



Chemistry with a heart

TOKUYAMA 



TOKUYAMA CORPORATION
annual report 1998

Non-Consolidated Financial Highlights

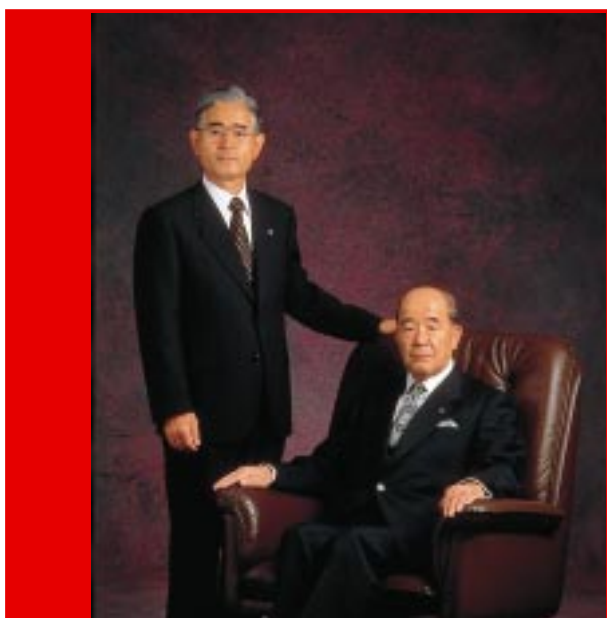
TOKUYAMA CORPORATION ANNUAL REPORT 1998

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Net Sales	¥193,630	¥186,334	\$1,466,893
Operating Income	13,436	13,323	101,789
Net Income	3,299	3,708	24,990
Total Assets	272,447	260,535	2,063,994
		Yen	U.S. dollars
Per Share:			
Net Income	¥12.94	¥14.54	\$0.098
Cash Dividends	7.50	6.00	0.057

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥132=US\$1.

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Kaoru Tsuji, Chairman (right) and
Yuichi Miura, President

In fiscal 1997, the year ended March 31, 1998, aggressive marketing activities, along with other measures, cushioned the impact of adverse market conditions, enabling us to post sales of ¥193.6 billion (US\$1,467 million), up 3.9 percent from last year. While operating income rose 0.9 percent to ¥13.4 billion, net income declined by 11.0 percent to ¥3.3 billion (US\$25 million). The year marked a milestone in our history. On February 16, 1998 we celebrated our 80th anniversary. We used this occasion to reaffirm the pioneering spirit of our founder, as we seek to prevail against difficulties in our operating environment in the years ahead.

Business Restructuring

We are tightening our focus on new lines of business in electronics materials, medical products, and fine chemicals. These growth areas are targeted to generate more than 50 percent of sales on a consolidated basis in the future. While pursuing these exciting fields, we have not lost sight of our core businesses. Basic chemicals and materials such as cement, chlor-alkali, organic/inorganic chemicals and plastic resins still underpin our ability to prosper and develop new areas of business. In line

with this business strategy, we intend to channel more resources into research and development to create new businesses as well as to improve existing ones.

Globalization

New bases were inaugurated in Singapore, Taiwan and Philippines in fiscal 1997. Along with operations in other Asian countries, the U.S. and Europe, we are now poised to establish a greater global presence. With our subsidiaries, we will work to improve our business performance, which will be measured on a consolidated basis in accordance with global standards. As we pursue these goals, we are also conscious of our environmental responsibilities. We intend to conduct operations in an appropriate manner guided by the principles of the Responsible Care initiative and ISO standards.

Looking Ahead to a New Century

We have embarked on an extensive and ambitious program of capital investments. These expenditures are yielding expanded production capacity of polycrystalline silicon and chlor-alkali products, boosting our internal

power generation capacity by 145MW, and creating a Pan-Asia network for production and distribution of chemicals for the electronics industry. Such investments are expected to contribute to our future development and prosperity in the medium to long term in the 21st century.

The world is in the midst of a historic transition. Winds of change are altering myriad aspects of our lives and business environments. Opportunities, however, accompany change. We are confident of prospering in the coming years with a staff of highly motivated employees and a restructuring program that targets a higher share of sales from new businesses. I look forward to receiving the support of our shareholders as we pursue our goals.

June 1998



Yuichi Miura
President



Chemicals

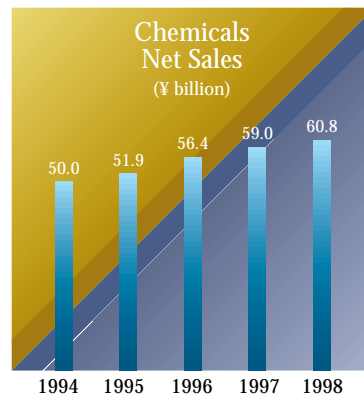
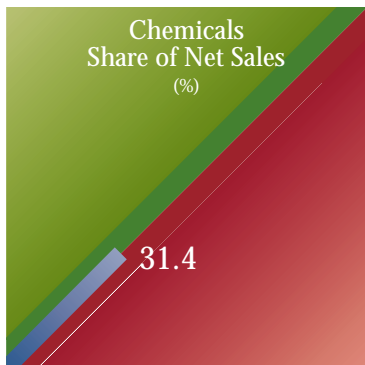
Chemical sales posted a 3.2 percent gain to ¥60.8 billion (US\$461 million), which represented 31.4 percent of total net sales in fiscal 1997.

In inorganic chemicals, sodium hypochlorite posted strong sales on the back of higher demand for use as a disinfectant and antibacterial agent. Soda ash sales also rose on account of efforts to improve prices, despite volume being largely on a par with last year's level. While sodium silicate cullet and sodium silicate produced results consistent with last year, a supply glut forced caustic soda prices down, resulting in a drop in sales.

In organic chemicals, sales were generally robust, particularly for ethylene dichloride. Isopropyl alcohol and propylene oxide, aided by price corrections that reversed poor profitability related to high feedstock prices, also turned in improved results.

Various actions were taken to improve efficiency and competitiveness. One such move is the restructuring of Tokuyama's chlor-alkali business. One step is the dissolution in October 1998 of Chiba Chlorine & Alkali Co., Ltd. and Sodegaura Chemical Ltd., which have been unprofitable. Additionally, Tokuyama teamed up with Asahi Glass Co., Ltd., creating an alliance that will streamline production and logistics activities for chlor-alkali operations.

Furthermore, two new plants came on stream during the year. In July 1997, wholly owned subsidiary Tokuyama Electronic Chemicals Pte. Ltd. began operations at a facility in Singapore, producing high-purity chemicals for the electronics industry. In a similar vein, Taiwan Tokuyama Corp., another wholly owned subsidiary, started operations at its new plant in February 1998.



Cement & Construction Materials

Sales in the cement & construction materials sector declined 10.8 percent to ¥52.1 billion (US\$395 million), 26.9 percent of total net sales. A drop-off in housing starts and decreased public-works spending in Japan held down cement sales. Sluggish private-sector demand, centered on capital spending, also took its toll. Efforts to establish a better price structure only had a minor effect. On the export front, falling values of Southeast Asian currencies made local cement producers more price competitive. The resulting drive to raise export sales from these countries severely weakened the cement market. This sent Tokuyama's cement export sales and volumes into a tailspin in the second half of the fiscal year.

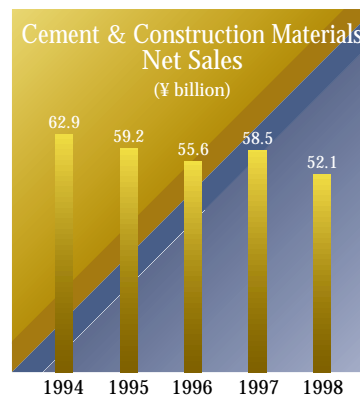
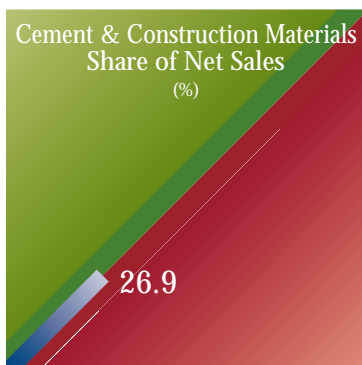
In construction materials, sales fell as demand softened following a burst of activity before the consumption tax hike, negating efforts Tokuyama made to expand sales of mainstay plastic sashes.

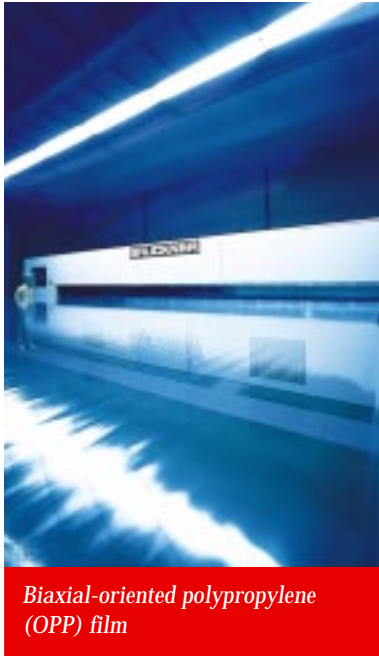
With business conditions deteriorating in the Philippines, Tokuyama, along with its partners, terminated construction of a cement plant that was in the planning stage. Tokuyama, however, has not abandoned the Philippines. In March 1998, construction was completed and operations began at a cement terminal to take part in expected growth in cement consumption.



Tokuyama's high-flowability, low-heat cement was used to anchor the Akashi Kaikyo Bridge.

(Photograph courtesy of the Honshu-Shikoku Bridge Authority)





Biaxial-oriented polypropylene (OPP) film

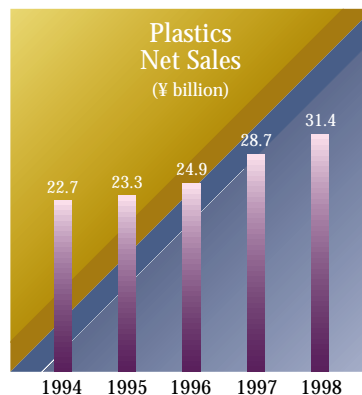
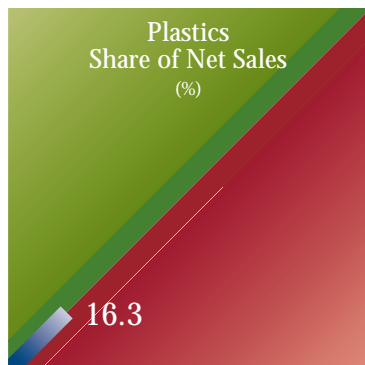
Plastics

Sales climbed 9.5 percent to ¥31.4 billion (US\$238 million), accounting for 16.3 percent of total net sales. In polypropylene, sales rose due to efforts to improve prices and the commencement of operations at a new biaxial-oriented polypropylene (OPP) film plant run by subsidiary Tokuyama Film Co., Ltd. Exports, particularly for special grades, enjoyed brisk sales in the first half of the year. Upon entering the second half, however, export pressure from several Asian countries impacted sales volumes and prices, pushing both below last year's levels.

OPP sales volume increased in fiscal 1997 owing to efforts to expand sales and supply capacity brought about by Tokuyama Film's new plant. There was, however, a slight drop in prices in the second half of the year caused by intense competition. In the first half of fiscal 1998, completion of a new OPP plant owned and operated by Tianjin Sunshine Plastics Co., Ltd., a joint venture in Tianjin, China, will add to Tokuyama's strength in OPP.

Specialty Products

The specialty products sector is made up of three businesses: electronics materials, medical, and fine chemicals. Sales in this division surged 22.5 percent to ¥49.2 billion (US\$373 million), or 25.4 percent of total net sales. In polycrystalline silicon, the core product in the electronics materials sector, sales were strong in line with steps taken to boost total

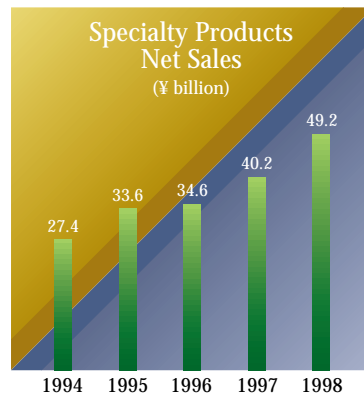
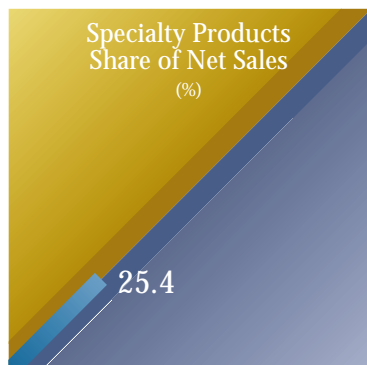




annual production capacity to 3,300 tons. Tokuyama is continuing to increase capacity to position the company for expected growth in demand for wafers for semiconductors. Although Japan's weak economy makes the outlook for the semiconductor market uncertain, Tokuyama is confident that demand will pick up. Aluminum nitride ceramics and other electronics-related products posted strong results.

The medical and health care business reported higher sales, mainly due to brisk demand for diagnostic systems. Sales volumes dropped for dental materials following last-minute buying prior to the April 1997 consumption tax rate hike. However, new dental adhesive products and information systems for medical diagnosis lifted total sales in this business.

In fine chemicals, completion of a new plant in October 1997 bolstered output capacity of photochromic lens materials for plastic eyeglasses. At the same time, robust demand in Europe and the United States, which are the main markets for photochromic lenses, fueled higher sales of these materials. Furthermore, pharmaceutical and agricultural chemical intermediates, such as contrast medium and amino acid protecting compound, posted strong gains overall. Also performing well were microporous films used in disposable diapers and household wrapping materials.



Responsible Care

Preserving the Environment for Generations to Come

Based on the industry-wide Responsible Care guidelines, Tokuyama is reducing the impact that its activities have on the environment. The company is taking aggressive actions on many fronts such as saving energy, resource recycling and meeting international standards for quality. Every Tokuyama product reflects environmental and safety issues, from development through manufacturing, distribution and use to final consumption and eventual disposal. This is made possible by the gathering and dissemination of information on product safety, quality and product liability audits, as well as through product assessments.

Quality assurance systems for high-purity chemicals for the electronics industry have already obtained ISO 9002 certification, an international

standard for quality control. Likewise, in fiscal 1997, Tokuyama's systems for cement products and dental materials for dentures and crown repairs gained certification. Tokuyama is working to eventually have ISO 9000 certification for main products.

Preparations being made for ISO 14001 certification—the international standard for environmental management—is another goal for the Tokuyama and Kashima factories during fiscal 1998.



Research and Development

Based on the recognition that research and development is essential to future prosperity, Tokuyama spends about ¥8.0 billion annually on these activities. Roughly 400 scientists at the company are engaged in research-related programs.

During the year under review, Tokuyama worked on future technologies while refining existing ones. This is consistent with the company's basic policy promulgating two goals: fortification of core businesses; and enhancing earnings as well as expanding into specialty products and newly developed businesses.

Those efforts have paid dividends. In the specialty products and newly developed business area, sales and earnings have been bolstered by many distinctive new products and technologies. Among them are an improved polycrystalline silicon production process; encapsulation compound filler for next-generation semiconductor devices; and improved performance of photochromic materials for optical

plastic lenses. Two new herbicides and products in the dental and diagnostics fields further contributed to business results in this sector.

In core businesses, the company developed fumed mortar wallboards for home interiors, polypropylene resins that enable biaxial orientation at high speed and other new products.

Furthermore, paving the way for future innovations, construction started on the Tsukuba Research Laboratory 2nd Research Wing. The new facility is slated for completion in the spring of 1999.



Plans call for the company's new Tsukuba facility, presently under construction, to develop basic technologies such as structure analysis and ultramicroanalysis.

Boosting Polycrystalline Silicon Output

In March 1998, Tokuyama started construction on a new plant inside the Tokuyama Factory to increase production capacity of high-purity polycrystalline silicon (see photo), a key material for semiconductors. Slated for completion at the end of 1999, the new plant will boast the highest annual output capacity in Japan and be among the largest in the world. Production capacity will be 4,800 tons per annum, up 1,500 tons from the previous level. This new plant will support Tokuyama in its drive to provide a stable supply of polycrystalline silicon to the semiconductor industry, which is behind progress toward an information-oriented society. All signs point to healthy long-term expansion.

Cooperation With Asahi Glass in Chlor-Alkali Business

Tokuyama has teamed up with Asahi Glass Co., Ltd. in an effort to improve the efficiency of the company's chlor-alkali business (see photo). The agreement, inked in February 1998, covers a broad range of matters including supply of feedstock, production consignment, swapping of products, and production technology exchanges. The two companies are a good match since Tokuyama's pro-



Tokuyama's electrolytic soda plant



Polycrystalline and single-crystal silicon



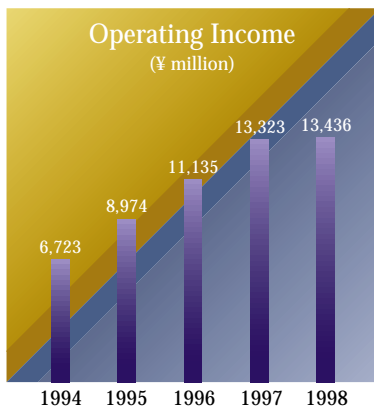
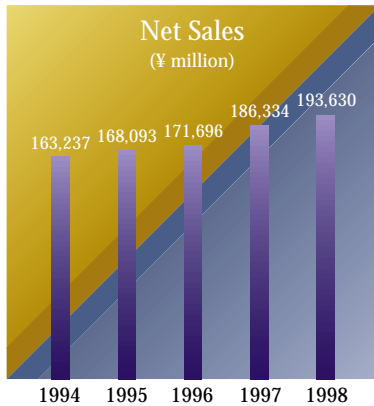
Completion ceremony of the Taiwan Tokuyama Factory in Hsinchu

duction base is in western Japan while Asahi Glass has its plants in eastern Japan. Therefore, the relationship will be complementary and its aggressive execution will streamline logistics and reduce costs.

New Factories in Asia to Serve Semiconductor Industry

Two new factories producing semiconductor cleaning agent and developer have come on stream. In July 1997, Tokuyama Electronic Chemicals Pte. Ltd., a wholly owned subsidiary based in the West Jurong District of Singapore, finished its new factory. This was followed in February 1998 by completion of a new factory in the Hsinchu area of Taiwan by Taiwan Tokuyama Corp., another wholly owned subsidiary (see photo). Together with one factory in South Korea, Tokuyama now has three overseas production bases for high-purity chemicals for the electronics industry.

These new plants will produce high-purity isopropyl alcohol for the cleaning and drying of silicon wafers and LCD substrates. They will also package high-purity developer that is used in the semiconductor lithography process. These products will be supplied to clients in Southeast Asia including Singapore and Malaysia, as well as Taiwan.



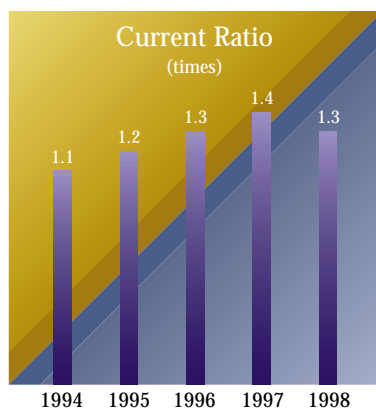
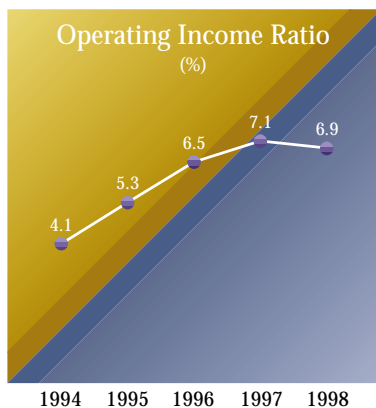
Income Analysis

Net sales in fiscal 1997, the year ended March 31, 1998, rose 3.9 percent to ¥193,630 million (US\$1,467 million). This was the result of sales gains in the Plastics and Specialty Products divisions, which more than compensated for a decline in results in the Cement & Construction Materials division. Gross profit was down 0.3 percent to ¥64,491 million (US\$489 million) due to a 6.2 percent year-on-year increase in cost of sales. Efforts to rationalize distribution and trim various other expenses produced a 0.6 percent reduction in selling, general and administrative expenses. As a result, operating income was up 0.9 percent to ¥13,436 million (US\$102 million). The ratio of operating income to net sales was 6.9 percent, compared with 7.1 percent one year earlier. In other income (expenses), write-down of investments in securities, subsidiaries and affiliates raised net other expenses 12.8 percent to ¥3,707 million (US\$28 million). Income before income taxes was down 3.1 percent to ¥9,729 million (US\$74 million), while net income declined to ¥3,299 million (US\$25 million), down 11.0 percent from last fiscal year.

Cash Flows

Net cash provided by operating activities totaled ¥21,046 million (US\$159 million), down 16.5 percent from the previous year's ¥25,213 million. This was the result of a decline in payables, which exceeded an increase in depreciation and amortization and a decrease in other current assets.

Net cash used in investing activities rose 19.5 percent from ¥29,589 million to ¥35,367 million (US\$268 million). Although there was a decrease in investments in and advances to subsidiaries and affiliates, capital expenditures were sharply up from last fiscal year.



Net cash provided by financing activities climbed 76.6 percent to ¥12,248 million (US\$93 million) from ¥6,936 million a year earlier. The majority of this increase was accounted for by the absence of expenditures related to the redemption of bonds.

Net cash provided by operating activities and financing activities was slightly less than net cash used in investing activities. As a result, cash and cash equivalents decreased by ¥2,073 million to ¥25,681 million (US\$195 million) at year's end.

Financial Position

Total assets at March 31, 1998 amounted to ¥272,447 million (US\$2,064 million), a 4.6 percent increase from a year earlier. Current assets were down 2.0 percent to ¥116,522 million (US\$883 million), while current liabilities rose 2.3 percent to ¥89,286 million (US\$676 million). The result, therefore, was that the current ratio decreased to 1.31 times from 1.36 times at the previous fiscal year end. Investments and other assets decreased 7.6 percent to ¥38,239 million (US\$290 million). Net property, plant and equipment jumped 17.5 percent to ¥117,686 million (US\$892 million). The main factors were extensions, which are still continuing, to Tokuyama's own power plant, expansion of polycrystalline silicon production and an increase in construction in progress due to expansion and streamlining of production facilities for chemicals. Total liabilities at the end of the year were ¥178,651 million (US\$1,353 million), a 6.1 percent increase over the previous fiscal year end. The most significant component of this growth was ¥15.0 billion from corporate bond issues made in August 1997 and January 1998. Shareholders' equity rose 1.7 percent to ¥93,796 million (US\$711 million), almost entirely a factor of higher retained earnings. The equity ratio was 34.4 percent, compared with 35.4 percent a year earlier.

Non-Consolidated Balance Sheets

Tokuyama Corporation
March 31, 1998 and 1997

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current assets:			
Cash and cash equivalents	¥ 25,681	¥ 27,754	\$ 194,552
Marketable securities (Note 4)	2,854	3,527	21,620
Short-term investments	8,721	7,976	66,066
Notes and accounts receivable:			
Subsidiaries and affiliates	12,684	12,888	96,092
Trade	47,388	47,415	358,998
Less allowance for doubtful accounts	(2,461)	(1,121)	(18,647)
	57,611	59,182	436,443
Inventories (Note 5)	17,781	15,044	134,708
Other current assets	3,874	5,469	29,346
Total current assets	116,522	118,952	882,735
Investments and other assets:			
Investments in securities (Note 6)	14,941	13,707	113,189
Investments in and advances to subsidiaries and affiliates	18,449	21,887	139,765
Other assets	4,849	5,793	36,739
	38,239	41,387	289,693
Property, plant and equipment (Note 6):			
Land	17,903	17,177	135,631
Buildings and structures	59,840	57,597	453,337
Machinery and equipment	282,934	267,792	2,143,440
Construction in progress	20,561	6,508	155,768
	381,238	349,074	2,888,176
Less accumulated depreciation	(263,552)	(248,878)	(1,996,610)
	117,686	100,196	891,566
	¥ 272,447	¥ 260,535	\$ 2,063,994

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current liabilities:			
Short-term bank loans (Note 6)	¥ 23,035	¥ 23,035	\$ 174,508
Current portion of long-term debt (Note 6)	7,852	2,098	59,483
Accounts payable:			
Subsidiaries and affiliates	6,018	6,038	45,593
Trade	32,481	35,095	246,071
Others	2,690	3,563	20,375
	<u>41,189</u>	<u>44,696</u>	<u>312,039</u>
Accrued expenses	7,978	7,514	60,440
Income taxes payable (Note 7)	3,099	3,725	23,479
Other current liabilities (Note 8)	6,133	6,199	46,465
Total current liabilities	<u>89,286</u>	<u>87,267</u>	<u>676,414</u>
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	79,915	71,764	605,415
Accrued retirement and severance benefits (Note 9)	9,354	9,112	70,860
Other	96	175	729
Total long-term liabilities	<u>89,365</u>	<u>81,051</u>	<u>677,004</u>
Contingent liabilities (Note 14)			
Shareholders' equity (Note 10):			
Common stock, ¥50 par value:			
Authorized — 700,000,000 shares;			
Issued and outstanding —			
254,971,876 shares at March 31, 1998 and 1997	19,274	19,274	146,014
Additional paid-in capital	22,895	22,895	173,447
Legal reserve	3,538	3,366	26,801
Retained earnings	48,089	46,682	364,314
Total shareholders' equity	<u>93,796</u>	<u>92,217</u>	<u>710,576</u>
	<u>¥272,447</u>	<u>¥260,535</u>	<u>\$2,063,994</u>

Non-Consolidated Statements of Shareholders' Equity

Tokuyama Corporation

Years ended March 31, 1998 and 1997

	Shares of common stock (thousands)	Millions of yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1996	254,972	¥19,274	¥22,895	¥3,206	¥44,722
Net income	-	-	-	-	3,708
Cash dividends paid (¥6.00 per share)	-	-	-	-	(1,530)
Bonuses to directors and statutory auditors	-	-	-	-	(58)
Transfer to legal reserve	-	-	-	160	(160)
Balance at March 31, 1997	254,972	19,274	22,895	3,366	46,682
Net income	-	-	-	-	3,299
Cash dividends paid (¥7.50 per share)	-	-	-	-	(1,658)
Bonuses to directors and statutory auditors	-	-	-	-	(62)
Transfer to legal reserve	-	-	-	172	(172)
Balance at March 31, 1998	254,972	¥19,274	¥22,895	¥3,538	¥48,089

	Thousands of U.S. dollars (Note 2)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1997	\$146,014	\$173,447	\$25,496	\$353,654
Net income	-	-	-	24,990
Cash dividends paid (¥7.50 per share)	-	-	-	(12,555)
Bonuses to directors and statutory auditors	-	-	-	(470)
Transfer to legal reserve	-	-	1,305	(1,305)
Balance at March 31, 1998	\$146,014	\$173,447	\$26,801	\$364,314

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Tokuyama Corporation
Years ended March 31, 1998 and 1997

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Cash flows from operating activities:			
Net income	¥ 3,299	¥ 3,708	\$ 24,990
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	19,655	14,673	148,899
Provision for retirement and severance benefits, less payments	241	356	1,828
Loss (gain) on sales and disposal of property, plant and equipment	31	(95)	237
Write-down of investment securities	684	1,316	5,185
Payment of directors' bonuses	(62)	(58)	(470)
Decrease in receivables	1,572	2,228	11,908
Increase in inventories	(2,738)	(2,887)	(20,741)
Decrease in other current assets	1,595	226	12,083
(Decrease) increase in payables	(3,507)	5,574	(26,568)
Increase in accrued expenses	464	743	3,513
Decrease in income taxes payable	(626)	(467)	(4,741)
Decrease in other current liabilities	(65)	(111)	(494)
Other-net	503	7	3,809
Net cash provided by operating activities	<u>21,046</u>	<u>25,213</u>	<u>159,438</u>
Cash flows from investing activities:			
Capital expenditures	(37,264)	(25,631)	(282,298)
Proceeds from sales of property, plant and equipment	448	214	3,396
Payment for purchase of investment securities	(1,918)	(1,429)	(14,532)
Decrease (increase) in investments in and advances to subsidiaries and affiliates	3,438	(2,423)	26,045
Net decrease (increase) in marketable securities	673	(982)	5,099
(Increase) decrease in short-term investments	(744)	662	(5,639)
Net cash used in investing activities	<u>(35,367)</u>	<u>(29,589)</u>	<u>(267,929)</u>
Cash flows from financing activities:			
Proceeds from issue of bonds	15,000	15,000	113,636
Redemption of bonds	-	(5,700)	-
Increase in short-term bank loans	-	22	-
Proceeds from long-term debt	1,036	1,505	7,845
Repayment of long-term debt	(2,130)	(2,361)	(16,137)
Cash dividends paid	(1,658)	(1,530)	(12,555)
Net cash provided by financing activities	<u>12,248</u>	<u>6,936</u>	<u>92,789</u>
Net (decrease) increase in cash and cash equivalents	(2,073)	2,560	(15,702)
Cash and cash equivalents at beginning of year	27,754	25,194	210,254
Cash and cash equivalents at end of year	<u>¥ 25,681</u>	<u>¥ 27,754</u>	<u>\$ 194,552</u>
Additional cash flow information:			
Interest	¥ 2,725	¥ 2,867	\$ 20,643
Income taxes	6,877	6,644	52,099

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of presenting the financial statements

The accompanying non-consolidated financial statements include only the accounts of Tokuyama Corporation (the “Company”) and are prepared on the basis of accounting principles and practices generally accepted in Japan and from the financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

In preparing the non-consolidated financial statements for purposes of inclusion in these financial statements, certain items presented in the original financial statements have been reclassified and summarised for readers outside Japan. In addition, the accompanying footnotes include information which is not required under accounting principles and practices generally accepted in Japan, but is presented as additional information in this document.

2. U.S. dollar amounts

The United States dollar amounts included in the accompanying non-consolidated financial statements and related notes represent the arithmetic results of translating Japanese yen into U.S. dollars at the rate of ¥132=US\$1, the approximate exchange rate on March 31, 1998. The U.S. dollar amounts are included solely for the convenience of the reader, and it should not be construed that the assets and liabilities, expressed in U.S. dollar equivalents, can actually be realised in or be extinguished by U.S. dollars at the exchange rate used in the accompanying translation.

3. Summary of significant accounting policies

Foreign Currencies:

Current monetary assets and liabilities in foreign currencies have been translated into Japanese yen at the applicable current rates. Long-term monetary assets and liabilities denominated in foreign currencies, except for those hedged by forward exchange contracts, have been translated at the historical rates. The exchange differences arising from such forward exchange contracts are deferred and amortized over the remaining life of those contracts.

Cash Equivalents:

The Company considers all highly liquid time deposits with a maturity of three months or less to be cash equivalents.

Marketable Securities and Investments in Securities:

Securities which are listed on stock exchanges except for investment in subsidiaries are valued at the lower of cost or market, cost being determined by the moving average method. Securities which are not listed on stock exchanges are valued at cost, cost being determined by the moving average method.

Inventories:

Inventories are stated at the lower of cost or market value, cost being determined by the moving average method.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method at the rates based on the estimated useful lives of assets which are prescribed by Japanese income tax law. The range of the estimated useful lives is principally from 3 to 65 years for buildings and structures and from 2 to 20 years for machinery and equipment.

Provision for additional depreciation is made to reflect the use of machinery and equipment in excess of the normal production schedule, which computation is adopted in accordance with Japanese tax regulations. Significant renewals and betterments are capitalised at cost. Maintenance expenses are charged to income as incurred. Repair expenses are charged to income.

Research and Development Expenses:

Research and development expenses are charged to income as incurred.

Income Taxes:

Income taxes are calculated on taxable income and charged to income on an accrual basis. Deferred income taxes arising from timing differences between financial and tax reporting are not recognised.

Retirement and Severance Benefits:

Employees who terminate employment are entitled, under most circumstances, to lump-sum payments determined by current basic rate of pay, length of service, position in the Company, and conditions under which the termination occurs. The minimum payment is an amount based on voluntary retirement.

The Japanese tax law sets the limit of allowable deductions for accrued retirement and severance benefits as 40 percent of the voluntary liability. The Company generally records 40 percent of the voluntary liability in accordance with the law.

Also, the Company has a non-contributory pension plan which will generally provide for a quarterly allowance payable subsequent to retirement. The plan is to be funded to the extent of 55 percent by this trusted pension plan to cover employees who terminated employment with over twenty years of service.

Net Income per Share:

The computation of net income per share is based on the weighted average number of shares outstanding during each period.

4. Marketable securities

Marketable securities at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Listed common stocks	<u>¥ 690</u>	954	<u>\$ 5,224</u>
Bonds and other	<u>2,164</u>	<u>2,573</u>	<u>16,396</u>
	<u>¥2,854</u>	<u>¥3,527</u>	<u>\$21,620</u>

5. Inventories

Inventories at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished products	<u>¥11,071</u>	¥ 9,254	<u>\$ 83,873</u>
Work in progress	<u>3,118</u>	2,406	<u>23,621</u>
Raw materials	<u>2,286</u>	2,131	<u>17,322</u>
Supplies	<u>1,306</u>	1,253	<u>9,892</u>
	<u>¥17,781</u>	<u>¥15,044</u>	<u>\$134,708</u>

6. Short-term bank loans and long-term debt

Short-term bank loans at March 31, 1998 are bank loans which are due principally in 365 days and bear interest at rates ranging from 0.82 percent to 1.58 percent per annum.

A summary of long-term debt at March 31, 1998 and 1997 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans principally from banks and insurance companies, due through 2007			
with interest ranging from 1.615 percent to 7.20 percent	¥22,867	¥23,962	\$173,232
2.2 percent convertible bonds in yen			
due September 30, 2003	9,900	9,900	75,000
4.25 percent unsecured bonds in yen due August 9, 2001	5,000	5,000	37,878
2.75 percent unsecured bonds in yen due June 14, 2002	10,000	10,000	75,758
2.9 percent unsecured bonds in yen due February 15, 2003	10,000	10,000	75,758
2.75 percent unsecured bonds in yen due July 10, 2001	10,000	10,000	75,758
2.45 percent unsecured bonds in yen due March 26, 2004	5,000	5,000	37,878
2.575 percent unsecured bonds in yen due August 19, 2004	10,000	–	75,758
2.90 percent unsecured bonds in yen due January 9, 2008	5,000	–	37,878
	87,767	73,862	664,898
Less current maturities	(7,852)	(2,098)	(59,483)
	¥79,915	¥71,764	\$605,415

The aggregate annual maturities of long-term debt at March 31, 1998 are summarised as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
1999	¥ 7,852	\$ 59,483
2000	4,464	33,820
2001	2,642	20,013
2002	17,361	131,518
2003	21,435	162,388
Thereafter	34,013	257,676
	¥87,767	\$664,898

Assets of the Company pledged as collateral for certain loans and other liabilities at March 31, 1998 and 1997, are summarised as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Property, plant and equipment	¥24,276	¥27,545	\$183,911
Investments in securities	18	17	134
	¥24,294	¥27,562	\$184,045

Loans, principally from banks and insurance companies, aggregating ¥5,901 million (\$44,705 thousand) at March 31, 1998, are secured by an enterprise mortgage amounting to ¥24,276 million (\$183,911 thousand).

Additional information with respect to the company's convertible bonds outstanding at March 31, 1998 is as follows:

	Convertible price per share	Convertible at any time up to and including
2.2 percent convertible bonds in yen due September 30, 2003	¥827.80	September 29, 2003

Under the provisions of the issues the conversion price is subject to adjustment in certain cases, which include the payment of stock dividends and the free distribution of shares. If all the outstanding convertible bonds had been converted at March 31, 1998, approximately 11,959 thousand additional shares of common stock would have been issued.

7. Income taxes

The Company is subject to several taxes based on income which, in the aggregate, resulted in a normal tax rate of approximately 51 percent for 1998 and 1997.

The effective tax rates reflected in the statements of income differ from the normal tax rates primarily because of the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes, the effect of permanent non-deductible expenses, tax exemptions for dividend income received from Japanese companies and tax credit for certain qualified expenditures.

8. Other current liabilities

At March 31, 1998 and 1997 other current liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Guarantee deposits	¥5,242	¥5,464	\$39,715
Other	891	735	6,750
	<u>¥6,133</u>	<u>¥6,199</u>	<u>\$46,465</u>

9. Retirement and severance plan

Retirement and severance plan expenses charged to operations for the years ended March 31, 1998 and 1997, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Funded pension plan	¥ 615	¥ 534	\$ 4,655
Accrued retirement and severance benefits	1,529	1,082	11,584
	<u>¥2,144</u>	<u>¥1,616</u>	<u>\$16,239</u>

10. Shareholders' equity

The Commercial Code of Japan provides that an amount equivalent to at least 10 percent of cash payment shall be appropriated as a legal reserve until such reserve equals 25 percent of stated capital. The Code also provides that neither additional paid-in capital nor legal reserve is available for dividends, but both may be used to reduce a deficit by resolution of the shareholders or may be capitalised in the form of free distributions of shares by resolution of the Board of Directors.

The Commercial Code of Japan provides that the entire amount of paid-in capital on new share issues, including shares issued upon conversion of bonds and exercise of warrants, shall generally be included in the common stock account. However, an amount equal to or less than 50 percent of the issue price of shares may be transferred to the additional paid-in capital account on the condition that at least the par value per share is included in the common stock account.

Under the Commercial Code of Japan, the amount available for dividends is based upon retained earnings as recorded by the Company. At March 31, 1998, the amount available for dividends, subject to the legal reserve requirements, was ¥46,809 million (\$354,611 thousand).

The following appropriations of retained earnings, which have not been reflected in the financial statements as at March 31, 1998, were proposed on May 21, 1998 by the Board of Directors and were approved at the annual shareholders' meeting on June 26, 1998:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,020	\$7,726
Transfer to legal reserve	108	818
Bonuses to directors and statutory auditors	60	455
	¥1,188	\$8,999

11. Sales to and purchases from subsidiaries and affiliates

Sales to and purchases from subsidiaries and affiliates for the years ended March 31, 1998 and 1997, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Sales	¥34,785	¥33,265	\$263,521
Purchases	28,730	28,525	217,649

12. Research and development expenses

Research and development expenses presented in general and administrative expenses for the years ended March 31, 1998 and 1997, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Research and development expenses	¥6,295	¥6,339	\$47,689

13. Other income (expenses)

“Other- net” in “Other income (expenses)” for the years ended March 31, 1998 and 1997 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loss on disposal of property and equipment	¥ (31)	¥ (77)	\$ (237)
Gain on sales of property and equipment	-	172	-
Write-down of investments in securities, subsidiaries and affiliates	(1,889)	(1,316)	(14,311)
Other	(74)	(247)	(557)
	<u>¥(1,994)</u>	<u>¥(1,468)</u>	<u>\$ (15,105)</u>

14. Contingent liabilities

At March 31, 1998 and 1997, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
As guarantor of indebtedness of subsidiaries, affiliates and others	¥8,944	¥10,128	\$67,758

*Report of Independent Certified Public Accountants on the
Non-Consolidated Financial Statements*

The Board of Directors
Tokuyama Corporation

We have audited the non-consolidated balance sheets of Tokuyama Corporation as of March 31, 1998 and 1997, and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in Japanese yen, present fairly the non-consolidated financial position of Tokuyama Corporation as of March 31, 1998 and 1997, and non-consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Yamaguchi Audit Corporation

YAMAGUCHI Audit Corporation

Tokuyama, Japan
June 30, 1998

Consolidated Balance Sheets
Tokuyama Corporation and Consolidated Subsidiaries
March 31, 1998 and 1997

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current assets:			
Cash and cash equivalents	¥ 27,619	¥ 30,009	\$ 209,234
Time deposits	60	61	453
Marketable securities	3,543	3,677	26,843
Short-term investments	5,662	5,510	42,893
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	10,272	8,624	77,818
Trade	57,835	58,959	438,146
Less allowance for doubtful accounts	(2,045)	(961)	(15,489)
	66,062	66,622	500,475
Inventories	22,134	19,727	167,681
Other current assets	3,162	2,990	23,950
Total current assets	128,242	128,596	971,529
Investments and other assets:			
Investments in securities	15,811	15,331	119,777
Investments in and advances to unconsolidated subsidiaries and affiliates . .	12,028	15,530	91,122
Other assets	7,616	7,722	57,697
	35,455	38,583	268,596
Property, plant and equipment:			
Land	21,103	20,366	159,875
Buildings and structures	71,447	67,107	541,265
Machinery and equipment	301,749	291,663	2,285,977
Construction in progress	20,775	6,843	157,388
	415,074	385,979	3,144,505
Less accumulated depreciation	(278,529)	(263,816)	(2,110,070)
	136,545	122,163	1,034,435
	¥ 300,242	¥ 289,342	\$ 2,274,560

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current liabilities:			
Short-term bank loans	¥ 27,479	¥ 30,540	\$208,172
Current portion of long-term debt	12,457	3,469	94,373
Accounts payable:			
Unconsolidated subsidiaries and affiliates	2,662	2,597	20,169
Trade	40,051	43,401	303,419
Others	4,147	4,723	31,414
	<u>46,860</u>	<u>50,721</u>	<u>355,002</u>
Accrued expenses	8,969	8,517	67,943
Income taxes payable	3,446	4,445	26,105
Other current liabilities	6,343	6,423	48,055
Total current liabilities	<u>105,554</u>	<u>104,115</u>	<u>799,650</u>
Long-term liabilities:			
Long-term debt, less current portion	88,696	80,796	671,941
Accrued retirement and severance benefits	9,778	9,552	74,073
Other	602	630	4,563
Total long-term liabilities	<u>99,076</u>	<u>90,978</u>	<u>750,577</u>
Minority interests	<u>535</u>	<u>522</u>	<u>4,052</u>
Contingent liabilities (Note 3)			
Shareholders' equity:			
Common stock	19,274	19,274	146,014
Additional paid-in capital	22,895	22,895	173,447
Legal reserve	3,635	3,457	27,540
Retained earnings	49,275	48,104	373,294
	<u>95,079</u>	<u>93,730</u>	<u>720,295</u>
Less treasury stock, at cost	(2)	(3)	(14)
Total shareholders' equity	<u>95,077</u>	<u>93,727</u>	<u>720,281</u>
	<u>¥300,242</u>	<u>¥289,342</u>	<u>\$2,274,560</u>

Consolidated Statements of Income and Retained Earnings

Tokuyama Corporation and Consolidated Subsidiaries

Years ended March 31, 1998 and 1997

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Statement of income:			
Net sales	¥227,440	¥216,664	\$1,723,031
Cost of sales	156,129	144,748	1,182,798
Gross profit	71,311	71,916	540,233
Selling, general and administrative expenses	56,773	57,545	430,099
Operating income	14,538	14,371	110,134
Other income (expenses)			
Interest and dividend income	1,032	967	7,819
Interest expenses	(3,369)	(3,308)	(25,519)
Other	(2,611)	(2,359)	(19,782)
	(4,948)	(4,700)	(37,482)
Income before income taxes and items listed below	9,590	9,671	72,652
Income taxes	(6,878)	(7,138)	(52,108)
Minority interests in earnings of consolidated subsidiaries	(23)	(73)	(173)
Equity in earnings of unconsolidated subsidiaries and affiliates	120	(370)	912
Amortization of goodwill arising on consolidation	(13)	(13)	(98)
Net income	2,796	2,077	21,185
Retained earnings:			
Balance at beginning of the year	48,104	47,756	364,421
Adjustment due to increase of consolidated subsidiary	(90)	-	(682)
Adjustment due to increase of affiliates accounted for by the equity method	369	-	2,795
Increase of earned surplus on merger	-	21	-
Cash dividends paid	(1,657)	(1,530)	(12,555)
Directors' and statutory auditors' bonuses	(69)	(59)	(521)
Transfer to legal reserve	(178)	(161)	(1,349)
Net income	2,796	2,077	21,185
Balance at end of the year	¥ 49,275	¥ 48,104	\$ 373,294
	Yen		U.S. dollars (Note 2)
Net income per share	¥ 10.97	¥ 8.15	\$ 0.083
Cash dividends per share	7.50	6.00	0.057

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokuyama Corporation and Consolidated Subsidiaries

1. Summary of significant accounting policies

Basis of presenting the financial statements:

The accompanying consolidated financial statements have been prepared on the basis of accounting principles and practices generally accepted in Japan and from the financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan with reclassification of certain items.

Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates:

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Significant intercompany balances, transactions and unrealised profits have been eliminated in consolidation.

Investments in significant affiliates (20 percent to 50 percent owned) are accounted for by the equity method. Consolidated net income includes the Company's equity in the current net income of such companies after elimination of unrealised intercompany profits.

Investments in unconsolidated subsidiaries and affiliates not accounted for on an equity method are carried at cost.

Other accounting principles and practices employed by the Company and its subsidiaries:

Significant accounting principles and practices employed by the Company and its subsidiaries are explained in Note 3 of the notes to non-consolidated financial statements. Therefore, the accompanying consolidated financial statements should be read in conjunction with such notes.

2. U.S. dollar amounts

See Note 2 to the non-consolidated financial statements.

3. Contingent liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 1998 and 1997:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
As endorser of trade notes discounted or endorsed	¥ 377	¥2,352	\$ 2,857
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and others	8,775	9,913	66,478

*Report of Independent Certified Public Accountants on the
Consolidated Financial Statements*

The Board of Directors
Tokuyama Corporation

We have audited the consolidated balance sheets of Tokuyama Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income and retained earnings for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in Japanese yen, present fairly the consolidated financial position of Tokuyama Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and consolidated results of their operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Yamaguchi Audit Corporation

YAMAGUCHI Audit Corporation

Tokuyama, Japan
June 30, 1998

Consolidated Six-Year Summary

Tokuyama Corporation and Consolidated Subsidiaries

Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	1998	1997	1996	1995	1994	1993	1998
Results of operations:							
Net sales	¥227,440	¥216,664	¥197,241	¥191,070	¥179,180	¥183,573	\$1,723,031
Cost of sales	156,129	144,748	127,215	124,080	117,719	119,438	1,182,798
Operating income	14,538	14,371	13,232	10,215	5,496	6,466	110,134
Net income	2,796	2,077	3,638	3,899	1,038	304	21,185
Net income per share	10.97	8.15	14.27	15.29	4.07	1.19	0.083
Cash dividends per share	7.50	6.00	6.00	6.00	6.00	6.00	0.057
Financial position:							
Property, plant and equipment	136,545	122,163	108,409	104,770	97,301	102,402	1,034,435
Total assets	300,242	289,342	269,908	241,222	219,639	244,362	2,274,560
Long-term debt, less current portion	88,696	80,796	65,612	48,239	41,653	41,198	671,941
Total liabilities	205,165	195,615	176,691	150,058	130,374	154,562	1,554,279
Shareholders' equity	95,077	93,727	93,217	91,164	89,265	89,800	720,281

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥132=US\$1.

Major Subsidiaries and Affiliates

(As of July 31, 1998)

Company	Capital (¥ millions)	Ownership (%)	Scope
Chemicals			
•MTT Ltd.	¥ 600	100	Production of epichlorohydrin
Sodegaura Chemical Ltd.	50	60	Production and sale of liquid chlorine
*Nishinihon Resicoat Co., Ltd.	50	50	Manufacture of rust-preventive coating for metals
Tomakomai Kasei Co., Ltd.	10	50	Sale of sodium sulfite
Clariant Tokuyama Limited	1,000	40	Production and sale of layered silicate
Chiba Chlorine & Alkali Co., Ltd.	1,600	22	Production and sale of chlorine and caustic soda
Cement & Construction Materials			
•Tokuyama Ready Mixed Concrete Co., Ltd.	100	100	Production and sale of ready-mixed concrete
•Seibu Tokuyama Ready Mixed Concrete Co., Ltd.	100	100	Production and sale of ready-mixed concrete
•Kyushu Tokuyama Ready Mixed Concrete Co., Ltd.	50	100	Production and sale of ready-mixed concrete
•Kawasaki Tokuyama Ready Mixed Concrete Co., Ltd.	40	100	Production and sale of ready-mixed concrete
•Sanyo Tokuyama Ready Mixed Concrete Co., Ltd.	50	85	Production and sale of ready-mixed concrete
Chugoku Ready Mixed Concrete Co., Ltd.	80	50	Production and sale of ready-mixed concrete
T & T Co., Ltd.	30	50	Sale of road-construction materials, contract work for foundations
Sanyo Precon Co., Ltd.	49	45.3	Production of pre-cast concrete curtain walls
Mizushima Riverment Corporation	250	24.5	Production under license of blast furnace slag cement
•Shanon Co., Ltd.	30	100	Production of plastic windows
•Hokkaido Shanon Co., Ltd.	30	100	Sale of plastic windows
•Shanon Tohoku Trading Co., Ltd.	30	100	Sale of plastic windows
•Shanon Sales East Japan Co., Ltd.	30	100	Sale of plastic windows
•Tokuso Trading Co., Ltd.	50	100	Sale of construction materials
•Tohoku Shanon Co., Ltd.	300	70	Production of plastic windows
•Shanon Kasei Corporation	100	* ¹ 80	Production and sale of materials for plastic windows
Oita Kogyo Co., Ltd.	125	25	Mining and sale of limestone
Plastics			
•Sun Arrow Chemical Co., Ltd.	1,000	100	Production and sale of vinyl chloride monomer
*Shin Dai-ichi Vinyl Corporation	7,000	* ² 30	Production and sale of polyvinyl chloride
•Tokuyama Film Co., Ltd.	400	100	Production of plastic films
•Sun-Tox Co., Ltd.	100	70	Sale of plastic films
Tox Co., Ltd.	45	50	Production of plastic films
Tomitec Co., Ltd.	50	50	Production of plastic injection moldings
Dainippon Plastics Co., Ltd.	859	38.4	Production and sale of plastics
San-ei Polymer Co., Ltd.	30	35.2	Production and sale of plastics
*Nanbu Plastics Co., Ltd.	1,800	28.88	Production and sale of plastics
Daipia Hawer Pipe, Ltd.	200	20	Production and sale of wide-bored plastic pipes
Nishinippon Hawer Pipe, Ltd.	200	20	Production and sale of wide-bored plastic pipes
Shunan Polymer Ltd.	5	* ³ 100	Production and sale of plastics
Watanabe Kasei Co., Ltd.	91.8	20	Production and sale of plastics
Electronic Materials			
•Figaro Engineering Inc.	48	100	Production and sale of sensor devices
Unirex Co., Ltd.	12	100	Design and sale of printed circuit boards
*Tokuyama Toshiba Ceramics Co., Ltd.	1,600	30	Production and sale of quartz glass
Medical			
•A & T Corporation	378	67.5	Production and sale of diagnostic reagents and analyzers
Towa Giken Co., Ltd.	60	50	Production and sale of dental materials
Transport			
•Kiyoo Kaiun Co., Ltd.	50	98	Transportation and warehousing
Tokuyama Unyu Co., Ltd.	24	25	Transportation
Tokuyama Bulk Terminal Co., Ltd.	10	20	Import, export and warehousing of coal, coke and petroleum

• Consolidated subsidiary

* Subsidiary accounted for by equity method

*¹ Includes 30 percent ownership by Sun Arrow Chemical Co., Ltd.

*² Includes 20 percent ownership by Sun Arrow Chemical Co., Ltd.

*³ Includes 80 percent ownership by Shunan System Sangyo Co., Ltd.

Company	Capital (¥ millions)	Ownership (%)	Scope
Others			
ASTOM Co., Ltd.	400	50	Production of ion exchange membranes
Sanuki Engyo Co., Ltd.	495	20.2	Production and sale of salt
•Shunan System Sangyo Co., Ltd.	50	100	Real estate, civil engineering, construction
•Tokuyama Esuteto Co., Ltd.	100	100	Real estate
*Shunan Engineering & Manufacturing Corporation	35	100	Design and production of machines and plants
Shunan Swimming Club Co., Ltd.	50	100	Swimming school and athletic club

Company	Capital (in thousands local currencies)	Ownership (%)	Scope
Overseas			
Tokuyama America Inc.	US\$300	100	Sale of Tokuyama Group products
Tokuyama Europe GmbH	DM 500	100	Sale of Tokuyama Group products
Tokuyama Asia Pacific Pte. Ltd.	S\$800	100	Sale of Tokuyama Group products
Taiwan Tokuyama Corp.	NT\$205,000	100	Production and sale of solvent for semiconductor base materials
Tokuyama Electronic Chemicals Pte. Ltd.	S\$2,000	100	Production of solvent for semiconductor base materials
Hantok Chemicals Co., Ltd.	W4,500,000	50	Production and sale of developer for positive photoresists
General Ceramics, Inc.	US\$1	100	Production and sale of ceramics for use in the electronics industry
Tianjin Figaro Electronic Co., Ltd.	RMB23,670	29.6	Production and sale of sensor devices
Eurodia Industrie S.A.	Fr 4,000	85	Sale of ion exchange membranes and electrolysers
Tianjin Sunshine Plastics Co., Ltd.	RMB99,765	53.75	Production and sale of plastic film
Pornpat Chemicals Co., Ltd.	Baht 150,000	99	Production and sale of precipitated silica
Southern Cross Cement Corp.	Peso342,000	44.67	Production and sale of ready-mixed concrete

- Consolidated subsidiary
- * Subsidiary accounted for by equity method

Directory

Head Office

Shibuya Konno Bldg.
3-1, Shibuya 3-chome
Shibuya-ku, Tokyo 150-8383
Tel: (03) 3499-8937
Fax: (03) 3499-8967

Domestic Offices:

Sapporo, Sendai, Nagoya, Osaka,
Hiroshima, Takamatsu, Fukuoka

Research Laboratories:

Tsukuba, Fujisawa, Tokuyama

Factories:

Tokuyama Factory
1-1, Mikage-cho, Tokuyama
Yamaguchi 745-8648
Tel: (0834) 21-4326
Kashima Factory
26 Sunayama, Hasaki-machi
Kashima, Ibaraki 314-0255
Tel: (0479) 46-4700

Overseas

Tokuyama America Inc.

1875 South Grant Street, Suite 570
San Mateo, CA 94402-2669, U.S.A.
Tel: 1-650-571-8872
Fax: 1-650-571-8037

General Ceramics, Inc.

2770 Coronado Street
Anaheim, CA 92806, U.S.A.
Tel: 1-714-630-2340
Fax: 1-714-630-5730

Tokuyama Europe GmbH

16 First Avenue
Haskell, NJ 07420, U.S.A.
Tel: 1-937-839-1600
Fax: 1-937-839-5716
Oststrasse 10, 40211 Düsseldorf
Germany
Tel: 49-211-161893
Fax: 49-211-357379

Pornpat Chemicals Co., Ltd.

787 Sukhumvit Road (SO1 43)
Bangkok Bank Branch Bldg., 4th Fl.
Bangkok 10110, Thailand
Tel: 66-2-260-9009
Fax: 66-2-260-9001

Tianjin Figaro Electronic Co., Ltd.

China Tianjin Economic-Technological
Development Zone, Wei-Shen Road 19
Tianjin, 300457 China
Tel: 86-22-25325831
Fax: 86-22-25325908

Tianjin Sunshine Plastics Co., Ltd.

No. 9, Xinghua Road
Tianjin Xiqing Economic
Development Area,
Tianjin, 300381 China
Tel: 86-22-23971442
Fax: 86-22-23973464

Hantok Chemicals Co., Ltd.

8th Fl. Nam Dae Moon Bldg., 25
1-Ka, Bongrae-Dong, Chung-ku
Seoul, Korea, 100-102
Tel: 82-2-755-3952
Fax: 82-2-755-3955

Taiwan Tokuyama Corp.

8F-3, No. 139, Sung Chiang Road
Taipei, Taiwan, Republic of China
Tel: 886-2-2516-4511
Fax: 886-2-2517-7735

Tokuyama Asia Pacific Pte. Ltd.

20 Cecil Street, #20-04/05
The Exchange
Singapore 049705
Tel: 65-533-5258
Fax: 65-532-5256

Tokuyama Electronic Chemicals Pte. Ltd.

21 Gul Road, Singapore 629355
Tel: 65-862-1081
Fax: 65-862-1267

Corporate Data

Established:
February 16, 1918

Capital:
¥19,274 million

Employees:
2,877

Shares authorized:
700,000,000

Shares issued:
254,971,876

Shareholders:
32,927

Major Shareholders:

	Number of Shares Held (Thousand)	Percentage of Total Shares
Nippon Life Insurance Company	15,990	6.27
The Sumitomo Trust & Banking Co., Ltd.	15,200	5.96
The Sanwa Bank, Ltd.	12,737	5.00
The Toyo Trust & Banking Co., Ltd.	11,771	4.62
The Meiji Mutual Life Insurance Company	8,563	3.36
The Tokio Marine & Fire Insurance Company, Limited	6,904	2.71
Industrial Bank of Japan	5,781	2.27
Nissho Iwai Corporation	5,566	2.18
The Koa Fire & Marine Insurance Co., Ltd.	5,050	1.98
The Mitsubishi Trust & Banking Corporation	4,685	1.84

Board of Directors and Responsibilities

Chairman:
Kaoru Tsuji

President:
Yuichi Miura

Executive Managing Directors:
Sumio Akiyama: Research & Development Div./RC Administration Div./
All Technical Affairs/Intellectual Property Dept./Kashima Factory

Yoshihiko Nishino: All Marketing Affairs/Branches/Affiliates

Senior Managing Directors:

Kazuo Shikata: Tokuyama Factory

Kazuhiko Nishimura:
Corporate Administration Div./
Credit Management & Auditing Dept./
Secretarial Dept.

Yoshifumi Matsuda:
Personnel Affairs

Ken-ichiro Ueyama:
Electronic Materials Business Div.

Teruyoshi Fukuda:
Cement Business Div.

Koshi Kusumoto:
Corporate Planning Div.

Tsugimori Kitade: Plastic Films Business Div.

Directors:

Kizo Nagasako:
Manufacturing Technology Div./
Plant Maintenance Dept.

Hiroaki Masaki: Tokuyama Factory/
Corporate Administration Div.

Shigeaki Nakahara:
Chemical Business Div.

Kazuo Ikeda: Tokuyama Factory/
Production Control & Coordination Div./
Planning Dept.

Kouichi Doi:
Research & Development Div./
Tokuyama Research Laboratory

Hisami Tanimoto:
Personnel Affairs Div.

Go Yanagida:
Specialty Chemicals Business Div.

Yoshikazu Mizuno:
Plastics Business Div.

Standing Auditor:
Shigeyoshi Inoue

Auditors:
Hideyuki Hirashima
Koshiro Suganuma
Yoshio Taniguchi

Chemical Business Division

Soda ash
Sodium silicate cullet
Sodium silicate
Sodium bicarbonate
Calcium chloride (liquid, granular, flake)
Caustic soda (liquid, flake)
Liquid chlorine
Hydrochloric acid
Sodium hypochlorite
Methyl chloride
Methylene chloride
Chloroform
Propylene oxide
Epichlorohydrin
Ethylene dichloride
Isopropyl alcohol
Moisture absorbent
(household-use, industrial-use)
Dew absorbent tape
Dew collector
Water purifier
Non-fragrant deodorizer

Cement Business Division

Ordinary Portland cement
High early strength Portland cement
Blast furnace slag cement
Fly ash cement
Low heat cement
Ready-mixed concrete
Cement type stabilizer
Chemical grout
Antiwashout admixture

Shanon and Building Materials Division

Plastic windows
Adiabatic sliding door
Ceiling hatch for insulation and
airtight applications
Premixed mortar for plastering
Cement mortar for self-leveling
Premixed mortar for tiles
Artesian water treatment form
Soundproof walling
Moisture-proof windbreak sheeting
Artificial reef

Plastics Business Division

Polypropylene
Highly functional polypropylene
(sliding type)
Granular polypropylene
Compound polypropylene
Wood flour filled type polypropylene
Flame-retardant polypropylene
Highly functional master batch
Thermoplastic olefin elastomer
Biaxial-oriented polypropylene film
Microporous film
Polyvinyl chloride
Vinyl chloride monomer

Specialty Chemicals Business Division

Precipitated silica
Finely regulated silica
Fumed silica
Fused spherical silica
Basic magnesium carbonate
Calcium silicate
Photochromic dye materials
Scratch-resistant hard coating
Water-repellent coating solution
for plastic lenses
Chloranil
Chlorosulfonic acid
Benzenesulfonyl chloride
Bulk drug substance
Thenylchlor
Ion exchange membranes
Bipolar membranes
Seamless tubular membranes for cathodic
electrodeposition
Electrodialyzer
Diffusion dialyzer
Methylene chloride for electronics
industry use
Isopropyl alcohol for electronics
industry use
Sulfuric acid for electronics industry use
Developer for positive photoresists
IPA vapor drying system
IPA resistivity meter

IPA gas monitor
Solvent for metal cleaning (semi-aqueous)
High-purity perfluorinated inert liquid
Automatic chemical supply system

Electronic Materials Business Division

Polycrystalline silicon
Boron
Trichlorosilane
Tetrachlorosilane
High purity aluminum nitride powder
Translucent aluminum nitride ceramics
Machinable aluminum nitride ceramics
Gas sensitive semiconductors

Medical Business Division

Composite resins
Light cured dental adhesive and primer
Alginate impression materials
Dental stone
Dental investments
Glass ionomer cement
Dual cured adhesive resin cement
Denture relining materials
Quick self curing resin
Impression material for fitness test
Reagent for urine polyamine assay
Materials for reagent
Reagent for micro-titer test
Reagent for latex enhanced
immunoturbidimetry assay
Fully automated electrolyte assay system
Fully automated glucose assay system
Blood coagulation assay system
Multiple chemistry unit
Reagent for biochemistry assay
Specimen transportation system
Laboratory information system

Tokuyama Corp.

Shibuya Konno Bldg., 3-1, Shibuya 3-chome, Shibuya-ku, Tokyo 150-8383, Japan

Corporate Communications Department

TEL 03-3499-8023 FAX 03-3499-8966

International Department

TEL 03-3499-8937 FAX 03-3499-8967