

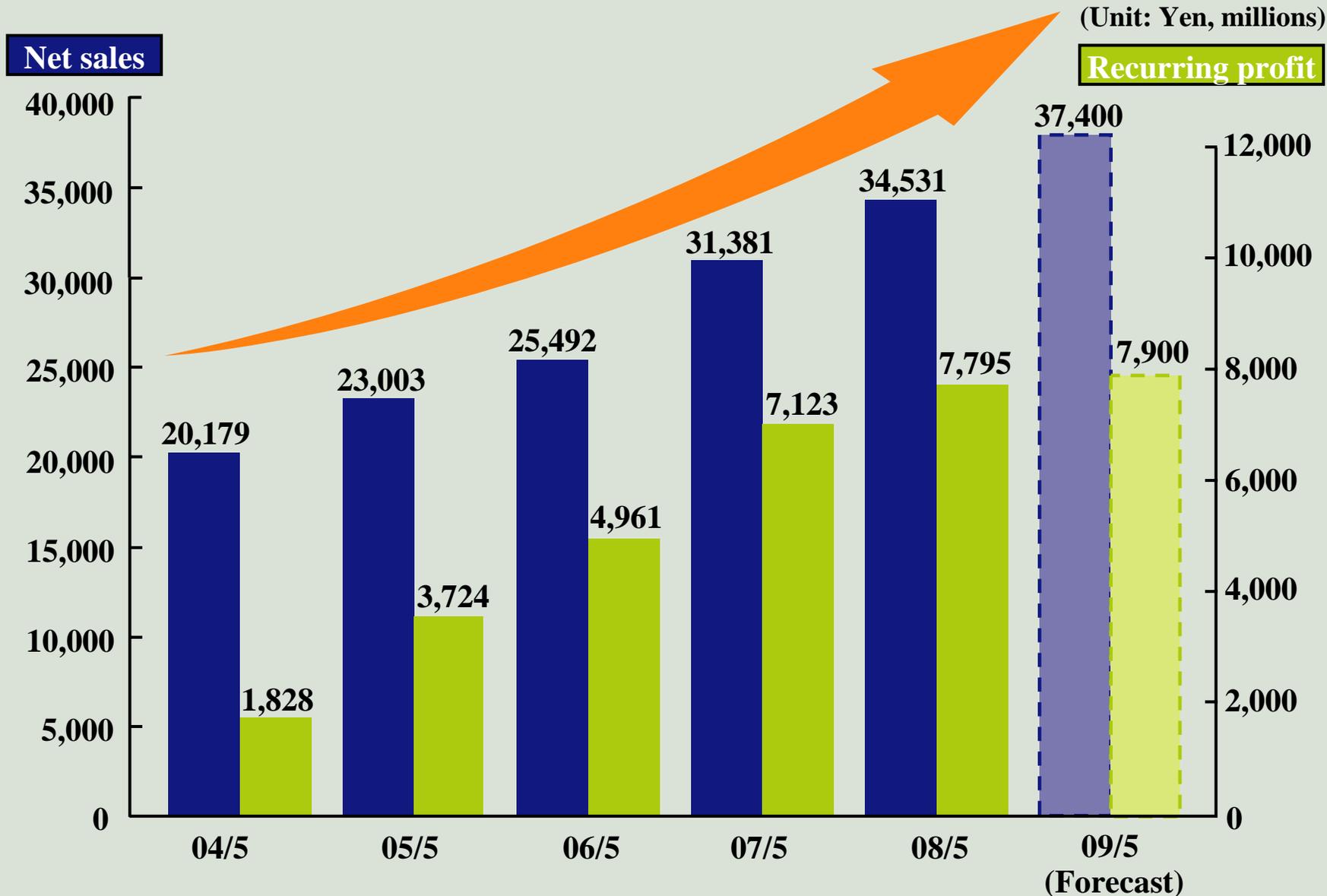
**TOYO TANSO**  
**Results for the Fiscal Year Ended May 31, 2008**

**July 2008**  
**Toyo Tanso Co., Ltd.**

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# **1. Overview of Consolidated Results for the Fiscal Year Ended May 31, 2008**

# 1-1. Business Results



# 1-2. Results for the Fiscal Year Ended May 31, 2008

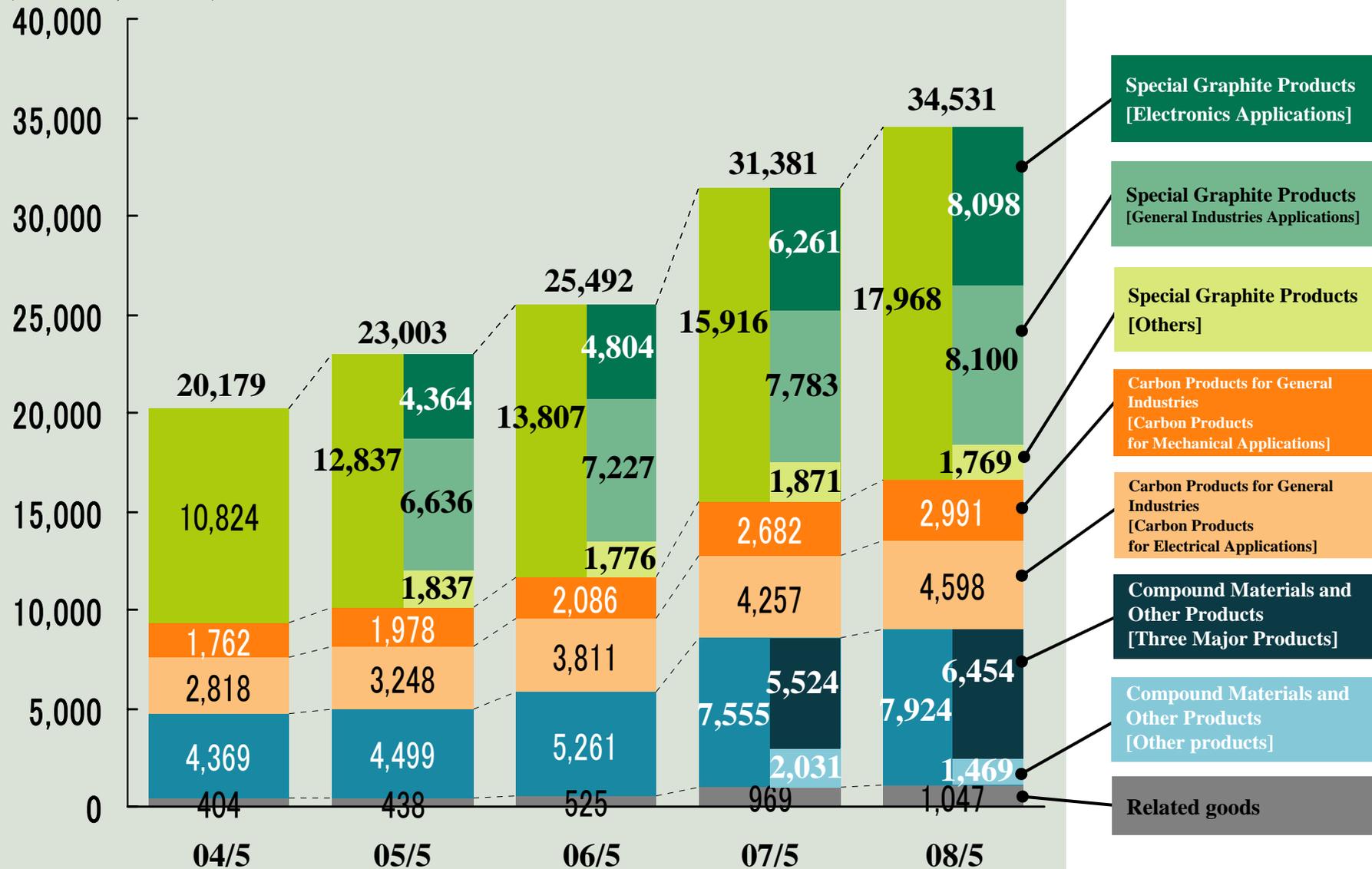
	(Unit: Yen, millions)			<b>Points</b>
	07/5	08/5	% increase	
<b>Net sales</b>	31,381	34,531	10.0%	<ul style="list-style-type: none"> <li>• Sales of composites such as CC composites increased along with strong demand for main isotropic graphite products including solar cells from domestic and overseas markets, supported by enhanced production capacity. We will continue to focus on shifts to growing fields and increasing numbers of high added value products.</li> <li>• Achieved two-digit year-on-year increase in sales in spite of the impact of sharp yen appreciation.</li> </ul>
<b>Operating profit</b>	6,925	8,031	16.0%	
<b>Recurring profit</b>	7,123	7,795	9.4%	
(Ratio of recurring profit to net sales)	(22.7%)	(22.6%)		<ul style="list-style-type: none"> <li>• Continued to achieve increased profits in spite of a significant rise in depreciation costs (1,046 million yen) associated with expanded investment, higher costs due to the relocation of head office and the tightening of internal controls, and the severe impact of sharp yen appreciation and rising fuel and raw material prices, particularly from the second half.</li> </ul>
<b>Profit before income taxes</b>	7,514	8,162	8.6%	
<b>Net income</b>	4,439	5,143	15.9%	
<b>Net income per share</b>	329.65 yen	* 247.33 yen		<ul style="list-style-type: none"> <li>• Recorded grant received (427 million yen).</li> </ul>

\* A 3-for-2 stock split was conducted on June 1, 2007

# 1-3. Overview of Operations by Product and Segment

## (1) Net Sales

(Unit: Yen, millions)



# 1-3. Overview of Operations by Product and Segment

## (2) Summary and Market Conditions (1/2)

### Special Graphite Products

#### [Electronics Applications]

- Demand for special graphite products used in the manufacture of solar cells rose rapidly and significantly, bolstered by growing worldwide awareness of the environment and commitment to energy efficiency and soaring crude oil prices. Supported by the proliferation of solar cells especially in Europe, demand grew markedly in China, a rapidly expanding production center, and in countries like Korea and Taiwan. Demand growth is expected to accelerate globally going forward, driven by an increase in the production of raw material polysilicon. We also expect to see demand not only for silicon crystals but also for membranes and compounds (including C/C composites).
- Special graphite products for the manufacture of single crystal silicon also continued to enjoy firm demand, with no major change in the increase in the production of 300mm wafers by large manufacturers, in spite of some adjustment. Demand weakened for wafers of 200mm or smaller due to poor cost competitiveness, which further accelerated the trend toward large wafers. Demand is expected to remain strong particularly for large carbon products, an area of strength for us.
- As a consequence of these developments, demand for special graphite products for the production of polysilicon grew, and this growth is set to accelerate.



Crucible



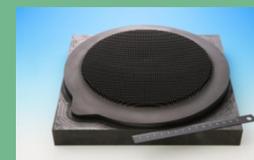
Heater

#### [General Industries Applications]

- Demand for EDM electrode products for the production of dies increased, particularly overseas, driven by superfine grain high functional graphite launched onto the market the previous year. However, automotive products weakened partly due to the effect of the slowdown of the US economy.
- We also enjoyed robust growth in metallurgy-related demand for continuous casting and industrial furnace-related products. This demand is expected to remain firm supported by solid capital investment.



Continuous casting dies



EDM electrode

# 1-3. Overview of Operations by Product and Segment

## (2) Summary and Market Conditions (2/2)

### Carbon Products for General Industries

#### [Carbon Products for Mechanical Applications]

- In general industries applications, demand for bearings and seals was solid on the back of firm capital investment and higher petrochemical plant operating rates. Demand related to energy-saving water heaters (bearings for pumps and compressors) continued to expand. Generally, stable growth is expected to continue.
- For pantograph sliders, the market is steadily expanding, backed by replacement demand associated with introduction of new rolling stocks by an existing large customer and the adoption of our products by some large private railway and new transportation companies. For the medium term, we are setting our sights on sales for the *Shinkansen* and overseas markets.



Bearings



Pantograph sliders

#### [Carbon Products for Electrical Applications]

- Demand for our mainstay small brushes used in consumer electronics motors steadily increased globally, thanks to our efforts to aggressively capture demand in China through our local subsidiary and progress in the expansion of sales for power tools and washing machines, despite the hollowing-out of the domestic industry. Although there is concern over the effect of the slowdown in the US economy, demand is expected to remain firm, with increased demand in emerging economies.



Small brushes

### Compound Materials and Other Products

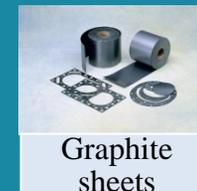
- Demand for SiC coated graphite grew, particularly in Asia, centering on uses for compound semiconductors such as susceptors set in the production of LED devices. Demand for SiC coated graphite for semiconductors (epi process) remained generally firm, with the continuous decline in demand for 200mm lines offset by demand for 300mm. Further growth is expected in the medium term on the strength of the expansion of the optical device market.
- In C/C composite products, demand for our mainstay large crucibles for the production of 300mm wafers increased significantly, sales of industrial furnace-related products and solar cell related products also expanded, and overall demand grew. With the trend toward large wafers, demand for large crucibles is expected to rise and further growth in demand including solar-cell related and atomic fusion-related demand is expected.
- Demand for graphite sheets was generally firm, particularly for automobiles and semiconductors. Demand for heat sinks also expanded satisfactorily for mobile phones, and we also expect to see expansion into automotive applications and electronic device applications.
- Regarding the on-site fluorine generator business, we are proceeding with further assessment of projects for the semi-conductor field, which is currently a focus of our efforts. We are also proceeding in parallel with a number of projects for broad-reaching business expansion, including surface treatment using fluorine technology.



SiC coated graphite



C/C composite products



Graphite sheets

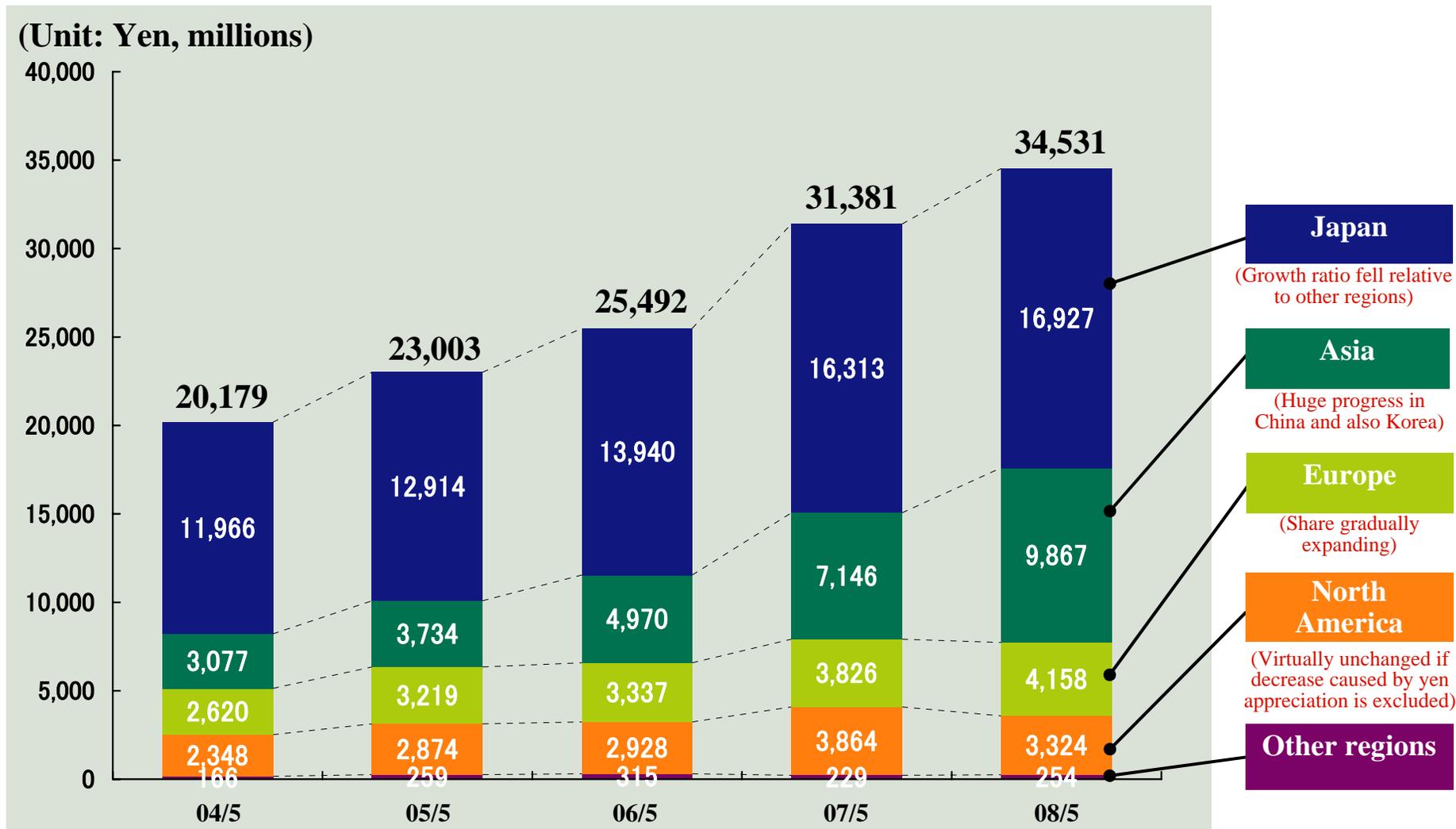


On-site fluorine generator

# 1-4. Overview of Net Sales by Region

## Overseas Sales Growth Ratios, Particularly in Asia, with Progress in Globalization

(FY 04/5 : 40.7% ⇒ FY 08/5 : 51.0%)



# 1-5. Balance Sheet for the Fiscal Year Ended May 31, 2008

(Unit: Yen, millions)

	07/5	08/5
<b>Total assets</b>	54,830	57,706
Trade notes and accounts receivable	9,942	10,992
Inventory	6,573	7,224
Tangible fixed assets	19,633	21,269
<b>Total liabilities and net assets</b>	54,830	57,706
Interest-bearing debt	3,296	1,701
Net assets	41,386	46,523
<b>Equity ratio</b>	74.8%	79.0%

## Points

- Increased 1,636 million yen from May 2007 due to an increase in production capacity of isotropic graphite as well as post-processes and added value processes.
- Gradually curtailing interest-bearing liabilities, backed by cash flow from operating activities
- Increased with net income of 5,143 million yen.

# 1-6. Statement of Cash Flows for the Fiscal Year Ended May 31, 2008

	(Unit: Yen, millions)		
	07/5	08/5	<b>Points</b>
<b>Cash and cash equivalents at the end of the period</b>	11,558	10,491	<ul style="list-style-type: none"> <li>• Increase attributable to increased accounts receivable associated with sales expansion, increased profit and increased depreciation costs.</li> </ul>
<b>Changes in cash and cash equivalents</b>	6,691	(1,143)	
<b>Cash and cash equivalents at the beginning of the period</b>	4,867	11,558	<ul style="list-style-type: none"> <li>• Cash used rose. Though expenditure on acquisition of tangible fixed assets was unchanged from the previous year, payments for purchase of time deposits increased.</li> </ul>
<b>CF from operating activities</b>	4,993	6,635	
<b>CF from investing activities</b>	(1,635)	(5,924)	<ul style="list-style-type: none"> <li>• Cash used increased. In the previous year the company increased capital through public offering, but this year the company applied funds obtained in cash flow from operating activities to the repayment of loans.</li> </ul>
<b>CF from financing activities</b>	3,292	(1,753)	

## **2. Consolidated Forecast for the Fiscal Year Ending May 31, 2009**

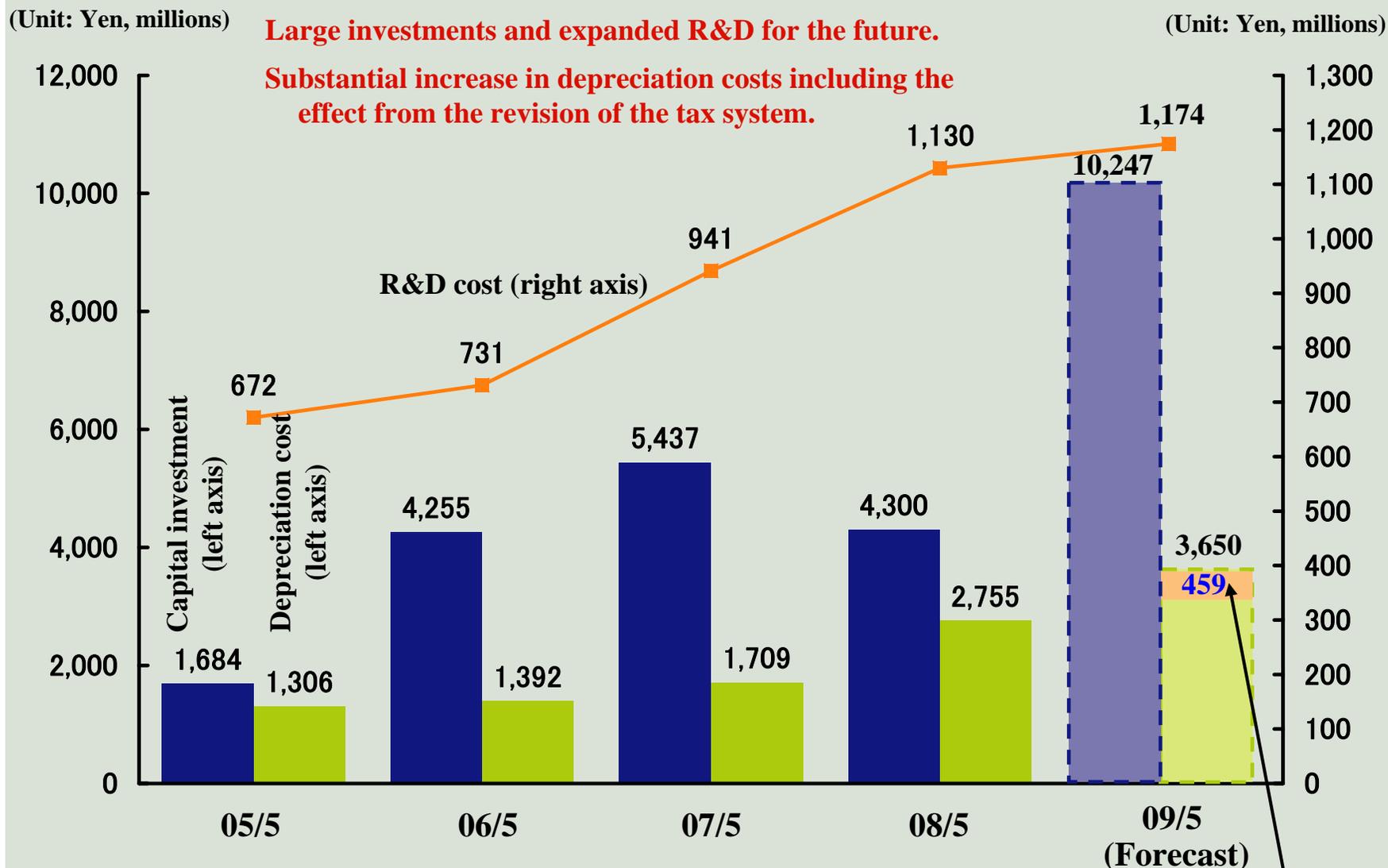
## 2-1. Earnings Forecast for the Fiscal Year Ending May 31, 2009

	(Unit: Yen, millions)			Points
	08/5	09/5 (Forecast)	% increase	
<b>Net sales</b>	34,531	37,400	8.3%	<ul style="list-style-type: none"> <li>This year is positioned as a year of preparation and consolidation in readiness for a large increase in isotropic graphite production capacity (4,000t new plant), which will contribute from the second half of next year.</li> <li>Sales expected to increase 8.3% from the previous year through increased sales of isotropic graphite and efforts to expand sales of composites, including C/C composites and SiC coatings.</li> </ul>
<b>Operating profit</b>	8,031	7,800	(2.9%)	
<b>Recurring profit</b>	7,795	7,900	1.3%	
(Ratio of recurring profit to net sales)	(22.6%)	(21.1%)		<ul style="list-style-type: none"> <li>Achieve profits on the same level as the previous year through efforts to raise selling prices in face of the many factors squeezing profits both in Japan and overseas, such as the impact of the jump in fuel costs and raw material costs, higher depreciation costs (increase of 894 million yen, of which increase due to tax system revision is 459 million yen), and higher retirement benefit expenses.</li> <li>Recurring profit of 8,359 million yen (year-on-year increase of 7.2%), excluding impact of higher depreciation costs caused by tax system revision</li> </ul>
<b>Net income</b>	5,143	4,900	(4.7%)	
<b>Net income per share</b>	247.33 yen	235.59 yen		

**Exchange rate assumed for FY09/5: 100 yen/US\$, 150 yen/EUR**

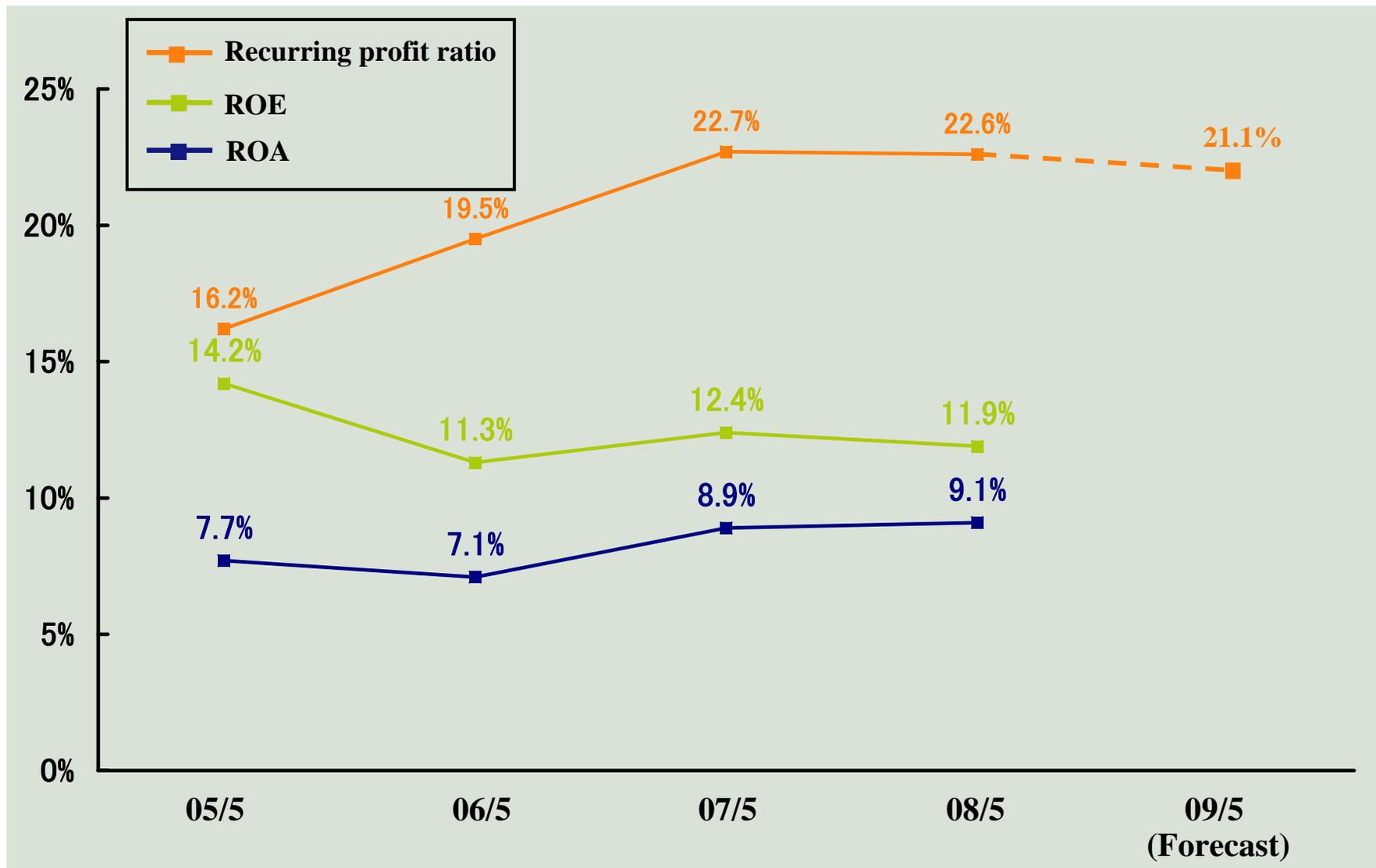
- Increased profit in real terms, excluding grants received of 427 million yen recorded the previous year.

## 2-2. Future Investment (Capital Investment, Depreciation Cost, R&D Cost)

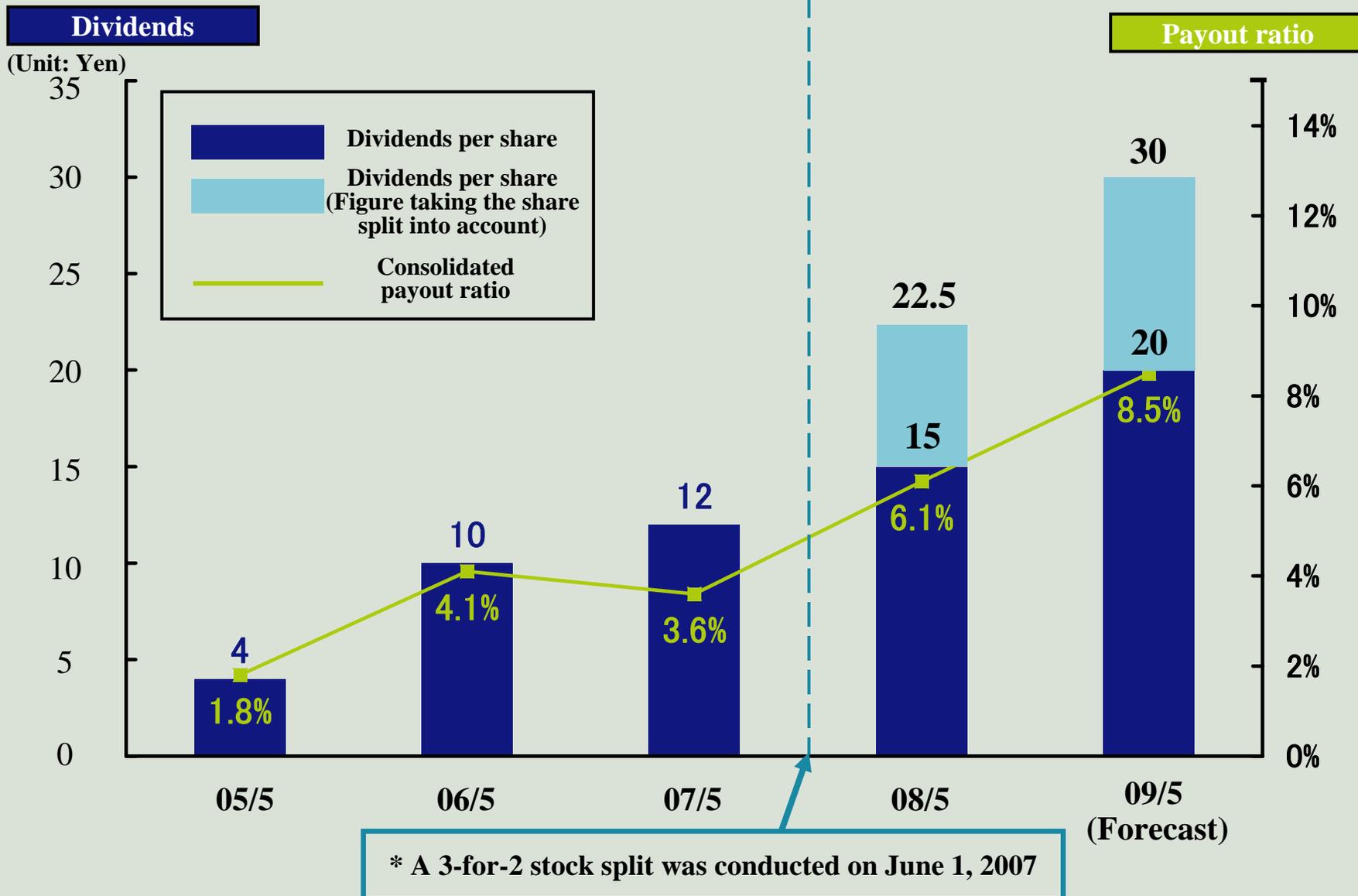


Impact of FY2008 tax system reform (revision of useful life)

## 2-3. Key Performance Indicator Trends



## 2-4. Return of Profits to Shareholders



# 3. Topics

## What are C/C Composite products?

### Carbon Fiber Reinforced Carbon Composite

Lightweight indestructible carbon material with the features of carbon fiber

#### Features of C/C composites

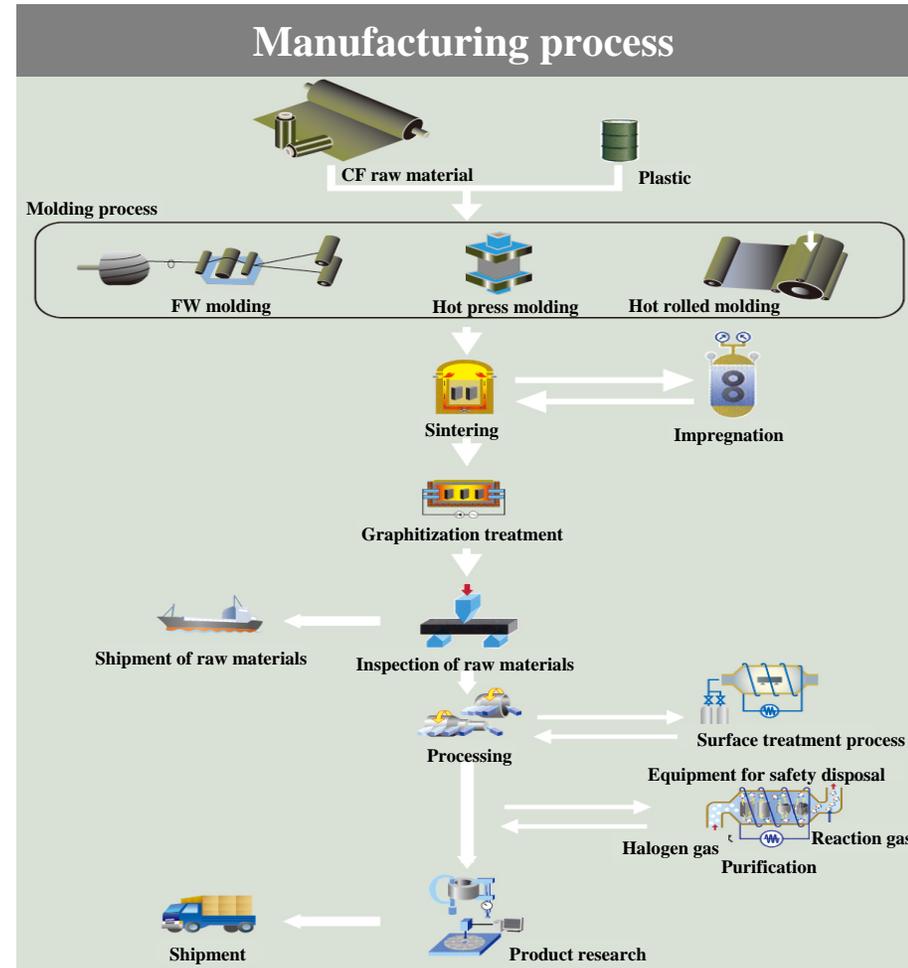
- Excellent strength, elasticity and ductility
- Super heat resistant
- Lightweight, excellent handling
- Excellent sliding properties
- Very high thermal conductivity (Certain Grades)

#### Differences from other materials

**Isotropic graphite** : carbon bonded in a granular structure  
C/C composites (carbon fiber reinforced carbon) are more high added value products than isotropic graphite due to features such as greater elasticity, strength, and light weight, but these products are used for different applications as a result of differences in manufacturing processes, production volumes, and prices (C/C composites are more expensive).

**CFRP**: Carbon fiber reinforced plastic

Though both materials are reinforced with the same carbon fiber, CFRP demonstrates excellent strength at room temperature while C/C composite demonstrates excellent strength under high temperature conditions (Examples of uses of CFRP: fishing rods, golf shafts)



# 3-1. Strengthening of C/C Composites (2) Expanding application

## Application of C/C Composite products

With its superb characteristics, it has a broad array of applications, and it is expected to find new uses in the future.

Application	Example of products	Product pictures
<b>Single crystal silicon manufacturing</b>	Crucibles, Rings, Inner shields, Seed chucks, etc.	 Crucibles
<b>Solar cell manufacturing furnaces</b>	Square crucibles, Sheets, Inner shields, etc.	 Square crucibles
<b>General industrial furnaces</b>	Furnace trays, Heaters, Furnace driving parts, Bolts, Nuts, etc.	 Furnace trays
<b>Sliding equipment</b>	Brakes, Clutches, Sliders, etc.	 Clutches
<b>Nuclear power</b>	Wall tiles used in nuclear fusion reactors	 Wall tiles used in nuclear fusion reactors
<b>Other</b>	Hot press molds, Heat sinks, etc.	 Dies used in hot press furnaces

C/C composites are suited to the manufacture of large crucibles. Due to the shift toward large silicon wafers, orders for crucibles are also increasing.

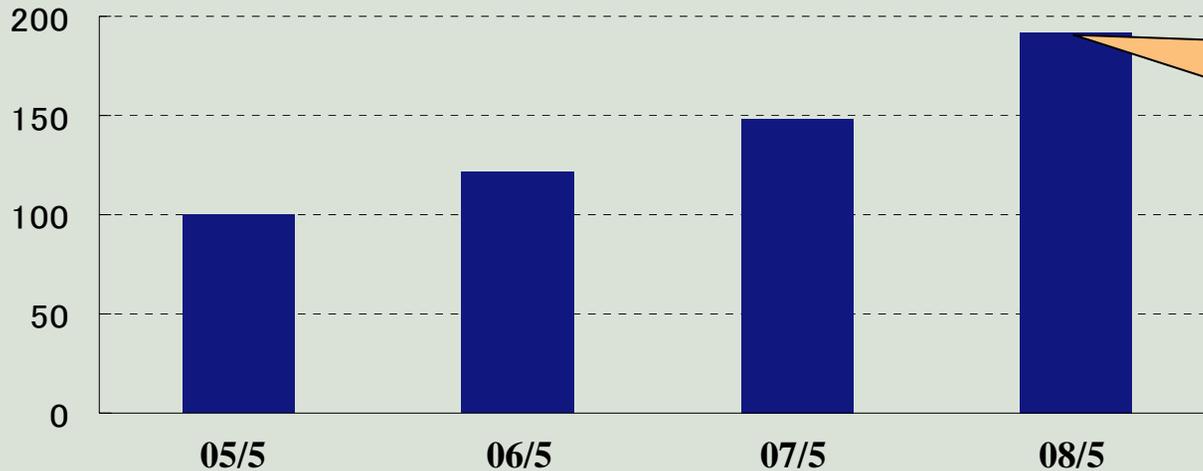
With global expansion in demand for solar cells, orders for solar cell applications are also increasing steadily.

With growing awareness of the environment and commitment to energy efficiency, metals are being replaced with C/C composites.

Our supply of C/C composite products to nuclear fusion reactors will continue steadily (ITER etc).

## Changes in Sales of C/C Composite Products

Relative values taking year ended May 2005 as 100



Sales in the year ended May 2008 almost doubled compared with the year ended May 2005.

Planning to double manufacturing capacity (compared with year ended May 2007) in 2010.

## Strategy for Further Growth

**(1) Expansion of production facilities**

=> Respond to significant growth in demand and strengthen delivery response capabilities.

**(2) Further strengthening of areas of superiority**

=> Consolidate position through further strengthening of areas in which the Company has technical superiority such as single crystal silicon manufacturing applications and solar cell manufacturing applications. Harness strength in C/C composites to increase competitiveness in large carbon products.

**(3) Aggressive expansion of share**

=> Strengthen application development capability and seek to expand share in all areas.

**(4) Bolstering of competitiveness against rival products**

=> Increase price responsiveness and produce differentiated products and high added value products through the development of technology.

## 3-2. Participation in Exhibitions Worldwide

Solar power generation and solar cells are attracting global attention as a form of renewable energy, and large exhibitions are being held worldwide. Since this is also a priority area for Toyo Tanso, we have taken part in exhibitions in Japan, China and Korea with the aim of developing new customers and promoting the superiority of our products and technologies.

### International Photovoltaic Power Generation Expo PVEXPO2008

The Company took part in the 1<sup>st</sup> International Photovoltaic Power Generation Expo PVEXPO2008, the world's largest exhibition in the solar cell industry, which was held at Tokyo Big Site from February 27 - 29, 2008. We presented crucibles and plates made from C/C composites and graphite heaters and susceptors. More than 1,000 people visited our booth.



### Korea Green Energy Expo 2008

The Company participated in the 5th International Green Energy Expo Korea 2008 held at EXCO (Exhibition & Convention Hall) in Daegu, South Korea from May 21 - 23, 2008. We presented crucibles, heaters and other products used for solar cell manufacturing. More than 900 people visited our booth.



### SEMICON CHINA 2008

The Company took part in SEMICON CHINA 2008 held at *Shanghai International Exhibition Center*, China from March 18 - 20, 2008. We presented products for the "Semiconductor" and "Solar Cell" categories, crucibles made from C/C composites and susceptors used in MOCVD. More than 600 people visited our booth.



# 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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