

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended May 31, 2012

July 2012

Toyo Tanso Co., Ltd.

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Point 1

Earnings fluctuated significantly in the first half and second half as a result of abrupt changes in the solar cell market, particularly in China. In the fiscal year as a whole, record-high sales (38.7 billion yen) and higher income were recorded.

Point 2

Although solar cell applications for the core Chinese market drove earnings in the first half, this business entered a sharp correction in the second half. The performance of general industrial and mechanical applications remained solid throughout the year.

Point 3

We had initially factored in the correction in solar cell applications, and our efforts now will focus on assessing the timing and extent of the recovery. At this point, we assume that this sector will continue to correct throughout the first half and gradually recover from the second half, but that a full-scale recovery will take time.

Point 4

We forecast lower sales and income in fiscal 2013 on the assumption that the heavy impact of the standstill in solar cell applications would cancel out expanded sales of products for general industrial applications and lower depreciation costs (resulting from a change in the depreciation method).

I - 2. Earnings Trend

Despite sharp volatility in solar cell applications, Group aims to return to growth trajectory



I - 3. Results for the Fiscal Year Ended May 31, 2012

(Unit: Yen, millions)

	FY11/5	FY12/5	Change	% increase
Net sales	37,557	38,714	1,156	3.1 %
Operating profit	5,868	6,055	187	3.2 %
(Ratio of operating profit to net sales)	15.6%	15.6%		
Recurring profit	5,614	6,062	447	8.0 %
(Ratio of recurring profit to net sales)	14.9%	15.7%		
Net income	3,699	3,466	(232)	(6.3) %
Net income per share	178.43 yen	167.20 yen		
Exchange rate	84.0 yen/\$ 112.8 yen/€ 12.7 yen/CNY	78.8 yen/\$ 106.7 yen/€ 12.4 yen/CNY		

Notes

1. Net sales
Although solar cell applications (particularly in China) drove overall earnings in the first half with unprecedentedly high sales, this sector adjusted sharply in the second half. In contrast, sectors such as general industrial applications and mechanical applications were strong performers throughout the year, offsetting the correction and supporting overall earnings.

As a result, despite the negative impact of yen appreciation, record-high sales amounting to 38.7 billion yen were posted in fiscal 2012.

2. Recurring profit and operating profit
The discrepancies between the first and second halves of the fiscal year were entirely due to the decline in sales of solar cell applications. Despite the strong yen and the impact of high depreciation expenses, income increased over the previous year.

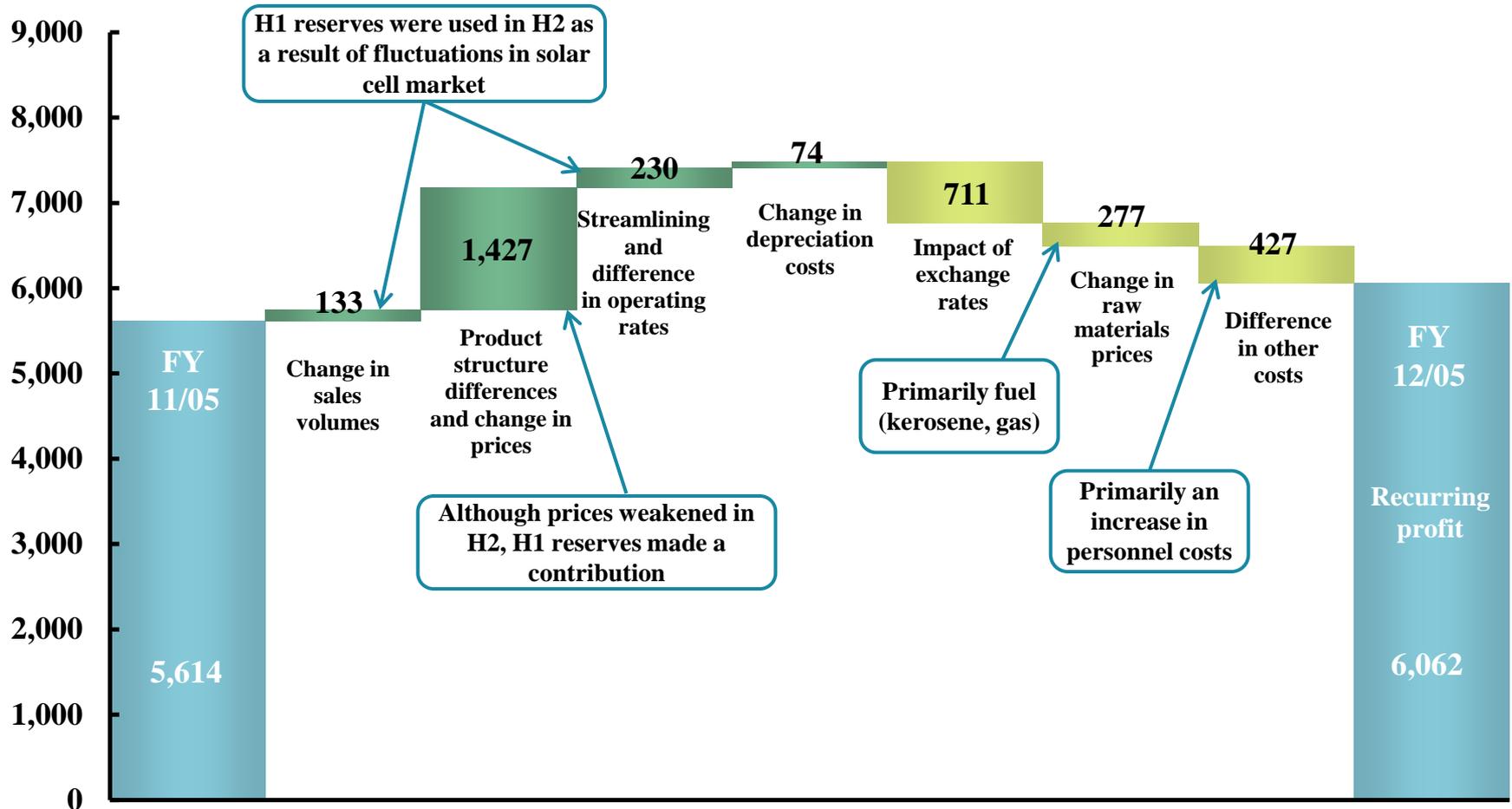
Sales growth in the first half, the bottoming out of sales prices (including the shift to value-added products) and improved productivity made particularly significant contributions to profits.

3. Net income
540 million yen tax penalty was posted in the first half based on transfer pricing taxation.

I - 4. Factors Affecting Changes in Recurring Profit (Fiscal 2011 Cumulative vs. Fiscal 2012 Cumulative)

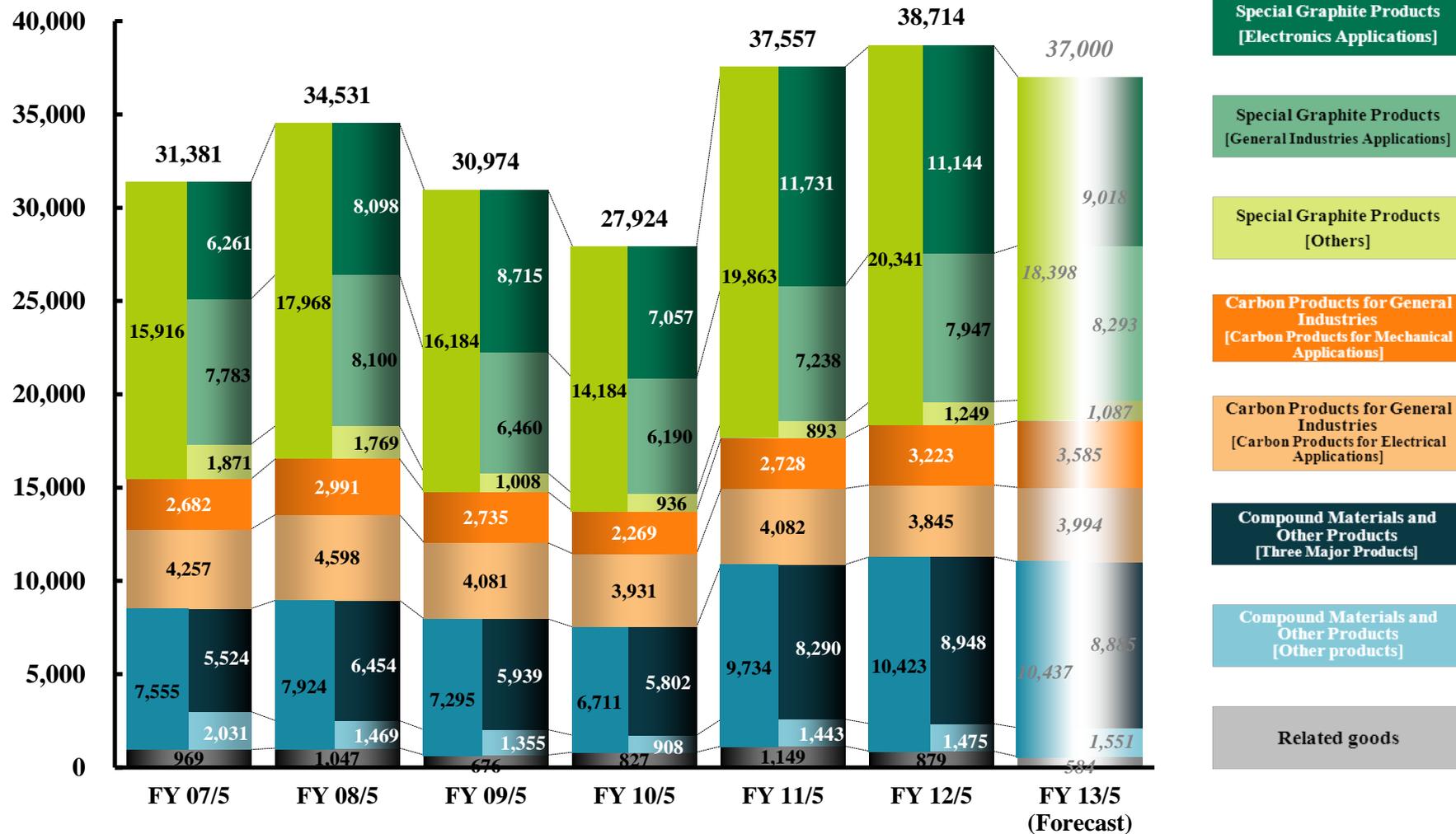
Despite strong yen and sharp volatility in H2, sales volume and prices in H1 made a major contribution to higher income in fiscal 2012

(Unit: Yen, millions)



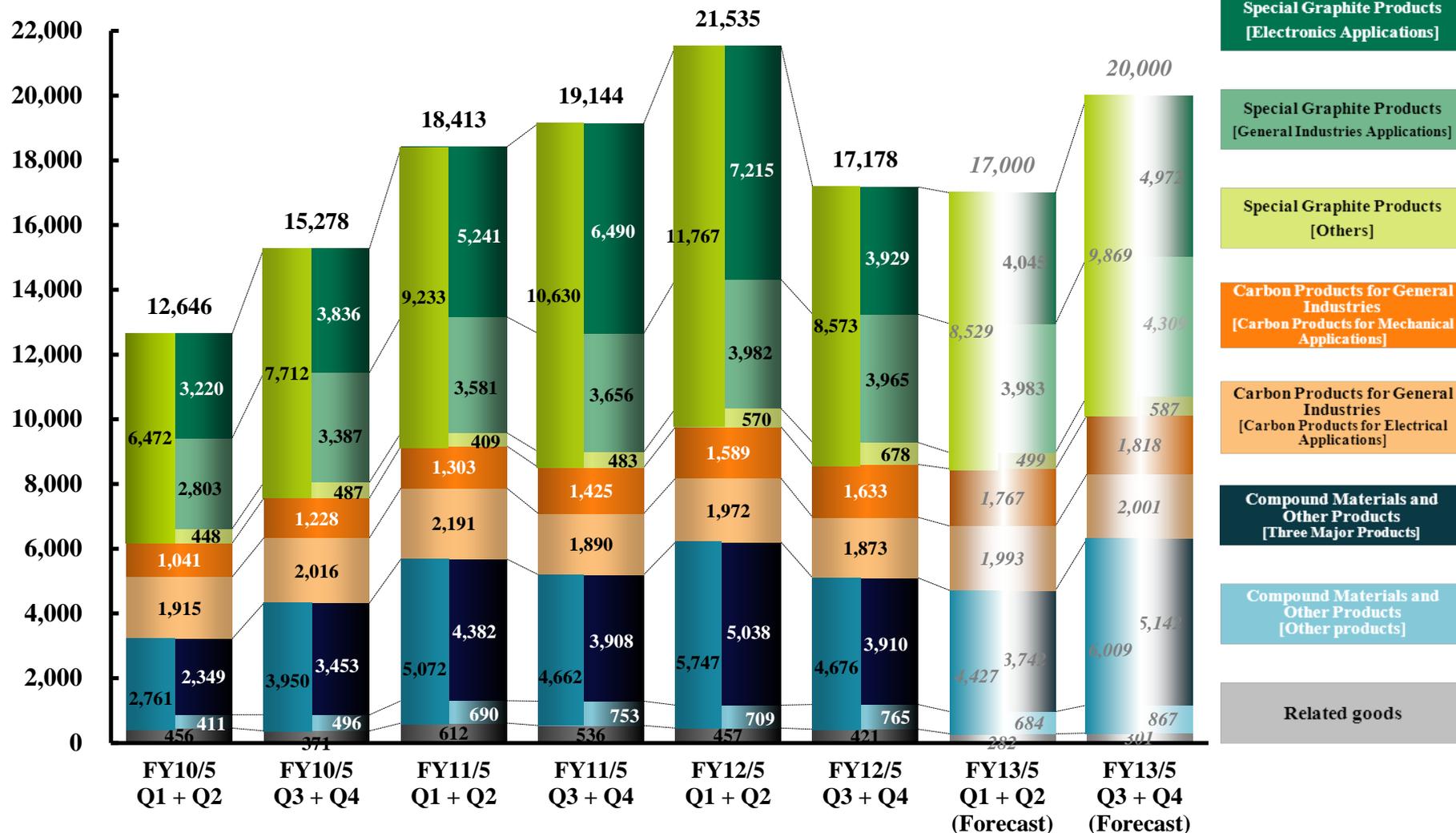
I - 5. Net Sales by Product and Segment

(Unit: Yen, millions)



I - 5. Net Sales by Product and Segment (half-year)

(Unit: Yen, millions)



I - 6. Overview of Operations by Product and Segment

Notes and future outlook (1/2)

Application	Image of net sales by application	Image of net sales by application			Notes and future outlook
		FY12/5 Q1, Q2	FY12/5 Q3, Q4	FY13/5 Q1, Q2 forecast	
Special graphite products Electronics applications	Products for solar cell manufacturing				<ul style="list-style-type: none"> Our core China market continued to expand rapidly through the first half, but concerns of excess supply emerged in Q3 and the market entered a major correction. Although the market is not declining further at present, it remains at a standstill. The decline in other markets such as Europe, Asia and Japan was quite low, but growth is sluggish. Although full-year sales were on par with the previous year's levels, thanks in part to savings in the first half, sales fell by half in the second half compared to the first half. Prices are also in a downturn overall. Nevertheless, we had anticipated this correction, and continue to maintain that this sector will return to a medium- and long-term growth trajectory after this temporary correction. The focus has now shifted to the timing and extent of a full-scale recovery, but at the very least we do not anticipate a recovery in the first half of fiscal 2013.
	Products for single crystal silicon manufacturing				<ul style="list-style-type: none"> Wafer manufacturers' operating rates were low overall as a result of the impact of sluggish semiconductor demand. In particular, the performance of 200mm wafers was lackluster, but gradually recovered for 300mm wafers. As a result, sales were up slightly over the previous year in the full fiscal year. We expect sales to remain low in the near term, but the weight of this sector is minimal and thus its impact on the Group's overall business is modest.
General industries applications and others	Products for EDM electrode manufacturing				<ul style="list-style-type: none"> Demand for graphite remained strong in core overseas markets, owing to growing demand in the automotive and consumer electronics industries due to the modest impact of flooding in Thailand and growth in emerging economies. In the domestic market, the mold industry faced harsh conditions due to structural problems resulting from the strong yen, but performance was unexpectedly solid, due in part to the recovery of the automotive industry. We also anticipate higher sales of high value-added products for precision applications and other sectors.
	Products for continuous casting and metallurgy, etc.				<ul style="list-style-type: none"> Performance was solid overall both in Japan and overseas due to the economic recovery and infrastructure investments in emerging economies. Sales of industrial furnace components and hot presses remained strong. We expect sales to be strong overall, buoyed by strength in the automotive industry. We will continue to focus our efforts on expanding sales so that general industrial applications at least partially offset the decline in solar cell applications.

I - 6. Overview of Operations by Product and Segment

Notes and future outlook (2/2)

	Application	Image of net sales by application			Notes and future outlook	
		FY12/5 O1, O2	FY12/5 O3, O4	FY13/5 Q1, Q2 forecast		
Carbon products for general industries	Carbon products for mechanical applications	Products for general industries				<ul style="list-style-type: none"> Initiatives to expand sales led to improvements in performance. Sales in this sector were strong overall as sales of mainstay bearings and sealing materials, mainly for pump, air conditioner and plant applications, grew as the economy recovered. Performance was also bolstered by earthquake reconstruction demand. As a result, sales increased 20% over the previous year in the full year. Although there are some signs of a slowdown, we expect sales to remain solid.
		Products for transport machinery				<ul style="list-style-type: none"> Demand for pantograph sliders, which is largely unaffected by economic fluctuations, remains steady thanks to expanded sales to private railroads. We continue to move ahead with efforts to expand overseas.
	Carbon products for electrical applications	Products for small motors				<ul style="list-style-type: none"> Conditions were difficult in our core China market as competition intensified and pressure to cut prices heightened amidst stagnant growth. Since overseas sales account for a high proportion of net sales, losses caused by the strong yen came as a severe blow. Nevertheless, since the impact of economic volatility remained relatively small, we forecast a slight increase in sales over the medium to long term on the back of demand from emerging economies. Strengthening global cost competitiveness and development capabilities will be key to our success.
		Industrial and automotive products, etc.				<ul style="list-style-type: none"> Products for industrial and automotive applications were firm on the back of the economic recovery. Sales also increased for wind power applications and railway car applications, albeit on a small scale.
Compound materials and other products	Three major products	SiC coated graphite products				<ul style="list-style-type: none"> Although there were some signs of a recovery in compound semiconductor products (for LED applications), this sector has suffered a reaction after a rapid expansion, followed by a prolonged correction, and the market has still not recovered in earnest. Nevertheless, interest in energy conservation is increasing, resulting in the growing popularity of applications for lighting in particular. Accordingly, we expect this sector to gradually recover. Semiconductor-related products for Si-Epi applications had been picking up again, but this recovery faltered from the second half and performance remains sluggish. Sales of coating products increased only slightly in the fiscal year as a whole, despite reserves in the first half. We expect the partial correction to drag into the first half of the next fiscal year, but anticipate a steady recovery through the second half. This sector will continue to be a growth area over the medium to long term, so we will increase our competitive strength in integrated manufacturing, from material development to processing and coating.
		C/C composite products				<ul style="list-style-type: none"> Demand for large-scale crucibles for semiconductor manufacturing continued to recover as major customers completed their inventory adjustments. Semiconductor market conditions are harsh, but we expect sales to remain firm. Demand for solar cell-related products had been robust, but lost steam rapidly both in Japan and overseas in the second half. There were few projects scheduled for the second half, leading to a lower sales volume. In contrast, demand for products for general industries such as industrial furnaces remained solid. Sales increased 10-20% over the previous year for C/C products overall in fiscal 2012. However, we expect weak sales going forward, partly due to the winding down of projects.
		Graphite sheets				<ul style="list-style-type: none"> Driven primarily by automotive applications, sales were strong overall in this sector. Although the outlook for semiconductor applications is uncertain, we expect performance to remain steady, mainly centered on automotive products.

I - 7. Balance Sheet for the Fiscal Year Ended May 31, 2012

(Unit: Yen, millions)

	May 31, 2011	May 31, 2012	Notes
Total assets	65,191	71,900	
Trade notes and accounts receivable	13,047	13,124	
Inventory	12,454	15,688	1. Inventory Inventory increased 3,233 million yen over the end of May 2011 as a result of an increase in raw material inventories due to lower shipments, as well as a systematic accumulation of intermediate stock.
Tangible fixed assets	26,162	29,210	2. Tangible fixed assets Tangible fixed assets increased 3,048 million yen over the end of May 2011 due to an expansion of the manufacturing facility at the Takuma Division.
Total liabilities and net assets	65,191	71,900	
Interest-bearing debt	2,071	2,738	
Capital	7,692	7,692	
Net assets	51,748	55,064	
Equity ratio	77.5%	74.4%	

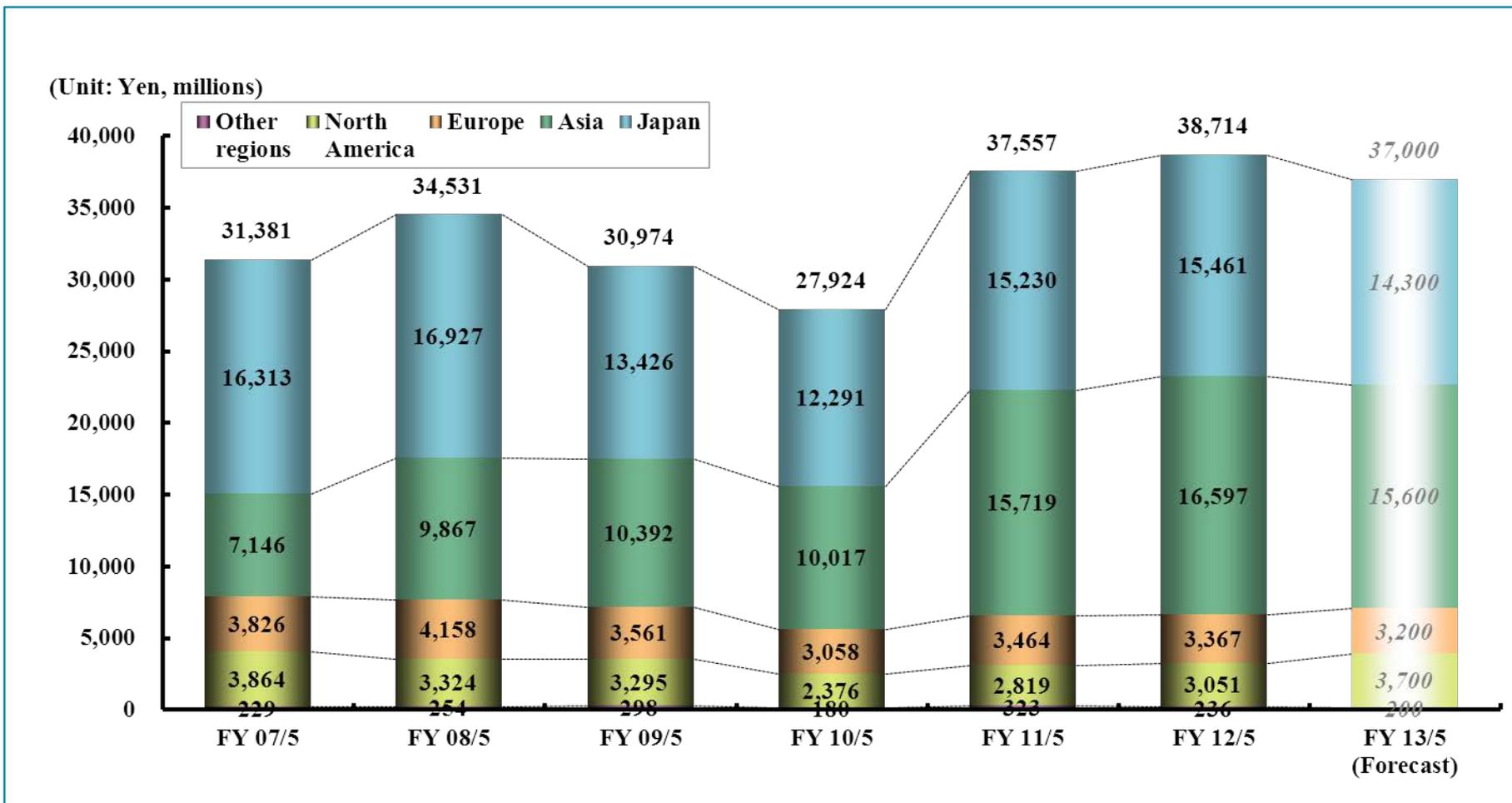
I - 8. Statement of Cash Flows for the Fiscal Year Ended May 31, 2012

(Unit: Yen, millions)

	FY11/5	FY12/5	Notes
Cash and cash equivalents at the end of the period	7,090	7,205	
Changes in cash and cash equivalents	1,288	114	
Cash and cash equivalents at the beginning of the period	5,802	7,090	
CF from operating activities	7,301	3,964	1. CF from operating activities Increase in tax payments and inventory
CF from investing activities	(5,380)	(3,920)	2. CF from investing activities Despite a rise in capital investment, accrued amount payable also increased.
CF from financing activities	(550)	158	

I - 9. Sales Trends by Region

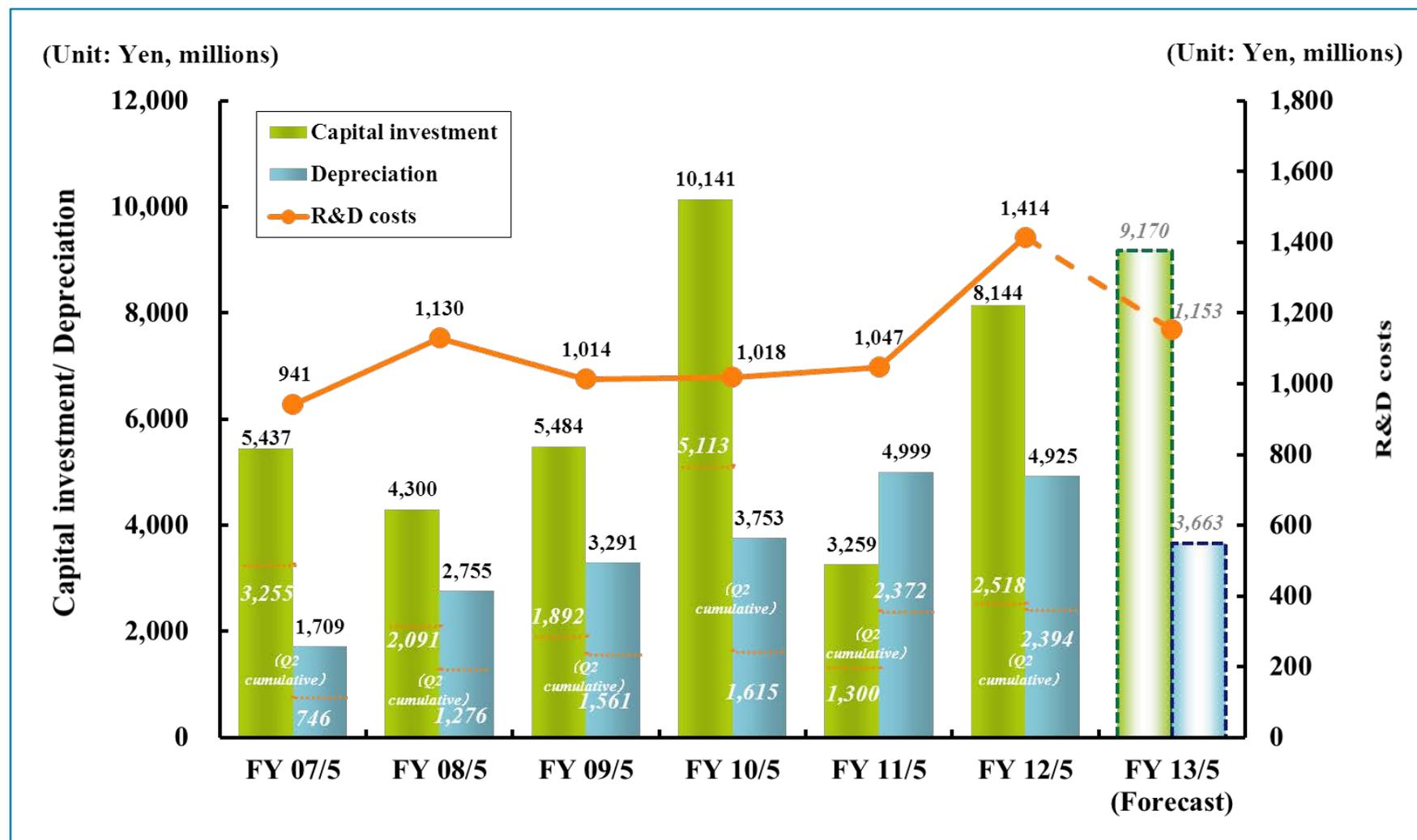
- The ratio of overseas sales to overall shares increased slightly to 60.1% (exceeding 60% for the first time for a fiscal year). However, the ratio fluctuated significantly in the two halves (63.7% in the first half and 55.6% in the second half), primarily due to volatility in China's solar cell market.
- We plan to pursue sales growth in emerging economies in particular to raise the ratio of overseas sales.



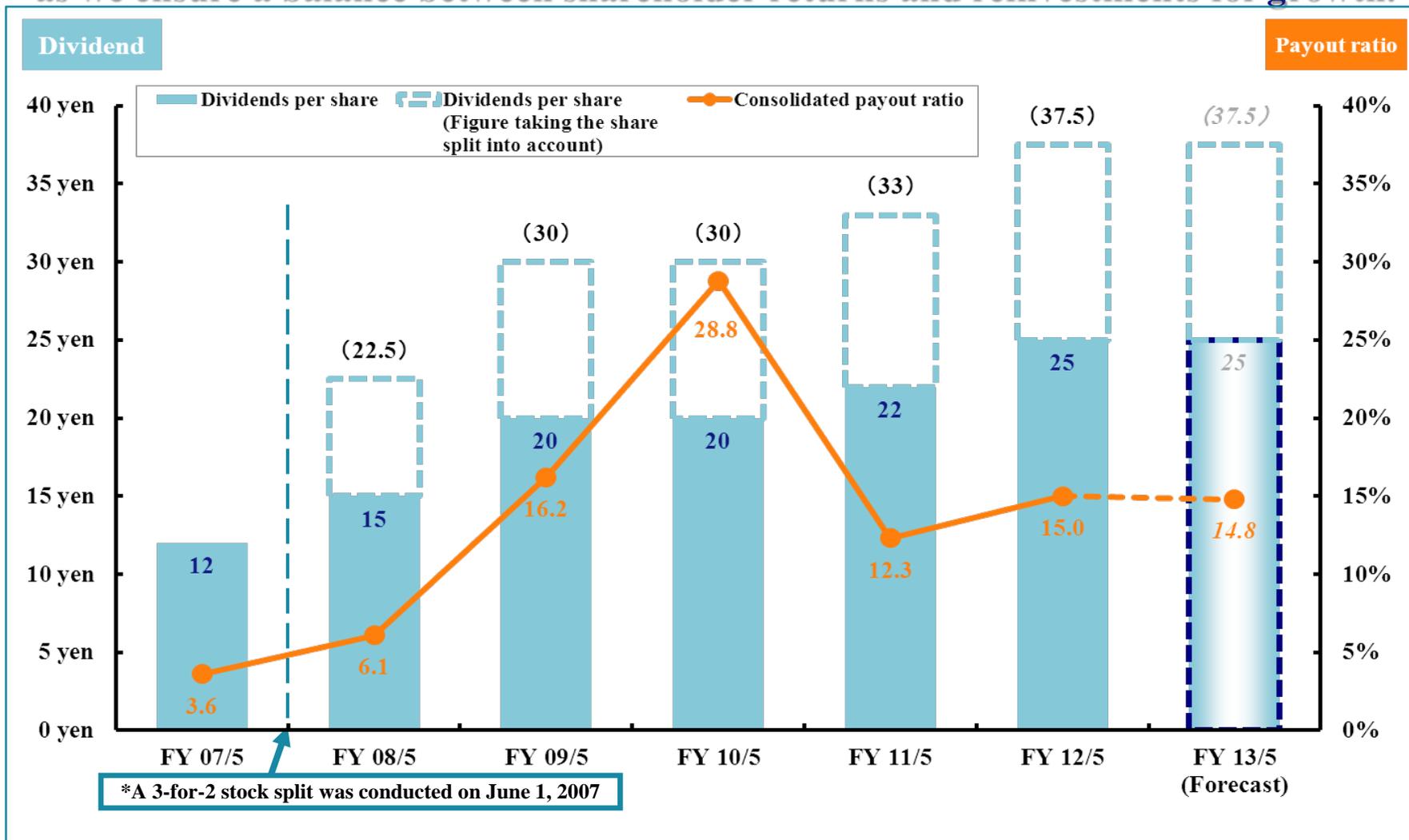
I - 10. Trends in Capital Investment, Depreciation and R&D Costs

We will continue to make substantial investments, primarily in large-scale strategic investments (some to be pushed back to the next fiscal year).

Depreciation expenses will decline in the next fiscal year as a result of the change to the straight-line method.

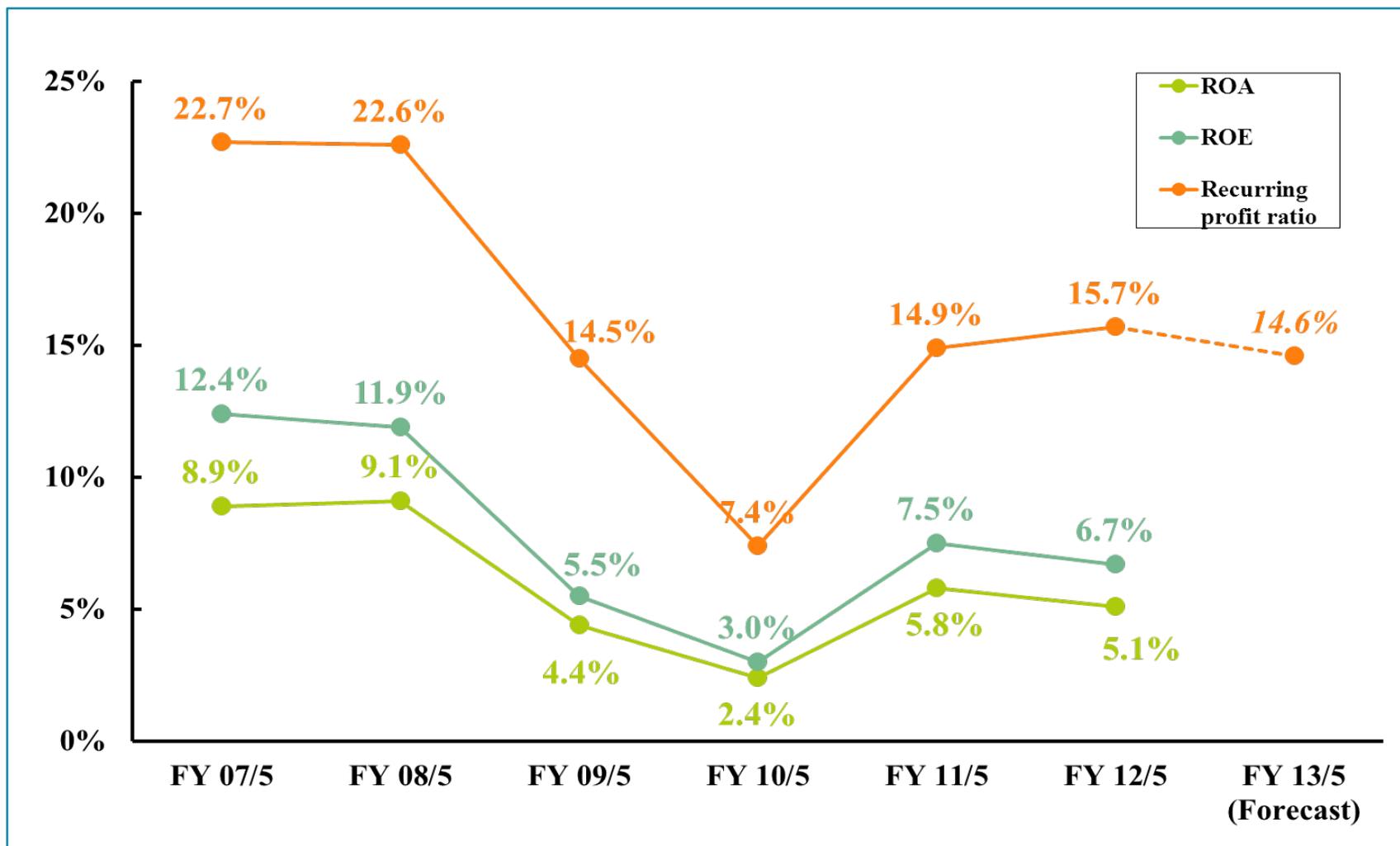


We expect dividends to be unchanged in fiscal 2013 as we ensure a balance between shareholder returns and reinvestments for growth.



I - 12. Key Performance Indicator Trends

**Recurring profit ratio reached 15% level (20.3% in H1).
Double-digit ROE set as benchmark for the future.**



II – 1. Earnings Forecast for the Fiscal Year Ending May 31, 2013

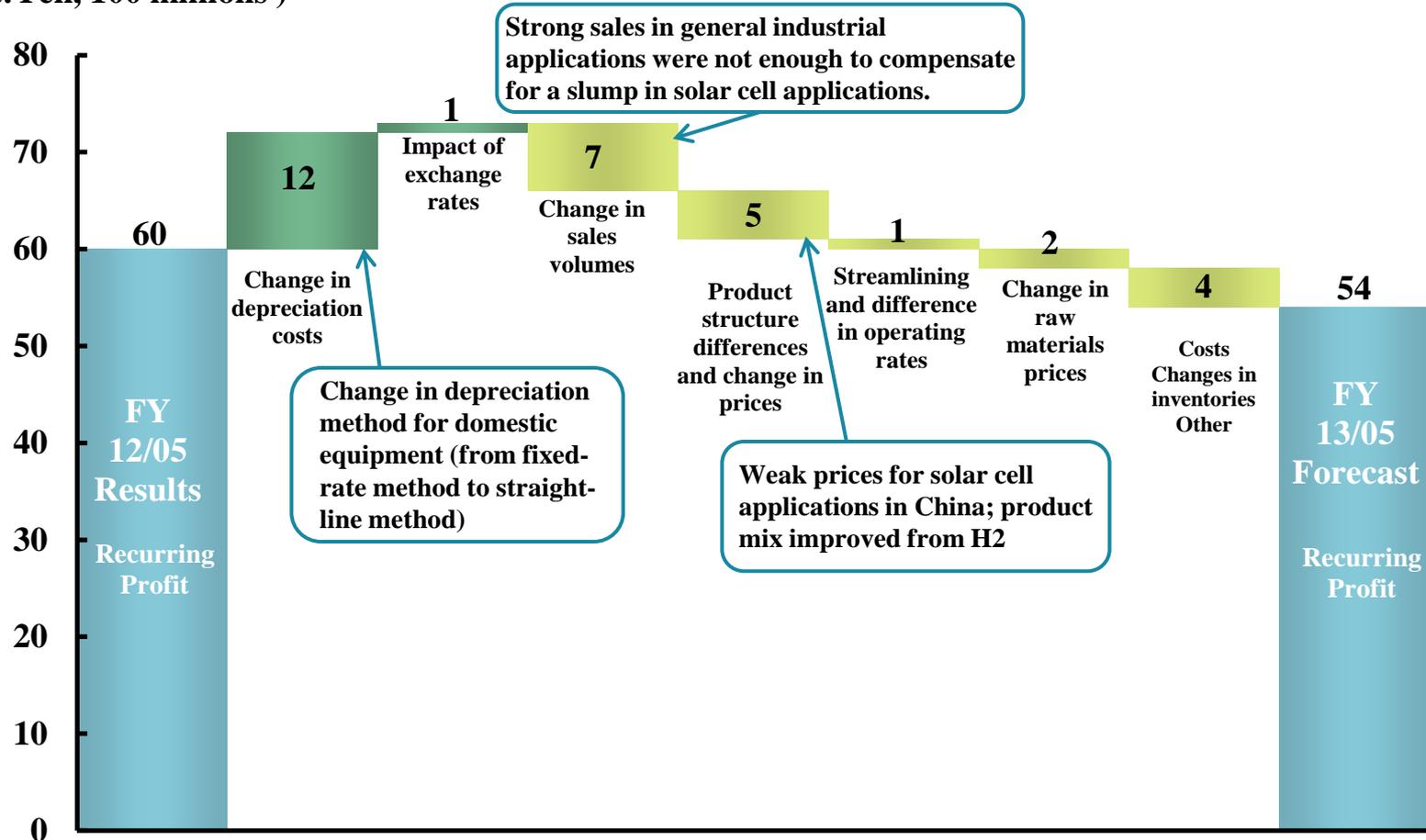
(Unit: Yen, millions)

	FY12/5	FY13/5	Change	% increase	Notes
Net sales	38,714	37,000	(1,714)	(4.4)%	<p>1. Net sales We expect solar cell applications, an area of concern, to continue correcting throughout the first half, but anticipate a gradual recovery from the second half. However, we expect demand for products for general industry and mechanical applications to remain solid.</p> <p>We expect a recovery in high value-added LED applications from the second half, but the pace would be modest. After expanding in the previous fiscal year, we expect sales of C/C composite products to decline as a result of the completion of large-scale projects. As a result, sales of composite material products would be flat overall.</p> <p>There are many uncertain factors in the second half, but we forecast a slight decline in sales to 37.0 billion yen in light of the aforementioned factors.</p>
Operating profit	6,055	5,500	(555)	(9.2)%	
(Ratio of operating profit to net sales)	15.6%	14.9%			<p>2. Recurring profit and operating profit We expect a drop in net income, primarily due to a decline in sales volume and lower sales prices, primarily for solar cell applications in the first half.</p> <p>Depreciation would decrease by 1.2 billion yen compared to the previous fiscal year as a result of the change from the fixed-rate method to the straight-line method for tangible fixed assets in Japan.</p>
Recurring profit	6,062	5,400	(662)	(10.9)%	
(Ratio of recurring profit to net sales)	15.7%	14.6%			<p>3. Net income We expect a slight increase in comparison to the previous fiscal year, when a tax penalty was levied.</p>
Net income	3,466	3,500	33	1.0%	
Net income per share	167.20 yen	168.80 yen			
Exchange rate	78.8 yen/\$ 106.7 yen/€ 12.4 yen/CNY	80 yen/\$ 100 yen/€ 12.7 yen/CNY			

II - 2. Factors Affecting Changes in Recurring Profit (Fiscal 2012 Results vs. Fiscal 2013 Forecast)

**We anticipate continuing correction in solar cell applications,
with weakness in both sales volume and prices.**

(Unit: Yen, 100 millions)



TOYO TANSO

Inspiration for Innovation

Note: This presentation contains “forward-looking statements” and forecasts of business results. These statements are not historical facts but instead represent the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and out of the Company’s control. It is possible that the Company’s actual results may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

IR Contact
E-mail: ir@toyotanso.co.jp