

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2013

February 2014
Toyo Tanso Co., Ltd.

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Part 1 Summary of Consolidated Results

Masao Nakahara, Senior Managing Director

Changes in fiscal period (final day of fiscal year)

The Group has 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. Since the fiscal year ended in December 2013 was a transitional period in which the fiscal year was changed, figures are given for the following consolidated periods in this report.

**Company and subsidiaries with fiscal year previously ended in May:
Seven months (June 1 – December 31, 2013)**

**Subsidiaries with fiscal year previously ended in December or March:
Nine months (April 1 – December 31, 2013)**

As a result, changes over the previous fiscal year are not provided for earnings results for the fiscal year ended December 31, 2013 and forecasts for the fiscal year ending December 31, 2014 (page 5).

Point 1

Operating profit and recurring profit exceeded forecast due to cost-cutting and the effect of a weak yen. A net loss was posted for the fiscal year as a result of an impairment loss on some manufacturing facilities.

Point 2

Sales of solar cell applications recovered, particularly in China. While it is not clear when we can expect a full-scale recovery, we expect the modest recovery to continue.

Point 3

Sales of general industrial applications and carbon products for mechanical and electrical applications were solid, and LED applications also continued to recover. The performance was robust overall.

Point 4

The fiscal year ends in December for the entire Group, including subsidiaries, beginning in this fiscal period.

Part 1 2. Results for the Fiscal Year Ended December 31, 2013 and Forecasts for Fiscal Year Ending December 31, 2014

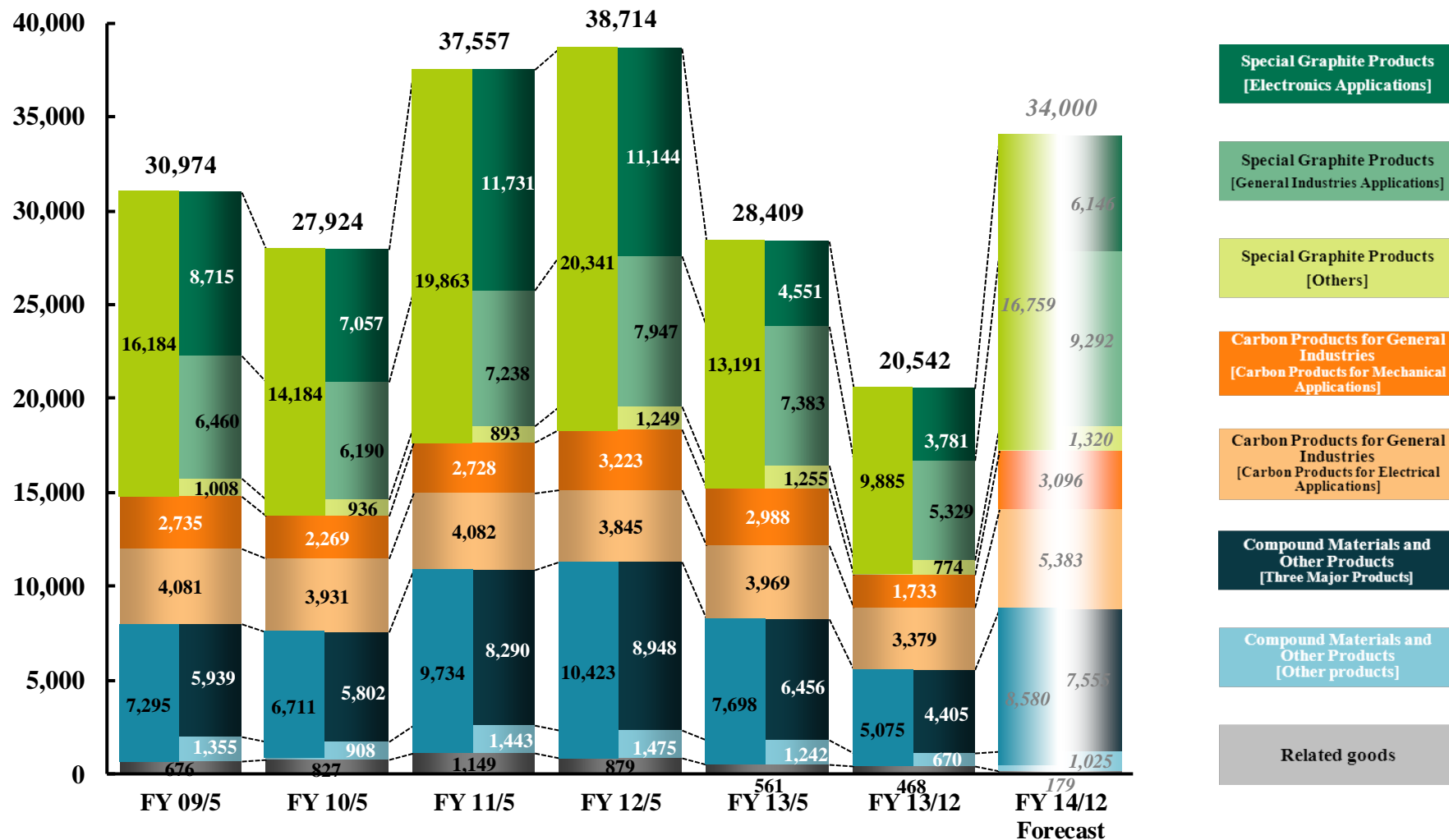
(Unit: Yen, millions)	FY13/5	FY13/12	FY14/12 Forecast
Net sales	28,409	20,542	34,000
Operating profit	517	1,035	1,500
(Ratio of operating profit to net sales)	1.8%	5.0%	4.4%
Recurring profit	673	1,303	1,400
(Ratio of recurring profit to net sales)	2.4%	6.3%	4.1%
Net income	(210)	(111)	1,000
Net income per share	(10.17) yen	(5.39) yen	48.23 yen
Exchange rate	86.2 yen/\$ 111.2 yen/€ 13.3 yen/CNY	99.4 yen/\$ 133.1 yen/€ 16.3 yen/CNY	100 yen/\$ 135 yen/€ 16.4 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 3.

Part 1 3. Net Sales by Product and Segment

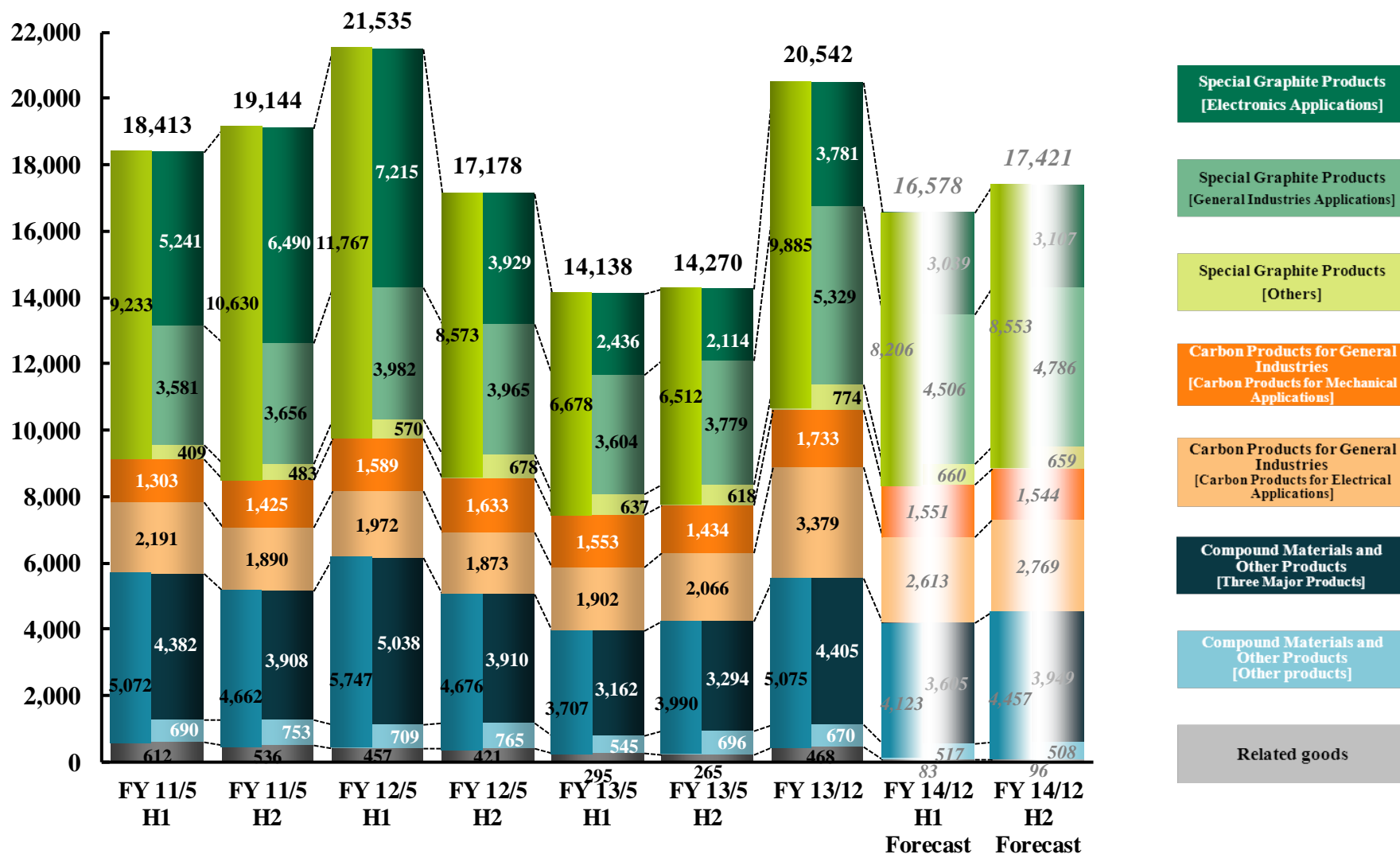
(Unit: Yen, millions)



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Part 1 3. Net Sales by Product and Segment (six-month period)

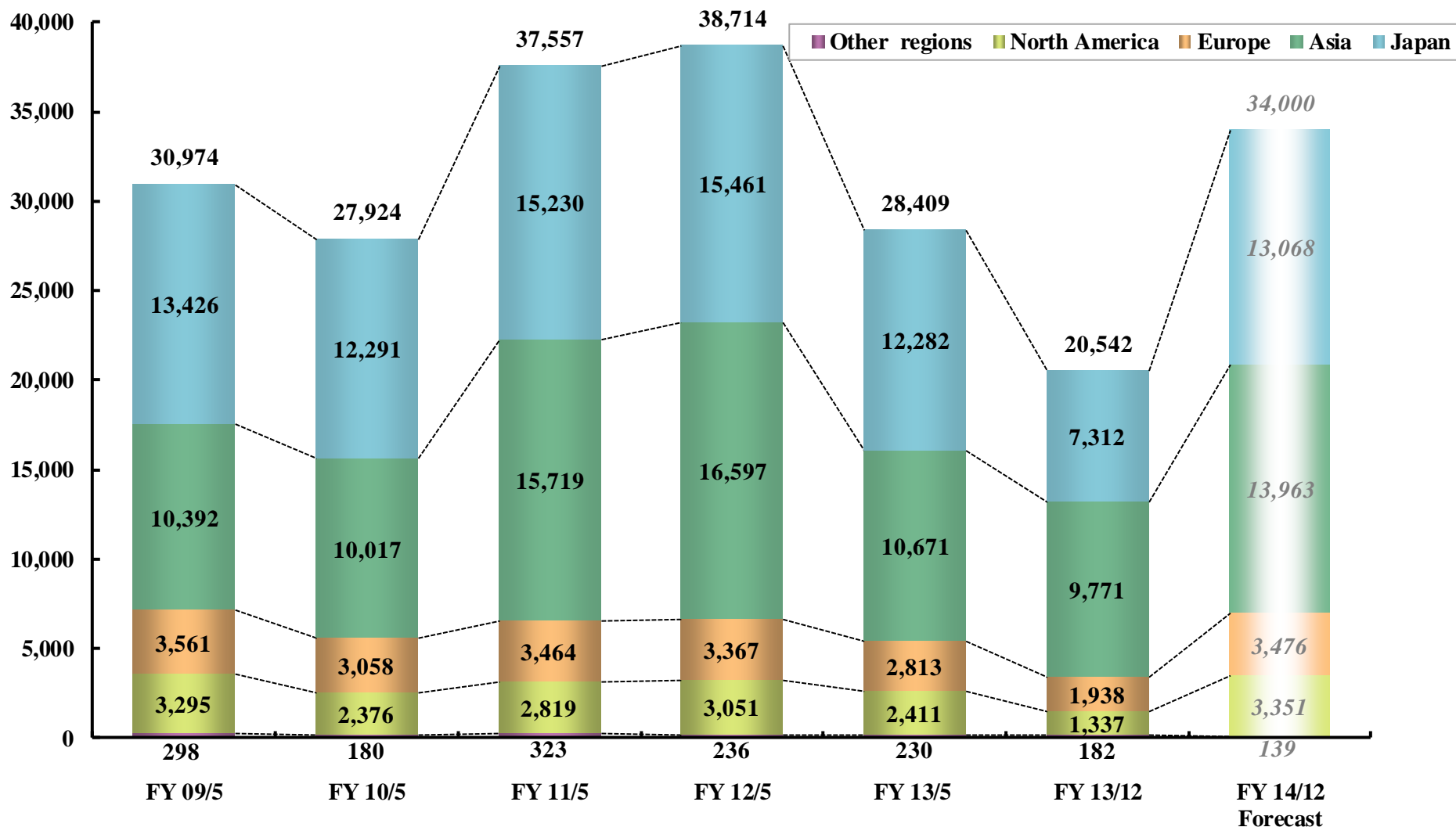
(Unit: Yen, millions)



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Part 1 4. Sales Trends by Region

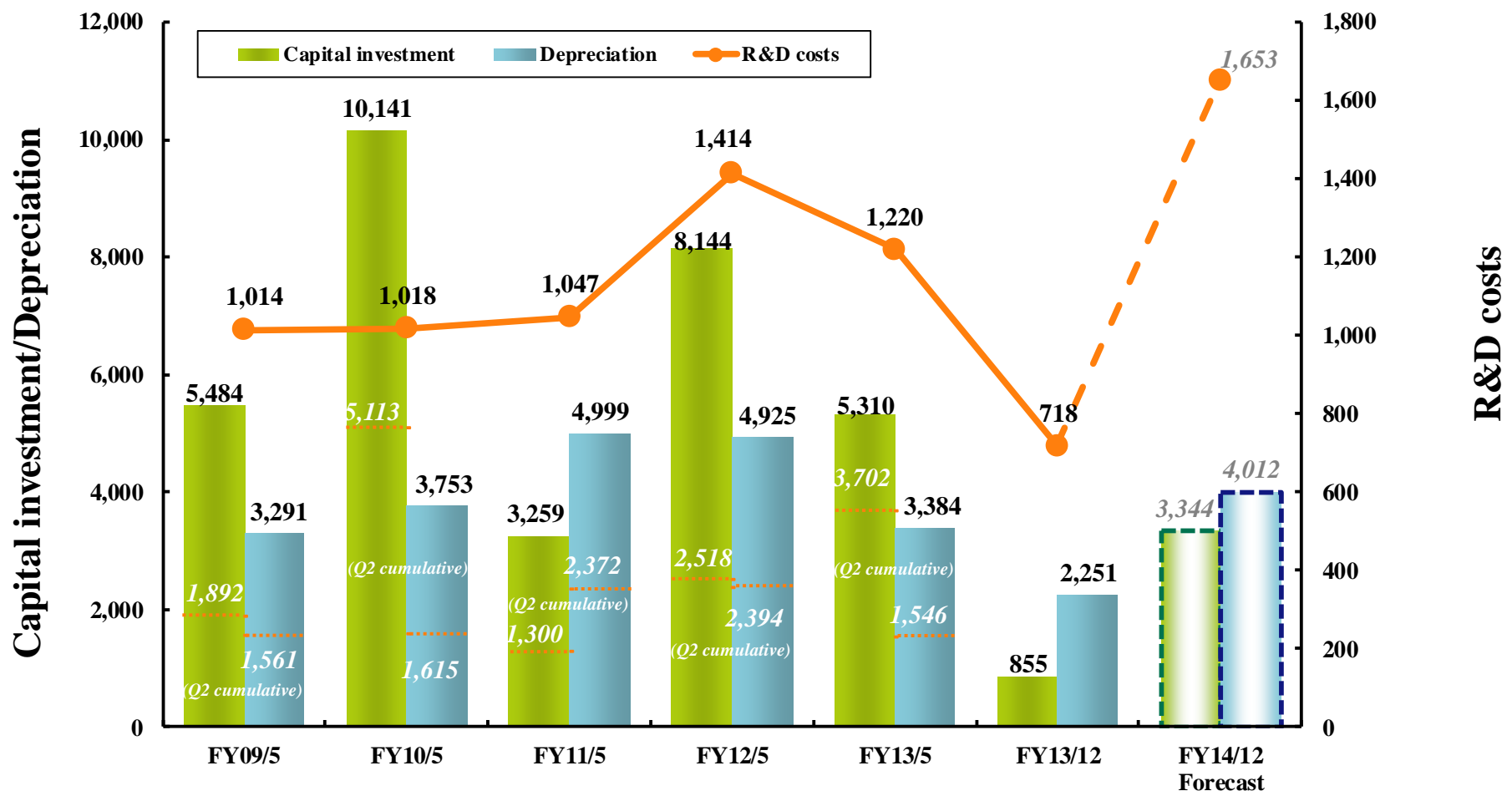
(Unit: Yen, millions)



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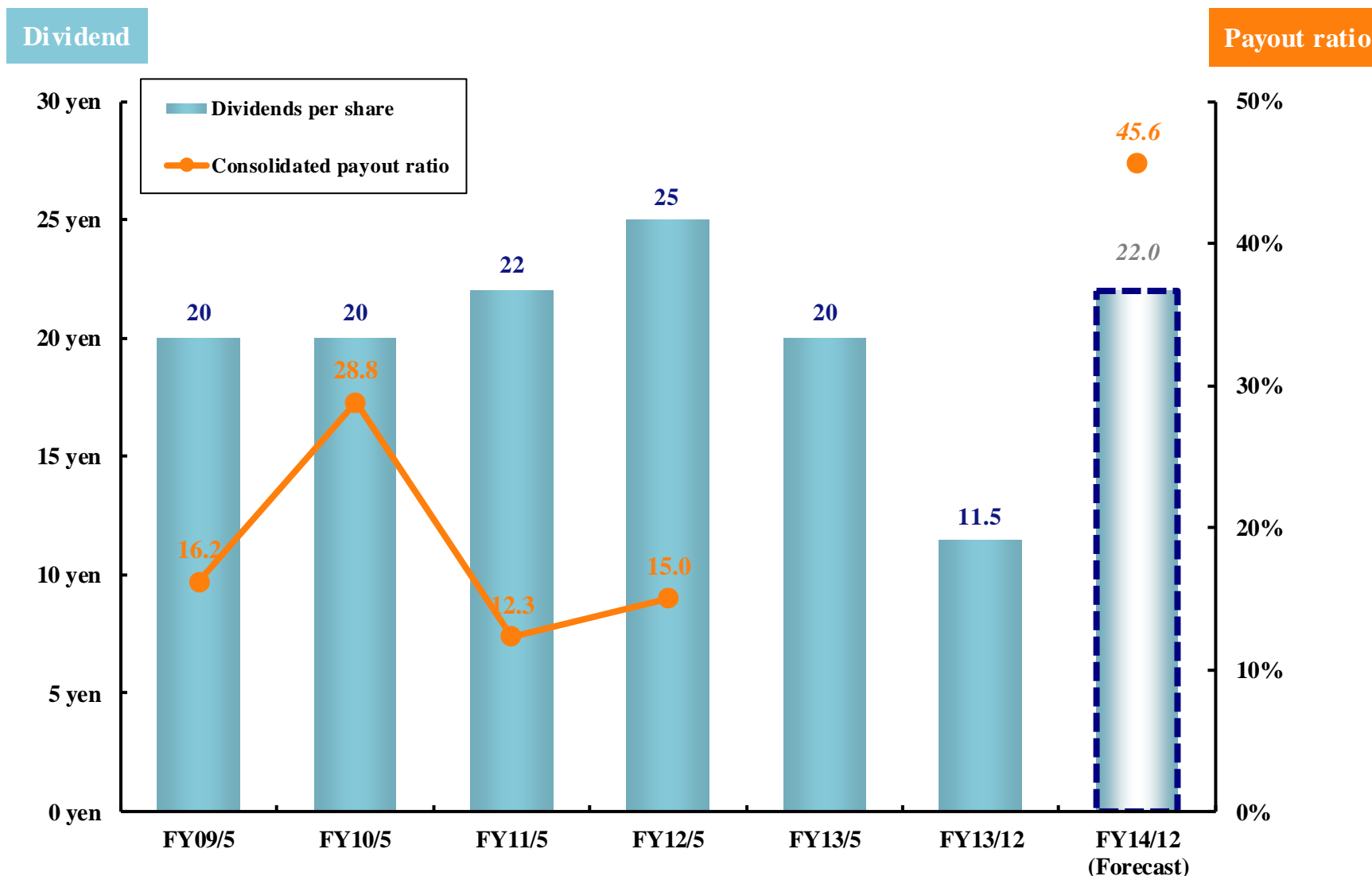
Part 1 5. Trends in Capital Investment, Depreciation and R&D Costs

(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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Part 1 6. 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.

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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.

(Reference) Consolidated Balance Sheet and Statement of Cash Flows for the Fiscal Year Ended December 31, 2013

(Unit: Yen, millions)			(Unit: Yen, millions)		
Consolidated Balance Sheet	31-May-13	31-Dec-13	Consolidated Statement of Cash Flows	FY13/5	FY13/12
Total assets	73,508	74,229	Cash and cash equivalents at the end of the period	5,823	6,871
Trade notes and accounts receivable	11,256	13,447	Changes in cash and cash equivalents	(1,381)	1,047
Inventory	18,547	18,481	Cash and cash equivalents at the beginning of the period	7,205	5,823
Tangible fixed assets	31,406	29,892	CF from operating activities	1,751	3,496
Total liabilities and net assets	73,508	74,229	CF from investing activities	(8,381)	(1,442)
Interest-bearing debt	8,438	7,712	CF from financing activities	4,696	(1,464)
Capital	7,692	7,692			
Net assets	56,966	58,552			
Equity ratio	75.2%	76.3%			

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Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2013

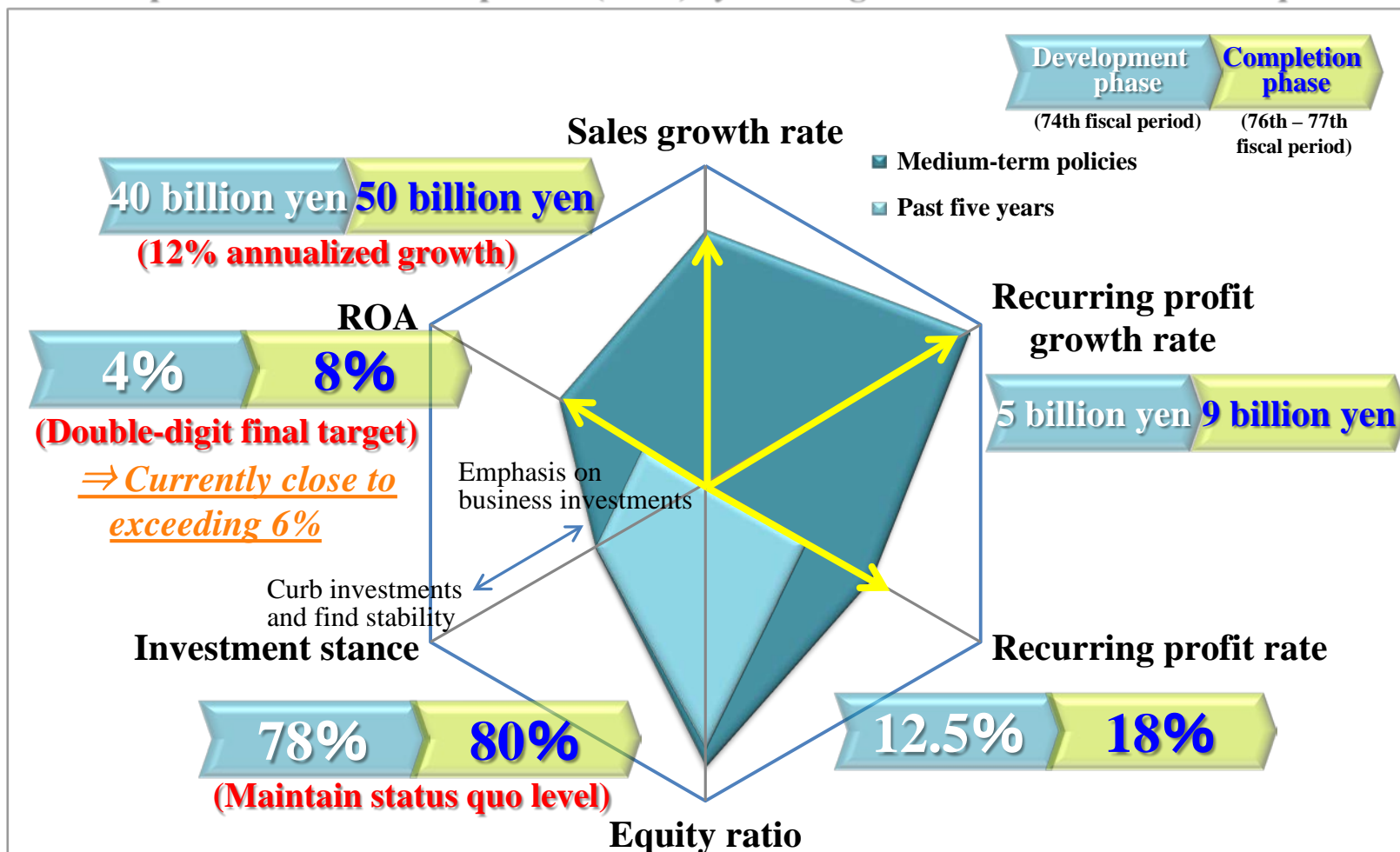
Part 2 Medium-term Business Plan

– Status of progress with plan

Akira Noami, President

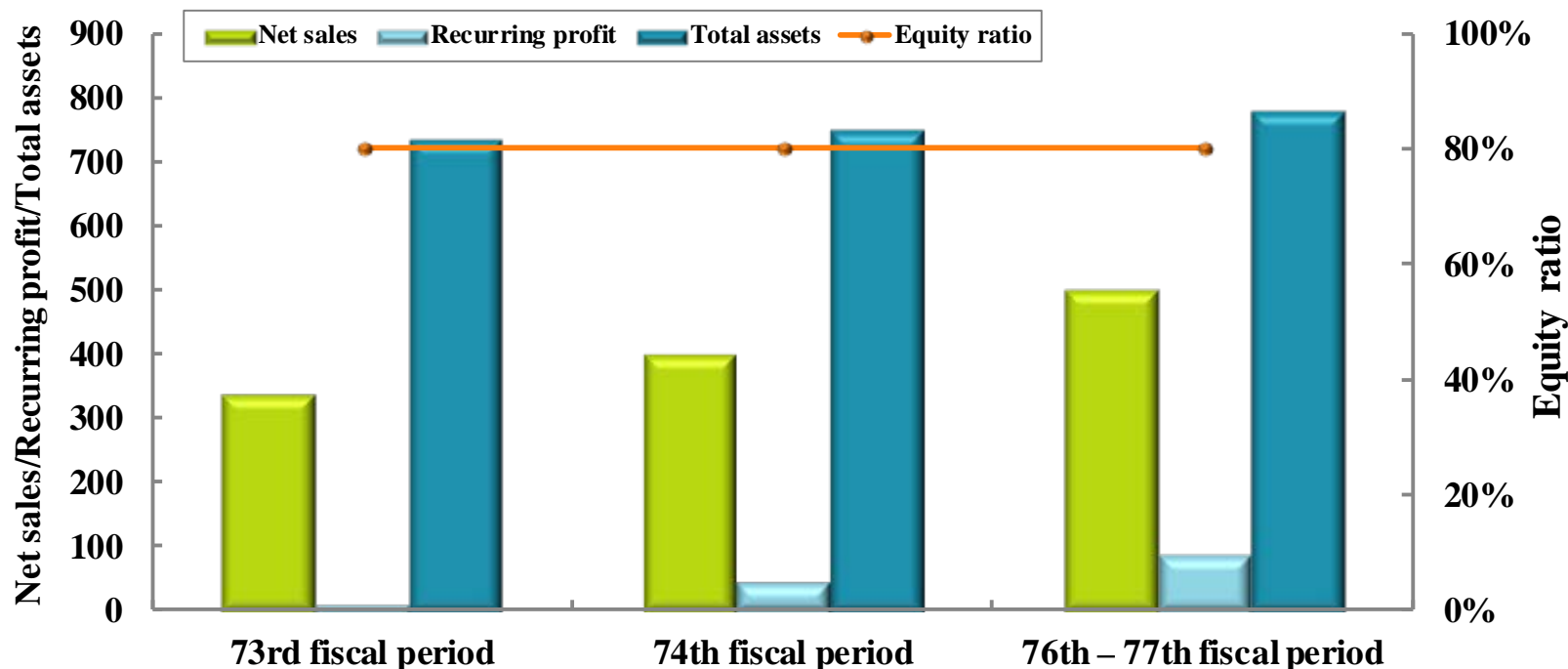
Part 2 Medium-term Business Plan: Outlook for Achievement (as of start of 73rd fiscal period)

- Progress has been as planned in the 72nd fiscal period (2013), the start-up period; no change to targets for existing or new products
- Measures to centralize and distribute resources in carbon in new businesses are key to achieving ROA of 8% in 76th and 77th fiscal periods (2017-2018)
- Generate profits in 73rd fiscal period (2014) *by working to achieve 10% vertical improvement*



Part 2. Medium-term Business Plan: Progress and Issues in Achieving the Plan

(Unit: Yen, 100 millions)



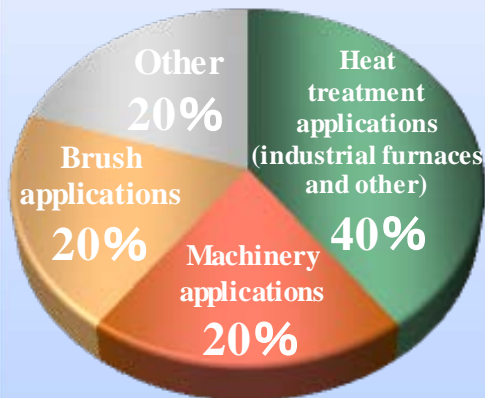
- ✓ In the 72nd fiscal period (2013) the sales target of 31.4 billion yen (annualized*) was achieved, a 10% increase over the previous year.
- ✓ We are targeting a 10% increase to sales of 34 billion yen in the 73rd fiscal period (2014) to achieve sales of 37.5 billion yen on existing applications in the 74th fiscal period (2015).
- ✓ We are preparing to bring recurring profit to 5 billion yen in the 74th fiscal period with 10% improvement in fixed costs and variable costs.
- ✓ We aim to curb fixed costs and generate added value by the internal hiring of technology developers.
- ✓ We will proactively make additional investments in promising projects, with a base of a total of 20 billion yen in capital investments (73rd-77th fiscal periods).
- ✓ We will concentrate and distribute resources on new business and strengthen efforts company-wide.

* Total of monthly sales in January-December 2013.



**20% growth in non-semiconductor applications;
generate additional 5.0 billion yen**

➤ Pursue differentiation with competitors by strengthening measures with vertical-lateral organization as main engine driving achievements



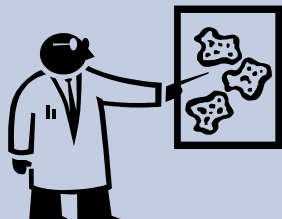
**Pace of 20% gains
(up 5.0 billion yen)**

◆ Sales for major non-semiconductors were up 12% year on year in the 72nd fiscal period (2013)

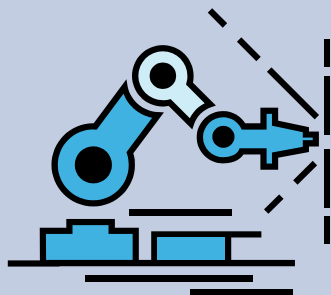
Targeting growth of more than 10% in 73rd fiscal period (2014)

◆ Of the 5.0 billion yen target (as of 77th fiscal period, or 2018), more than 2.0 billion yen would come from heat treatment applications, such as industrial furnaces; aim for industrial furnaces to reach Tier 1 for autos

◆ Currently strengthening vertical-lateral organization in strategy and development to increase sales by 1.0 billion yen for both brush and machinery applications



5.0 billion yen from new product development



Conversion to mass production currently underway from 72nd fiscal period to 73rd fiscal period

- ◆ A pilot production facility for porous carbon is currently being built; in tandem with this, client sample work is being actively expanded
- ◆ Shift client samples to second phase of evaluation period for metal carbide-coating graphite materials; speed up sample work
- ◆ Technology transfer from joint research with Osaka University on ceramic-metal composite materials has been completed; work to establish technology, such as increasing scale and improving quality, is currently underway
- ◆ TaC (tantalum carbide)-coating graphite materials (with applications in power semiconductors, SiC epitaxy, etc.); shift to mass-production division

Product	Trade name	Application field
Porous carbon	CNovel®	Energy equipment field, medical equipment field, analytical equipment field
Metal carbide-coating graphite	MetalizeKote®	Semiconductor manufacturing equipment field, parts used in non-dust environment, multi-purpose parts used with industrial furnaces
TaC (tantalum carbide)-coating graphite	EVEREDKOTE®	Next-generation power semiconductor manufacturing equipment field and parts used for semiconductor manufacturing in high-temperature atmospheres
TaC/Ta composite	EVEREDKOTE®-K	
Ceramic/metal composite	CARBOCELL®	Parts for lightweight and high-strength electronics and mechanical applications, heat-resistant industrial machinery, materials for heterojunction



5.0 billion yen from new business development



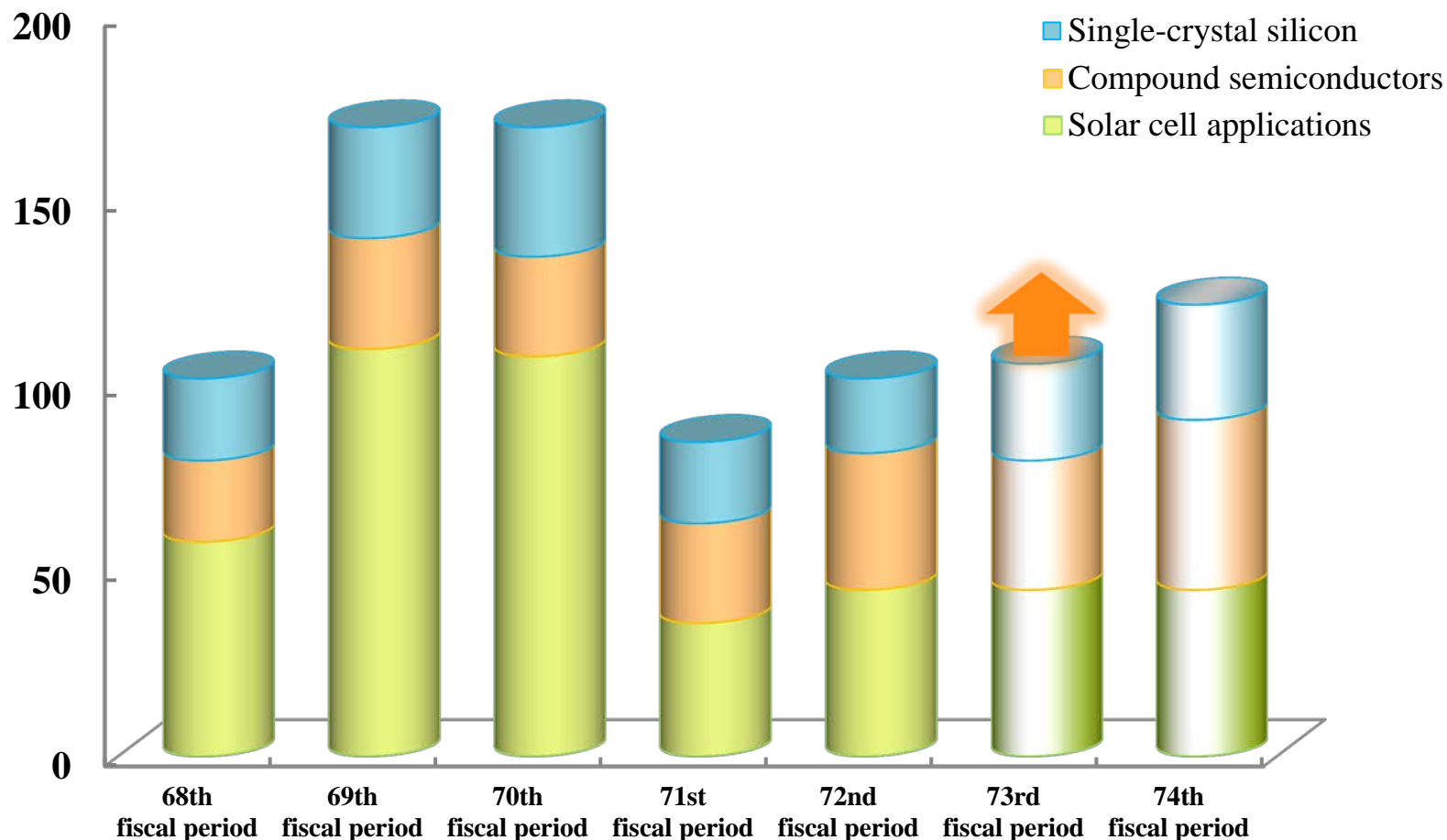
Prioritize achieving targets with a centralization and distribution approach in 15 areas

- ◆ Seven themes for reinforcement and development, five related to semiconductors, and three new concept projects; collaboration through integration and partnerships with internal and external technology is ongoing
- ◆ Agriculture and bio projects have started in cooperation with external organizations; progress currently made toward internal design review
- ◆ Some projects are making the transition to applications in existing products; targeting contributions to businesses at an early period

Part 2 Medium-term Business Plan: Forecasts for Three Semiconductor Applications

Take up challenge of 13 billion yen on semiconductors (including other applications) in the 73rd fiscal period (2014)

(Unit: Yen, 100millions)



Company category	Target industries	Key points	Weight (Benchmark)
Semiconductors	Existing semiconductors (single-crystal silicon, solar cells, compound), electric and electronic applications and automobiles	Focus on auto and industrial area	30%*
Existing products	Metallurgical and mechanical applications, electric and electronic applications, automobiles and general industrial applications	Focus on autos	80%*
New products	Existing applications and industries with isotropic graphite materials; plus carbon, and other new areas	Reinforce all-purpose products	
New product development	Thermal energy, electric energy, environment, electric and electronic applications, medical	Expand applications with focus on fine particle technology	10%
New business development	New business utilizing company's own technology or business infrastructure	Focus on agriculture and bio	10%

* Overlapping areas

Part 2 Medium-term Business Plan: Initiatives and Results to Strengthen Vertical-lateral Organization in 72nd Fiscal Period

Pursue the “four advances” in production (Self-sufficiency rate, New manufacturing, Quality, Improve efficiency)

- Achieve targets for strengthening Isotropic graphite materials development, reforming manufacturing methods
- Met 25% of four-year target for improved processing efficiency
- Major improvements in product quality in processing phase

Enhance marketing volume and quality

- Raise activity volume by 50% and shift to efforts to enhance quality
- Continue application-specific manager system on a trial basis
- Expanding needs capturing activity in global basis and setting up HOTLINE between Sales and Sales planning

Prioritize new products, new manufacturing methods and new business

Increase development volume and increase speed by ascertaining needs and forming affiliations with PLM* development

*Product Lifecycle Management

- Finish refining priority development issues
- Accelerate decisions with proposal system for application product unit
- PLM is currently operating at three times the previous speed

Management that is quantifiable, thorough and embraces the 7S

- Finished introducing new employees, but improvements are still pressing
- Complete headquarters move
- Prepare division to promote businesses (human resources, products, money)

Development phase

73rd fiscal period (2014)

- **Shift to priority lateral-vertical organization**

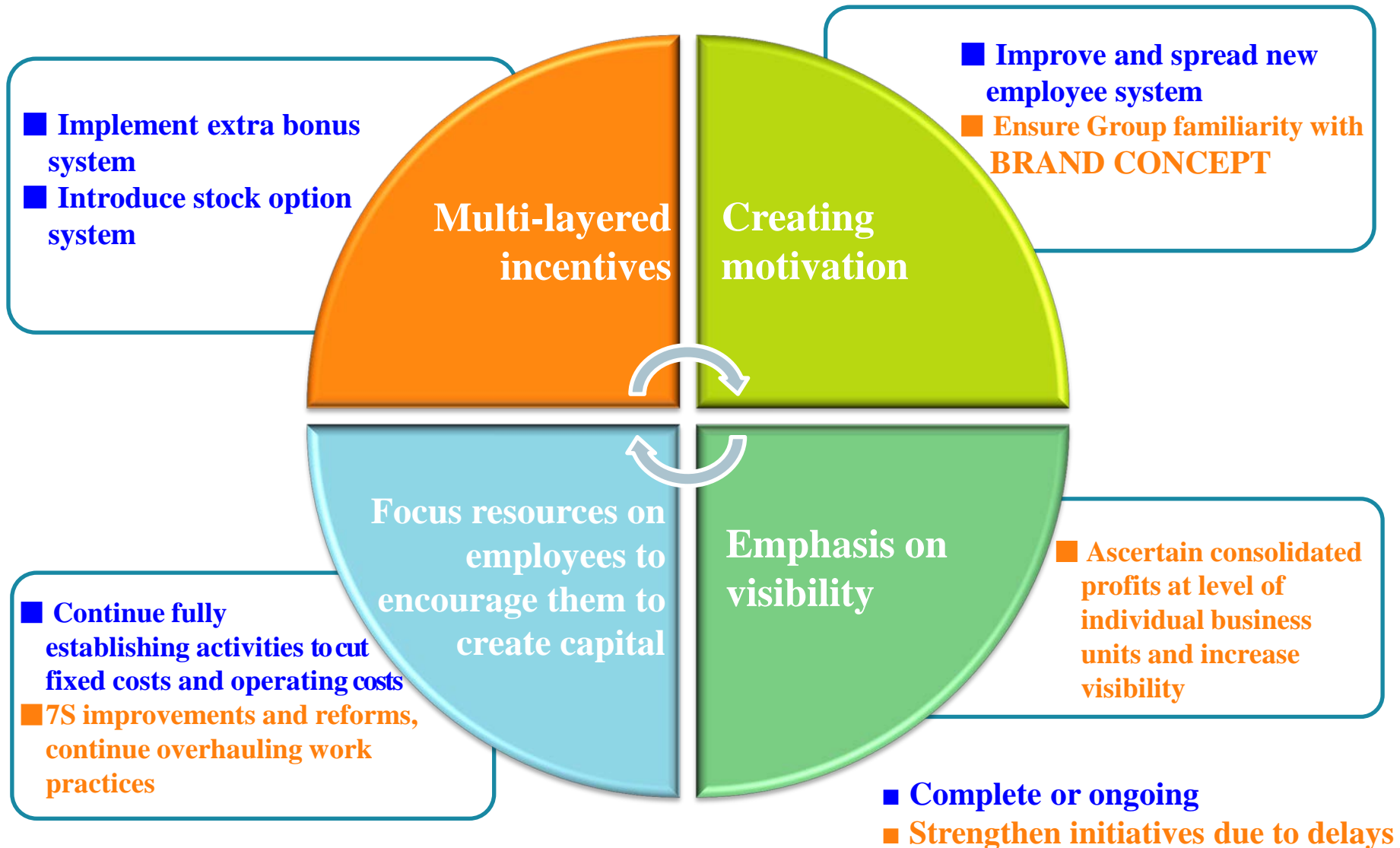
Lateral-vertical initiatives spread in 72nd fiscal period (2013)

Projects for shift to next phase

- ◆ **Consider forming independent C/C composite business unit**
- ◆ **Establish dedicated surface processing division (completed in January)**
- ◆ **Pursue project to strengthen auto applications**
- ◆ **Reinforce expertise on vacuum furnaces**
- ◆ **Initiatives to establish independent automation division**

Strengthen sales	<ul style="list-style-type: none"> ◆US subsidiary: Increase sales force and streamline indirect divisions ◆Mexico: Aim to open base in 73rd fiscal period (2014) ◆UK: Establishment of satellite office currently under consideration ◆Local office in Turkey: Restarted after six-month delay in efforts to expand sales ◆German subsidiary: Review of activity volume
Expand applications	<ul style="list-style-type: none"> ◆High-temperature gas furnaces (China) are making progress to post sales in the 75th fiscal period ◆Complete ultra-purifying equipment at German subsidiary; aim to add to semiconductors ◆Strengthen processing outsourcing system for local metallurgical applications at South Korean subsidiary ◆Strengthen response to overseas needs; establishment of a dedicated division is currently under consideration
Improve efficiency	<ul style="list-style-type: none"> ◆More efficient ordering and production management by adopting new system (March)
Overseas development	<ul style="list-style-type: none"> ◆Groundwork currently being laid to establish development division at Chinese subsidiary ◆Strengthen development of brushes for local market in Chinese subsidiary

Part 2 Medium-term Business Plan: Progress in Starting up Engines that Effectively Utilize Resources and Issues



Part 2 Medium-term Business Plan: Set Core Themes for Priority Development

Emphasis on collective strength, from development of materials, application and manufacturing technology to production

R&D-based multipurpose carbon+ materials manufacturer

Key themes: Focus on surface, interface, junction and conjunction technology and tribology (friction, lubrication and wear)

Production structure emphasizing agility

Development staff (ratio on non-consolidated basis)

80 (7%) \Rightarrow 110 (10%)

R&D costs

1.5-2.0 billion yen annually

Capital investment

5.0 billion yen annually
(of which half for new and strategic investment)

No change in investment capital in medium-term business plan

Employee numbers did not increase from the 72nd fiscal period to 73rd fiscal period, and the Company will aim to use current employees by transferring within the Group from the 73rd fiscal period to 74th fiscal period.



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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