
Fiscal 2008

Presentation for IR Meeting

- April 1, 2008 to March 31, 2009 -

Tokuyama Corporation

May 14, 2009

Contents

1. Business Results for Fiscal 2008
2. Performance Forecasts for Fiscal 2009
3. Topics

1. Business Results for Fiscal 2008

(1) Financial Highlights

(2) Net Sales/Operating Income by Business Segment

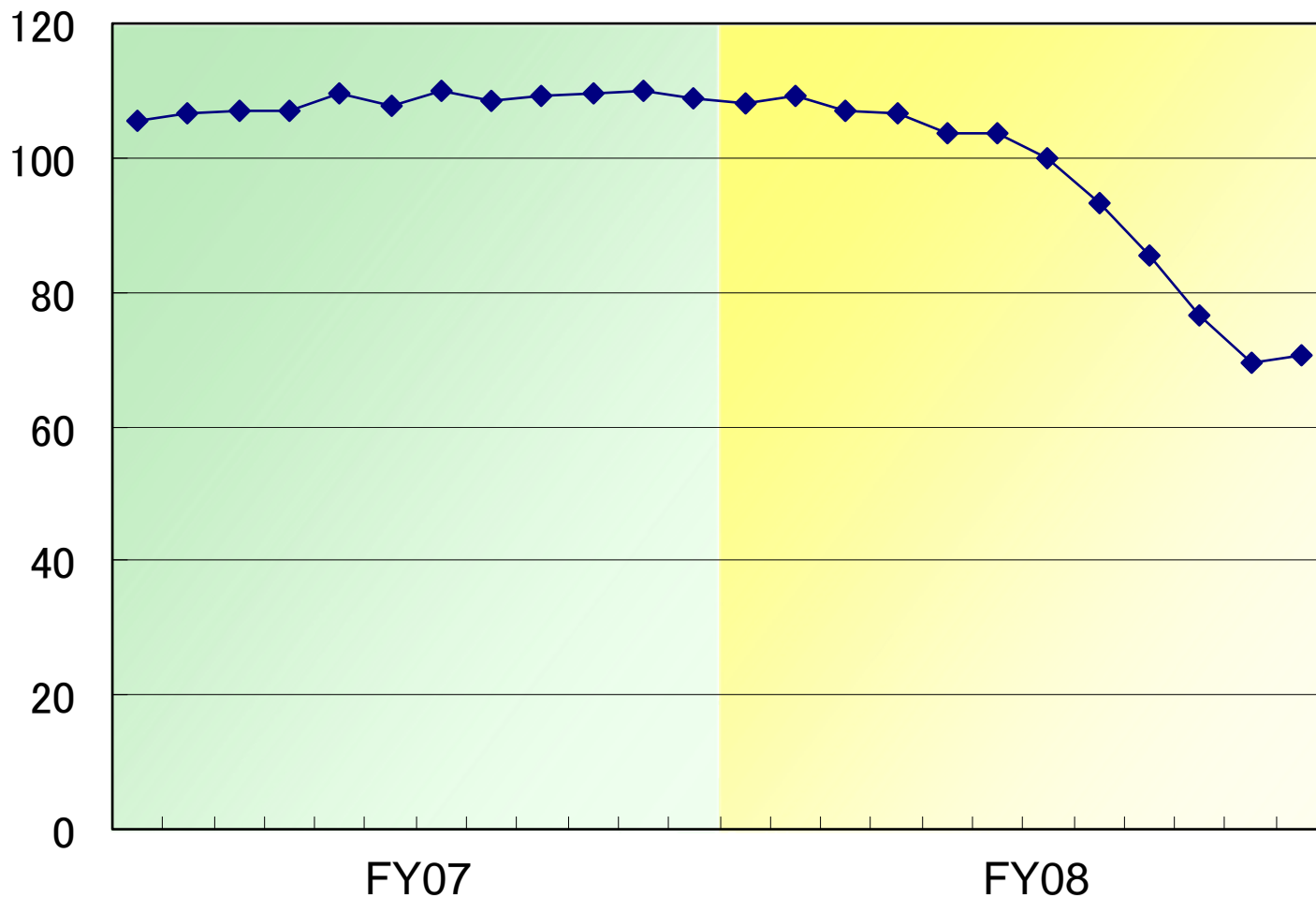
(1) Financial Highlights

- ① Business Environment
- ② Financial Highlights
- ③ Non-operating Income/ Expenses
- ④ Extraordinary Gains/ Losses

① Business Environment - Industrial Production Index -

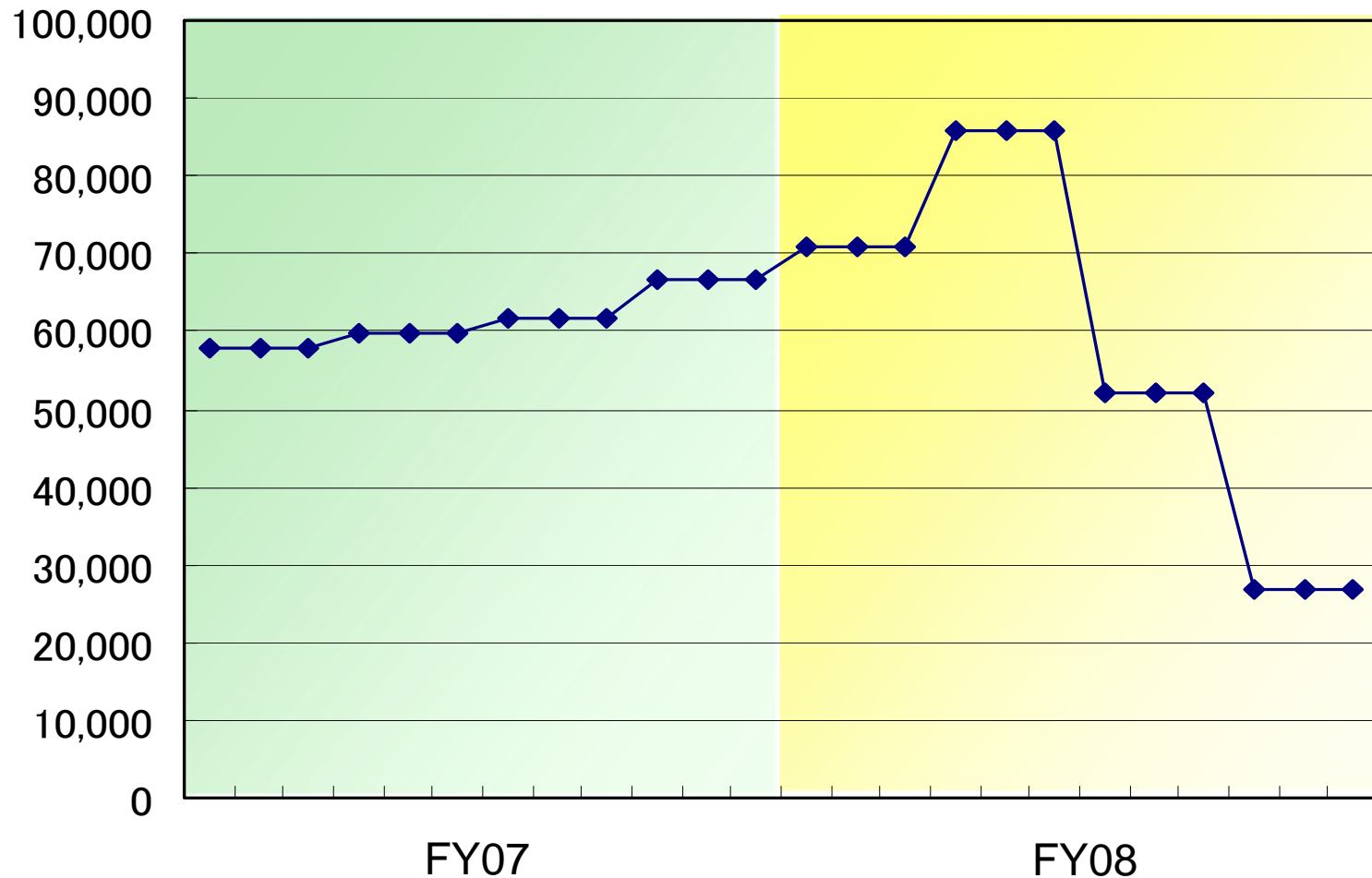
Industrial Production Index (—)

FY2005 = 100



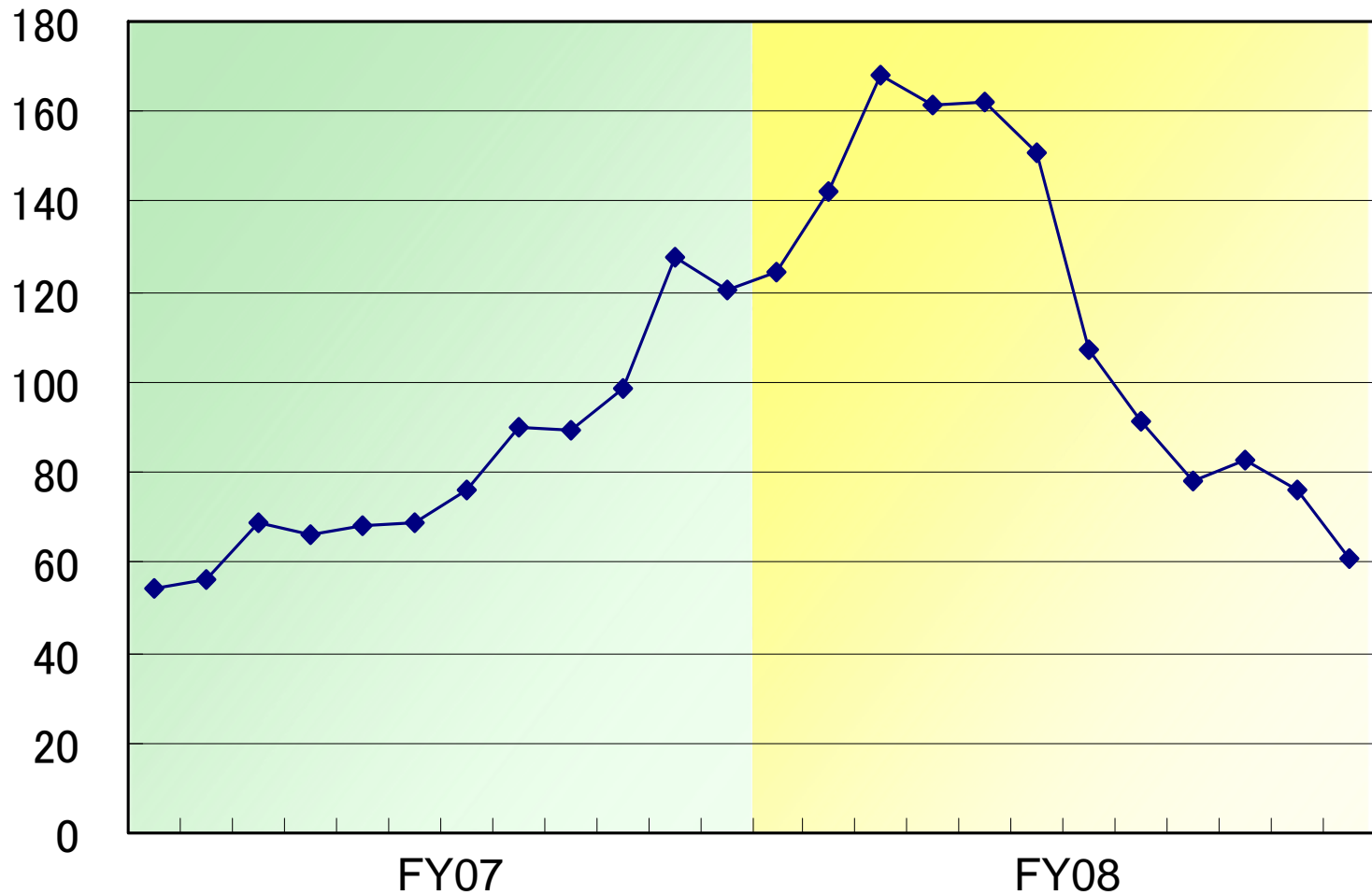
Business Environment -Naphtha Price-

Domestic naphtha price (¥/KL)



Business Environment -Coal Price-

Australian thermal coal spot price (\$/t)



② Financial Highlights

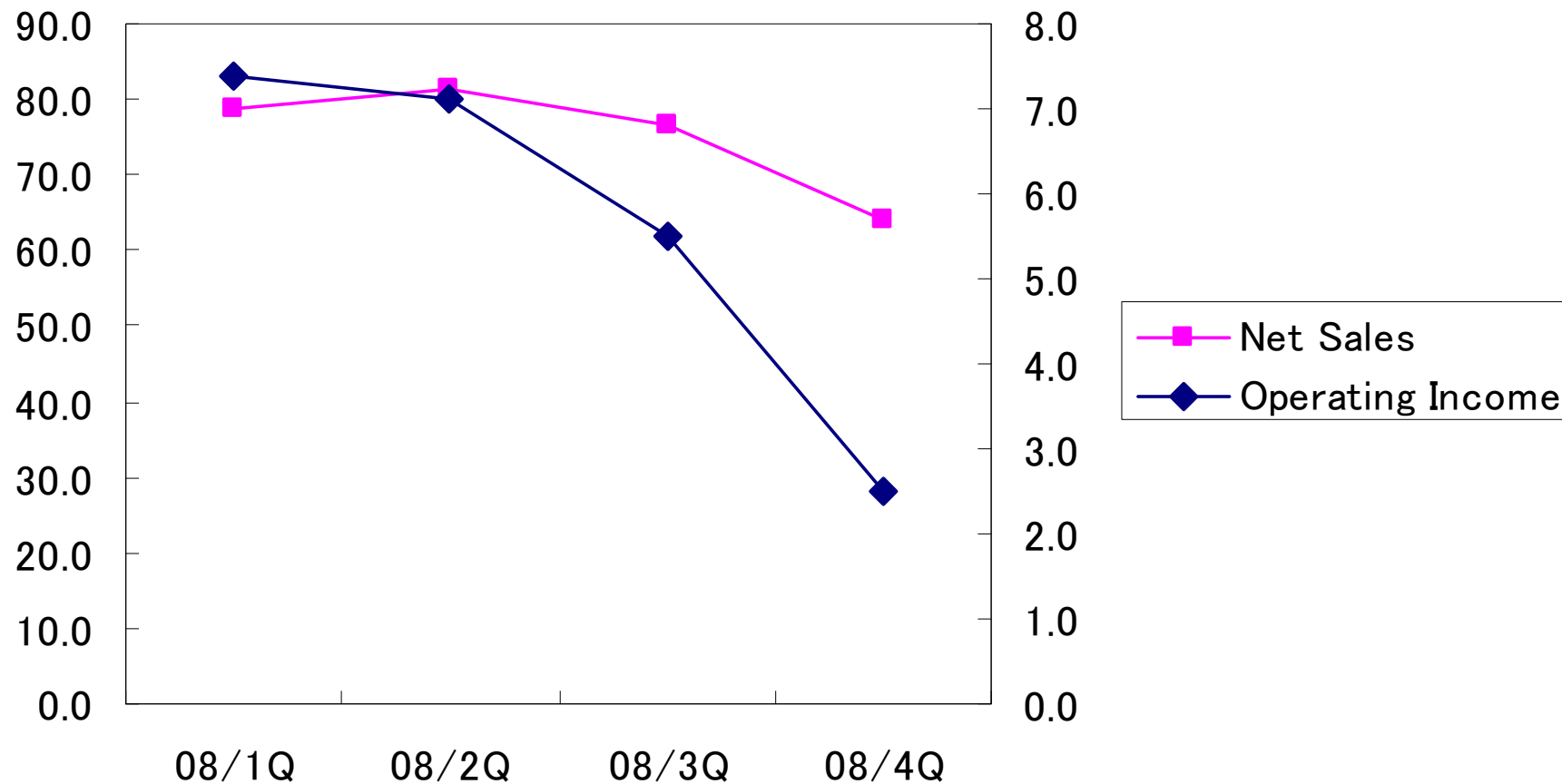
(Billions of yen)

	Fiscal 2008		Fiscal 2007		Changes			
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
【Operating Results】					Amount	%	Amount	%
Net sales	300.9	202.6	307.4	206.1	-6.4	- 2	-3.5	- 2
Operating income	22.7	22.3	35.3	28.5	-12.5	- 36	-6.2	- 22
Ordinary income	20.3	19.9	30.3	26.4	-10.0	- 33	-6.5	- 25
Income before income taxes	-7.2	-8.1	30.9	28.0	-38.1	-	-36.1	-
Net income	-5.5	-5.7	18.8	17.9	-24.4	-	-23.7	-
	As of March 31, 2009		As of March 31, 2008					
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated		Non-consolidated	
【Financial Position】								
Total assets	403.6	348.6	383.2	321.2	+20.3		+27.4	
Net assets	189.7	168.5	206.1	181.7	-16.3		-13.1	
Shareholders' equity ratio	45.5%	48.3%	51.9%	56.6%	-6.5%		-8.2%	

Net Sales/Operating Income by Quarter

Net Sales (Billions of yen)

Operating Income (Billions of yen)



③ Non-operating Income/ Expenses

(Billions of yen)

		Fiscal 2008	Fiscal 2007	Changes	Notes
Nonoperating income	Interest and dividend income	0.8	0.9	- 0.1	
	Other income	1.7	2.4	- 0.7	
		2.5	3.4	- 0.8	
Nonoperating expenses	Interest expenses	1.4	1.4	- 0.0	
	Other expenses	3.4	6.8	+ 3.4	※
		4.9	8.3	+ 3.4	
Nonoperating income/ expenses		- 2.3	- 4.9	+ 2.5	

※Change in treating payment for labor cost difference of employees on loan to other companies: +1.6

Disappearance of foreign exchange loss: +1.2

④ Extraordinary Gains/ Losses

(Billions of yen)

	Fiscal 2008	Fiscal 2007	Changes	Notes
Extraordinary gains	1.2	2.2	-0.9	Decrease in sale of investment securities: -0.6
Extraordinary losses	28.8	1.6	-27.1	※
Extraordinary gains/ losses	-27.5	0.5	-28.1	

※

Provision for loss on compensation for products (repairs and improvement works for plastic sashes): -20

Impairment loss on assets relevant to plastic sashes: -2.4

Expenses arising from a change in plans for rebuilding line-of-business system: -2.8

Valuation loss on investment securities: -1.0

(2) Net Sales/Operating Income by Business Segment

(Billions of yen)

	Fiscal 2008		Fiscal 2007		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	112.6	1.2	118.3	4.7	-5.6	- 5	-3.4	- 73
Tokuyama	86.6	1.0	89.1	2.3	-2.4	-	-1.3	-
Tokuyama Group (including consolidation adjustment)	26.0	0.2	29.2	2.4	-3.2	-	-2.1	-
Specialty Products	102.8	26.3	101.2	30.5	+1.5	+2	-4.1	- 14
Tokuyama	75.9	25.4	76.0	27.8	-0.0	-	-2.3	-
Tokuyama Group (including consolidation adjustment)	26.9	0.8	25.2	2.7	+1.6	-	-1.8	-
Cement, Building Materials and Others	85.4	-0.5	87.8	3.6	-2.3	- 3	-4.2	-
Tokuyama	40.0	0.1	41.0	2.0	-1.0	-	-1.8	-
Tokuyama Group (including consolidation adjustment)	45.4	-0.7	46.7	1.6	-1.3	-	-2.3	-
Total	300.9	27.0	307.4	38.9	-6.4	-	-11.9	-
Inter-segment eliminations and corporate-wide expenses	-	-4.3	-	-3.6	-	-	-0.6	-
Consolidated results	300.9	22.7	307.4	35.3	-6.4	- 2	-12.5	- 36

* ¥ 1.7 billion payment for labor cost difference of employees on loan to other companies, which was previously treated as a non-operating expense, was treated as an operating expense from this term

Factors Affecting Performance by Segment: Chemicals

(Billions of yen)

	Fiscal 2008		Fiscal 2007		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	112.6	1.2	118.3	4.7	-5.6	-5	-3.4	-73
Tokuyama	86.6	1.0	89.1	2.3	-2.4	-	-1.3	-
Tokuyama Group (including consolidation adjustment)	26.0	0.2	29.2	2.4	-3.2	-	-2.1	-

- ◆ **Net sales** : Decreased sales volume of vinyl chloride etc. affected results
 - Tokuyama: Decreased sales volume of VCM and IPA impacted heavily
 - Caustic soda: Sales up
 - Group: Decreased sales volume of Shin Dai-ichi Vinyl Corp. impacted heavily (Volume down 20%)
- ◆ **Operating income** : Profit down sharply, due to the sharp rise of raw materials and fuel prices and decreased sales volume
 - Tokuyama: Results of VCM, IPA, etc. impacted heavily
 - Group : Results of Shin Dai-ichi Vinyl Corp. impacted heavily

Factors Affecting Performance by Segment: Specialty Products

(Billions of yen)

	Fiscal 2008		Fiscal 2007		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Specialty Products	102.8	26.3	101.2	30.5	+1.5	+2	-4.1	-14
Tokuyama	75.9	25.4	76.0	27.8	-0.0	-	-2.3	-
Tokuyama Group (including consolidation adjustment)	26.9	0.8	25.2	2.7	+1.6	-	-1.8	-

◆ Net sales :

Sales increase due to price revision and sales volume increase of polycrystalline silicon and full-scale operations of Tokuyama Chemicals (Zhejiang) was offset by decreased sales of advanced materials and fumed silica

◆ Operating income : Polycrystalline silicon was steady, while profit of advanced materials and fumed silica declined, with the result that the segment's profit was down

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

(Billions of yen)

	Fiscal 2008		Fiscal 2007		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Cement, Building Materials and Others	85.4	-0.5	87.8	3.6	-2.3	-3	-4.2	-
Tokuyama	40.0	0.1	41.0	2.0	-1.0	-	-1.8	-
Tokuyama Group (including consolidation adjustment)	45.4	-0.7	46.7	1.6	-1.3	-	-2.3	-

- ◆ **Net sales** : Despite price revision, sales were down due to decreased sales volume
 - Tokuyama: Sales down, despite effects of reducing unprofitable trade in cement
 - Group : In almost all the group companies, sales were down due to a decrease in demand. Excel Shanon, especially, suffered a big negative impact from the plastic window sashes problem.

- ◆ **Operating income** : In Tokuyama, profit was down due to the sharp rise of raw materials and fuel prices, increased fixed costs, etc.
 - In almost all the group companies, from Excel Shanon down, profits were down.

Quarter Results by Business Segment

(Billions of yen)

	1Q 2008 Results		2Q 2008 Results		3Q 2008 Results		4Q 2008 Results	
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
Chemicals	30.6	0.7	31.6	0.6	28.7	0.9	21.5	-1.0
Specialty Products	26.6	7.7	27.8	7.6	24.6	5.8	23.7	5.0
Cement, Building Materials and Others	21.4	0.0	21.9	-0.1	23.3	-0.1	18.7	-0.2
Total	78.6	8.5	81.4	8.1	76.8	6.6	64.0	3.6
Inter-segment eliminations and corporate-wide expenses	-	-1.1	-	-0.9	-	-1.1	-	-1.0
Consolidated results	78.6	7.4	81.4	7.1	76.8	5.5	64.0	2.5

2. Performance Forecasts for Fiscal 2009

(1) Business Environment

(2) Performance Forecasts

(1) Business Environment

➤ How the demand situation will go is an important factor

Chemicals are on the recovery track, while demand for cement is expected to be on the decrease

➤ Raw materials and fuel prices have stabilized

➤ The new polysilicon plant commenced operations successfully

- The new plant can operate at full capacity ⇒ We have made, however, a conservative sales estimate in the performance forecast
- As for the demand situation, the market has entered a phase of adjustment

(2) Performance Forecasts

- ① Basis for Fiscal 2009 Performance Forecasts
- ② Net Sales/Operating Income by Business Segment (Forecast)
- ③ Net Sales/Operating Income by Business Segment
(First half, Second half & Annual/ Fiscal 2009 Forecast)
- ④ Net Sales by Business Segment
- ⑤ Operating Income by Business Segment
- ⑥ Performance trend during these 10 years

① Basis for Fiscal 2009 Performance Forecasts

	FY2009 Forecast	08/1st Results	08/2nd Results
Naphtha (¥/kl)	33,000	78,350	39,500
Exchange rate (¥/\$)	95	106	95

(Billions of yen)

Factors affecting performance: on a year-on-year basis (Non-consolidated)	Impact
Costs of coal, naphtha, metallic silicon, raw material salt, etc.	+12.0
Increase in depreciation	-16.5

② Net Sales/Operating Income by Business Segment (Forecast)

(Billions of yen)

	2009 Forecast		2008 Results		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	97.0	4.1	112.6	1.2	-15.6	-14	+2.8	+226
Tokuyama	75.0	4.5	86.6	1.0	-11.6	-	+3.4	-
Tokuyama Group (including consolidation adjustment)	22.0	-0.4	26.0	0.2	-4.0	-	-0.6	-
Specialty Products	109.0	19.7	102.8	26.3	+6.1	+6	-6.6	-25
Tokuyama	84.5	18.4	75.9	25.4	+8.5	-	-7.0	-
Tokuyama Group (including consolidation adjustment)	24.5	1.3	26.9	0.8	-2.4	-	+0.4	-
Cement, Building Materials and Others	80.0	0.8	85.4	-0.5	-5.4	-6	+1.3	-
Tokuyama	40.5	1.7	40.0	0.1	+0.4	-	+1.5	-
Tokuyama Group (including consolidation adjustment)	39.5	-0.9	45.4	-0.7	-5.9	-	-0.1	-
Total	286.0	24.6	300.9	27.0	-14.9	-	-2.4	-
Inter-segment eliminations and corporate-wide expenses	-	-4.6	-	-4.3	-	-	-0.3	-
Consolidated results	286.0	20.0	300.9	22.7	-14.9	-5	-2.7	-12

Factors Affecting Performance by Segment: Chemicals (forecast)

(Billions of yen)

	2009 Forecast		2008 Results		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	97.0	4.1	112.6	1.2	-15.6	-14	+2.8	+226
Tokuyama	75.0	4.5	86.6	1.0	-11.6	-	+3.4	-
Tokuyama Group (including consolidation adjustment)	22.0	-0.4	26.0	0.2	-4.0	-	-0.6	-

- ◆ Net sales : Decrease in sales volume and price adjustment due to a naphtha price drop taken into consideration

Tokuyama : Sales down, particularly in vinyl chloride, PO and IPA

Group : Sales down, in Shin Dai-ichi Vinyl Corp. etc.

- ◆ Operating income : Profit expected to increase, due to a cost decrease of raw materials and fuel
- Tokuyama : Profit, particularly in caustic soda, expected to increase, due to a cost decrease of raw materials and fuel

Group : Profit expected to continue to decrease in Shin Dai-ichi Vinyl Corp.

Factors Affecting Performance by Segment: Specialty Products (forecast)

(Billions of yen)

	2009 Forecast		2008 Results		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Specialty Products	109.0	19.7	102.8	26.3	+6.1	+6	-6.6	-25
Tokuyama	84.5	18.4	75.9	25.4	+8.5	-	-7.0	-
Tokuyama Group (including consolidation adjustment)	24.5	1.3	26.9	0.8	-2.4	-	+0.4	-

◆ Net sales : Increase in polysilicon sales will contribute to the segment's sales increase

Tokuyama : Sales increase of polysilicon will be offset by a sales drop of advanced materials and silica products

Group : Sales down in Tokuyama Asia Pacific, Tokuyama Europe, etc.

◆ Operating income : Profit will worsen due to a depreciation increase of polysilicon

Tokuyama: Profit of almost all the products will decrease

Group : Profit of Tokuyama Chemicals (Zhejiang) and Tokuyama-Dowa Power Material expected to increase

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

(Billions of yen)

	2009 Forecast		2008 Results		Changes			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Cement, Building Materials and Others	80.0	0.8	85.4	-0.5	-5.4	-6	+1.3	-
Tokuyama	40.5	1.7	40.0	0.1	+0.4	-	+1.5	-
Tokuyama Group (including consolidation adjustment)	39.5	-0.9	45.4	-0.7	-5.9	-	-0.1	-

◆ Net sales : Sales expected to decrease in group companies

Tokuyama: At this point we make a conservative estimate of price revision effects.

We expect an additional sales price hike.

Group : Sales of Excel Shanon down, due to the plastic window sashes problem

Sales of Kansai Tokuyama down, due to completion of a large trade

◆ Operating income: Profit expected to be up, due to cost decrease of raw materials and fuel

Tokuyama : Profit up, due to price revision effects as well as a cost decrease of raw materials and fuel

Group : Profit down, due mainly to a profit decrease in Excel Shanon

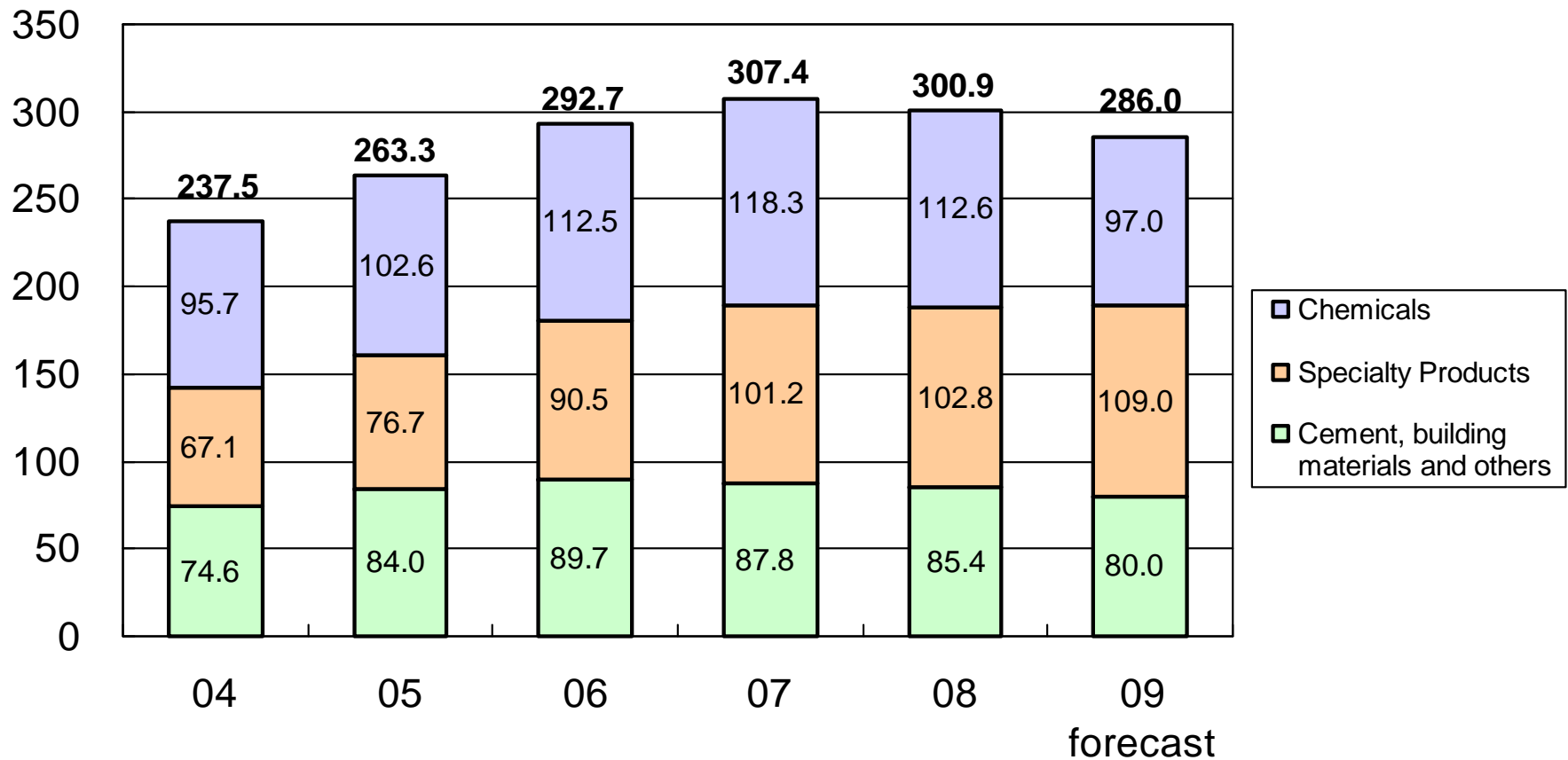
③ Net Sales/Operating Income by Business Segment (First half, Second half & Annual/ Fiscal 2009 Forecast)

(Billions of yen)

	09/First Half Forecast		09/Second Half Forecast		2009 Total (Forecast)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	44.5	0.3	52.5	3.8	97.0	4.1
Specialty Products	50.5	9.8	58.5	9.9	109.0	19.7
Cement, Building Materials and Others	39.0	-0.3	41.0	1.1	80.0	0.8
Total	134.0	9.8	152.0	14.8	286.0	24.6
Inter-segment eliminations and corporate-wide expenses	—	-2.3	—	-2.3	—	-4.6
Consolidated results	134.0	7.5	152.0	12.5	286.0	20.0

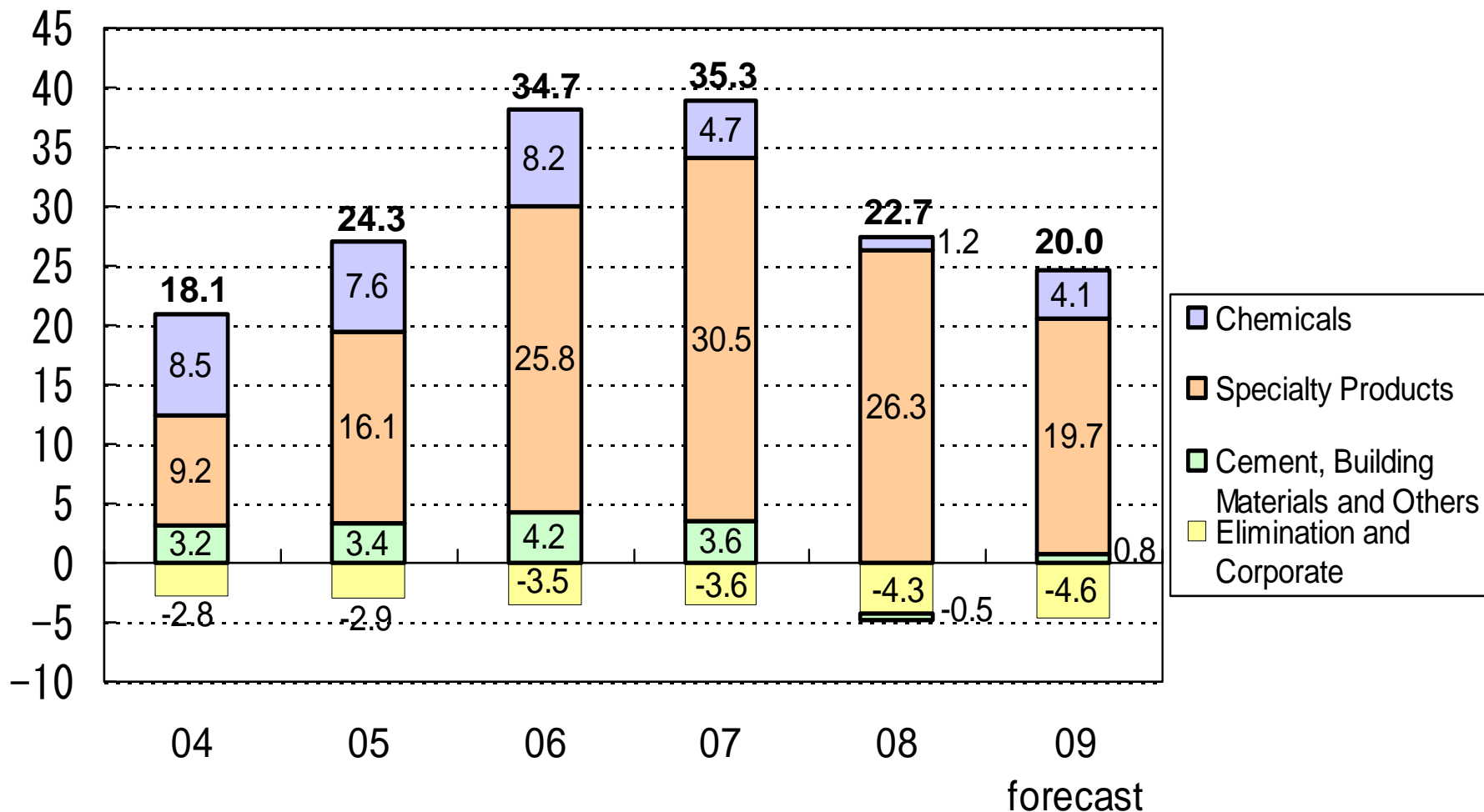
④ Sales by Business Segment

(Billions of yen)



⑤ Operating Income by Business Segment

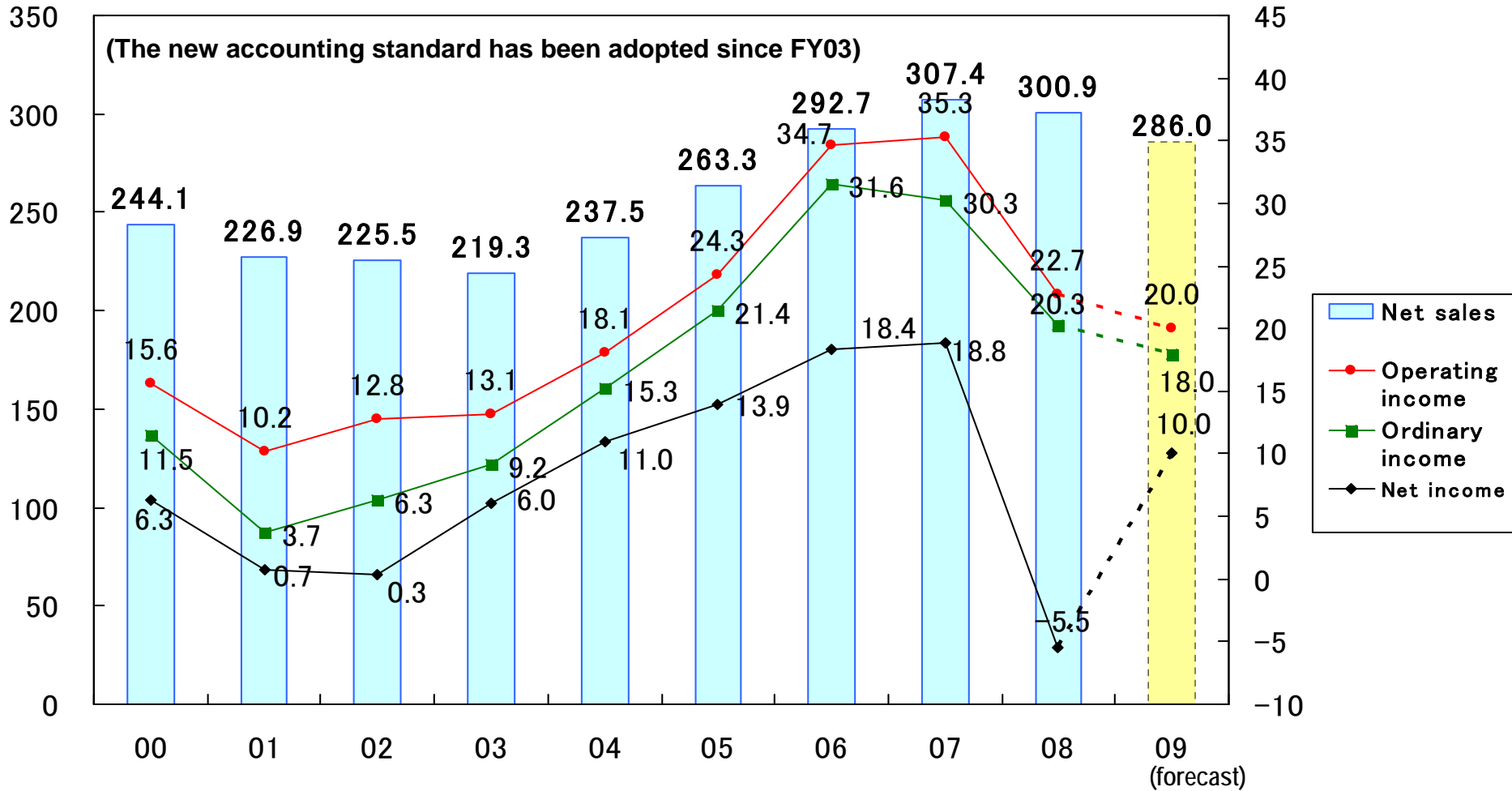
(Billions of yen)



⑥ Performance trend during these 10 years (consolidated)

Net sales (Billions of yen)

Profits (Billions of yen)



3. Topics

- (1) Development in Polysilicon Business
- (2) Progress of Shunan Bulk Terminal Co., Ltd.
- (3) Fireproof/ Fire-resistant Plastic Window Sashes Problem

(1) Development in Polysilicon Business

- ▶ Progress in construction plans for the new Siemens method-based plant in the Tokuyama Factory
 - ▶ A ceremony for the completion held on Mar. 24, Commercial operations started in April without ramping up.
 - ▶ Production capacity : 5,200 t/Y \Rightarrow 8,200 t/Y



A ceremony for the completion



Polysilicon plant completed (Higashi Plant)



Development in Polysilicon Business

- ▶ Progress in the second polysilicon base project
 - ▶ Plan for the project announced on Nov. 27, 08 in Kuala Lumpur, Malaysia
 - ▶ Detailed design started for completion in 2012 (Production capacity: approx. 3,000t/Y)



Press conference for the project (KL, Malaysia)



Planned construction site in Sarawak

Development in Polysilicon Business

▶ Verification tests for the VLD method progressing

- ▶ We plan to start verification tests in newly-added facilities in about summer, and are scheduled to complete the verification tests by the end of this fiscal year.



VLD verification plant



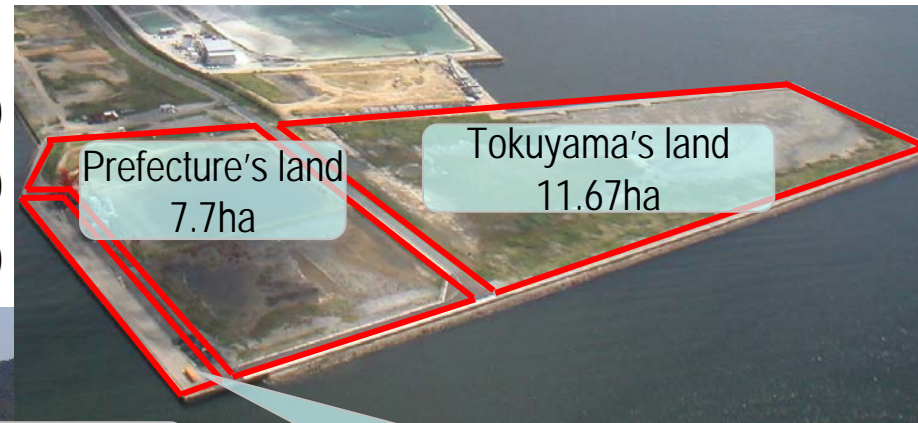
Samples from the VLD verification plant

(2) Progress of Shunan Bulk Terminal Co., Ltd.

▶ Soil improvement work for the coal yard started

▶ Composition of capital at its establishment

Tokuyama Corp.	¥153 million (67.1%)
Idemitsu Kosan	¥45 million (19.7%)
Tokuyama Kairiku Unso	¥30 million (13.2%)



The unloading place :
National land: 0.56ha

- Annual handling volume: More than 2 mil. tons
- Operations; Start of partial operations: Jul. 2010
- Start of full operations: Apr. 2012

(3) Fireproof/ Fire-resistant Plastic Window Sashes Problem

▶ Circumstances of the problem

- Jan. 8 : Tokuyama announced the dishonesty problem of fireproof/fire-resistant plastic sashes
- Jan. 23 : Announced the estimated costs of repairs and improvement works (¥20 billion)
- Mar. 26 : Announced Investigation results of the problem and preventive measures for the recurrence of such problems

▶ Response to customers and progress of repairs and improvement works

- Progress Rate of identifying objects ; 98% as of Apr. 15 (completed identifying 4,041 out of 4,132 houses/buildings in the whole country)
- 156 houses/buildings under construction; We completed replacing our products with other companies' authorized products in 119 houses/buildings of them.
Part of the customers hope for repairs and improvement by plastic sashes after we obtain the authorizations
- 3,976 existing houses/buildings; We have started explaining how to repair and improve the plastic sashes in question

Fireproof/ Fire-resistant Plastic Window Sashes Problem

➤ Action to prevent a recurrence (Urgent measures)

▶ Excel Shanon

- Compliance declaration, Completed notifying the whole company of quality assurance policy (Mar. 24)
- Decided to establish Quality Assurance Dept. at the board of directors' meeting held on Apr. 21 (Director in charge and head chief selected and appointed)
- Making "Administrative rules for fire-resistant/ fireproof authorizations" is under way (Scheduled to be completed at the end of Jun.)

▶ Tokuyama

- Directed all the directors and employees to thoroughly comply with corporate ethics and the laws, regulations and rules (Mar. 26)
- Began action toward confirming related regulations and rules and establishing proper administration (Mar. 27)
- Established Tokuyama Group Code of Behavior (May 12)

Fireproof/ Fire-resistant Plastic Window Sashes Problem

➤ Progress in obtaining new authorizations

- Several types of the products were passed on the performance test, although we have not yet obtained any authorizations

➤ Development & Response schedule

- We are making progress in developing products for repairs and improvement (new authorized products) as permanent measures for the problem
- We got the anticipated results on the whole in the preliminary exam., but we fall slightly behind schedule in the development, because the number of types of test products for the final exam. had increased substantially, with the result that we spent more time than expected.
- We are scheduled to obtain authorizations for some products in about August at the earliest

Principal Indicators ①

		Fiscal 08		Fiscal 07		Changes	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Capital expenditures	Billions of yen	52.5	47.7	37.0	27.4	+15.5	+20.2
Depreciation and amortization	Billions of yen	22.9	18.4	21.4	17.6	+1.5	+0.8
R&D expenses	Billions of yen	11.8	9.7	11.1	9.2	+0.7	+0.4
Interest-bearing debt	Billions of yen	95.4	80.7	64.2	51.3	+31.2	+29.4
Financial income and expenses	Billions of yen	-0.6	0.5	-0.4	0.8	-0.1	-0.3
Number of employees	Persons	5,295	2,161	5,057	2,109	+238	+52

Principal Indicators ②

(Billions of yen)

		Fiscal 09 forecast		Fiscal 08		Fiscal 07	
		Consolidated	Non- consolidated	Consolidated	Non- consolidated	Consolidated	Non- consolidated
Capital expenditures	Approved limit total	36.0	29.4	63.5	57.8	38.1	32.2
	Results	—	—	52.5	47.7	37.0	27.4
Depreciation and amortization		38.8	34.9	22.9	18.4	21.4	17.6
R&D expenses		13.8	11.6	11.8	9.7	11.1	9.2

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- This material is supplied to provide information of our company, and is not intended as a solicitation for investment or other actions.
- This material was prepared by our company based on the information currently available, and involves uncertainties. Therefore, we, Tokuyama Corporation, will not take responsibility for correctness and perfection of this material.
- We will not take responsibility for any losses or deficits caused by decision-making of investment based entirely on projections, numerical targets and other information contained in this material.

Chemistry with a heart

TOKUYAMA

