

Toyo Tanso Co., Ltd.

Results for the First Half of the Fiscal Year Ending December 31, 2016

August 2016
Toyo Tanso Co., Ltd.

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Carbon industry

Carbon black

Graphite electrode

Company's business field: Focus on high-performance, high value-added sectors

Special carbon

Special Graphite Products (Isotropic Graphite)
Heat-Technology Material Division

- Electronics Applications
- General Industries Applications
- Others

- Excess supply capacity in industry
- Heightened price competition
- Deterioration in revenue structure
- Emergence of local manufacturers in China in solar cell market

Carbon Products for General Industries
Tribology Division

- Carbon Products for Mechanical Applications
- Carbon Products for Electrical Applications

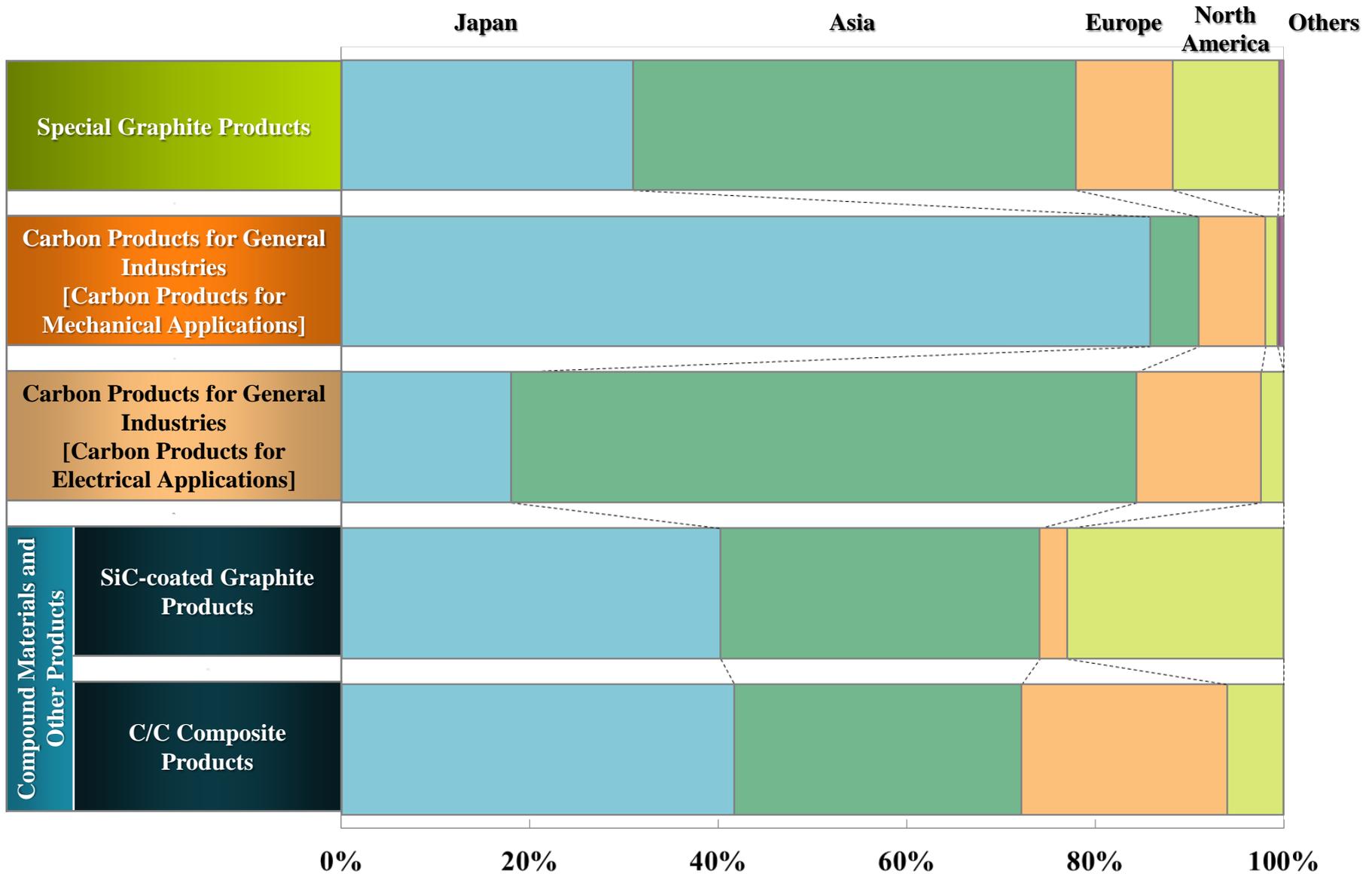
- Relatively stable revenue structure

Compound Materials and Other Products
Heat-Technology Material Division Performance Chemicals Division

- SiC-coated Graphite Products
- C/C Composite Products
- Graphite Sheet Products

- High value-added products
- Initiatives to create new materials through combinations with different materials

| | | Electronics field | | | Machines for general industries field | Transportation equipment field | Electrical field | Advanced technology field |
|--|-------------------------------|-------------------------------------|---|-------------------------|---|--|------------------|-----------------------------------|
| | | Solar cells | Semiconductors | LEDs | | | | |
| Business Environment, Company's Conditions | | Price competition | Longer life | Pursuit of high quality | | Reinforcement of global expansion | | Reinforcement of global expansion |
| Special Graphite Products | | ◎ | ◎ | ○ | ◎ Price competition Demand for quick delivery | | | ○ |
| Carbon Products for General Industries [Carbon Products for Mechanical Applications] | | | | | ◎ | ◎ | ○ | |
| Carbon Products for General Industries [Carbon Products for Electrical Applications] | | | | | | ◎ | ◎ | |
| Compound Materials and Other Products | [Three Major Products] | SiC-coated Graphite Products | ○ | ◎ | ◎ | | | |
| | | C/C Composite Products | ◎ | ◎ | | ◎ Demand for replacement of other materials | | ○ |
| | | Graphite Sheet Products | ○ | ◎ | | ○ | ◎ | |
| Newly Developed Products | Porous Carbon CNovel™ | | | | | | | ○ |
| | Green Innovation | | ○ For next-generation semiconductors | | | | | |



Toyo Tanso Co., Ltd.

Results for the First Half of the Fiscal Year Ending December 31, 2016

Part 1. Summary of Consolidated Results

Part 1. 1. Key Points of the Results for the First Half of the Fiscal Year Ending December 31, 2016

Point 1

Beginning this fiscal year, the Company is shifting to a business structure that can steadily generate profits and is carrying out business structure reforms with the aim of establishing a foundation for future growth. Decisively pursuing reform without limits.

Point 2

Although net sales undercut levels in the same period of the previous year and forecasts, sales were about the same when excluding decreases attributable to the strong yen.

Point 3

Despite the strong yen and the posting of a 140 million yen provision of allowance for doubtful accounts, operating income rose year on year and compared to forecasts, due to improvements in marginal profit and reductions in fixed costs.

Ordinary income was down year on year and failed to meet forecasts as a result of a negative 420 million yen attributable to foreign exchange losses (net of gain on currency options) that canceled out the effect of higher operating income.

Point 4

The Company posted 740 million yen in subsidy income, but recorded 290 million yen in impairment losses on manufacturing facilities and 280 million yen due to the reversal of deferred tax assets. As a result, profit attributable to owners of parent fell short of levels in the same period of the previous year, but reverted to positive levels at 390 million yen above forecast.

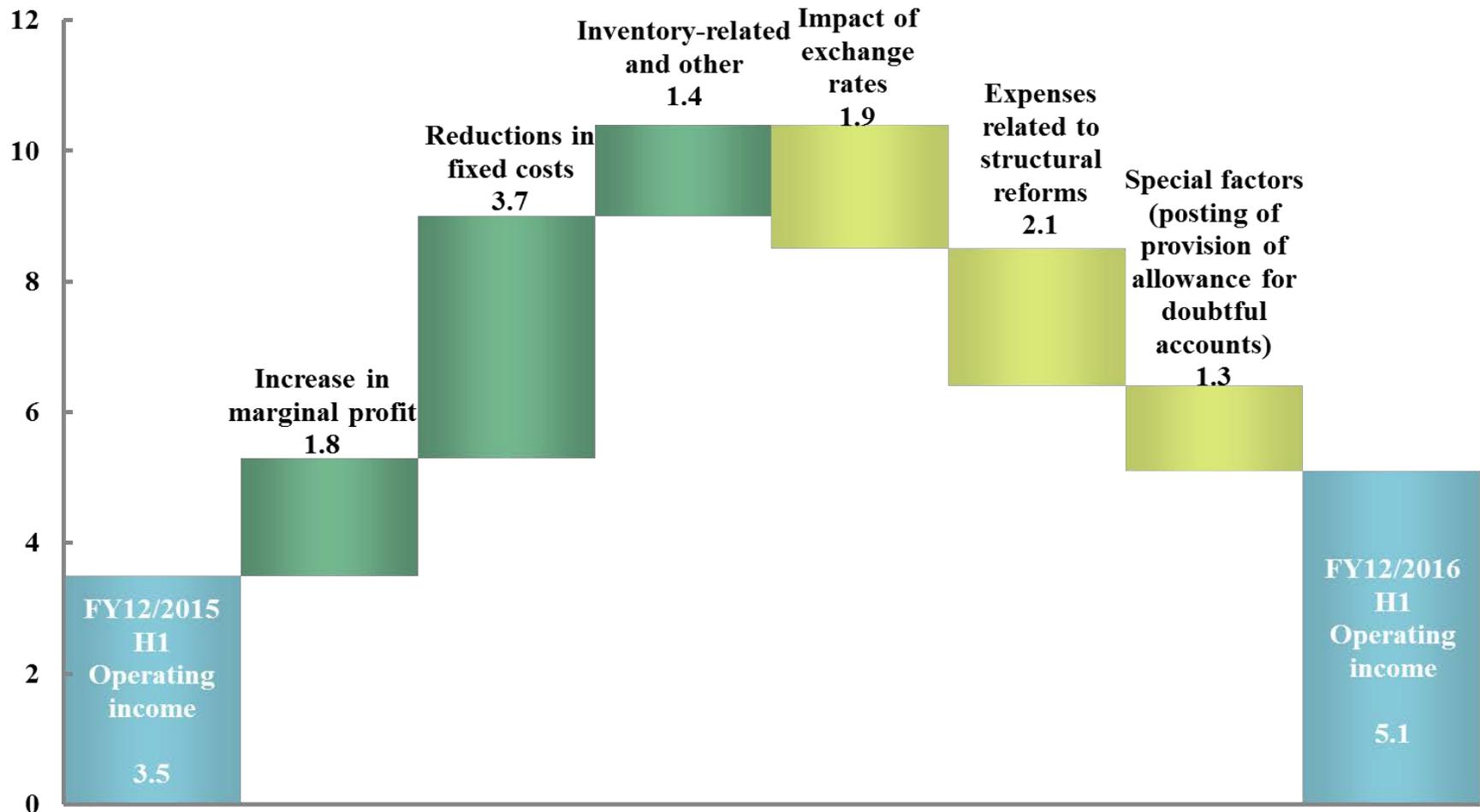
Part 1. 2. Results for the First Half of the Fiscal Year Ending December 31, 2016

| (Unit: Yen, millions) | FYE Dec. 2015 H1 | FYE Dec. 2016 H1 | Change |
|--|--|--|-------------------------|
| Net sales | 17,673 | 16,941 | (731) / (4.1) % |
| Operating income | 353 | 513 | 159 / 45.2 % |
| (Ratio of operating income to net sales) | 2.0% | 3.0% | |
| Ordinary income | 499 | 257 | (241) / (48.4) % |
| (Ratio of ordinary income to net sales) | 2.8% | 1.5% | |
| Profit attributable to owners of parent | 387 | 241 | (146) / (37.7) % |
| Profit attributable to owners of parent per share (basic) | 18.70 yen | 11.65 yen | |
| Average exchange rate | 120.2 yen/\$ 134.2 yen/€ 19.3 yen/CNY | 111.9 yen/\$ 124.7 yen/€ 17.1 yen/CNY | |

Part 1. 3. Factors Affecting Changes in Operating Income

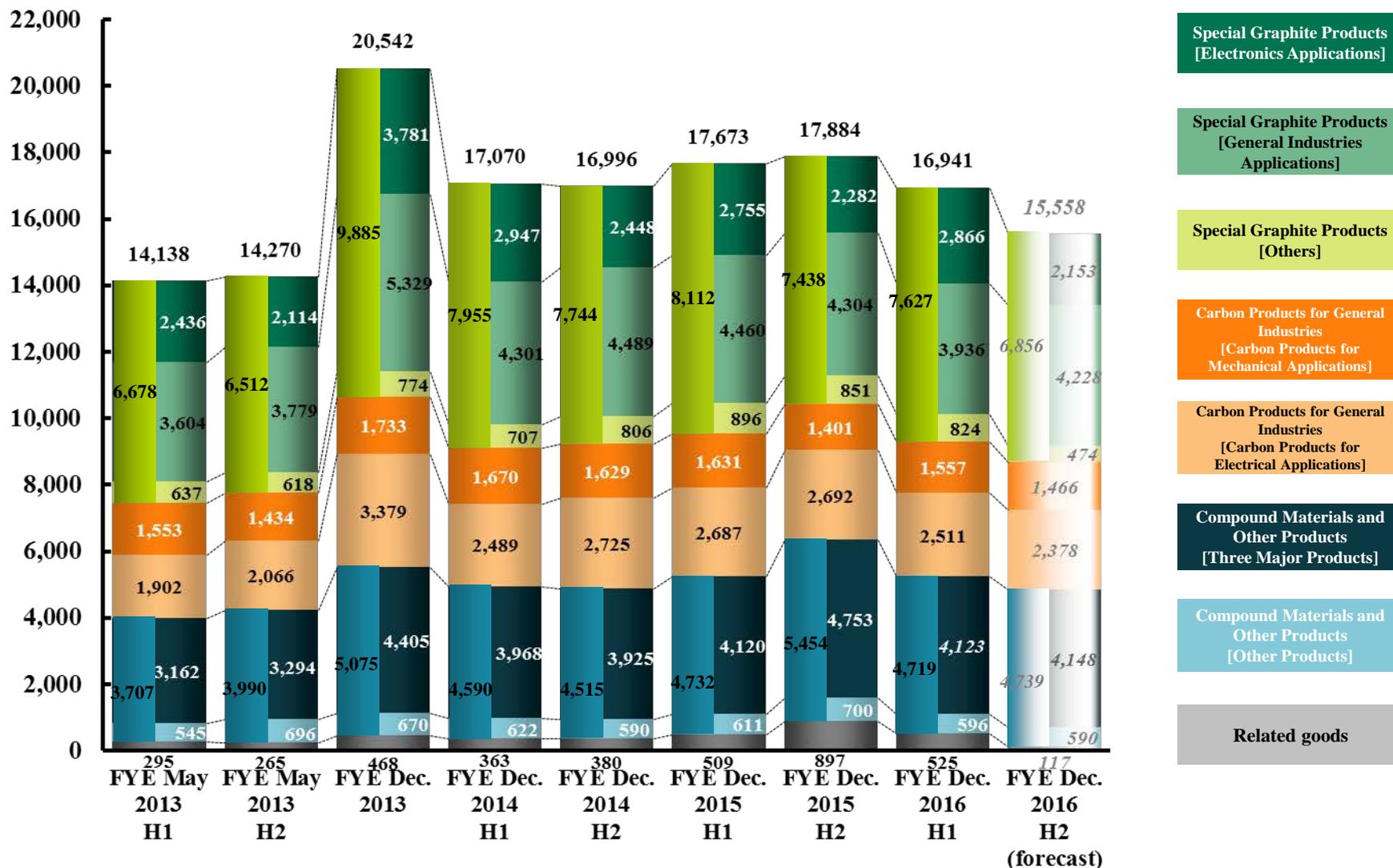
(First half of fiscal year ended December 2015 vs. first half of fiscal year ending December 2016)

(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).

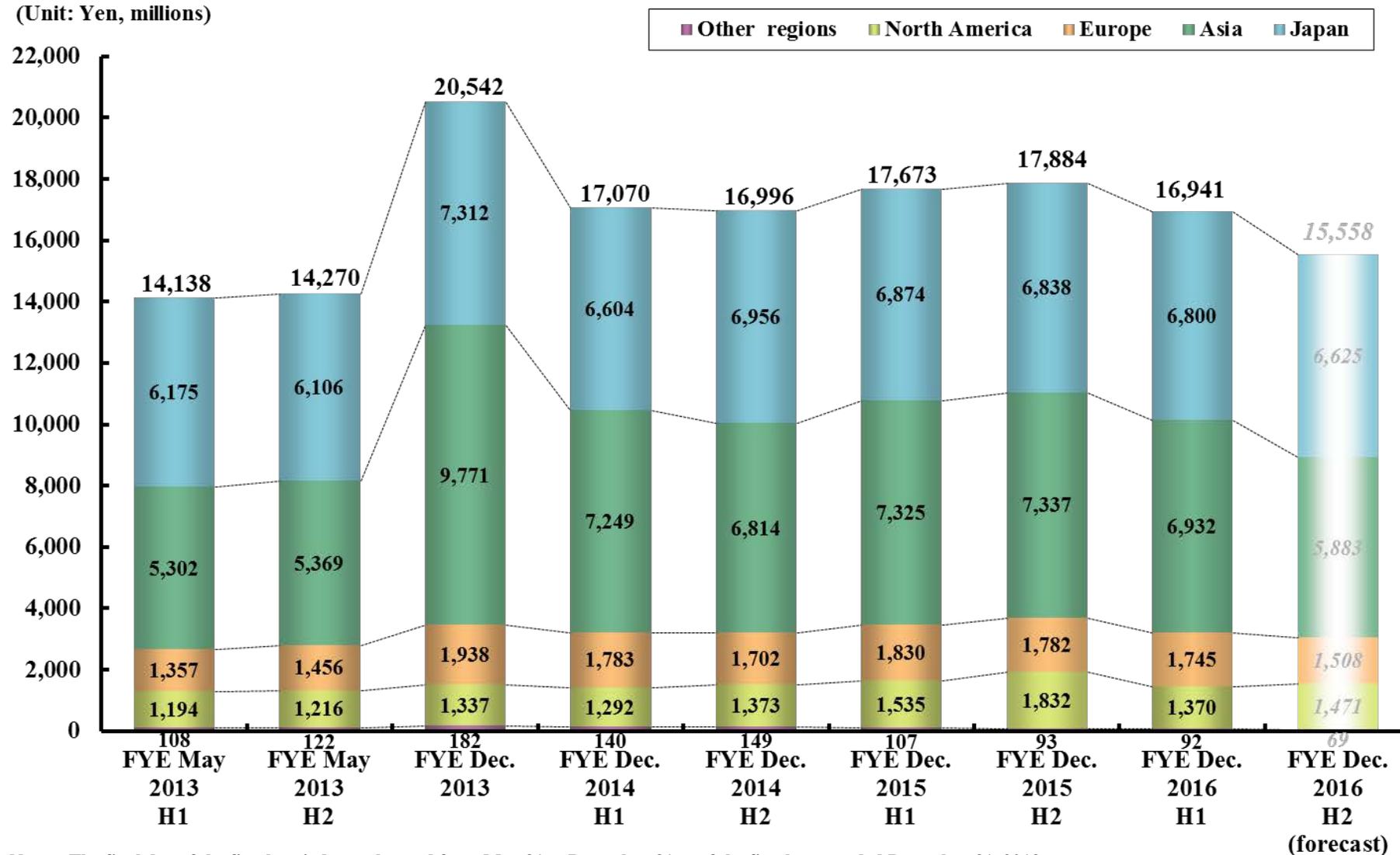
Part 1. 4. Net Sales by Product and Segment

Key Points for Primary Products and Segments

| Primary products and segments | | Points |
|---|-----------------------------------|---|
| Special Graphite Products | [Electronics Applications] | <p>✓ Applications for the manufacture of solar cells: Despite ongoing price competition in China, demand for facility upgrades contributed to sales in the first half of this fiscal year. The Company worked to restore prices and coordinate orders to ensure profitability.</p> <p>✓ Applications for single-crystal silicon manufacturing: Solid at present, but demand is expected to fade both in Japan and overseas due to optimization of customer inventory. Orders were adjusted in part with projects with low profitability.</p> |
| | [General Industries Applications] | <p>✓ Demand is currently solid for both EDM electrodes and metallurgical applications (products for continuous casting and industrial furnaces, etc.) New bases were established in Indonesia and Mexico and customers cultivated primarily for auto and metallurgical applications.</p> |
| Carbon Products for General Industries [Carbon Products for Mechanical Applications] | | <p>✓ Although demand for pantograph sliders was solid, demand was low for bearings. The Company focused on reinforcing molding and impregnation technology.</p> |
| Carbon Products for General Industries [Carbon Products for Electrical Applications] | | <p>✓ Performance in both Asia and Europe was sluggish. Global manufacturing and sales chains were optimized.</p> |
| Compound Materials and Other Products | [Three Major Products] | <p>✓ SiC-coated graphite products: Maintained a higher share of market for applications for compound semiconductors such as LEDs both in Japan and overseas. Raising quality and improving yield are urgent issues due to a higher level of demands from customers.</p> <p>✓ C/C composite products: Both solar cells and semiconductors performed well. Sales increased for industrial furnaces as well due to demand to replace other materials.</p> <p>✓ Graphite sheet products: Electronics-related products and auto-related products were both stable.</p> |

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).

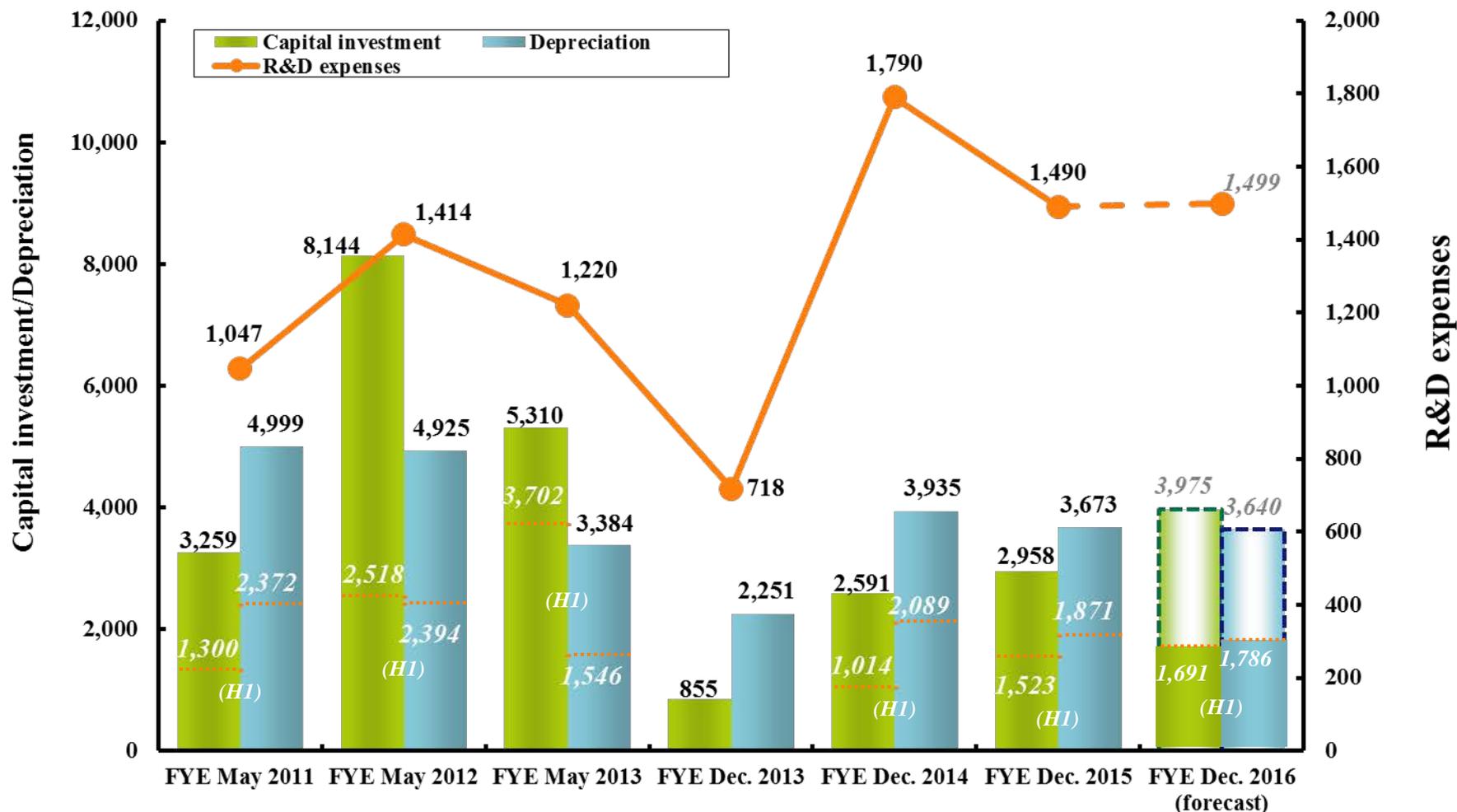
Part 1. 6. Full-year Forecast for the Fiscal Year Ending December 31, 2016

| (Unit: Yen, millions) | FYE Dec. 2015 | FYE Dec. 2016 | | Change | |
|---|-----------------------------|-------------------------|-------------|---|--|
| | | Forecast | Breakdown | | |
| Net sales | 35,558 | 32,500 | H1 result | 16,941 | (3,058) / (8.6) % |
| | | | H2 forecast | 15,558 | |
| Operating income | 790 | 700 | H1 result | 513 | (90) / (11.4) % |
| | | | H2 forecast | 186 | |
| (Ratio of operating income to net sales) | 2.2% | 2.2% | | | |
| Ordinary income | 917 | 500 | H1 result | 257 | (417) / (45.5) % |
| | | | H2 forecast | 242 | |
| (Ratio of ordinary income to net sales) | 2.6% | 1.5% | | | |
| Profit attributable to owners of parent | 402 | 350 | H1 result | 241 | (52) / (13.0) % |
| | | | H2 forecast | 108 | |
| Profit attributable to owners of parent per share (basic) | 19.40 yen | 16.88 yen | H1 result | 11.65 yen | <Factors Affecting Changes in Operating Income> (Results in H1 vs. forecasts for H2 in FYE December 2016) |
| | | | H2 forecast | 5.23 yen | |
| Exchange rate | 121.1 yen/\$ | 100 yen/\$ | H1 result | 111.9 yen/\$ 124.7 yen/€ 17.1 yen/CNY | Positive factors • Reduced fixed costs 20 million yen • Inventory-related and other 120 million yen |
| | 134.3 yen/€ 19.2 yen/CNY | 115 yen/€ 15 yen/CNY | H2 forecast | 100 yen/\$ 115 yen/€ 15 yen/CNY | |

Part 1. 7. Capital Investment, Depreciation, and R&D Expenses

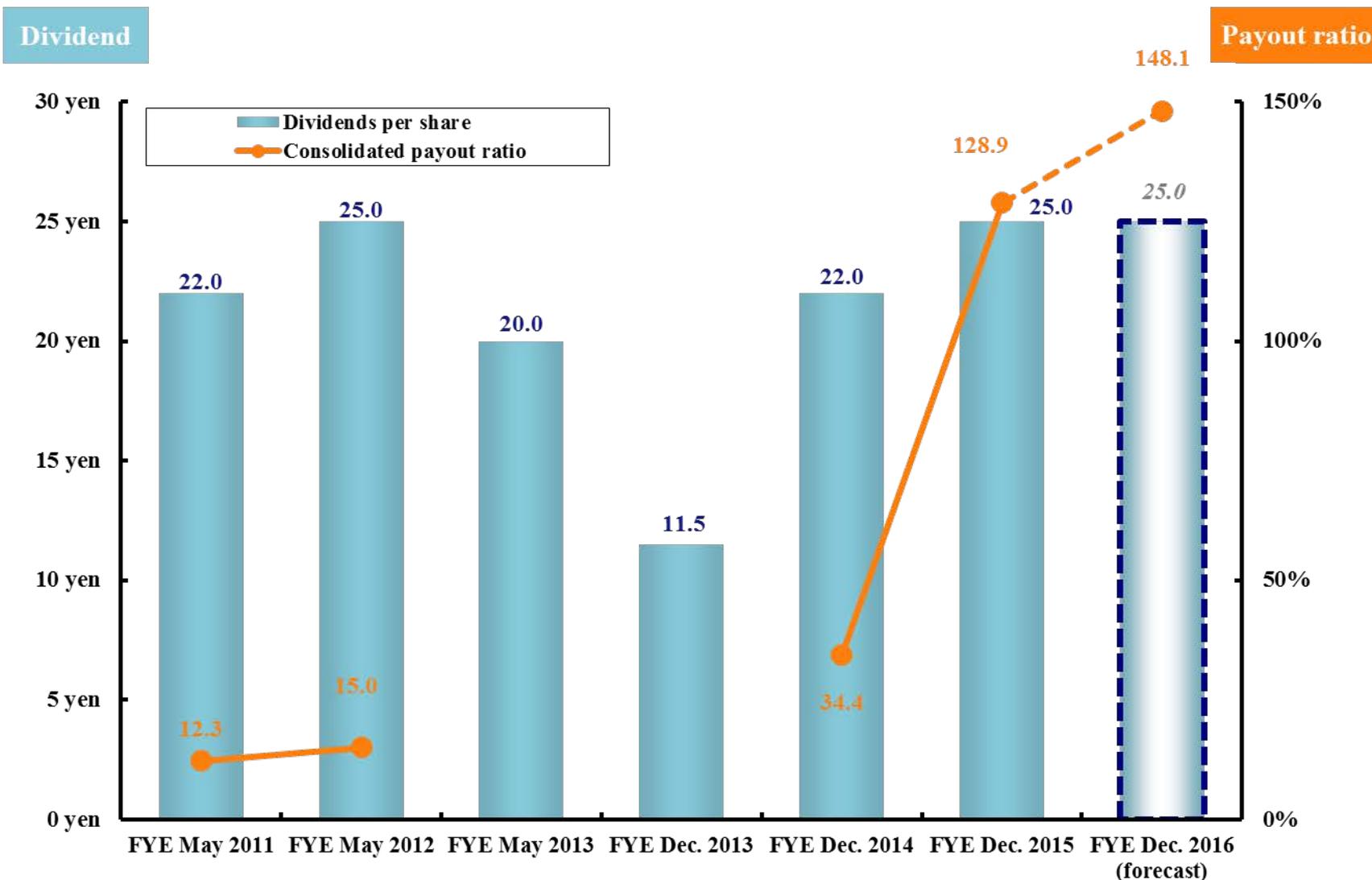
(Unit: Yen, millions)

(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. 8. Dividend



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

2. Since profit attributable to owners of parent 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. 9. Consolidated Balance Sheet and Statement of Cash Flows for the First Half of the Fiscal Year Ending December 31, 2016

| Consolidated Balance Sheet | (Unit: Yen, millions) | | | Consolidated Statement of Cash Flows | (Unit: Yen, millions) | |
|---|-----------------------|---------------|---------------|--|-----------------------|------------------|
| | Jun. 30, 2015 | Dec. 31, 2015 | Jun. 30, 2016 | | FYE Dec. 2015 H1 | FYE Dec. 2016 H1 |
| Total assets | 73,963 | 72,990 | 69,327 | Cash and cash equivalents at end of period | 8,101 | 7,116 |
| Notes and accounts receivable - trade | 13,326 | 13,047 | 11,636 | Net increase (decrease) in cash and cash equivalents | (959) | (30) |
| Inventories | 17,808 | 17,008 | 16,005 | Cash and cash equivalents at beginning of period | 9,061 | 7,147 |
| Property, plant and equipment | 28,396 | 27,016 | 25,769 | Net cash provided by (used in) operating activities | 2,900 | 2,272 |
| Total liabilities and net assets | 73,963 | 72,990 | 69,327 | Net cash provided by (used in) investing activities | (1,806) | (715) |
| Interest-bearing liabilities | 3,404 | 2,669 | 2,236 | Net cash provided by (used in) financing activities | (2,080) | (832) |
| Capital stock | 7,692 | 7,692 | 7,692 | | | |
| Net assets | 61,037 | 59,487 | 56,976 | | | |
| Equity ratio | 80.0% | 79.6% | 80.3% | | | |

Toyo Tanso Co., Ltd.

Results for the First Half of the Fiscal Year Ending December 31, 2016

Part 2. Progress of Business Structure Reforms

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)

➤The Company is currently taking measures to achieve targets, which are gradually yielding results. However, these measures were started in the current fiscal year, and real results will not be visible until the next fiscal year and thereafter.

Operating income
3.0 billion yen

Profit attributable to owners of parent
2.0 billion yen

(1) Focus resources on select businesses

- **Orders are currently being adjusted with an emphasis on profitability (impact on net sales expected to amount to several hundred million yen in the current fiscal year)**
- **Negotiations currently underway to restore prices**

(2) Optimize organization

- **Reorganization and consolidation of headquarter's management division and indirect departments at plants (April 2016)**
- **By setting up Technical Development Division, strengthen development from a long-term perspective and consolidated management of new business development (July)**
- **Carry out optimal marketing activities globally in each product segment and sales region by establishing Global Sales Division (July)**
- **Decision to close domestic sales offices (Tsukuba, Shizuoka; to take place in December)**
- **Overseas bases to be consolidated are currently being selected**

(3) Optimize staffing

- **(Japan) No longer hire employees with indefinite terms, continue to curb new and ongoing use of temporary employees**
- **(Overseas) Personnel structure is currently being reviewed at overseas bases**

(4) Strengthen business management

- **Set standards for deciding whether to continue or pull out of a business with an emphasis on capital profitability, and begin using standards**
- **Appoint new managing directors and chief executive officers at US subsidiary**
Strengthen governance and functions through management and execution by corporate headquarter (gradually from September)

US operations; in addition to above four priority measures

- **Close plant (east coast) and consolidate business bases in US headquarters (west coast; March)**
- **Reduce personnel (about 20)**

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