

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2015

February 2016
Toyo Tanso Co., Ltd.

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Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2015

Part 1. Summary of Consolidated Results

Point 1

Competition intensified overall. Although demand for electronics-related products (semiconductors, solar cells, and LED) remained low, net sales rose slightly year on year.

Point 2

Although we focused on securing sales of high-value-added products, improving profitability and strengthening unprofitable subsidiaries, operating income, ordinary income, and net income fell sharply over the previous year and failed to meet forecasts due to an increase in some manufacturing costs, the posting of inventory valuation losses and an impairment loss, and the reversal of deferred tax assets, among other factors.

Point 3

By product, special graphite products for electronics applications, general industrial applications, and carbon products for general industries for mechanical applications were disappointing, and sales fell over the previous year.

Point 4

However, sales of carbon products for general industries for electrical applications were solid. Sales of compound materials and other products showed positive growth over the previous year due to strong sales of C/C composite products and graphite sheet products.

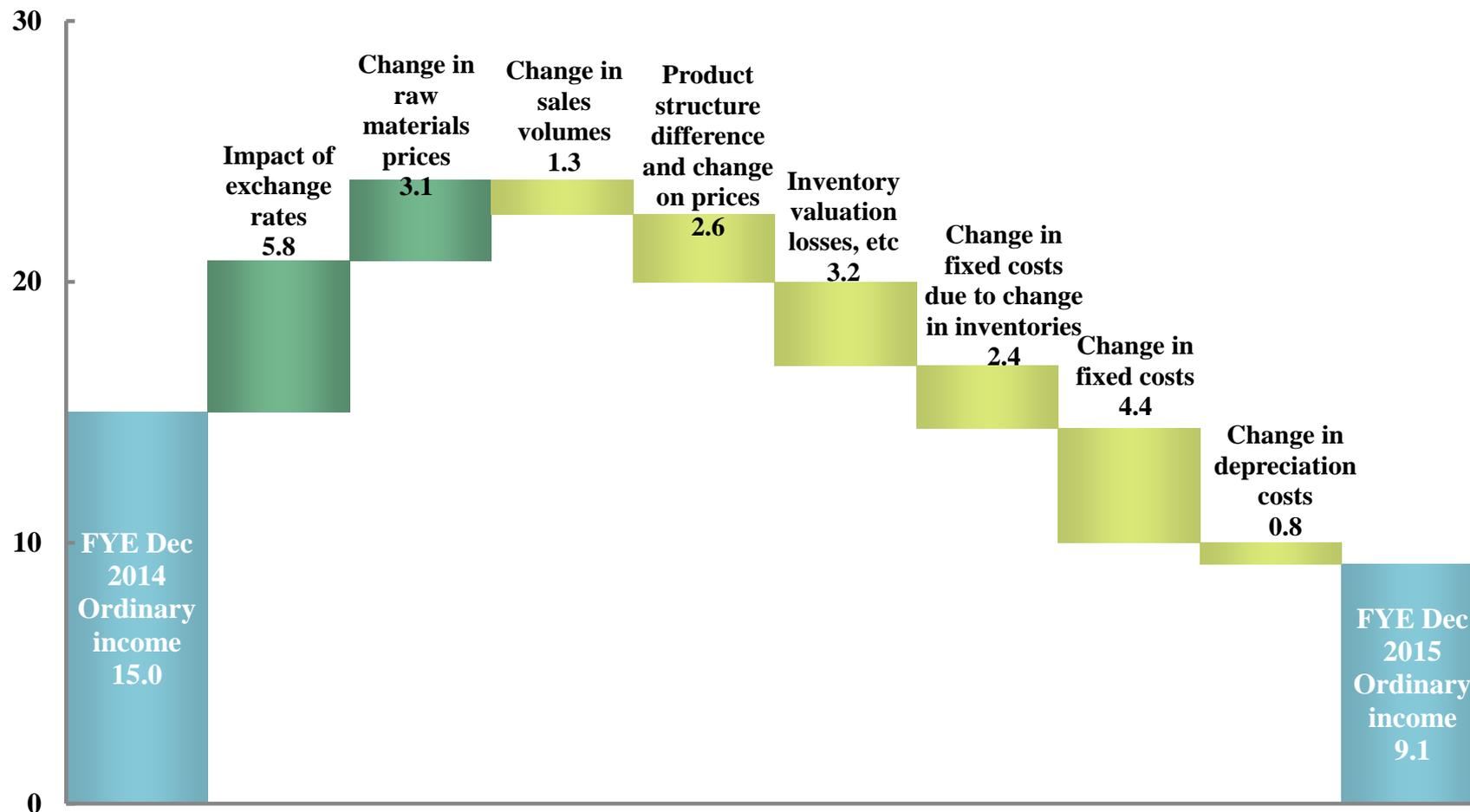
Part 1. 2. Results for the Fiscal Year Ended December 31, 2015 and Forecasts for the Fiscal Year Ending December 31, 2016

	FYE Dec 2014	FYE Dec 2015		FYE Dec 2016 (forecast)	
			Year-on-year change		Year-on-year change
(Unit: Yen, millions)					
Net sales	34,066	35,558	1,491 / 4.4 %	35,000	(558) / (1.6) %
Operating income	1,140	790	(350) / (30.7) %	700	(90) / (11.4) %
(Ratio of operating income to net sales)	3.3%	2.2%		2.0%	
Ordinary income	1,501	917	(583) / (38.9) %	700	(217) / (23.7) %
(Ratio of ordinary income to net sales)	4.4%	2.6%		2.0%	
Net income	1,327	402	(925) / (69.7) %	350	(52) / (13.0) %
Net income per share	64.02 yen	19.40 yen		16.88 yen	
Exchange rate	105.9 yen/\$ 140.4 yen/€ 17.2 yen/CNY	121.1 yen/\$ 134.3 yen/€ 19.2 yen/CNY		115 yen/\$ 130 yen/€ 17.5 yen/CNY	

Part 1. 3. Factors Affecting Changes in Ordinary Income

(Results for the year ended December 31, 2014 vs. results for the year ended December 31, 2015)

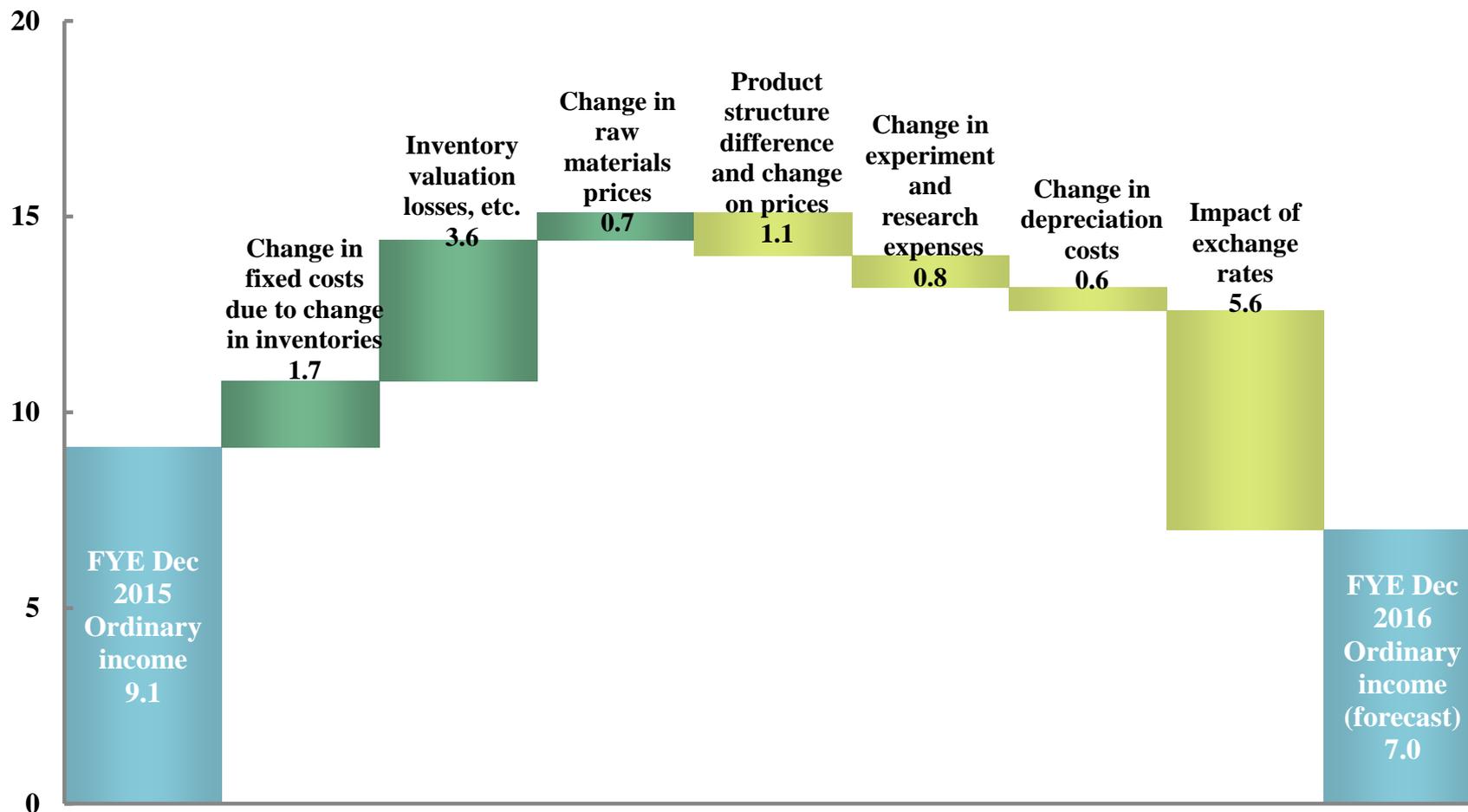
(Unit: Yen, 100 millions)



Part 1. 3.Factors Affecting Changes in Ordinary Income

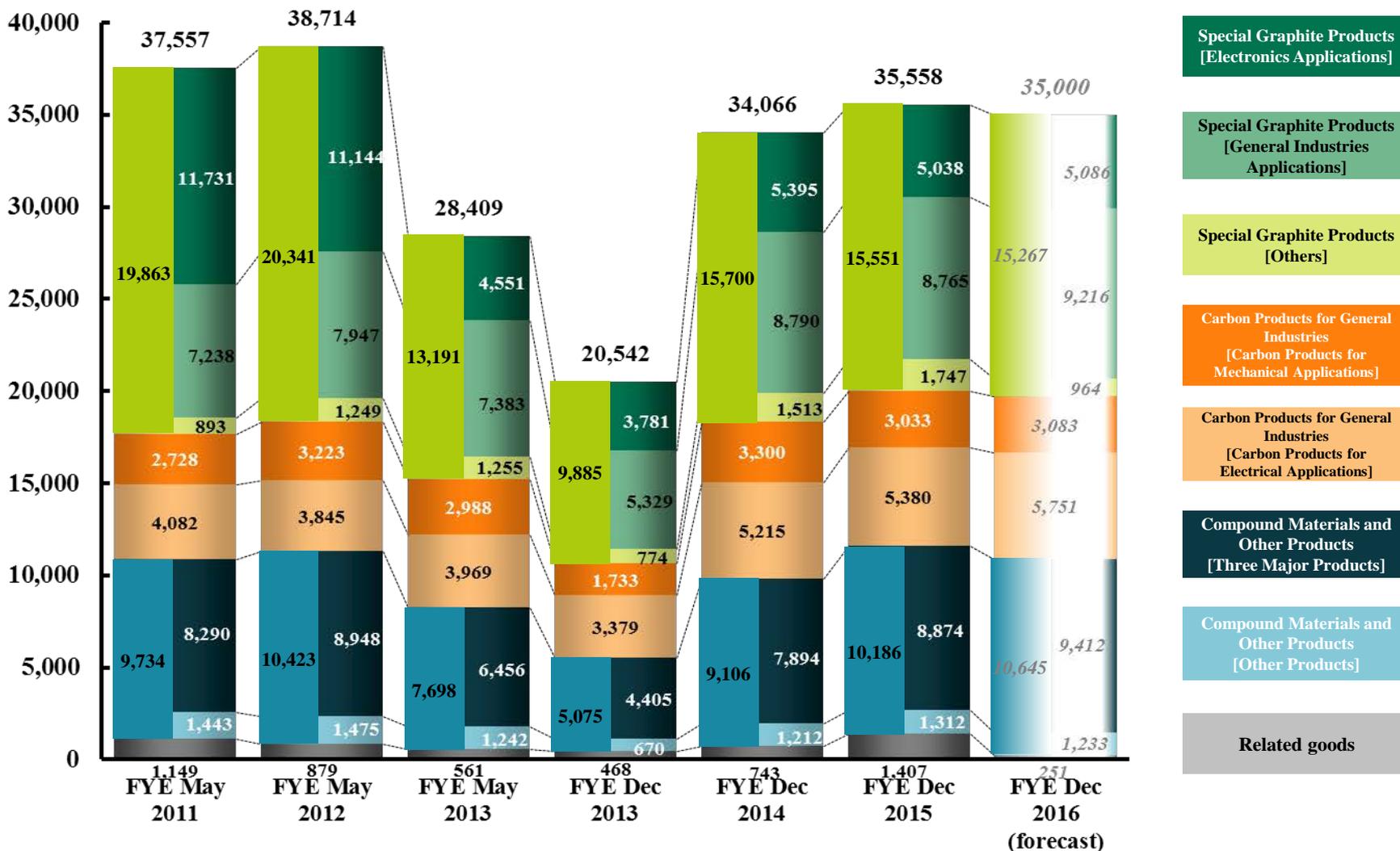
(Results for the year ended December 31, 2015 vs. forecast for the year ending December 31, 2016)

(Unit: Yen, 100 millions)



Part 1. 4. Net Sales by Product and Segment

(Unit: Yen, millions)

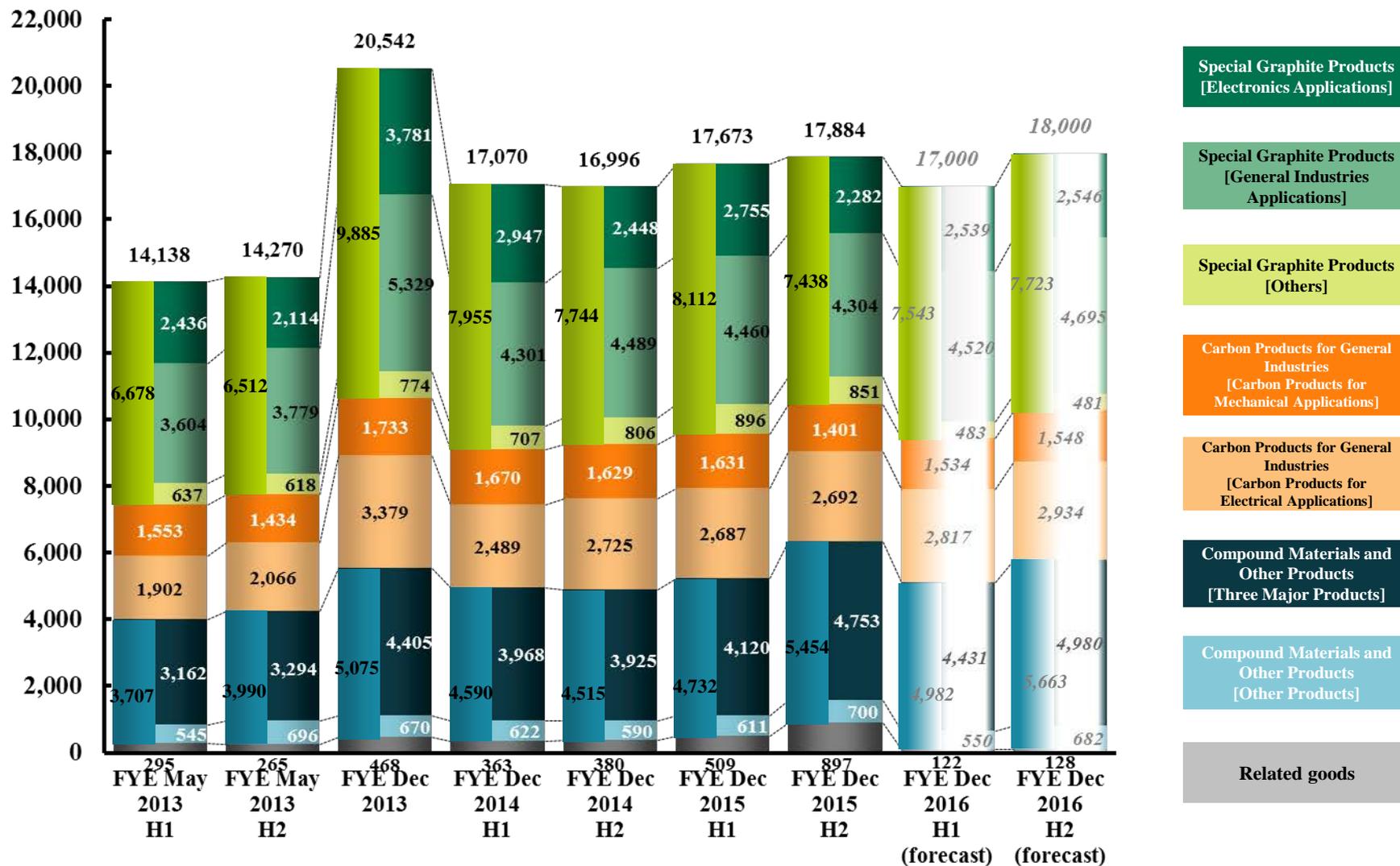


Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

Part 1. 4. Net Sales by Product and Segment (six-month period)

(Unit: Yen, millions)

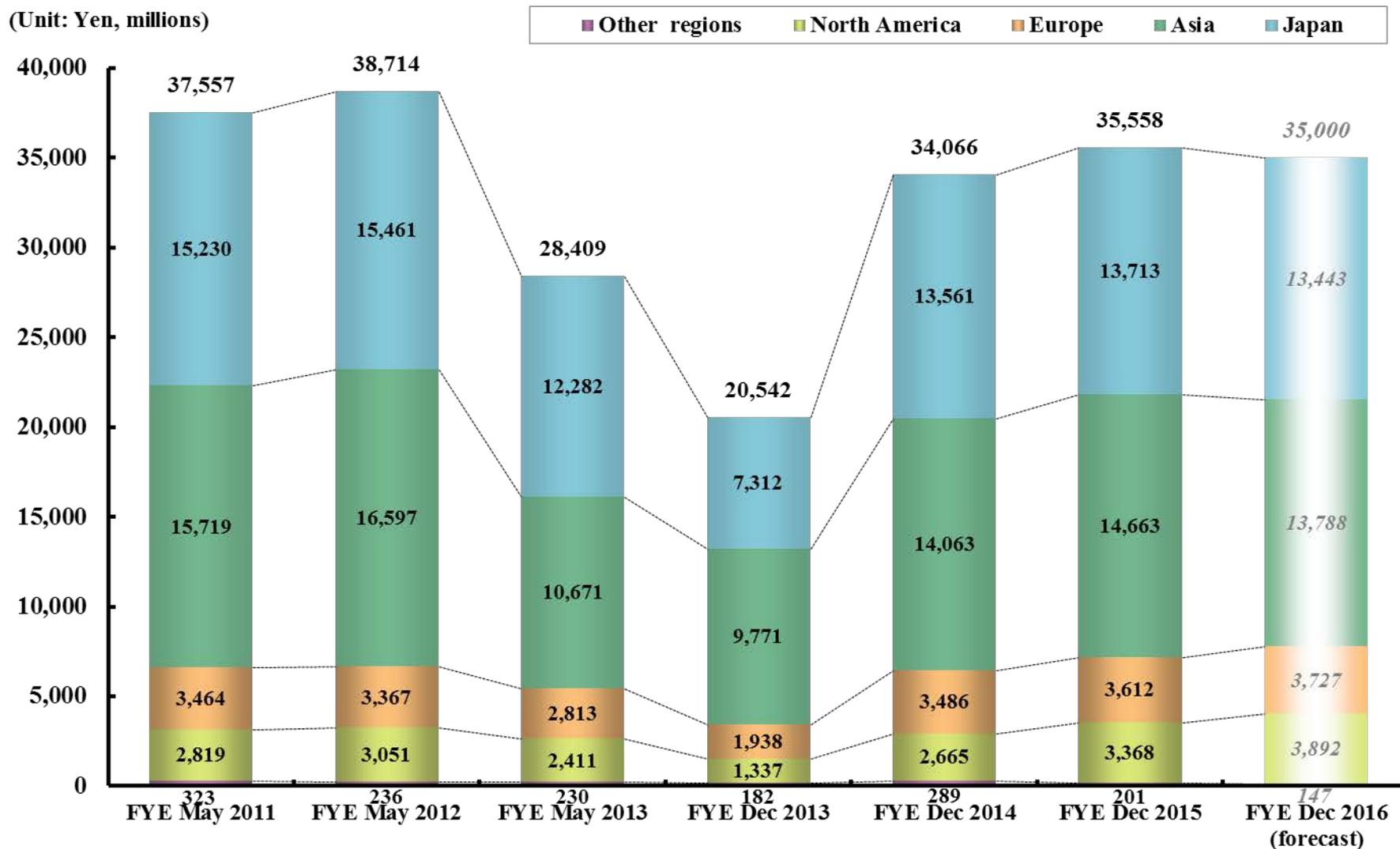


Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

Part 1. 5.Sales by Region

(Unit: Yen, millions)



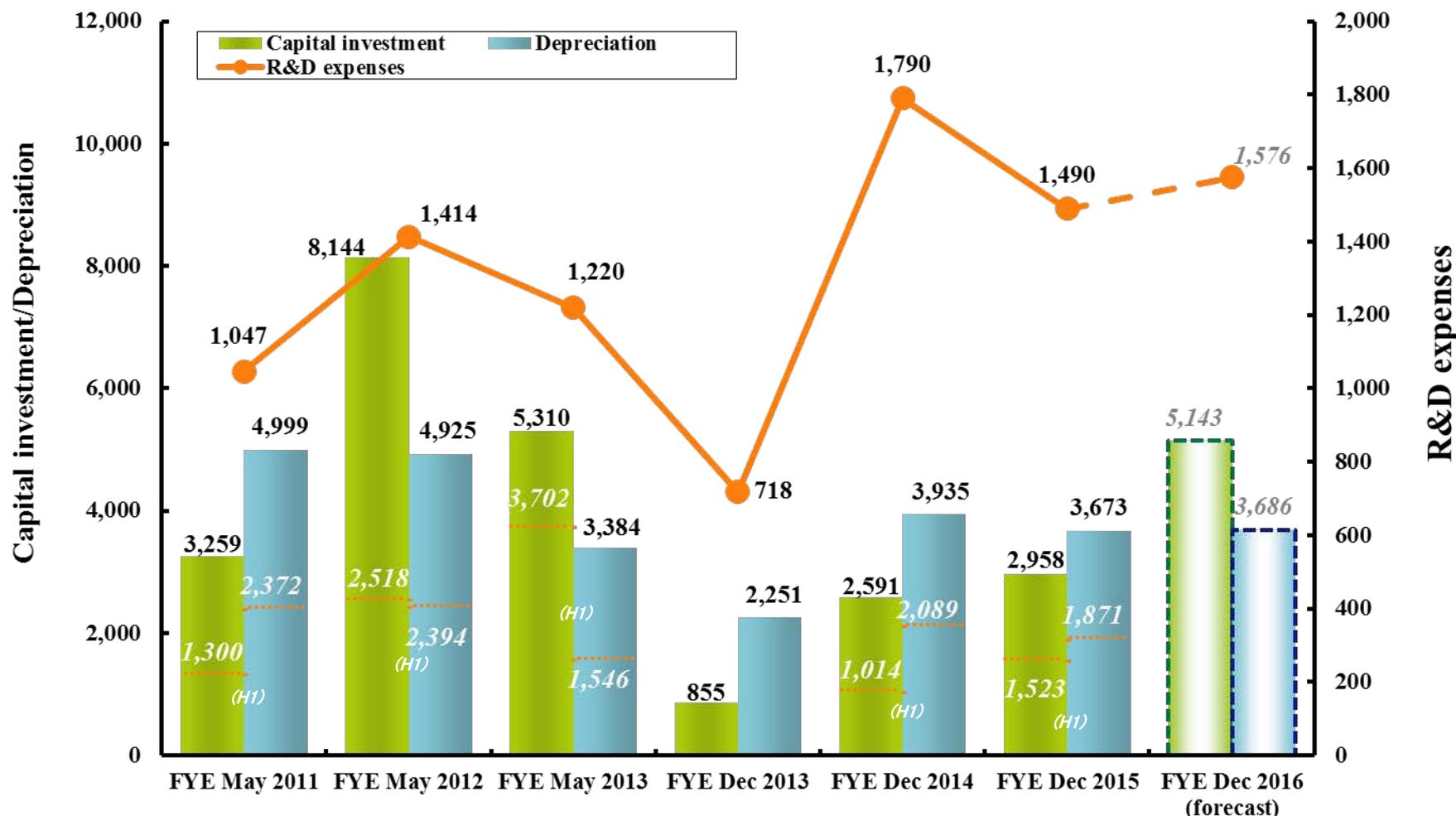
Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

Part 1. 6. Capital Investment, Depreciation, and R&D Expenses

(Unit: Yen, millions)

(Unit: Yen, millions)



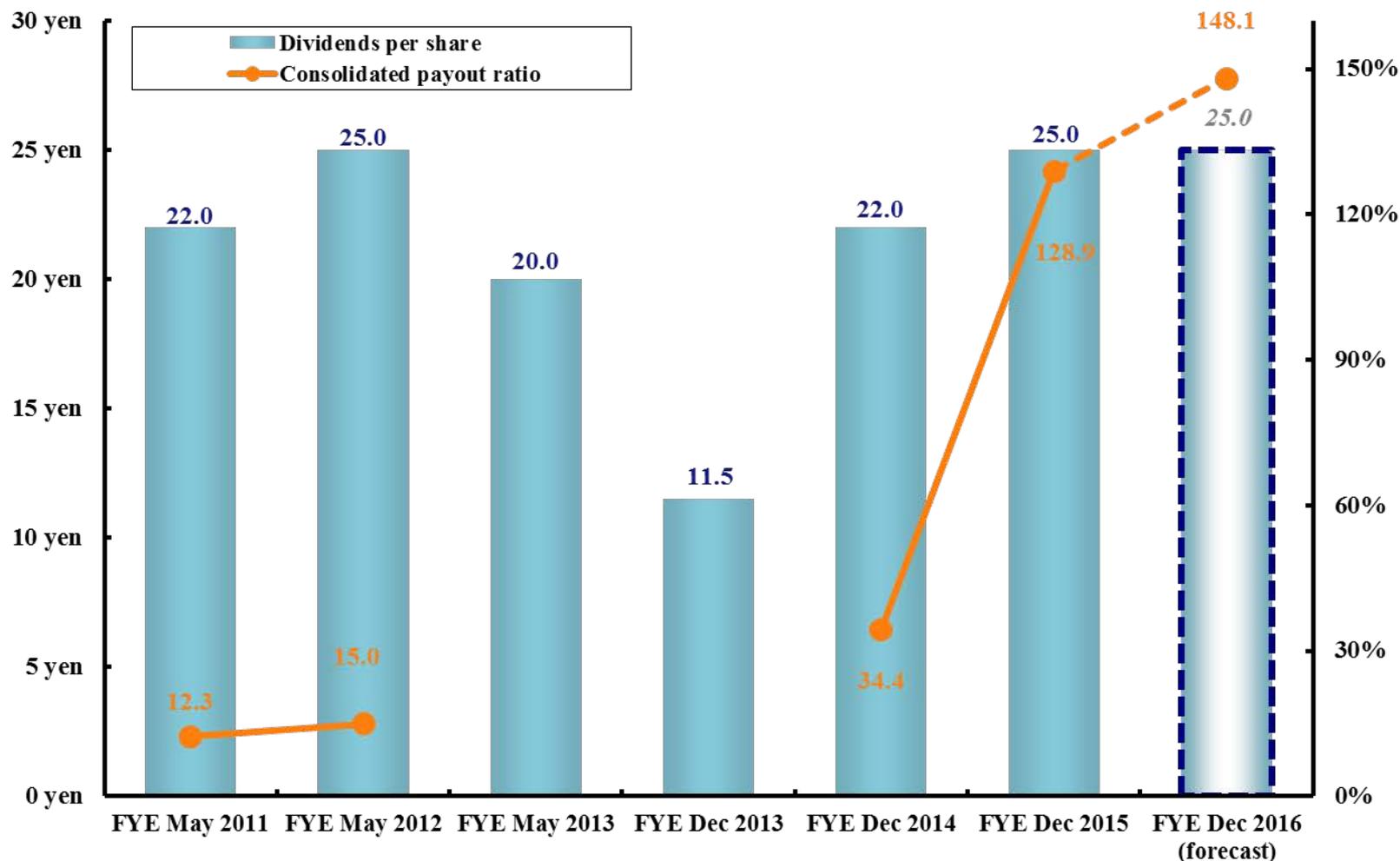
Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

Part 1. 7.Dividend

Dividend

Payout ratio



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 this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

2. Since net income was negative in the fiscal year ended May 31, 2013 and the fiscal year ended December 31, 2013, information on consolidated payout ratio is excluded here.

Part 1. 8. Consolidated Balance Sheet and Statement of Cash Flows for the Fiscal Year Ended December 31, 2015

Consolidated Balance Sheet	(Unit: Yen, millions)		Consolidated Statement of Cash Flows	(Unit: Yen, millions)	
	December 31, 2014	December 31, 2015		FYE Dec 2014	FYE Dec 2015
Total assets	75,831	72,990	Cash and cash equivalents at end of period	9,061	7,147
Notes and accounts receivable - trade	13,660	13,047	Net increase (decrease) in cash and cash equivalents	2,189	(1,914)
Inventories	18,209	17,008	Cash and cash equivalents at beginning of period	6,871	9,061
Property, plant and equipment	28,850	27,016	Net cash provided by (used in) operating activities	7,374	6,797
Total liabilities and net assets	75,831	72,990	Net cash provided by (used in) investing activities	(2,314)	(5,235)
Interest-bearing liabilities	4,992	2,669	Net cash provided by (used in) financing activities	(3,406)	(3,167)
Capital stock	7,692	7,692			
Net assets	60,918	59,487			
Equity ratio	78.0%	79.6%			

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2015

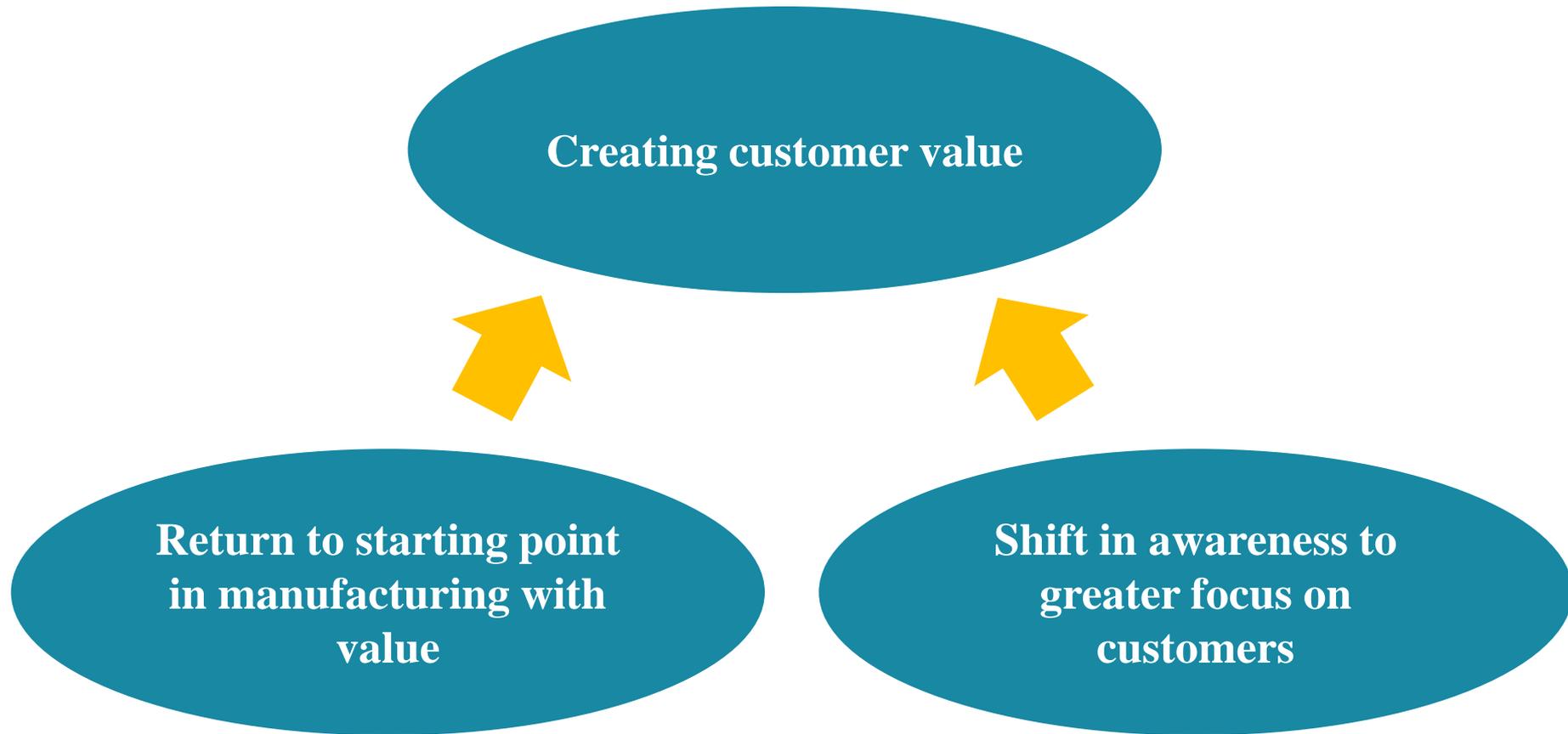
Part 2. Business Structure Reforms

**-Structural reforms and reinforcement of foundations
for next-generation growth-**

- **Deteriorating supply and demand for special graphite products is an issue that is not expected to be resolved in the near future, and thus we expect the business environment to remain harsh.**
→ **The entire industry, including the Company and other competitors both in Japan and overseas, faces a harsh environment.**

- **Rather than heedlessly seeking size (sales), we believe that shifting to a business structure that is not affected by the business environment so that we can generate stable income is an urgent issue for the Company**

- **Improving the marginal profit ratio and reducing fixed costs through business structure reforms**
- **Transformation to a company that creates customer value**



Part 2. 3. Direction of Business Structure Reforms (overall)

Toyo Tanso Group overall

Priority measure (1) Focus resources on select businesses

- (Existing) Review projects with low profitability
- (New orders) Review price strategy

Priority measure (2) Optimize organization

- Streamline headquarters and indirect departments at domestic plants
- Consolidate and close domestic and overseas bases

Priority measure (3) Optimize staffing

- Curb hiring of indefinite-term employees
- Curb new and ongoing use of temporary employees
- Review personnel structure at overseas bases

Priority measure (4) Strengthen business management in order to solidify results of three priority measures

- Strengthen a comprehensive business operation system with the introduction of the business division system
- Strengthen governance system, including overseas
- Clarify criteria for decisions on whether to continue or suspend existing businesses (securing appropriate returns for invested capital)

Particularly US operations; in addition to above four priority measures

- Use and utilize long-term retained stock
- Reduce staff at US headquarters and indirect departments at domestic plants
- Curb nonessential and non-urgent capital investments
- Consolidate business bases at US headquarters

Part 2. 4. Direction of Business Structure Reforms (Priority measure (1) Focus resources on select businesses)

(Existing) Review projects with low profitability

- During 2016, comprehensively examine existing projects and scale back or pull out of projects that are deemed unlikely to show improvements in revenue going forward
- Move ahead with activities carefully and thoroughly to earn business partners' understanding and cooperation

(New orders) Review price strategy

- During 2016, strengthen management of the price authorization process and optimize price-setting based on competition and profit/loss conditions
- Move ahead with activities carefully and thoroughly to earn business partners' understanding and cooperation

Part 2. 5. Direction of Business Structure Reforms (Priority measure (2) Optimize organization)

Streamline headquarters and indirect departments at domestic plants

- In April 2016, review organization of headquarters and indirect departments at domestic plants, and reduce and optimize number of organizations and positions
- In conjunction with these efforts, improve efficiency and reduce operations, and reduce and streamline number of personnel needed for operations

Consolidate and close domestic and overseas bases

- In 2016, consolidate and close domestic and overseas bases that make little contribution to revenue
- Several bases in both Japan and overseas will be targeted for this review. Information will be made available as soon as the decision has been made
- Reduce impact on customers by carrying on operations at nearby base

Part 2. 6. Direction of Business Structure Reforms (Priority measure (3) Optimize personnel)

Curb hiring of indefinite-term employees

- In the near term, as a matter of principle, suspend hiring of indefinite-term employees and curb hiring to fill positions of retiring staff
- Continue to hire a small number of new graduates to avoid any distortion in age makeup

Curb new and ongoing use of temporary employees

- In the near term, suspend hiring of new temporary employees as a matter of principle
- The employment of temporary employees currently on staff will end, in principle, with the end of their contract
- In conjunction with this, reduce and optimize the number of personnel needed for operations, and limit impact on operations

Review personnel structure at overseas bases

- Reduce and streamline the number of staff needed for organization, positions, and operations at overseas bases in 2016

Numerical targets for consolidated earnings resulting from business structure reforms (fiscal year ending December 31, 2018)

-Levels that can be achieved regardless of the future business environment-

Marginal profit ratio
3-point improvement
(compared to fiscal year ended December 31, 2015)

Fixed costs
Decrease of 2.0 billion yen
(compared to fiscal year ended December 31, 2015)



Operating income
3.0 billion yen



Profit attributable to owners of parent
2.0 billion yen

The specific targets and timing for the consolidation and closure of domestic and overseas bases and the consolidation of business bases related to US operations at the US headquarters, which are both priority measures, will be announced when decisions are made.

We will provide information on progress with our priority measures as well as the status of additional measures under consideration around August 2016.

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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