0.1
Tokuyama Group	23.0	19.7	+3.3	0.6	0.8	-0.1
Total	43.5	39.6	+3.8	1.4	1.4	+0.0

	Factors Affecting Net Sales	Factors Affecting Operating Income
Tokuyama	Cement: Slight increase in revenues because of price correction Recycling & Environment business: Increase in revenues thanks to a larger amount of disposal	Cement: Slight increase in income because of price correction
Tokuyama Group	Kansai Tokuyama Trading Co., Ltd.: Increase in revenues because of the effects of its consolidation period Shanon Corporation: Rise in revenues because of an increase in sales volume Ready mixed concrete companies: Drop in sales because of a decrease in sales volume	Shanon Corporation: Decrease in income owing to a rise in raw material costs



Net Sales/Operating Income by Business Segment

(Billions of yen)

	1 st Half FY2006		1 st Half FY2005		Change			
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	%	Operating income	%
Chemicals	55.2	3.2	48.7	3.6	+6.5	+13	-0.3	-9
Tokuyama	40.2	1.6	35.1	1.5	+5.0	-	+0.0	-
Tokuyama Group (including consolidation adjustment)	15.0	1.6	13.5	2.0	+1.4	-	-0.4	-
Specialty Products	42.8	12.1	35.4	6.6	+7.4	+21	+5.4	+81
Tokuyama	32.7	11.3	25.5	6.1	+7.2	-	+5.2	-
Tokuyama Group (including consolidation adjustment)	10.1	0.7	9.8	0.5	+0.2	-	+0.2	-
Cement, Building Materials and Others	43.5	1.4	39.6	1.4	+3.8	+9	+0.0	+1
Tokuyama	20.4	0.8	19.8	0.6	+0.5	-	+0.1	-
Tokuyama Group (including consolidation adjustment)	23.0	0.6	19.7	0.8	+3.3	-	-0.1	-
Total	141.7	16.9	123.7	11.7	+17.9	+14	+5.1	+43
Inter-segment eliminations and corporate expenses	-	-1.7	-	-1.3	-	-	-0.4	-
Consolidated results	141.7	15.1	123.7	10.3	+17.9	+14	+4.7	+45



Basis for FY2006 Performance Forecast

		1 st Half FY2005 Results	2 nd Half FY2005 Results	1 st Half FY2006 Results	2 nd Half FY2006 Estimate
Domestic naphtha price (¥/kl)		38,000	46,700	51,500	51,000
Exchange rate (¥/\$)	Imports	109	117	115	115
	Exports				110

Basis for forecast at the beginning of FY2006

Price of domestically produced naphtha:

¥52,700/kl (first half); ¥50,800/kl (second half)

Exchange rate: First half: ¥120/\$ (import); ¥115/\$ (export)

Second half: ¥115/\$ (import); ¥110/\$ (export)



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

(Billions of yen)

	2006 Estimate		2005 Results		Change			
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	%	Operating income	%
Chemicals	112.5	7.0	102.6	7.6	+9.8	+9	-0.6	- 9
Tokuyama	82.0	3.9	74.8	3.9	+7.1	-	-0.0	-
Tokuyama Group (including consolidation adjustment)	30.5	3.1	27.8	3.7	+2.6	-	-0.6	-
Specialty Products	89.8	24.6	76.7	16.1	+13.0	+17	+8.4	+52
Tokuyama	67.2	22.2	54.7	14.0	+12.4	-	+8.1	-
Tokuyama Group (including consolidation adjustment)	22.6	2.4	21.9	2.0	+0.6	-	+0.3	-
Cement, Building Materials and Others	87.7	3.9	84.0	3.4	+3.6	+4	+0.4	+11
Tokuyama	41.8	2.4	41.6	2.0	+0.1	-	+0.3	-
Tokuyama Group (including consolidation adjustment)	45.9	1.5	42.3	1.4	+3.5	-	+0.0	-
Total	290.0	35.5	263.3	27.2	+26.6	+10	+8.2	+30
Inter-segment eliminations and corporate expenses	-	-3.5	-	-2.9	-	-	-0.5	-
Consolidated results	290.0	32.0	263.3	24.3	+26.6	+10	+7.6	+31



Revised Performance Forecast Fiscal 2006

(Billions of yen)

	2006 Estimate (as of Nov. 9)		2006 Estimate (as of May 12)		Change	
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
Chemicals	112.5	7.0	108.1	4.2	+4.4	+2.8
Specialty Products	89.8	24.6	89.2	24.0	+0.6	+0.6
Cement, Building Materials and Others	87.7	3.9	87.7	4.3	0.0	-0.4
Total	290.0	35.5	285.0	32.5	+5.0	+3.0
Inter-segment eliminations and corporate expenses	-	-3.5	-	-3.5	-	0.0
Consolidated results	290.0	32.0	285.0	29.0	+5.0	+3.0

Revision of operating income forecast

Chemicals: Up ¥2.8 billion

Improvement in income because of price correction, etc.

Specialty products: Up ¥0.6 billion

Full year forecast likely to remain almost unchanged from the original projection

Cement, Building Materials and Others: Down ¥0.4 billion

Full year forecast likely to remain almost unchanged from the original projection



(1) Direction of Electronic Materials Business

● Direction of Electronic Materials Business

▶ We are now in the final stage of coordination for the enhancement of the Siemens method-based facilities prior to those based on the VLD method.

▶ Polycrystalline silicon for semiconductors (Siemens method)

Place:	Higashi Plant, Tokuyama Factory
Capacity:	Approx. 2,500 tons/year
Schedule:	Spring 2009 (completion target)

▶ Polycrystalline silicon for solar cells (VLD method)

We have found several problems during verification tests.

We are continuing to work on measures to solve these problems.

➡ Aiming to establish the necessary technology as soon as possible



Issues Related to Expansion of Production Facilities for Polycrystalline Silicon and Relevant Measures

● Issues for the infrastructure and necessary measures

- ▶ We expect there will be a shortage of electricity, etc. because of the expansion of production facilities for polycrystalline silicon.
 - ▶ We are considering the best way to proceed, such as buying electricity, reorganizing businesses or increasing private power-generation facilities.

● Effects on profit/loss and funds, and necessary measures

- ▶ To promptly confirm investment amounts
- ▶ To immediately investigate the outlook for profit/loss and cash flows
- ▶ To carefully examine the amount, timing and method of fund-raising.



Principal Indicators

		1st Half FY2006		1st Half FY2005		Change	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Capital expenditures	Billions of yen	9.7	8.4	11.1	10.1	-1.3	-1.6
Depreciation	Billions of yen	8.2	6.5	8.4	6.7	-0.1	-0.1
R&D expenses	Billions of yen	5.0	4.0	4.5	3.4	+0.5	+0.5
Financial income and expenses	Billions of yen	-0.4	0.7	-0.4	0.3	+0.0	+0.4
Number of employees	Persons	4,788	2,053	4,676	2,009	+112	+44



Principal Indicators

(Billions of yen)

		FY2006 Estimate		FY2005		FY2004	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Capital expenditures	Approved limit total	23.0	21.5	24.5	22.1	17.5	15.0
	Results	-	-	20.9	18.4	14.3	12.5
Depreciation		18.2	14.6	18.1	14.2	18.4	14.6
R&D expenses		11.1	8.9	9.3	7.2	8.8	6.8

