

Toyo Tanso Co., Ltd.

Results for the First Half of the Fiscal Year Ending December 31, 2014

August 2014
Toyo Tanso Co., Ltd.

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Changes in fiscal period (final day of fiscal year)

The Group changed the final day of its fiscal year from May 31 to December 31 from the fiscal year ended December 31, 2013. The closing date of the fiscal year on December 31 is now consistent across the Group, including subsidiaries. The fiscal year ended on December 31, 2013 was a transitional seven-month period in which the fiscal year was changed (nine-month period for some subsidiaries), and quarterly reports were not submitted for the second quarter in that fiscal year.

Accordingly, figures in this report for the fiscal year ended on December 31, 2013 are given for the consolidated period lasting seven months (nine months), and figures for the same period in the previous fiscal year and year-on-year changes are not provided in “Results for the Second Quarter of the Fiscal Year ending in December 2014 and Full-year Forecasts” (page 4). Figures are also not provided for the end of the second quarter in the previous fiscal year in the Consolidated Balance Sheet and figures are not provided for the same period in the previous fiscal year in the Statement of Cash Flows (page 10).

1. Key Points of the Results for the First Half of the Fiscal Year Ending December 31, 2014

Point 1

Sales and operating profit generally trended in line with forecasts, and recurring profit and net income surpassed forecasts as the yen weakened more than currency rate projections had predicted and deferred tax assets were posted for the recoverable portion.

Point 2

Demand for solar cell applications temporarily increased in the first half on the back of facility upgrades by Chinese customers. We expect a modest recovery trend to continue in the second half though the outlook remains uncertain.

Point 3

Sales of general industrial applications and carbon products for mechanical and electrical applications were solid, and we continued to focus on developing applications and cultivating demand in Japan and overseas. LED applications were also solid, and will continue to expand in stages.

Point 4

We obtained authorization from Japanese government agencies for the export of graphite material for Chinese high-temperature reactor—pebble-bed modules (HTR-PM). As this made the shipment all but certain, we posted 3.1 billion yen in orders in the first half.

2. Results for the Second Quarter of the Fiscal Year Ending December 31, 2014 and Full-year Forecast

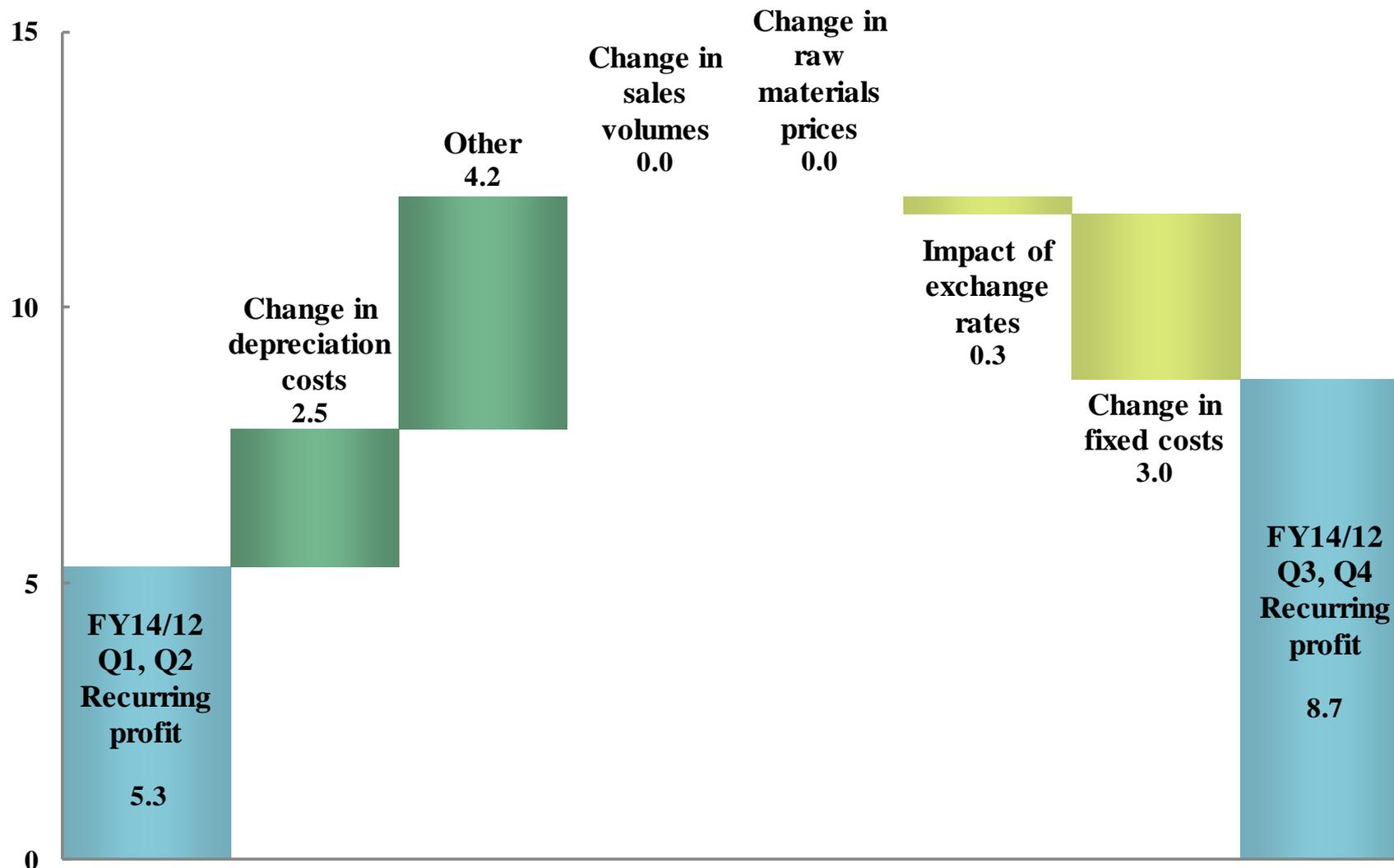
(Unit: Yen, millions) □	FY14/12	FY14/12(Forecast)		FY13/12
	Q2 cumulative	Q3, Q4	Full year	Results
Net sales	17,070	16,929	34,000	20,542
Operating profit	585	914	1,500	1,035
(Ratio of operating profit to net sales)	3.4%	5.4%	4.4%	5.0%
Recurring profit	530	869	1,400	1,303
(Ratio of recurring profit to net sales)	3.1%	5.1%	4.1%	6.3%
Net income	914	585	1,500	(111)
Net income per share	44.09 yen	28.25 yen	72.35 yen	(5.39) yen
Exchange rate	102.5 yen/\$ 140.4 yen/€ 16.7 yen/CNY	100 yen/\$ 135 yen/€ 16.4 yen/CNY		99.4 yen/\$ 133.1 yen/€ 16.3 yen/CNY

Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.
For details, please refer to “Changes in fiscal period (final day of fiscal year)” on page 2.

3. Factors Affecting Changes in Recurring Profit

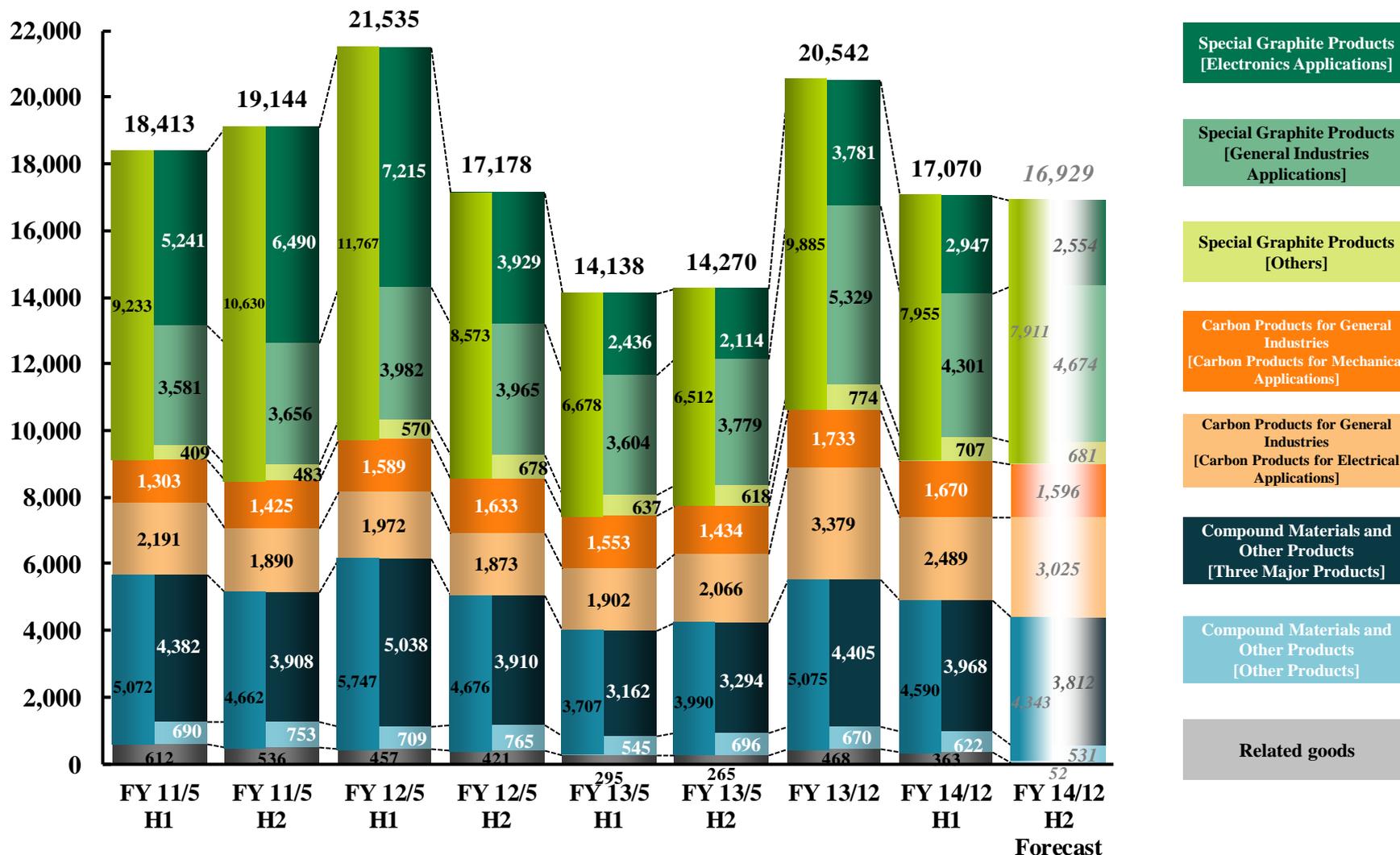
(Q1, Q2 performance vs. Q3, Q4 forecast for the year ending December 31, 2014)

(Unit: Yen, 100 millions)



4. Net Sales by Product and Segment

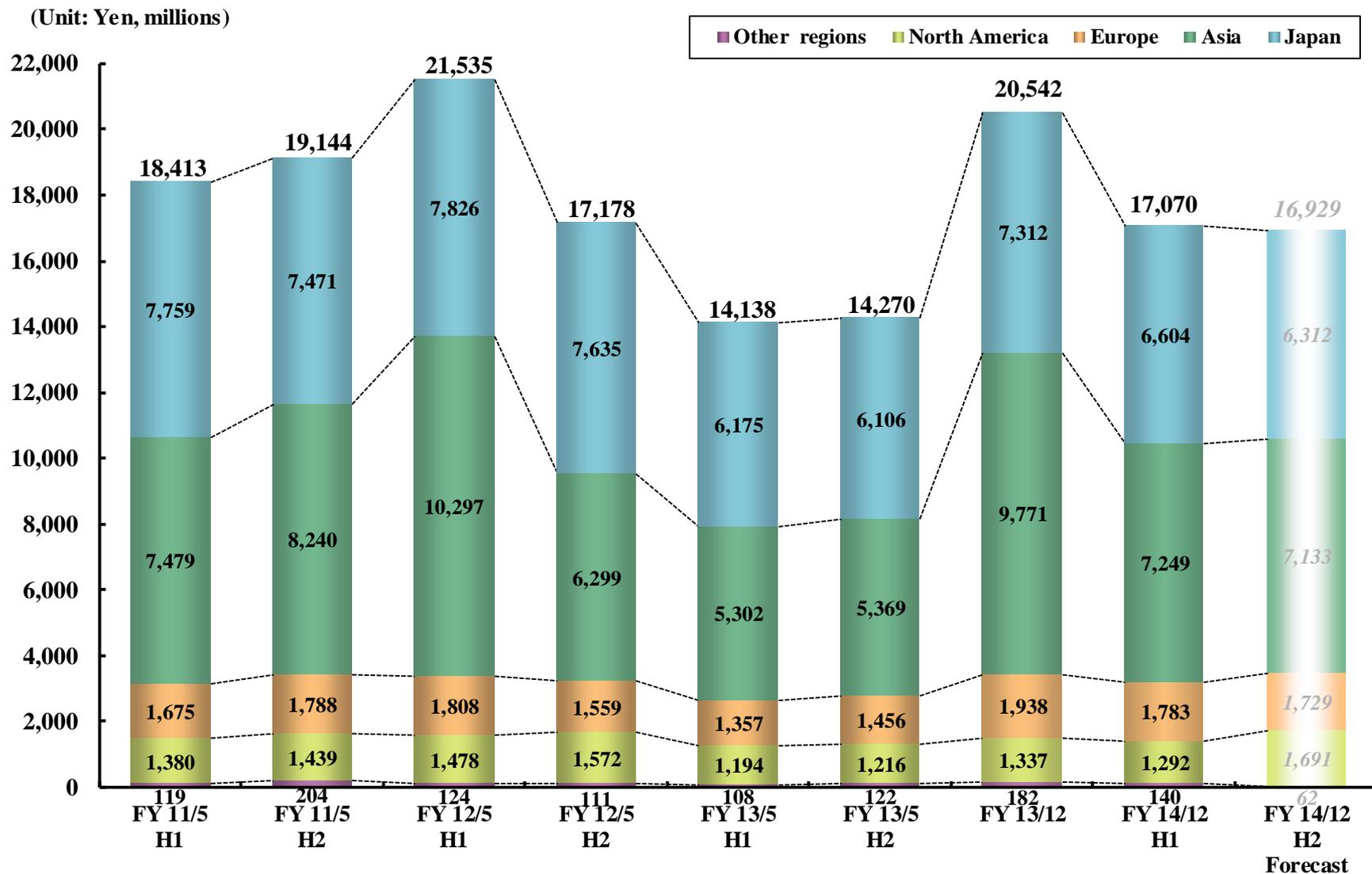
(Unit: Yen, millions)



Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

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5. Sales Trends by Region

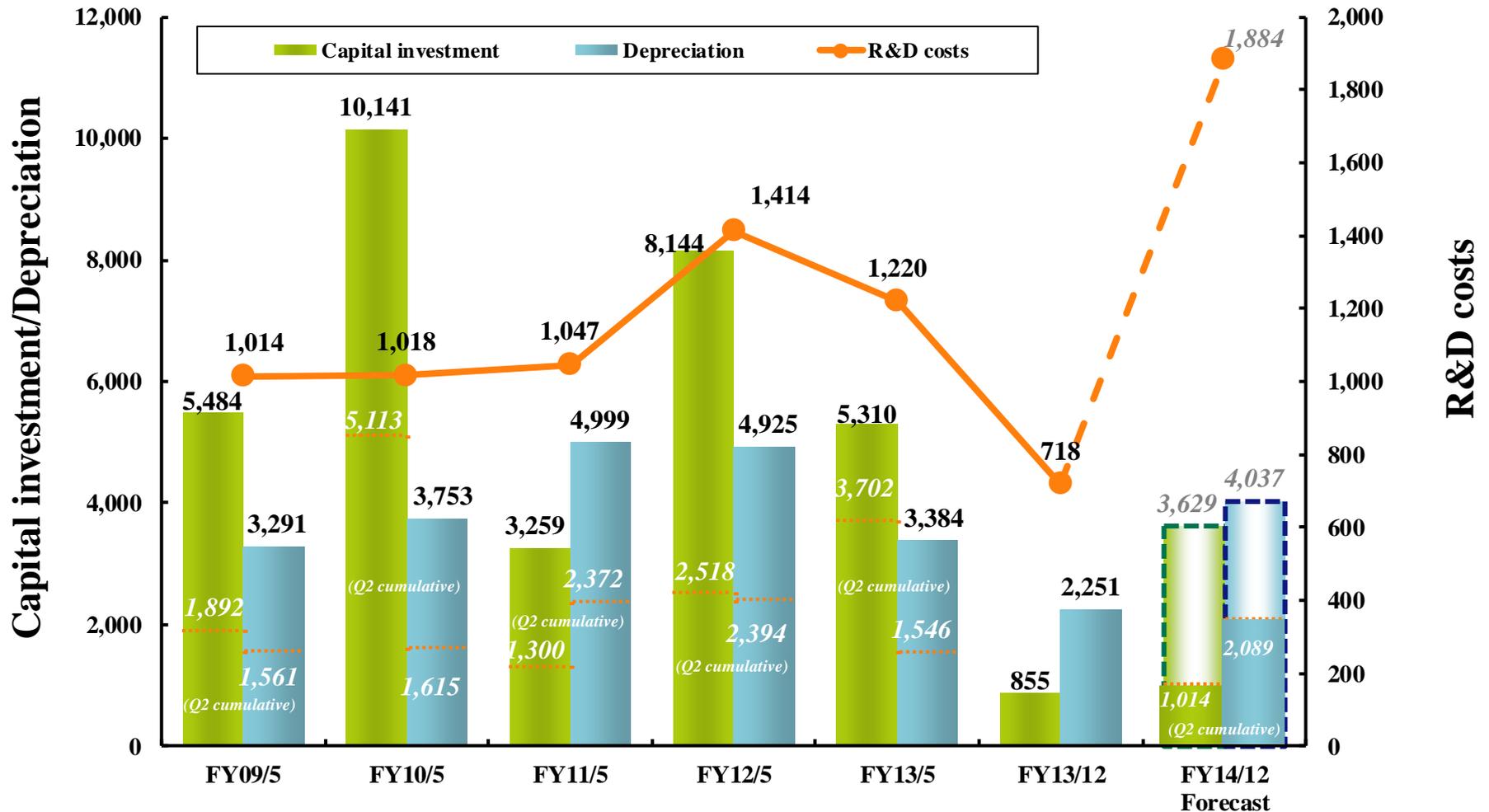


Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.
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6. Trends in Capital Investment, Depreciation and R&D Costs

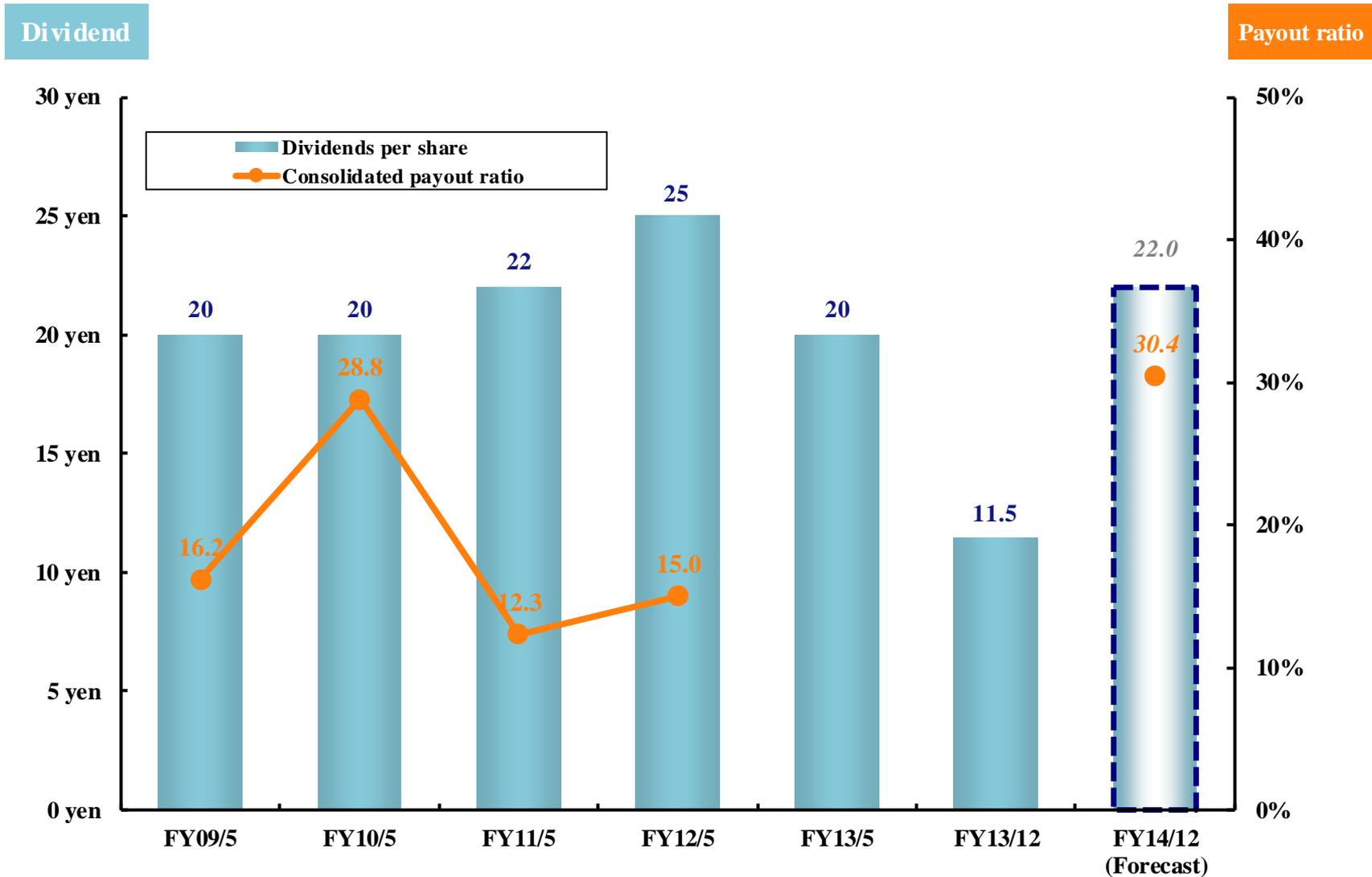
(Unit: Yen, millions)

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7. Dividend Trend



Note: 1. The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013. For details, please refer to “Changes in fiscal period (final day of fiscal year)” on page 2.
 2. Since net income was negative in the fiscal year ended in May 2013 and the fiscal year ended in December 2013, information on consolidated payout ratio is excluded here.

8. Consolidated Balance Sheet and Statement of Cash Flows for the First Half of the Fiscal Year Ending December 31, 2014

(Unit: Yen, millions)

Consolidated Balance Sheet	31-Dec-13	30-Jun-14
Total assets	74,229	72,051
Trade notes and accounts receivable	13,447	13,256
Inventory	18,481	17,840
Tangible fixed assets	29,892	28,667
Total liabilities and net assets	74,229	72,051
Interest-bearing debt	7,712	5,953
Capital	7,692	7,692
Net assets	58,552	58,178
Equity ratio	76.3%	78.3%

(Unit: Yen, millions)

Consolidated Statement of Cash Flows	FY14/12 Q2
Cash and cash equivalents at the end of the period	6,172
Changes in cash and cash equivalents	(699)
Cash and cash equivalents at the beginning of the period	6,871
CF from operating activities	2,605
CF from investing activities	(1,116)
CF from financing activities	(1,939)

Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013. For details, please refer to “Changes in fiscal period (final day of fiscal year)” on page 2.

9. Medium-term Business Plan: Final Stretch in Second Half of First Fiscal Year in Development Phase

Measures undertaken	Progress in the first half of the 73rd fiscal period (2014) *Total monthly sales in Jan-Jun 2013		Forecasts and issues
Slogan for 73rd fiscal period 10% vertical improvement	Consolidated sales	9% growth over the previous year* 11% planned for H2	Sales of existing applications will be within the forecasts made in the medium-term business plan. The key will be compensating for a future decline in solar cell applications in China and restoring sales in the US from the 74th fiscal period (2015).
	Fixed costs Variable costs	Cuts of about 100 million yen each in fields that can be managed.	Going forward, we will cover the remainder with reforms to manufacturing methods (products), automation, manufacturing technology and frame technology.
Three keys of medium-term business plan	20% growth in non-semiconductor applications; generate additional 5.0 billion yen	With year-on-year growth of 8%, the plan's target of 20% growth is within range.	Among the three key applications, sales of brushes are solid. We are targeting 30% overseas sales ratio for mechanical applications. We will resist price competition in heat treatment applications by developing value-added technology.
	5.0 billion yen from new product development	Progress in evaluations for 200 projects from 50 companies	Major increase in evaluation projects, including overseas work. Flow from birth of new product to its sale is currently being improved.
	5.0 billion yen from new business	Bio projects taking shape	Increase in personnel in anticipation of growth in new projects. Affiliations with China and augmentation of facilities are also underway.
Outside of medium-term business plan	Nuclear power	Delivery planned for 2016 3.1 billion yen in orders posted in this first half	Progress with nuclear power measures, focus on overseas projects, ongoing PR aimed at Chinese related organizations.

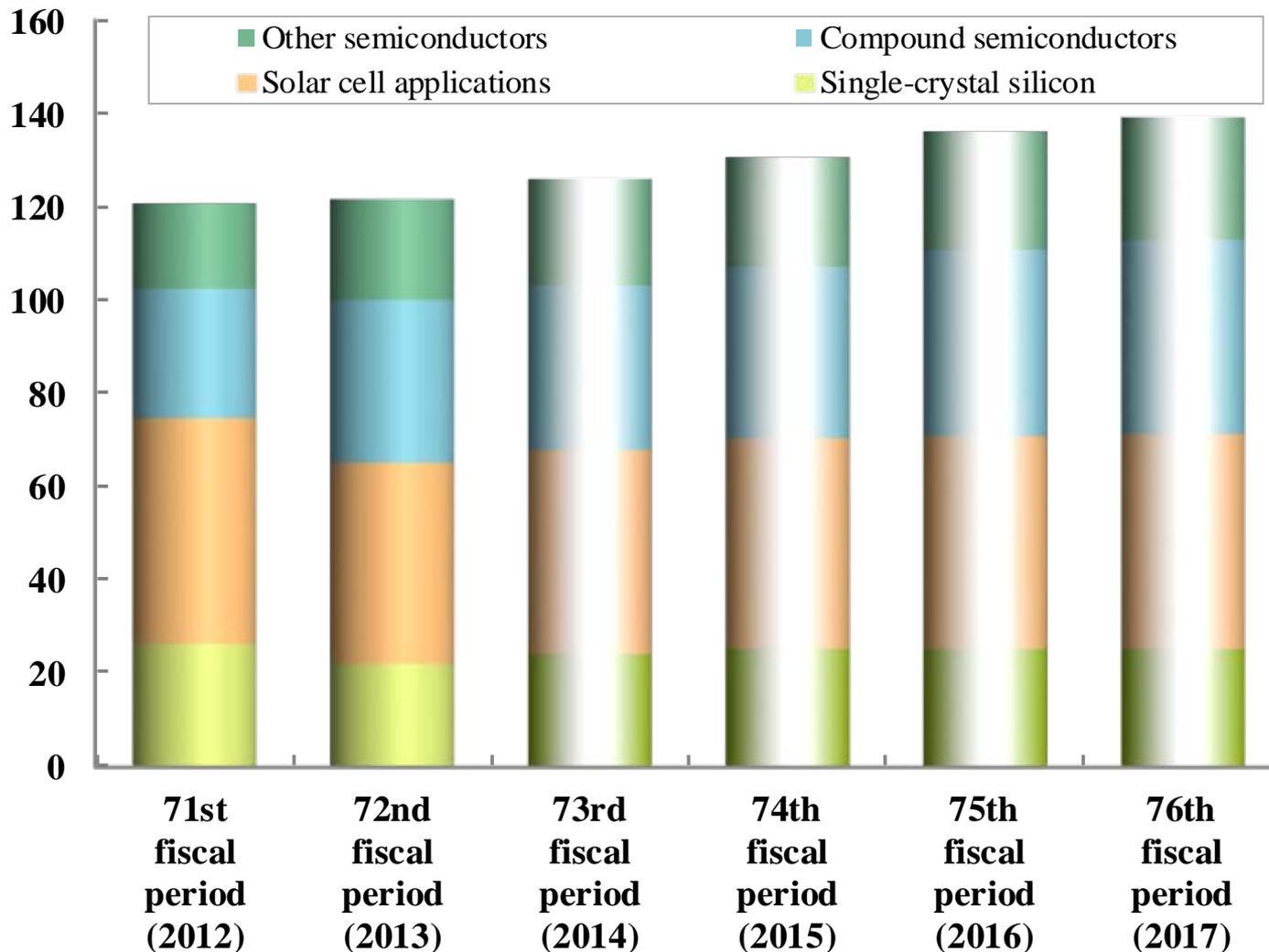
10. Medium-term Business Plan: Measures to be Strengthened and Continued

Initiatives	Issues for review		Evaluation BM
Marketing reform -Hungry market confrontations-	Regions	“Reinforcement” : Europe, US, East Asia “New” : Mexico, Turkey, Indonesia “Reform” : Japan	Sales growth in four areas (Japan, Europe and US, East Asia, Southeast Asia)
	People	20% increase in overseas personnel	Overseas sales growth
	Method	Strengthen global affiliations in selling	Overseas sales growth
	Technology	Strengthen technology services education	Needs and business inquiries (sales)
Behavior changes -Desire for something entirely new-	Work style Carry out reforms as promised		Employee awareness (qualitative survey)
Reforms in work style	Develop a new work system toward start of 74th fiscal period (2015)		Profits per employee (time)

11. Medium-term Business Plan: Forecasts for Semiconductor Applications

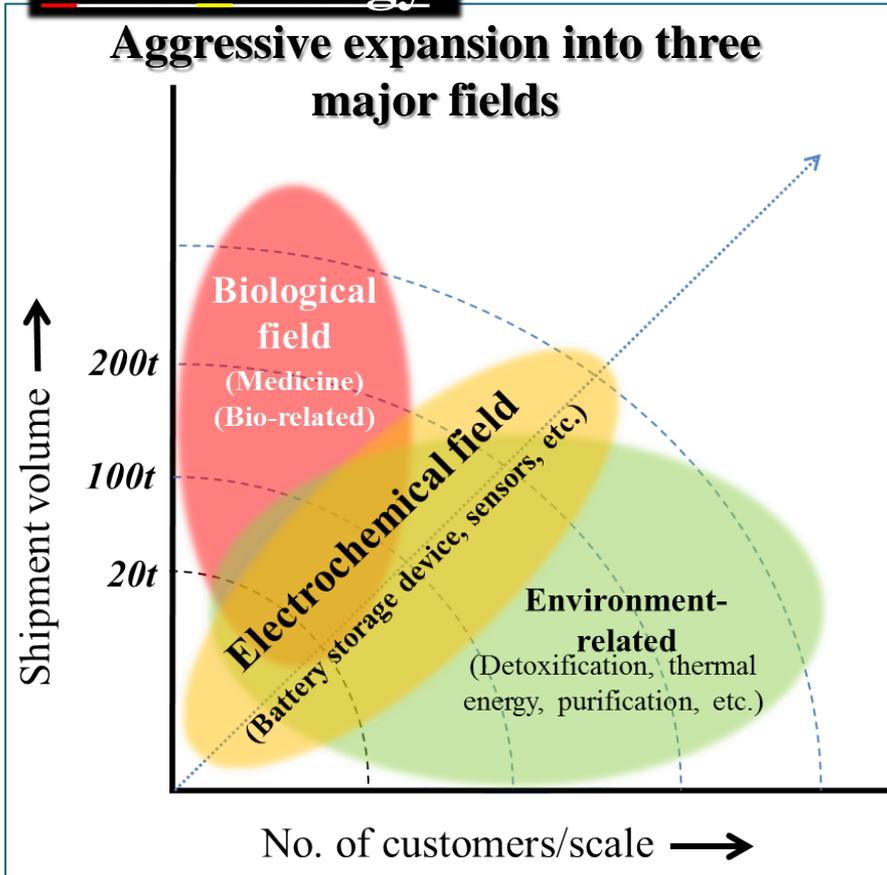
**Maintain and continue to achieve total semiconductor sales of 11.0 billion yen,
the lower end of the target in the medium-term business plan**

(Unit: Yen, 100 millions)



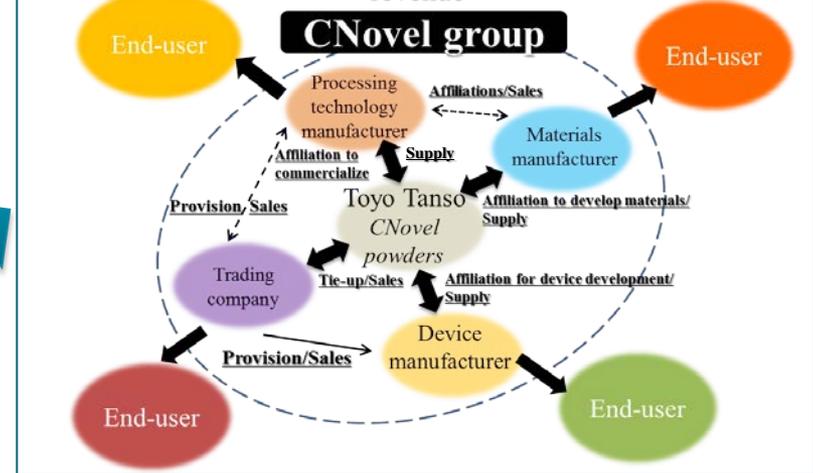
12. Medium-term Business Plan: Accelerating Expansion of CNovel™

Sales Strategy



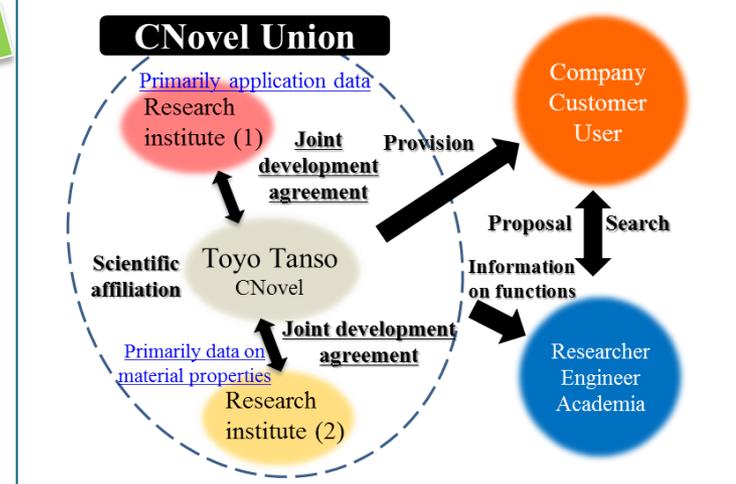
Sales Network

Expand sales channels and build sales network to generate early revenue



Sales Promotion to User

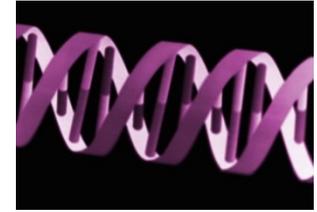
Establish product functions and brand image



13. Medium-term Business Plan: Progress with New Agricultural and Bio Projects



- ✓ **Maintain starting sales target in 74th fiscal period (2015)**
- ✓ **Aim for sales at the level of mid-ranking existing products in 2-3 years, including sales of parts and devices**
- ✓ **Business field:**
Agriculture, healthcare, bio, medicine, life sciences
- ✓ **External affiliations and evaluation activities:**
We are currently working with five universities and public research organizations and several companies (primarily listed companies and companies with strong backgrounds in the relevant fields) and are carrying out evaluation tests
- ✓ **Other promising business possibilities:**
Marine, soil and environmental (water purification, etc.) applications, high-durability lubrication applications, etc.



Orders of graphite material posted for Chinese high-temperature reactor—pebble-bed modules (HTR-PM)

- 3.1 billion yen in orders posted. Sum will be posted in full when delivery is complete.
- Project ordered in November 2008. Shipment is now nearly certain as authorization has been given by Japanese government officials. The materials manufactured by Toyo Tanso will be processed and installed by Shanghai Toyo Tanso and are to be delivered to the customer by 2016.
- In addition to China, several other countries, including Japan, are considering adopting high-temperature gas reactors as a very safe and efficient next-generation nuclear reactor. Graphite, which has particularly impressive heat resistance, thermal conductivity, anti-corrosive functions, stability and resistance to radiation, is an ideal material for structural materials used in reactor applications. Toyo Tanso's parts are the only ones authorized for use in Chinese high-temperature reactors.



China's Tsinghua University test reactor

Pilot production line for porous carbon CNovel™* completed

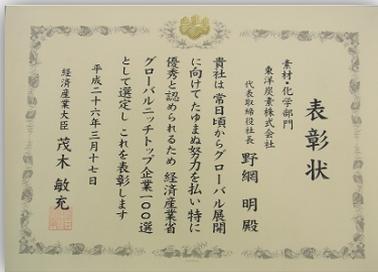
- A manufacturing facility for the porous carbon CNovel™ was completed in June 2014. This facility will take this material developed in small-volume trial production and make mass production possible for CNovel™ as an industrial material.
- Its adoption is being considered in many fields, from power storage devices such as capacitors and fuel cells to medical and analytical equipment and environment-related markets.

*A powder material developed by Toyo Tanso with adsorptive properties, diffusivity and other structures and functions not available in previous carbon.



CNovel™

Selected as one of “the Global Niche Top Companies Selection 100*”



- The market strength and global nature of Toyo Tanso's flagship product, isotropic graphite, and coating-related products receive high acclaim.
- Due to its unique characteristics, isotropic graphite is actively used as an indispensable material in a wide range of industries, from cutting-edge applications such as semiconductors to general industry. Toyo Tanso has had the world's top share in isotropic graphite since we became the first in the world to succeed in mass producing it.
- *The Ministry of Economy, Industry and Technology selects and awards those companies cultivating global markets that have a high share of specific fields and practice good management.

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.

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