

FY2008-2010 Medium-Term Management Plan

Looking ahead to Our Centennial

VENTURE SPIRIT & INNOVATION

The 1st Step “**TAKE OFF**”

Tokuyama Corporation

March 26, 2008



To Our Stakeholders

Tokuyama celebrated the 90th anniversary of its establishment on Feb. 16, 2008.

We would like to thank all our stakeholders for their warm support which helped us attain our 90th year. We will carry a management policy, “Venture Spirit & Innovation,” toward our Centennial into execution with a fresh spirit.

We would like to explain our Centennial Vision and new medium-term management plan as the first step toward our Centennial.

Thanks!
90th
TOKUYAMA

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- II . CENTENNIAL VISION
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Theme

“Promote advance investment of management resources while also maintaining the upward profit trend”

Growth Strategies

“Promote Business growth, Functional growth and Infrastructure growth”

Business Growth

Classify our businesses as “attack,” “defend” and “innovate” business
Implement Volume/Quality growth for each business

Main Results of the Previous Plan

Volume/ Quality Growth

Completion of electrolysis S&B, Launch of fumed silica operations in China, Decision and start of polysilicon expansion, Acceleration of verification test to establish the VLD method, Establishment of TD Power Material

Functional Growth

Start of the Skills education & training center, Introduction of balanced scorecard, Establishment of Management Support Center and CSR Division, Start of Himawari (Sunflower) Committee for internal control

Infrastructure Growth

Reinforcement of berth for imported salt, Fuel changeover of No.7 boiler, Acquisition of reclaimed land, Start of assessment for a new power station, Establishment of ERP Promotion Division

I . Review of the Previous Medium-Term Management Plan



	Targets	FY2007 (Forecast)
Net Sales	More than ¥260 billion	¥309 billion
Operating Margin	Higher than 10%	11.3%
Operating Margin before depreciation	Higher than 18%	18.3%
ROA	Higher than 3.0%	5.2%

Numerical targets are expected to be achieved

Strong performance of the electronic materials business
 Price revisions and cost reduction in response to rising raw materials and fuel prices

New Issues

Becoming difficult to maintain profitability through price revisions and cost reduction

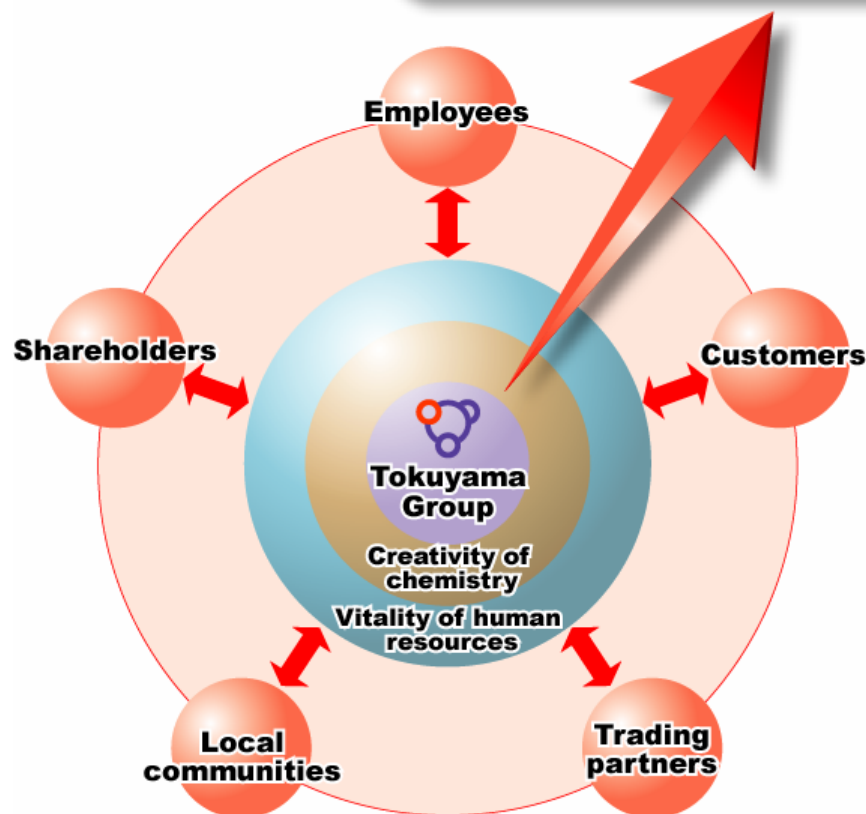
- Securing the same level of business scale as other leading companies and profit growth in growth businesses
- Maintaining and improving profit levels in other businesses

II . CENTENNIAL VISION

Our ideal image

“A manufacturing company that creates a brighter future through vitality of human resources and creativity of chemistry in harmony with society”

**Enhancing corporate value
by "Venture Spirit & Innovation"**



Numerical Targets

Net Sales	More than ¥500 billion
Operating Margin	Higher than 15%
Overseas Sales Ratio	Higher than 30%

- Toward a company that is equal to globally competitive companies
- This goal cannot be achieved without changing our present business structure, but can be achieved by “Venture Spirit & Innovation.”

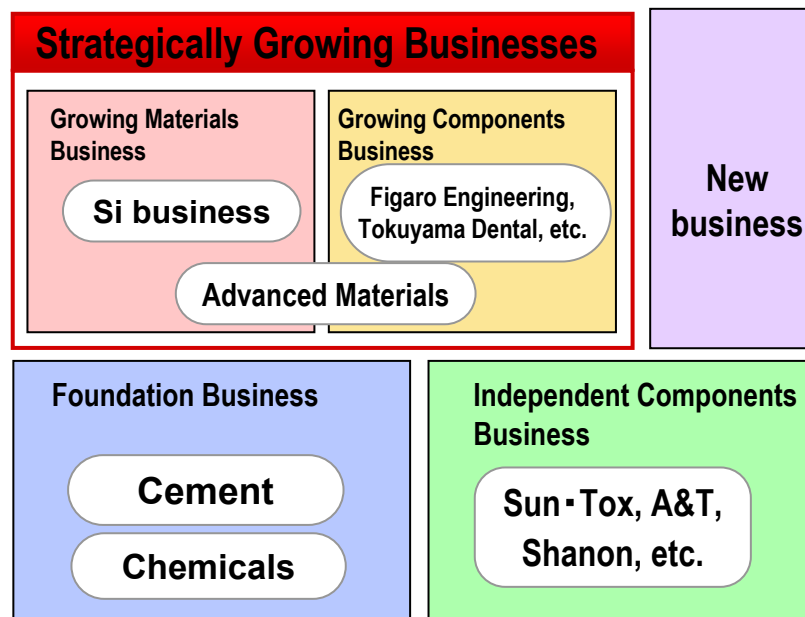
II . CENTENNIAL VISION



Basic strategies image






Business Categories



【Basic Strategy1】 Strengthening of Strategically Growing Businesses

Strengthening of Growing Materials/ Components Businesses

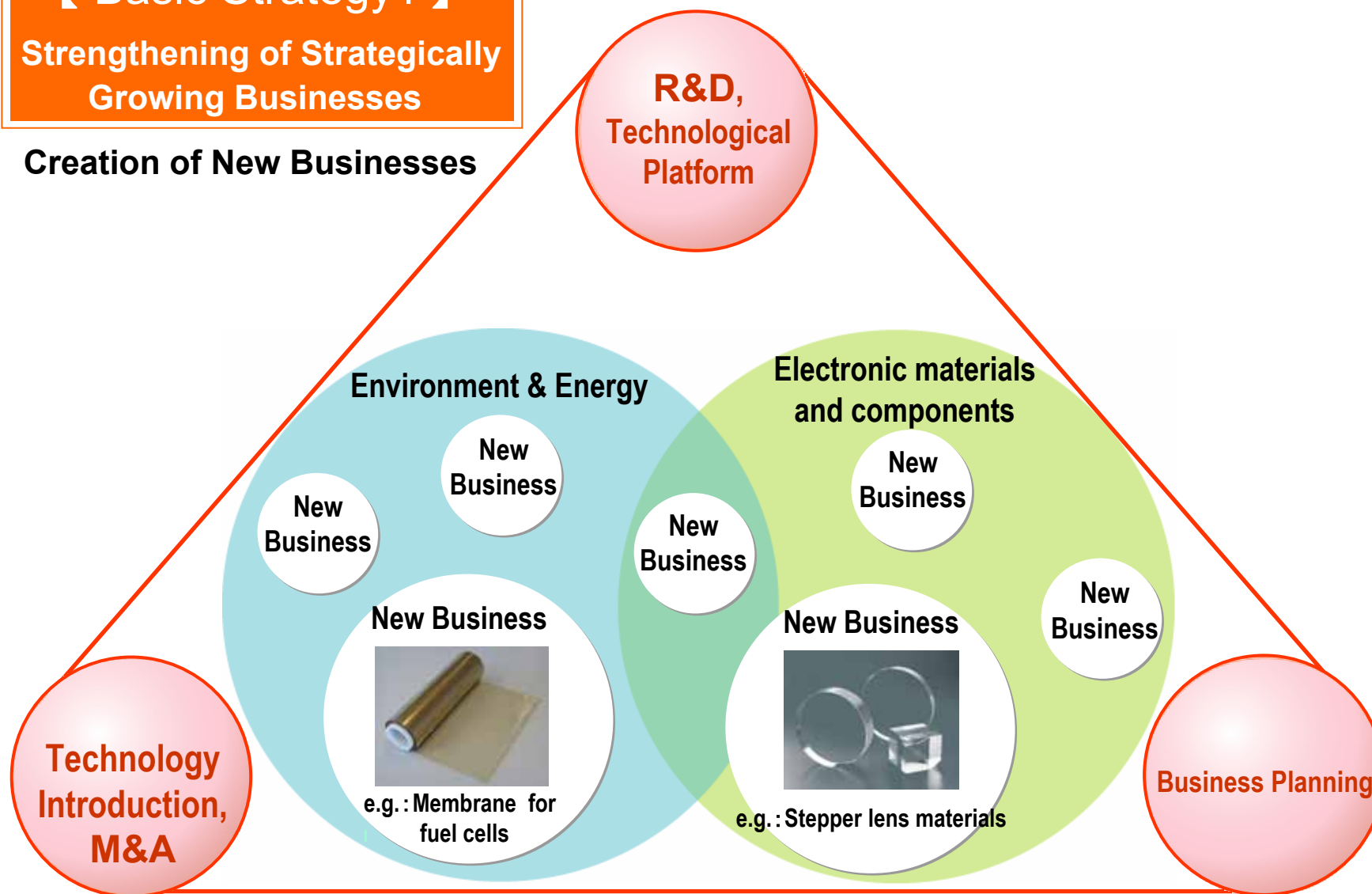
Business (e.g.)	Operating environment	Measures	Goal
Polycrystalline silicon 	Stable growth of application to semiconductor	Developing production bases	Maintaining the world's leading position
	Rapid growth of solar cells Increasing new comers into the market	Establishing competitive processes	
Fumed silica 	Rapid growth of application to CMP	Expanding supply capacity Improvement of profitability	No.1 in Asia
	Growth of application to silicone	Expanding bases in China	
Fine chemicals 	Increasing adoptions of photochromic dye materials	Expanding strategic alliances Acceleration of overseas development	The world's No.1 in niche markets

II . CENTENNIAL VISION

【 Basic Strategy1 】

Strengthening of Strategically Growing Businesses

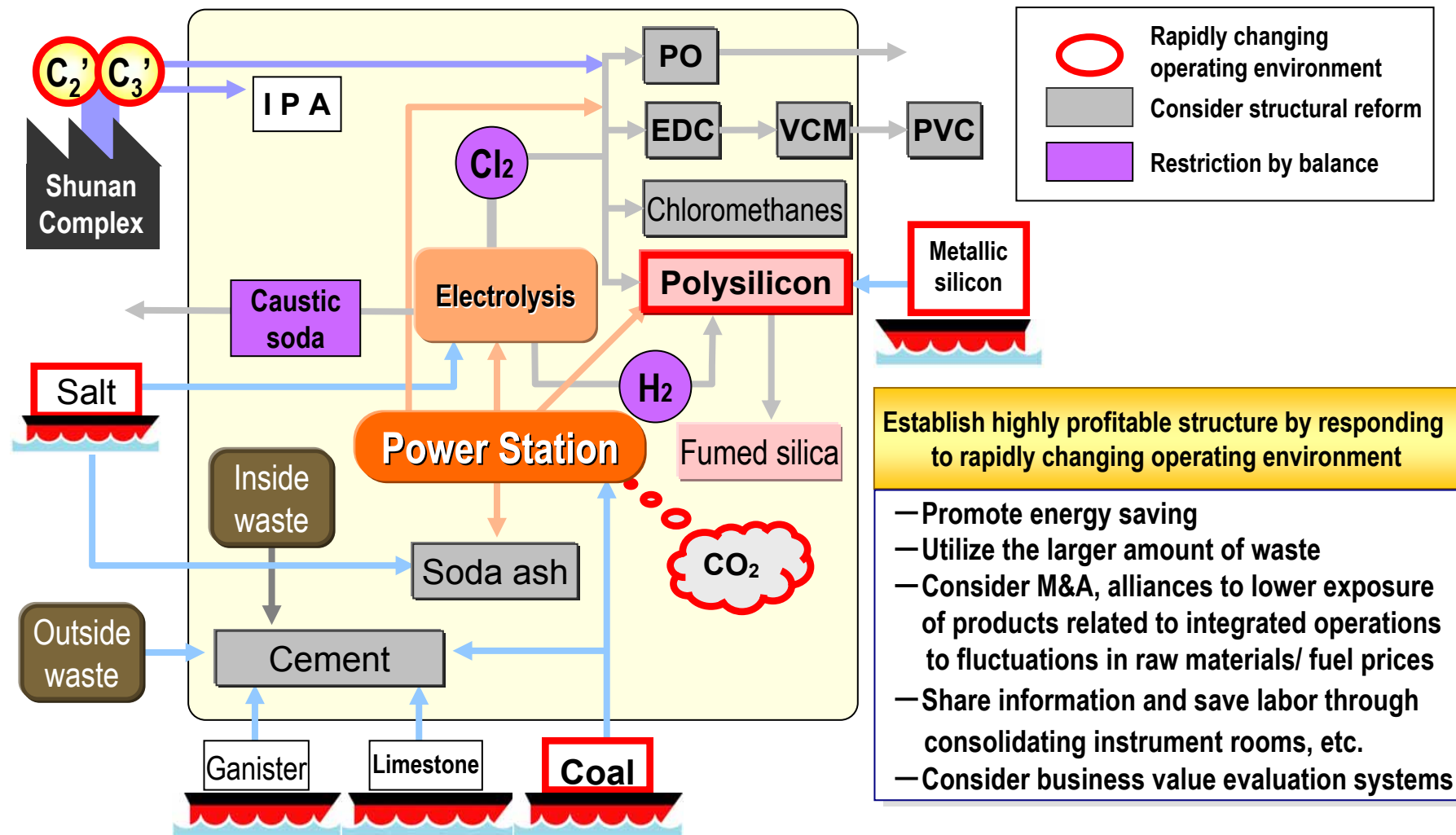
Creation of New Businesses



II . CENTENNIAL VISION

【 Basic Strategy 2 】 Strengthening of International Competitiveness

Strengthening our Mother Factory (Tokuyama Factory)



II . CENTENNIAL VISION



【 Basic Strategy 2 】 Strengthening of International Competitiveness



**Execute structural reform by
Venture Spirit & Innovation!**



**Build new production bases, while making the
most of Tokuyama Factory as the mother factory**

II . CENTENNIAL VISION

Foundations to realize sustainable growth

Promotion of CSR

- Enhance evaluation from our stakeholders properly
- Realize permanence of the company

Corporate governance

Compliance

Internal control

Human Resources-based Management

- Maximize vitality of human resources through enhancing employees' motivation
- Realize global business growth through nurturing human resources

Innovation

Efficient assignment

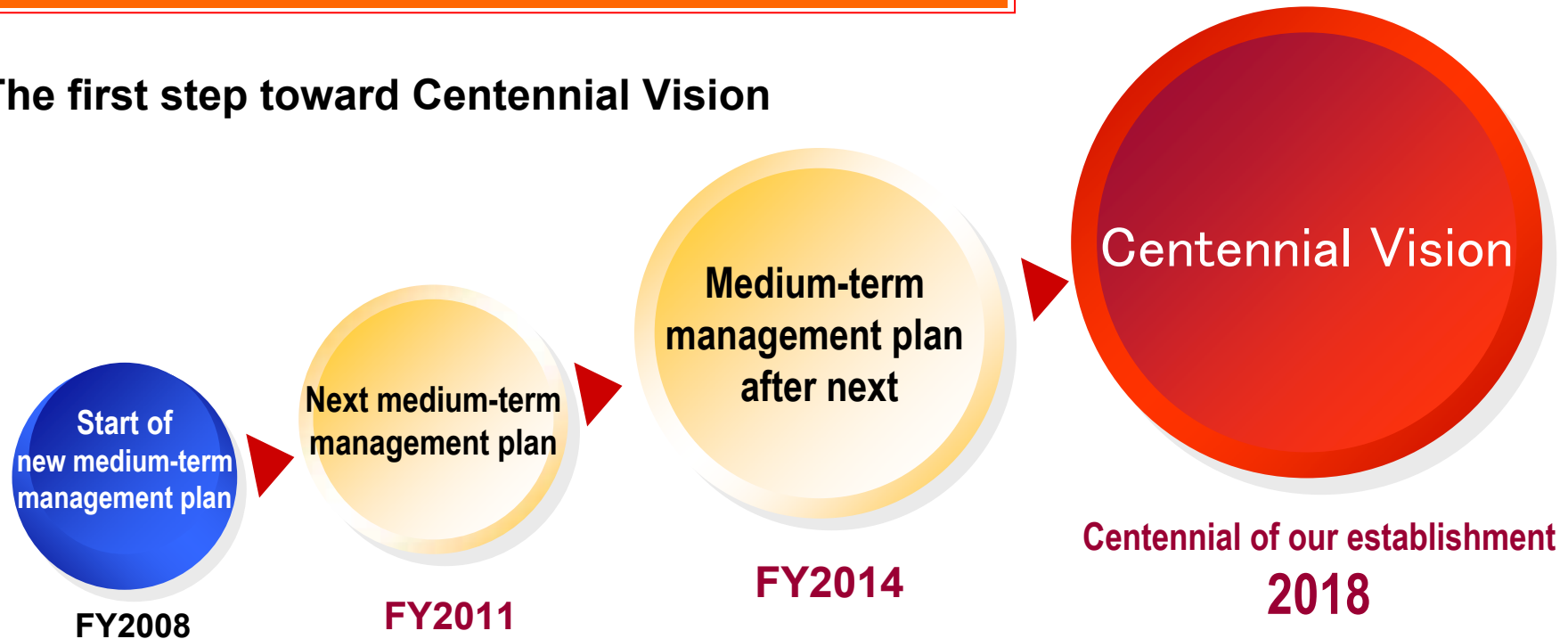
Securing & Nurturing

III. Outline of a New Medium-Term Management Plan



New Medium-term Management Plan in the Road to Centennial

The first step toward Centennial Vision



Growth strategies in new medium-term management plan

- Selection & Concentration for Attacking
- Strengthening of Competitiveness through Productivity Improvement
- Creation of New, Globally Competitive Businesses

Basic strategies for Centennial Vision

- Strengthening of Strategically Growing Businesses
- Strengthening of International Competitiveness

Growth Strategy1

Selection & Concentration for Attacking

Business category	Issues		Direction
Growing Materials Business (Si, Advanced materials)	Holding and raising the market shares Improvement of production process efficiency		Scale expansion
Growing Components Business (Advanced materials, Figaro Engineering, Tokuyama Dental, etc.)	Improvement of profitability	Efforts and decision-making	Selection & Concentration, Alliances, etc.
Foundation Business (Cement, Chemicals)	Optimum utilization of management resources Improvement of profitability of integrated operations		
Independent Components Business (Sun-Tox, Shanon, A&T, etc.)	Enhancement of presence		

Growth Strategy 2

Strengthening of Competitiveness through Productivity Improvement

Category	Issues	Direction
Manufacturing Infrastructure	Restructuring of integrated operations The most suitable locations for production	Selection & Concentration, Labor saving/ Improvement of efficiency
Information Infrastructure	Enhancing the level of managerial control Improvement of productivity in manufacturing and office work departments	

Growth Strategy 3

Creation of New, Globally Competitive Businesses

Theme	Issues
Development themes entering commercial stages (VLD, CF-10)	Make it realized that VLD, CF-10, etc. which already have reached commercial stages will contribute to profits ASAP
Medium- to long-term development themes	Nurture medium- to long-term themes, such as electrolyte membranes for fuel cells and single-crystal aluminum nitride
Themes in fields related to strategically growing businesses	Nurture promising business themes in the fields related to growing businesses (electronic materials/components, energy & environment) in collaboration with business planning

Building Systems for Growth Strategies

- **Consider governance systems in a time of change**
- **Optimum assignment of human resources, with quickness**
- **Globally competitive HR development**
- **Promote “transparent approaches” in measures to achieve our objectives
(Full utilization of the balanced scorecard)**

III. Outline of a New Medium-Term Management Plan



Final Targets under the New Plan

	FY2007 (Forecast)	Final FY Targets
Net Sales	¥309 billion	More than ¥ 370 billion
Operating Margin	11.3%	Higher than 12%
Overseas Sales Ratio	18.5%	Higher than 22%

※Overseas sales ratio in FY2007 : Results in the 3rd Quarter are used.

Basis for the Plan

- **Exchange Rate** **¥110/\$**
- **Domestic Naphtha Price** **¥66,000/kl**

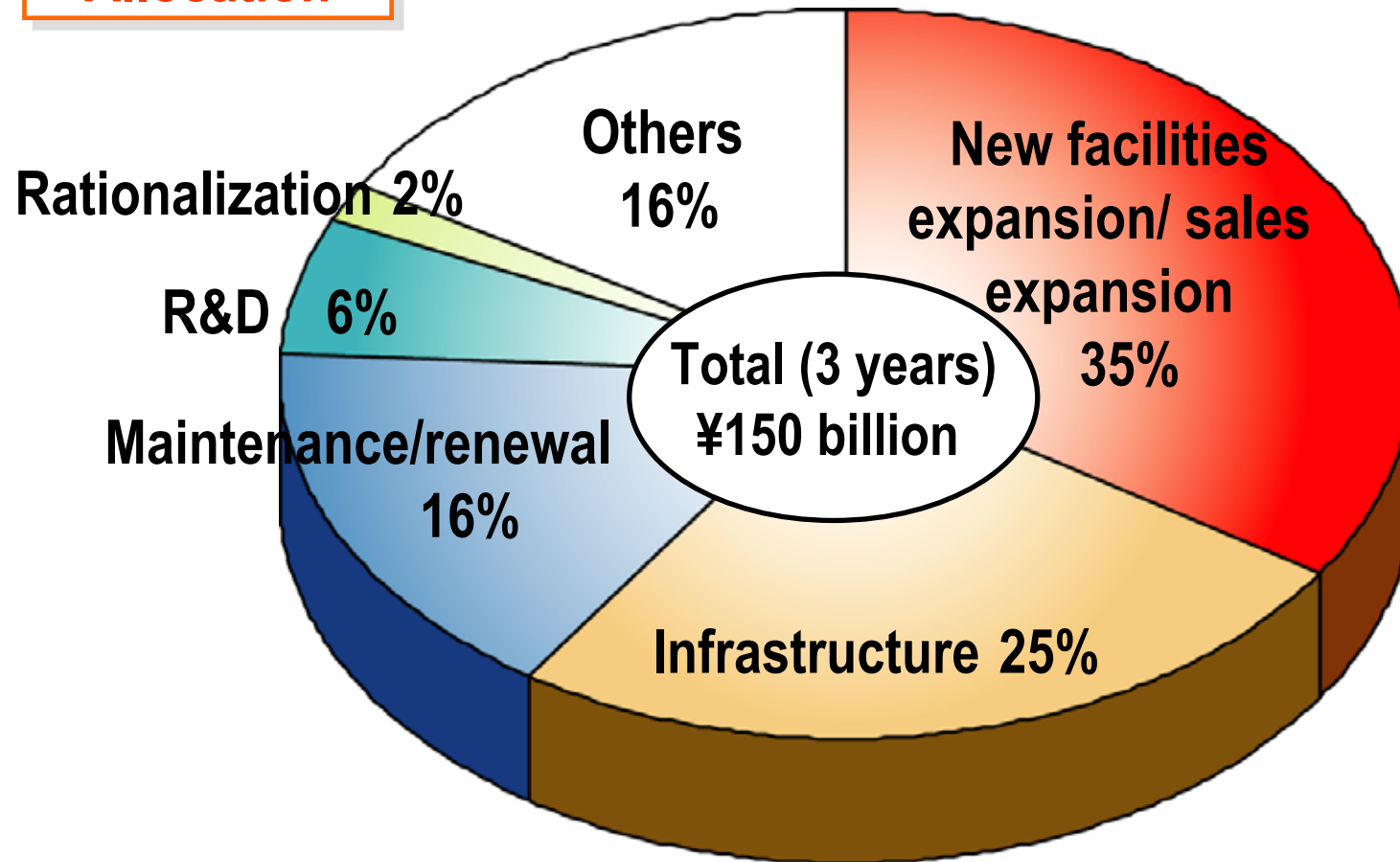
III. Outline of a New Medium-Term Management Plan



Capital Expenditures

(Consolidated)

Allocation



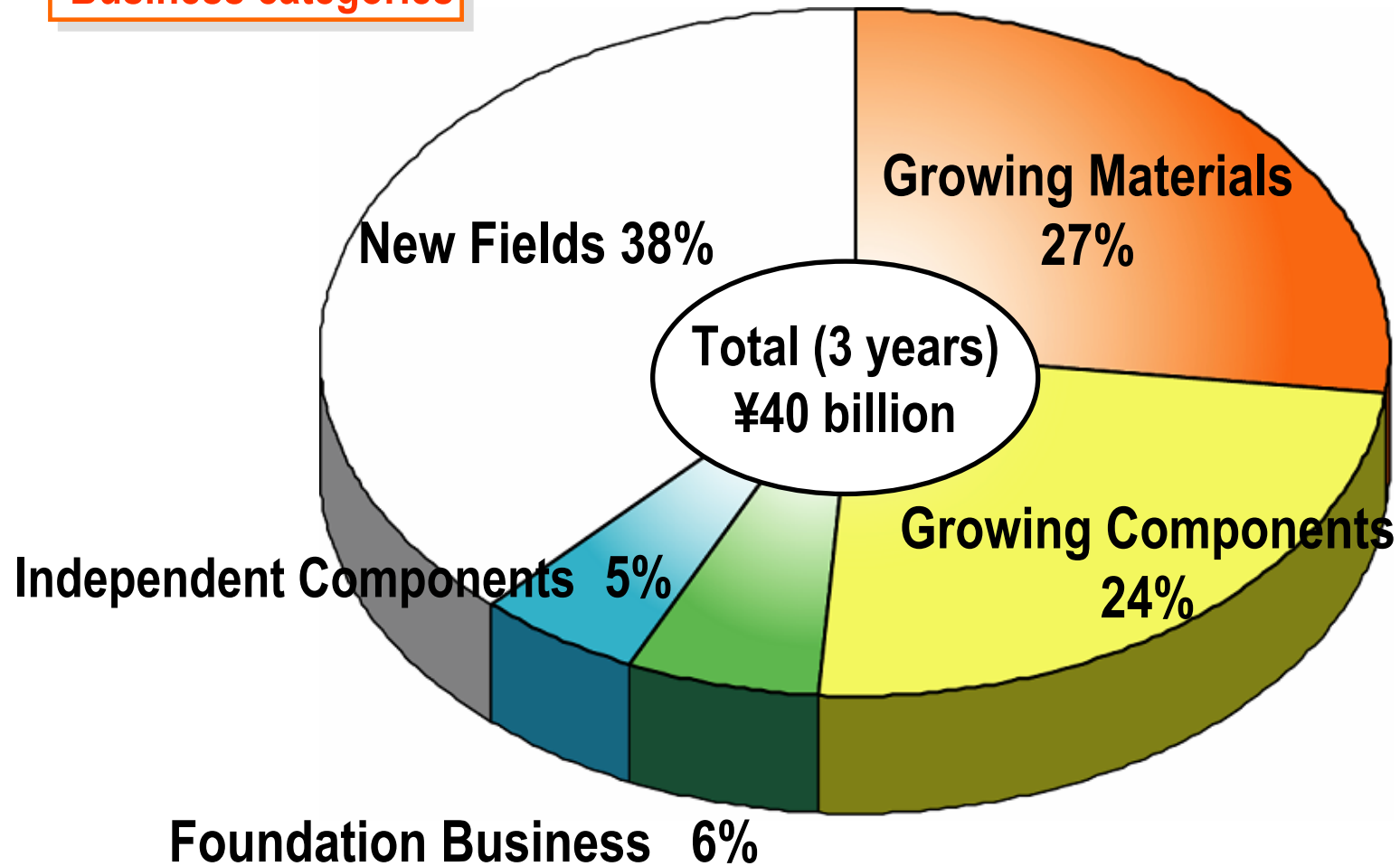
III. Outline of a New Medium-Term Management Plan



R&D Investment

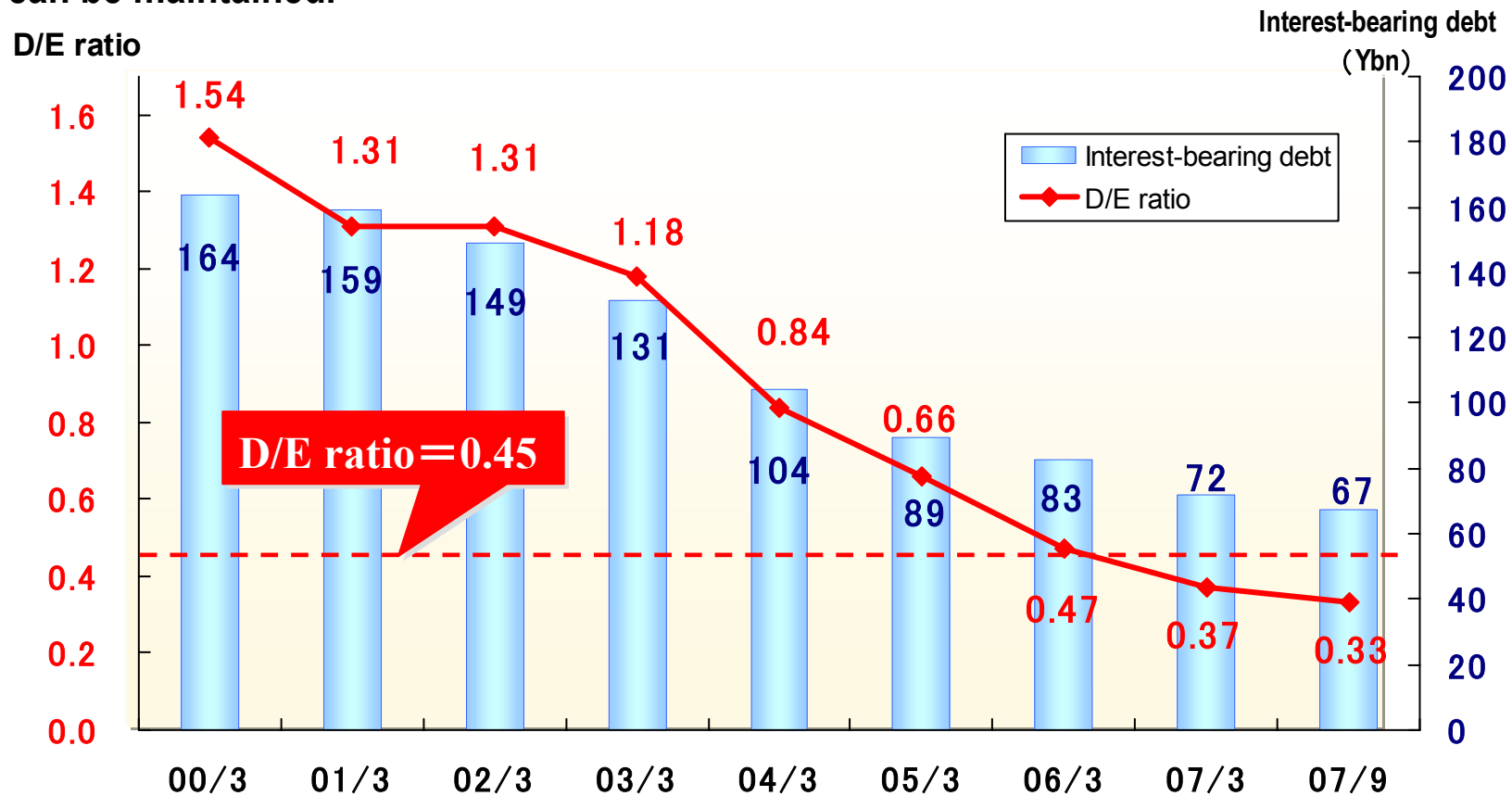
(Consolidated)

Business categories



Interest-bearing Debt

Consider taking advantage of interest-bearing debt as far as healthy financial condition can be maintained.



※D/E ratio is calculated by dividing gross interest-bearing debt by total net assets.

Shareholder Returns

While considering our performance trends and business plans, we will consider how shareholder returns should be implemented and aim for the enhancement of their quality.

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- **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

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