

Consolidated Financial Results for the Fiscal Year Ended May 31, 2011 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Location of headquarters:	Osaka, Japan
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Scheduled date for ordinary general meeting of shareholders:	August 30, 2011
Scheduled date for dividend payment:	August 31, 2011
Scheduled date for submission of securities report:	August 31, 2011
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the fiscal year ended May 31, 2011

(From June 1, 2010 to May 31, 2011)

(1) Operating results

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Net income	
		%		%		%		%
Fiscal year ended May 31, 2011	37,557	34.5	5,868	160.4	5,614	171.2	3,699	156.5
Fiscal year ended May 31, 2010	27,924	(9.8)	2,253	(52.5)	2,070	(53.8)	1,442	(43.8)

Note: Comprehensive income:
 Fiscal 2011 3,359 million yen (up 297.2%)
 Fiscal 2010 845 million yen (-%)

	Net income per share	Diluted net income per share	Equity ratio	Recurring profit/total assets	Operating profit/net sales
	yen	yen	%	%	%
Fiscal year ended May 31, 2011	178.43	-	7.5	8.8	15.6
Fiscal year ended May 31, 2010	69.56	69.56	3.0	3.4	8.1

Reference: Equity in earnings of affiliates
 May 31, 2011 - million yen
 May 31, 2010 - million yen

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Equity per share
			%	yen
As of May 31, 2011	65,191	51,748	77.5	2,436.08
As of May 31, 2010	61,786	48,960	77.4	2,306.55
Reference: Shareholders' equity				
May 31, 2011		50,510 million yen		
May 31, 2010		47,825 million yen		

(3) Cash flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended May 31, 2011	7,301	(5,380)	(550)	7,090
Fiscal year ended May 31, 2010	3,377	(4,103)	252	5,802

2. Dividends

(Millions of yen, rounded down)

	Dividends per share (yen)				Total (Full year)	Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to total assets (consolidated)
	First quarter end	Interim -end	Third quarter end	Year -end				
	yen	yen	yen	yen				
Year ended May 31, 2010	-	-	-	20.00	20.00	414	28.8	0.9
Year ended May 31, 2011	-	-	-	22.00	22.00	456	12.3	0.9
Year ending May 31, 2012 (Forecast)	-	-	-	25.00	25.00		15.2	

3. Consolidated results forecast for the fiscal year ending May 31, 2012

(From June 1, 2011 to May 31, 2012)

(Millions of yen, rounded down)

(Percentages indicate changes from the same period in the previous fiscal year.)

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
		%		%		%		%	yen
Cumulative total for the six months	19,000	3.2	2,500	(17.2)	2,500	(10.6)	1,600	(16.5)	77.17
Fiscal year ending May 31, 2012	39,000	3.8	5,300	(9.7)	5,300	(5.6)	3,400	(8.1)	163.98

4. Others**(1) Changes in significant subsidiaries during the period:**

(Changes in specified subsidiaries accompanying changes in scope of consolidation): None

New subsidiaries: ___ (name of company(ies))

Excluded subsidiaries: ___ (name of company(ies))

(2) Changes in accounting policies, procedures, and methods of presentation

i. Changes due to amendment of accounting standards: Yes

ii. Changes due to other reasons: None

For details, please refer to "Changes in the significant items that form the basis of preparations for consolidated financial statements," "Changes in presentation" and "Additional information" on page 32 of the Attached Documents.

(3) Number of shares outstanding (common stock)

i. Number of shares outstanding at the end of period (including treasury stock)

As of May 31, 2011 20,750,688 shares

As of May 31, 2010 20,750,688 shares

ii. Number of treasury stock at the end of period

As of May 31, 2011 16,265 shares

As of May 31, 2010 16,215 shares

iii. Average number of shares during the period

As of May 31, 2011 20,734,470 shares

As of May 31, 2010 20,734,498 shares

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Non-consolidated financial results for the fiscal year ended May 31, 2011

(From June 1, 2010 to May 31, 2011)

(1) Operating results

(Millions of yen, rounded down)
(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Net income	
		%		%		%		%
Fiscal year ended May 31, 2011	27,707	32.9	2,276	980.6	2,263	439.8	1,331	238.1
Fiscal year ended May 31, 2010	20,848	(8.0)	210	(81.7)	419	(76.1)	393	(70.3)

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended May 31, 2011	64.20	-
Fiscal year ended May 31, 2010	18.99	18.99

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Net assets per share
			%	yen
As of May 31, 2011	52,145	41,747	80.0	2,012.46
As of May 31, 2010	50,660	40,816	80.6	1,968.21

Reference: Shareholders' equity

May 31, 2011

41,727 million yen

May 31, 2010

40,809 million yen

* Implementation status of auditing procedures

This financial results report is not subject to the auditing procedures stipulated by the Financial Instruments and Exchange Act. The auditing procedures of the consolidated financial statements were not completed at the time of the release of this report.

* Disclaimer regarding appropriate use of forecasts and related points of note

(We urge you to be cautious in relying on forward-looking statements.)

The forecasts and forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational as of the date of release. Accordingly, actual results may differ significantly from these forecasts due to various factors. For more information on the

preconditions of the forecasts and on precautionary notes concerning the usage of these forecasts, please refer to “1. Business Results, (1) Analysis of Business Results” on page 6 of the Attached Documents.

(How to acquire supplementary materials for financial summaries and information disclosed at our financial results briefing.)

We are scheduled to hold a financial results briefing for securities analysts and institutional investors on July 25, 2011. The materials distributed at the briefing are scheduled to be disclosed on TDnet and our homepage on that same day.

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1. Business Results

(1) Analysis of Business Results

(i) Business Results for the Fiscal Year ended May 31, 2011

During the consolidated fiscal year ended May 31, 2011, the global economy steadily recovered thanks to the strong economic growth of emerging countries, such as those in Asia, and the effects of economic stimulus measures in each country. The recovery came in spite of concerns of a slowdown in some areas, including the continuing high unemployment rate in the United States and Europe. The Japanese economy also continued its general recovery trend as a result of the improvement in exports and production and recovery of capital investment. However, it came to a temporary standstill in the latter half of the year owing to the impact of the rising yen and reaction to the reduction of economic stimulus measures. We must add that the impact of the Great East Japan Earthquake in March is a source of concern.

Amid these circumstances, the Toyo Tanso Group concentrated its efforts on expanding business and improving performance, by actively absorbing rapidly increasing demands mainly in the environment and energy sectors and further accelerating global expansion particularly in Asia.

As a result, the Group's business performance improved dramatically during the consolidated fiscal year under review, despite the impact of the rising yen and the increased burden of depreciation expenses. Net sales totaled 37,557 million yen (up 34.5% from the same term last year), operating profit 5,868 million yen (up 160.4%), and recurring profit 5,614 million yen (up 171.2%). Net income for the fiscal year was 3,699 million yen (up 156.5%).

The overall performance of each business segment was as follows. (Please refer to "5. Others" for an overview of each product category.)

Japan

Boosted by signs of economic recovery, business performance in Japan turned strongly upward on the whole. In addition to seeing a further recovery in demand for all products, expanded sales were observed in SiC (silicon carbide)-coated graphite products, coating products, C/C composite products, and other high value-added products and products for new applications and purposes. As a result, net sales for the fiscal year in Japan were 20,062 million yen and operating profit was 2,698 million yen.

United States

Despite the large impact of the strong yen, the recovery of our business performance gained considerable momentum driven by demand for compound semiconductor and solar cell-related products particularly in the latter half of the fiscal year. As a result, net sales for the fiscal year in the United States were 2,992 million yen and operating profit was to 33 million yen.

Europe

Against a backdrop of economic recovery in Europe, business in Europe remained strong, mainly in solar cell, industrial furnaces, and brush products. As a result, net sales for the fiscal year in Europe were 3,121 million yen and operating profit was 421 million yen.

Asia

Demand for products for all applications, particularly those related to solar cells and compound semiconductors, was extremely brisk owing to the vitalization of the economies of China and other emerging countries. As a result, net sales for the fiscal year in Asia were 11,380 million yen and operating profit was 2,351 million yen.

(ii) Outlook for the Fiscal Year Ending on May 31, 2012

Regarding the domestic and overseas economic environments going forward, we expect the global economy to remain on a mild recovery path driven by demand from emerging nations. Such demand will likely offset the persistent uncertainties over the future due partly to concerns over fiscal conditions in Europe and the geopolitical risks in the Middle East and other regions. On the domestic front, we cannot be optimistic about the Japanese

economy given the repercussions of the earthquake disaster, electrical power shortage issue and continued strength of the yen.

The conditions surrounding our business group also remain unclear given such factors as the indirect impact of the earthquake disaster. Nevertheless, we project a steady increase, which will undergo temporary adjustments, in demand on a global basis fueled mainly by sales of LED-, solar cell- and other environmentally friendly or energy-related products. Under these circumstances, we will continue to actively expand sales, add high value to our products, actively reinforce our production capacity and invest in research and development of our main products as we look toward the future.

As for our consolidated earnings for the fiscal year ending May 31, 2012, we expect sales of 39 billion yen (up 3.8% from the previous year), operating profit of 5.3 billion yen (down 9.7%), recurring profit of 5.3 billion yen (down 5.6%) and net profit of 3.4 billion yen (down 8.1%). Our forecasts take into consideration such factors as the large burden of depreciation costs stemming from active investment in the future and the strong yen. (Assumed exchange rate: 80 yen/US\$, 110 yen/EUR, 12.3 yen/CNY).

(2) Analysis of Financial Position

(i) Assets, Liabilities, and Equity

Total assets as of the end of the consolidated fiscal year under review increased by 3,405 million yen from the previous consolidated fiscal year. This rise is mainly attributable to the 2,390 million yen rise in trade notes and accounts receivable resulting from higher sales and an increase of 1,544 million yen in inventories through the systematic accumulation of intermediate stock, etc. These increases eclipsed the 2,128 million yen decrease in tangible fixed assets due chiefly to the posting of depreciation expenses, etc.

Total liabilities increased by 617 million yen from the end of the previous consolidated fiscal year. This was mainly caused by a 588 million yen increase in trade notes and accounts payable stemming from a rise in the procurement of raw materials due to an increased number of orders and 1,314 million yen in income tax payable, etc. This offset the decrease of 809 million yen in accrued amount payable incurred from the payment for the purchase of tangible fixed assets, etc., and 1,150 million yen in notes payable-equipment.

Total equity increased by 2,788 million yen from the end of the previous consolidated fiscal year. This net increase was primarily driven by an increase of 3,284 million yen in retained earnings from the net income for the year and came despite a decline of 598 million yen in accumulated other comprehensive income, etc.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) in the consolidated fiscal year ended on May 31, 2011 increased by 1,288 million yen from the end of the previous consolidated fiscal year, to 7,090 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds provided by operating activities increased 116.2% from the previous year to 7,301 million yen. Among the main items, profit before income taxes totaled 5,389 million yen (up 142.2%) and depreciation costs totaled 4,999 million yen (up 33.2%), while the increase in notes and accounts receivable-trade came to 2,718 million yen (up 4.6%) and income taxes paid totaled 517 million yen (up 385.7%).

(Cash Flows from Investing Activities)

Funds used in investment activities increased 31.1% from the previous year to 5,380 million yen. Among the main items, expenses for the acquisition of tangible fixed assets decreased to 5,264 million yen (down 42.9%).

(Cash Flows from Financing Activities)

Funds used by financing activities came to 550 million yen (252 million yen in funds were acquired in the previous year). This is largely attributable to the 697 million yen (up by 382 million yen in the previous year) net decrease in short-term borrowings.

(3) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended on May 31, 2011 and the Fiscal Year Ending May 31, 2012

(i) Basic Policy

Our basic policy for profit allocation is to make strategic investments in order to strengthen our competitiveness and enhance our value over the long term and return profits to shareholders in a continuous and stable fashion with due consideration of both business results for the fiscal year, funding needs for the future expansion of our business operations and consolidation of our business foundation. We intend to use internal reserves for capital expenditures for production facilities, development of new products and investment in research and development.

(ii) Dividends for the Fiscal Year Ended on May 31, 2011

Based on the above-mentioned policy, we plan to increase our annual dividend by 2 yen to ¥22 per share for the fiscal year ended on May 31, 2011 in line with our initial dividend forecast. This amount takes into account the need to improve shareholders' returns, the business results in this fiscal year and capital expenditure plans for future growth.

(iii) Dividends for the Fiscal Year Ending on May 31, 2012

We plan to pay a dividend of 25 yen per share for the fiscal year ending on May 31, 2012 in consideration of improving shareholders' returns. Our dividend policy is based on our quest of increasing the Company's value through the use of internal reserves for capital expenditures.

(4) Key events regarding the premise of a going concern

None

2. Composition of Corporate Group

The Toyo Tanso Group consists of Toyo Tanso Co., Ltd., ten consolidated subsidiaries, including two domestic and eight foreign companies, four foreign non-consolidated subsidiaries, and one overseas affiliated company not accounted for by the equity method. The main businesses of the Toyo Tanso Group are the manufacture, processing and sale of carbon products for high function applications using isotropic graphite materials (Note). Carbon products of the Toyo Tanso Group are used in a broad array of areas, and we need to manufacture a range of products in small quantities since the specifications our customers require range over a broad spectrum.

The Toyo Tanso Group succeeded in pioneering the high-volume production of isotropic graphite materials in 1974 ahead of competitors in Japan and overseas. This was followed by achievements in growth in size. The Group has been expanding the applications of these products. We efficiently manufacture carbon materials centering on these isotropic graphite materials by concentrating production on bases in Japan, and we have constructed a system to directly sell these products to local customers by supplying them to processing and sales bases located in Japan and other countries in North America, Europe and Asia. We have established a stable product supply system with a short delivery time through this integrated production and sales system, which ranges from materials to products, and we develop products by promptly absorbing customer needs in a cooperative relationship with customers based on our direct sales system.

The Toyo Tanso Group also conducts basic and applied studies based on customer needs and the analysis data of carbon products, which we have been accumulating for many years as a carbon-specialized producer. As a result, the applications of our products have been expanding into a wide spectrum of areas from industrial and commercial applications such as industrial machinery, automobiles, and consumer electronics to cutting-edge areas such as atomic power, aerospace, medical and energy.

Note: Isotropic graphite materials

Carbon materials are categorized into graphite materials that are manufactured by high temperature processing and other carbon materials. Of graphite materials, isotropic graphite materials are characterized by the fact that their nature is the same in all three dimensional directions.

To manufacture isotropic graphite materials, it is necessary to apply equal pressure from all directions in the molding process, and we have established a production method using a hydrostatic molding method (a molding method that put pressure under water), ahead of competitors in Japan and overseas.

The main characteristics of graphite materials are as follows:

- (i) High thermal conductivity (*) and electronic conductivity
- (ii) High resistance to heat and chemicals
- (iii) Light and workable
- (iv) Resistant to friction and attrition

In addition to the above, isotropic graphite materials have the following characteristics:

- (i) Traits such as thermal expansion (*) are the same in all directions.
- (ii) High strength with an ultra-fine particle structure and very small material dispersion.

Materials, applications, items, examples and characteristics of each product are as follows.

Materials/applications/items			Product examples
Special graphite products	Electronics applications	For the manufacture of single crystal silicon	Crucibles and heaters for single crystal growing furnace
		For the manufacture of compound semiconductors	Susceptors for MOCVD systems, boats for LPE systems
		For the manufacture of solar cells	Crucibles and heaters for single crystal and polycrystal silicon manufacturing furnace, carriers for anti-reflective coating films
	General industries applications		Continuous casting dies, EDM electrode, heaters for various industrial furnaces, structural material
	Others	For the manufacture of advanced process equipment	Electrodes for ion implantation equipment, glass sealing jigs
		For atomic power, aerospace and medical	Cores for high-temperature gas reactors, wall materials for nuclear fusion reactors, rocket parts, parts for CT scans
Carbon products for general industries	Carbon products for mechanical applications	General industries applications	Bearings and seals for pumps and compressors
		For transportation	Pantograph sliders, automotive parts
	Carbon products for electrical applications	For small motors	Carbon brushes for vacuum cleaners and wind-power generators
		For large motors	Large brushes, carbon brushes for wind-power generators
Compound materials and other products			Susceptors for Si-Epi equipment, wall materials for nuclear fusion reactors, automotive gaskets, susceptors for MOCVD systems, materials for the manufacture of solar cells

(1) Special graphite products

For special graphite products, isotropic graphite materials are mainly used.

(i) Electronics applications

(a) For the manufacture of single crystal silicon

Silicon wafers that are manufactured by slicing single crystal silicon are basic materials that help drive the development of the electronics industry, as a semiconductor substrate such as a high integrated memory device. Major consumable parts inside a furnace such as crucibles (*) and heaters that are used in a single crystal silicon growing furnace rely on isotropic graphite products, since these parts require high purity and high thermal resistance.

With the diameter of single crystal silicon increasing, the shift to a manufacturing process using 300 mm wafers has been progressing. The Company has the capacity to produce the world's largest isotropic graphite materials and to meet demand from customers in Japan and overseas by using its processing and high purity production facilities.

(b) For the manufacture of compound semiconductors

Compound semiconductors (*), which are used as light emitting devices, telecommunications devices, power devices, etc. are also employed as high efficiency light emitting devices for digital consumer electronics such as mobile phones, DVDs and LCDs, automotive head lamps and fluorescent tubes, taking advantage of their features, such as a long life and electric power saving.

In Japan and overseas, major consumable parts such as heating elements and susceptors for MOCVD systems (*), which are used in the manufacturing process of these compound semiconductors, rely on the isotropic graphite products of the Company, as these parts require high purity and high processing accuracy.

(c) For the manufacture of solar cells

Solar cells are representative of the clean energy technology. Their applications are expected to expand on a global scale, given the legislations of subsidies for the purchase and installation of residential power generation

systems in countries around the world, and other such national policies.

Major consumable parts in heaters and crucibles utilized in the manufacturing process of single crystal and polycrystal silicon, the core materials of solar cell elements, as well as carriers for PE-CVD equipment and others used in the manufacturing process of anti-reflective coating films, use our isotropic graphite products. They are used because such components require high thermal resistance and high durability.

(ii) General industries applications

Isotropic graphite materials have high thermal and chemical resistance and electrical conductivity even among graphite materials. Taking advantage of these features, they are used for applications such as metal melting crucibles, continuous casting dies (*), EDM electrode (*) for manufacturing dies, the sinter of ceramics and powder metallurgical materials, the annealing of automotive parts and other high temperature heating elements for industrial furnaces, and construction materials inside a furnace.

The Toyo Tanso Group supplies products for these diverse industry applications in Japan and in other countries such as China, Southeast Asia, South America, which are enjoying high economic growth.

(iii) Others

(a) For advanced process equipment

A range of isotropic graphite materials are applied for the manufacture of electrodes for ion implantation equipment, used for microfabrication in the manufacturing process of semiconductors and liquid crystals, diodes, crystal oscillators, and other advanced process equipment. Since the above equipment requires features such as high thermal resistance, thermal conductivity, purity and strength and processing accuracy, the Company's products are widely used by large equipment makers and other customers.

(b) For atomic power, aerospace and medical

The atomic power applications such as cores for high-temperature gas reactors and wall materials for nuclear fusion reactors require high credibility and quality. The Company's products are used for these atomic power applications, as high resistance to radiation and plasma is required, in addition to high thermal resistance and other features of graphite. Our products are also used for the aerospace applications such as rocket parts and the medical applications including CT scans.

(2) Carbon products for general industries applications

Carbon materials that are manufactured by a conventional molding method are primarily used for carbon products for general industries applications. Isotropic graphite materials are also used for some applications.

(i) Carbon products for mechanical applications

(a) For general industries

Taking advantage of such features as abrasion resistance, thermal and chemical resistance and their self-lubricating nature, we sell a variety of products including sliding parts such as bearings for pumps and compressors as well as seals for gaseous and liquid bodies such as piston rings (*) and mechanical seals (*) to machinery manufacturers in Japan and overseas. The Company operates overseas with strong cost competitiveness by improving the homogeneity of materials and optimizing the material size through the introduction of a new molding method.

(b) For transportation

We sell pantograph sliders (*) with high self-lubricating nature, electrical conductivity and abrasion resistance to railroad companies by impregnating copper into carbon with high pressure. Pantograph sliders of the Company have reduced the abrasion of overhead wires and achieved lower noise compared with conventional metal sliders.

We also manufacture and sell compressor parts of brakes for the automotive industry.

(ii) Carbon products for electrical applications

(a) For small motors

We sell carbon brushes for small motors for commercial uses, such as vacuum cleaners and power tools, to consumer electronics, tool makers, and other customers. The Company's products are characterized by long life, high durability and a rectifying property against high-speed rotation. We are also responding to the needs of small motor manufacturers who have shifted their production to China, by establishing production subsidiaries in China.

(b) For large motors

Our products are used by steel and paper manufacturing companies as carbon brushes for large motors for industrial applications, taking advantage of high self-lubricating nature, electrical conductivity and workability. A carbon brush is a device that enables a stable and sustained supply of electricity while sliding on rotating bodies and has come to be used for the environment and energy, such as the power collection facilities of wind-power generation.

(3) Compound materials and other products

In compound materials and other products, we manufacture and sell compound materials coated by other materials with isotropic graphite as the base material (SiC coated graphite (*), etc.), materials compounded with carbon and carbon fiber (C/C composite products (*)), and natural graphite materials (graphite sheets (*)).

(i) SiC coated graphite products

SiC coated graphite products have high thermal and etching resistance (*) and high purity that reduces the generation of organic pollutants. Taking advantage of these features, we sell these products to the semiconductor industry in Japan and overseas as susceptor materials for the thin film manufacturing process in the production process of silicon and compound semiconductors.

(ii) C/C composite products

C/C composite products are advanced materials that are light and strong and retain a high carbon thermal quality, and that are used for a wide spectrum of applications in Japan and overseas, such as the manufacturing process of solar cells and silicon single crystal, materials for vacuum furnaces as well as special applications including the wall materials of nuclear fusion reactors.

(iii) Graphite sheet products

Graphite sheet products are light sheeted products and are used for automotive parts such as gaskets and mufflers, given their characteristics of being insensitive to other substances even under high temperatures. Demand for graphite sheet products is also rising for the protection of carbon members in the manufacturing process of quartz and silicon single crystal. Going forward, applications in areas that require dealing with heat such as a heat sink are also expected, leveraging their high thermal conductivity in the face direction.

For words with an asterisk (*), please refer to the glossary below.

This glossary is prepared by the Company based on its understanding and judgment as a reference to enable investors to have a better understanding of the description in this report.

[Glossary]

[Thermal conductivity]

Conductivity of heat that a substance has.

[Thermal expansion]

The expansion of a substance associated with a rise in temperature.

[Crucible]

A pot-like container for holding heat-temperature liquid.

[Compound semiconductor]

A semiconductor that consists of substances composed of multiple elements. Examples of a compound semiconductor include gallium arsenide, gallium nitride and silicon carbide. Features which silicon semiconductors do not have are used.

[Susceptor]

A platform used to develop a thin film on the surface of wafers.

[Continuous casting dies]

A mold to cool and solidify molten metal by touching it in a continuous casting process that casts dissolving metal by continuously cooling it. Metal products that have the cross-section of this mold will be made continuously.

[EDM electrode]

An electrode that will make a pair with a processed material. It generates an electrical discharge between the electrode and the processed material and transcribes the shape of the electrode on the processed material.

[Self-lubricating nature]

Property in which adhesion barely occurs because of a layered crystal structure and a low friction coefficient.

[Piston ring]

A sealing ring that prevents leakages from a space between a piston and the inner wall of a cylinder in a reciprocating compressor.

[Mechanical seal]

A machine part to control leaks from a rotating shaft of fluid or gas equipment, a sidewall due to a reciprocating motion, or a pressure container, etc. and prevent the intrusion of a different liquid from outside.

[Pantograph slider]

A power collection body that collects electricity by touching an overhead wire and sliding on it to supply power to a train.

[SiC coated graphite]

A product that generates a precise thin film of silicon carbide on the surface of isotropic graphite. This can curb the generation and reaction of a small amount of gases from graphite.

[C/C composite product]

Graphite reinforced by carbon fibers with features of light weight and high strength.

[Graphite sheet]

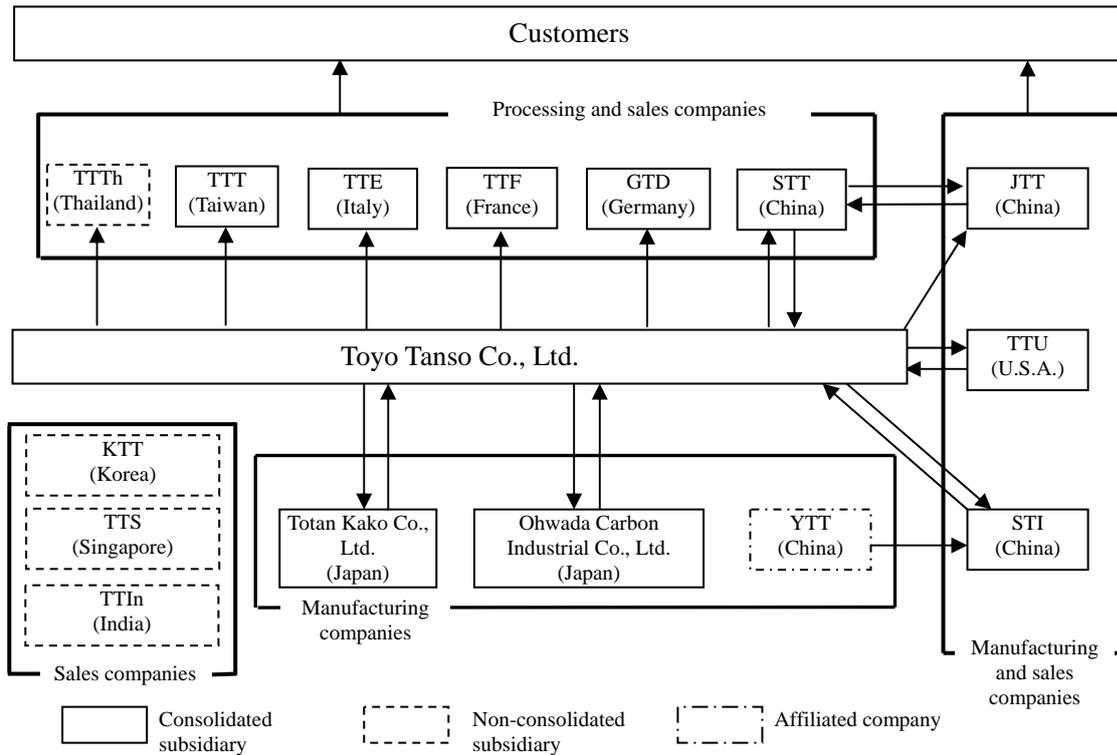
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its bendy nature.

[Etching resistance]

Degree of lack of attrition by gaseous and liquid bodies with high reactive property.

[Business Flow Chart]

The business flow chart of the Toyo Tanso Group is as follows. Only major business relations are indicated in this chart.



The formal names of the companies represented by the acronyms used in the chart above are as follows:

- | | |
|--------------|--|
| Company name | (TTU) ... Toyo Tanso USA, Inc. |
| | (TTE) ... Toyo Tanso Europe S.p.A. |
| | (TTF) ... Toyo Tanso France S.A. |
| | (GTD) ... GTD Graphit Technologie GmbH |
| | (STT) ... Shanghai Toyo Tanso Co., Ltd. |
| | (STI) ... Shanghai Toyo Tanso Industrial Co., Ltd. |
| | (JTT) ... Jiaxiang Toyo Tanso Co., Ltd. |
| | (TTT) ... Toyo Tanso Taiwan Co., Ltd. |
| | (YTT) ... Shanghai Yongxin Toyo Tanso Co., Ltd. |
| | (KTT) ... Toyo Tanso Korea Co., Ltd. |
| | (TTTh) ... Toyo Tanso (Thailand) Co., Ltd. |
| | (TTS) ... Toyo Tanso Singapore Pte. Ltd. |
| | (TTIn) ... Toyo Tanso India Private Limited |

3. Management Policy

(1) Basic Policies for the Management of the Company

The fundamental management philosophy of Toyo Tanso Company Group is “Contribute to the world through the pursuit of the possibilities inherent in carbon (C),” and based on the pioneering spirit of “Creating things that cannot be found elsewhere” that we have embodied since our founding, our basic policy has been to provide the world with unique, revolutionary, high functionality and specialty products, with carbon as the axis.

As a global industry leader with a high growth rate and robust earnings, we will continue to improve on our world-class quality, technology and cost competitiveness, and act to fulfill our responsibilities and make a contribution, as a company that can meet the expectations and justify the trust of its customers, stockholders, employees and society.

(2) Medium to Long-Term Management Strategies and Issues to Address

In the medium to long-term, as a leader in high-functionality carbons, the Toyo Tanso Group will strive to maximize corporate value, especially in areas related to the environment and energy, by promoting investment and business strategies with a view to the future. We will focus specifically on the following issues.

(i) Actively expanding the core business and achieving overwhelming superiority

Within an increasingly sophisticated industry, applications and domains that require high quality carbon with high functionality are expanding on a global basis, and we expect increasingly challenging requirements to be made of the Group’s high-functionality carbon products. The Toyo Tanso Group will actively enhance its production structure and sophistication, both domestic and international, and will take comprehensive action to increase production efficiency in order to strengthen the Group’s competitiveness.

As for our core product, isotropic graphite, we intend to further improve our production system based on our cutting-edge Takuma No. 3 plant built in spring 2010. In addition, we will focus on actively developing compound material products such as coating and C/C composite products. With these products, the Company intends to maintain its unchallenged superiority in both quality and quantity in the industry, armed with overwhelming deployment capabilities and cost competitiveness, as well as products with high value addition and differentiation.

(ii) Accelerating global deployment

The increased demand and expansion of high functional carbon is becoming noticeable, not only in Japan, but even more so in overseas markets. In addition to the European, U.S. and Asian markets, where the Company already operates, demand is growing rapidly in emerging economies such as India, Russia and Eastern Europe. In order to respond to these developments, since 2006 we have established sales subsidiaries in Korea, Shandong Province in China, and in Thailand, and in recent years such areas as Singapore and India. At the same time, we are pushing forward an active global strategy through our efforts to, for example, reinforce and upgrade our existing bases.

Our plans are to accelerate global expansion, with a focus on China, which continues to be a huge and attractive market, and on emerging economies, while bolstering coordination among each local entity in terms of production and sales, to achieve our policy of promoting group management that responds to the global market.

(iii) Promoting new products and new business development

Much still needs to be learned about the possibilities of carbon, and the potential applications appear to be unlimited. Carbon is likely to find new uses, especially in the environment and energy, and in other cutting-edge areas such as atomic power, medicine, next-generation devices and aerospace. It goes without saying that carbon has potential applications in the renewable energy field related to, for example, solar cells and wind power generation as well as LED and other energy-saving-related areas.

In addition to developing new products by utilizing our strong partnerships with customers, the Group will combine products with new materials and new technologies through its far-reaching government and academic partnerships based on the Group’s advanced and abundant knowledge of elemental technology built up as pioneers in the industry. In this way, the Group will promote unique new products and business for the future, as it seeks

further growth.

(3) Other important items related to the management of the Company

Not applicable.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen, rounded down)

	As of May 31, 2010	As of May 31, 2011
Assets		
Current assets		
Cash on hand and in banks	7,921,993	9,283,891
Trade notes and accounts receivable	10,656,152	13,047,069
Merchandise and finished goods	4,218,778	4,761,418
Work in process	5,603,781	6,182,218
Raw materials and stores	1,088,051	1,511,288
Deferred tax assets	643,614	707,664
Other	973,993	883,757
Allowance for doubtful accounts	(106,033)	(111,741)
Total current assets	31,000,331	36,265,565
Fixed assets		
Tangible fixed assets		
Buildings and structures	14,085,077	14,707,804
Accumulated depreciation	(6,826,376)	(7,334,386)
Buildings and structures (net)	7,258,700	7,373,417
Machinery, equipment, and vehicles	36,008,017	37,586,480
Accumulated depreciation	(22,379,940)	(25,490,350)
Machinery, equipment, and vehicles (net)	13,628,077	12,096,129
Land	5,308,552	5,296,473
Construction in progress	1,526,421	655,395
Other	3,070,731	3,393,067
Accumulated depreciation	(2,501,707)	(2,652,267)
Other (net)	569,023	740,800
Total tangible fixed assets	28,290,775	26,162,216
Intangible fixed assets	921,714	785,261
Investments and other assets		
Investments in securities	219,511	199,072
Deferred tax assets	36,947	316,150
Other	1,316,954	1,466,194
Allowance for doubtful accounts	(5)	(2,820)
Total investments and other assets	1,573,408	1,978,597
Total fixed assets	30,785,898	28,926,075
Total assets	61,786,229	65,191,641

(Thousands of yen, rounded down)

	As of May 31, 2010	As of May 31, 2011
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,362,097	2,950,193
Short-term borrowings	1,682,140	1,406,013
Accrued amount payable	3,348,215	2,538,873
Income tax payable	180,746	1,495,600
Reserve for employees' bonuses	713,946	825,271
Reserve for directors' and corporate auditors' bonuses	-	78,480
Other	2,633,638	1,788,486
Total current liabilities	10,920,785	11,082,920
Long-term liabilities		
Long-term borrowings	431,074	665,014
Deferred tax liabilities	384,597	266,934
Reserve for employees' retirement benefits	592,593	658,878
Asset retirement obligations	-	278,121
Other	496,923	491,408
Total long-term liabilities	1,905,188	2,360,356
Total liabilities	12,825,974	13,443,276
Equity		
Shareholder's equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	31,884,339	35,169,221
Treasury stock - at cost	(57,408)	(57,630)
Total shareholders' equity	49,054,194	52,338,853
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	1,842	2,941
Foreign currency translation adjustments	(1,231,034)	(1,831,083)
Total accumulated other comprehensive income	(1,229,192)	(1,828,141)
Share warrants	6,696	20,088
Minority interests	1,128,557	1,217,565
Total equity	48,960,255	51,748,364
Total liabilities and equity	61,786,229	65,191,641

**(2) Consolidated income statement and consolidated comprehensive income statement
(Consolidated statements of income)**

(Thousands of yen, rounded down)

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Net sales	27,924,853	37,557,801
Cost of goods sold	19,931,546	25,445,901
Gross profit	7,993,307	12,111,899
Selling, general and administrative expenses	5,740,166	6,243,670
Operating profit	2,253,140	5,868,229
Non-operating income		
Interest income	45,682	31,599
Dividends earned	53,737	5,941
Gain on foreign currency option	95,100	63,411
Other	77,839	63,516
Total non-operating income	272,359	164,467
Non-operating expenses		
Interest expenses	38,137	47,596
Loss on sale of notes payable	3,262	2,330
Valuation loss on investment securities	63,612	24,032
Foreign exchange loss	294,533	289,986
Other	55,661	54,033
Total non-operating expenses	455,206	417,979
Recurring profit	2,070,293	5,614,718
Extraordinary profit		
Gain on sale of fixed assets	34,061	88,317
Reversal of allowance for doubtful accounts	64,160	-
Subsidies received	30,787	1,450
Gain on reversal of special retirement benefit expenses for prior year	21,016	-
Gain on business transfer	41,000	-
Total extraordinary profit	191,027	89,767
Extraordinary losses		
Loss on sale of fixed assets	273	4,433
Loss on disposal of fixed assets	35,956	55,431
Effect of application of the Accounting Standard for Asset Retirement Obligations	-	216,240
Payment for prior-year custom duties, etc	-	23,726
Loss from disaster	-	14,826
Total extraordinary losses	36,230	314,658
Profit before income taxes	2,225,091	5,389,826
Income taxes - current	554,891	1,839,077
Prior year income tax, etc.	(28,543)	-
Income taxes - deferred	206,087	(479,019)
Total income taxes	732,436	1,360,057
Income before minority interests	-	4,029,769
Minority interests	50,414	330,197
Net income	1,442,240	3,699,571

(Consolidated comprehensive income statement)

(Thousands of yen, rounded down)

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Income before minority interests	-	4,029,769
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	-	1,098
Foreign currency translation adjustments	-	(671,503)
Total other comprehensive income	-	*2 (670,404)
Comprehensive income	-	*1 3,359,364
(Breakdown)		
Comprehensive income attributable to parent company shareholders	-	3,100,621
Comprehensive income attributable to minority interests	-	258,743

(3) Consolidated statements of changes in equity

(Thousands of yen, rounded down)

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Equity		
Common stock		
Balance at end of previous fiscal year	7,692,575	7,692,575
Balance at end of the fiscal year	7,692,575	7,692,575
Capital surplus		
Balance at end of previous fiscal year	9,534,686	9,534,686
Balance at end of the fiscal year	9,534,686	9,534,686
Retained earnings		
Balance at end of previous fiscal year	30,856,790	31,884,339
Change in the fiscal year		
Dividends from retained earnings	(414,691)	(414,689)
Net income	1,442,240	3,699,571
Total change in the fiscal year	1,027,549	3,284,881
Balance at end of the fiscal year	31,884,339	35,169,221
Treasury stock		
Balance at end of previous fiscal year	(56,997)	(57,408)
Balance at end of the fiscal year		
Acquisition of treasury stock	(410)	(222)
Total change in the fiscal year	(410)	(222)
Balance at end of the fiscal year	(57,408)	(57,630)
Total equity		
Balance at end of previous fiscal year	48,027,055	49,054,194
Change in the fiscal year		
Dividends from retained earnings	(414,691)	(414,689)
Net income	1,442,240	3,699,571
Acquisition of treasury stock	(410)	(222)
Total change in the fiscal year	1,027,138	3,284,659
Balance at end of the fiscal year	49,054,194	52,338,853

(Thousands of yen, rounded down)

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities		
Balance at end of previous fiscal year	984	1,842
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	857	1,098
Total change in the fiscal year	857	1,098
Balance at end of the fiscal year	1,842	2,941
Foreign currency translation adjustments		
Balance at end of previous fiscal year	(623,226)	(1,231,034)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(607,808)	(600,048)
Total change in the fiscal year	(607,808)	(600,048)
Balance at end of the fiscal year	(1,231,034)	(1,831,083)
Accumulated other comprehensive income		
Balance at end of previous fiscal year	(622,241)	(1,229,192)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(606,950)	(598,949)
Total change in the fiscal year	(606,950)	(598,949)
Balance at end of the fiscal year	(1,229,192)	(1,828,141)
Share warrants		
Balance at end of previous fiscal year	-	6,696
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	6,696	13,392
Total change in the fiscal year	6,696	13,392
Balance at end of the fiscal year	6,696	20,088
Minority interests		
Balance at end of previous fiscal year	1,202,030	1,128,557
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(73,473)	89,008
Total change in the fiscal year	(73,473)	89,008
Balance at end of the fiscal year	1,128,557	1,217,565
Total equity		
Balance at end of previous fiscal year	48,606,845	48,960,255
Change in the fiscal year		
Dividends from retained earnings	(414,691)	(414,689)
Net income	1,442,240	3,699,571
Acquisition of treasury stock	(410)	(222)
Change in the fiscal year in items other than shareholders' equity (net)	(673,728)	(496,549)
Total change in the fiscal year	353,409	2,788,109
Balance at end of the fiscal year	48,960,255	51,748,364

(4) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Cash flows from operating activities		
Profit before income taxes	2,225,091	5,389,826
Depreciation	3,753,073	4,999,532
Amortization of goodwill	10,906	10,906
Increase (decrease) in reserve for employees' retirement benefits	265,921	70,429
Gain on reversal of retirement benefit expenses for prior year	(21,016)	-
Effect of application of the Accounting Standard for Asset Retirement Obligations	-	216,240
Decrease in long-term accrued amount payable (directors' retirement benefits)	(2,700)	-
Increase (decrease) in reserve for employees' bonuses	(41,658)	112,261
Increase (decrease) in reserve for directors' bonuses	(35,840)	78,480
Increase (decrease) in allowance for doubtful accounts	(103,232)	10,801
Interest and dividend income	(99,419)	(37,540)
Interest expenses	38,137	47,596
Foreign exchange loss (gain)	294,533	289,986
Valuation loss (gain) on investment securities	63,612	24,032
Gain on sale of tangible fixed assets	(34,061)	(88,317)
Loss on disposal and sale of tangible fixed assets	36,230	59,865
Decrease (increase) in notes and accounts receivable - trade	(2,597,843)	(2,718,394)
Decrease (increase) in inventories	(1,643,423)	(1,745,793)
Increase (decrease) in notes and accounts payable - trade	826,525	784,253
Other	472,812	326,010
Sub-total	3,407,647	7,830,177
Interest and dividend received	112,887	37,192
Interest paid	(36,689)	(48,042)
Income taxes paid	(106,602)	(517,782)
Net cash provided by operating activities	3,377,242	7,301,545
Cash flows from investing activities		
Payments for time deposits	(6,325,902)	(2,649,741)
Proceeds from time deposits	11,822,295	2,549,927
Payments for acquisition of tangible fixed assets	(9,223,112)	(5,264,400)
Proceeds from sale of tangible fixed assets	147,857	167,942
Payments for acquisition of intangible fixed assets	(533,324)	(30,872)
Proceeds from sale of intangible fixed assets	-	53,157
Payments for acquisition of investment securities	(1,199)	(1,199)
Payment for acquisition of subsidiary's shares	-	(50,502)
Payment for lease and guarantee deposits	-	(44,365)
Other	9,694	(110,568)
Net cash used in investing activities	(4,103,690)	(5,380,622)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	382,089	(697,419)
Proceeds from long-term borrowings	553,594	1,187,169
Repayment of long-term borrowings	(177,305)	(465,740)
Repayment of finance lease payables	(7,516)	(23,369)
Payments for acquisition of treasury stock	(410)	(222)
Payments for dividends	(414,091)	(414,544)
Payments for dividends to minority interests	(83,468)	(135,923)
Net cash provided by (used in) financing activities	252,891	(550,050)
Effect of exchange rate changes on cash and cash equivalents	(136,395)	(82,306)
Increase (decrease) in cash and cash equivalents	(609,951)	1,288,565
Cash and cash equivalents at beginning of period	6,412,364	5,802,412
Cash and cash equivalents at end of period	5,802,412	7,090,978

(5) Significant items that form the basis of preparations for consolidated financial statements

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p>1. Items concerning the scope of consolidation</p>	<p>(1) Number of consolidated subsidiaries: 10</p> <p>Names of consolidated subsidiaries Totankako Co., Ltd. Ohwada Carbon Industrial Co., Ltd. Toyo Tanso USA, Inc. Toyo Tanso Europe S.p.A. Toyo Tanso France S.A. GTD Graphit Technologie GmbH Shanghai Toyo Tanso Co., Ltd. Shanghai Toyo Tanso Industrial Co., Ltd. Jiaxiang Toyo Tanso Co., Ltd. Toyo Tanso Taiwan Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries</p> <p>Significant non-consolidated subsidiaries Toyo Tanso Korea Co., Ltd. Toyo Tanso (Thailand) Co., Ltd.</p> <p>(Reason for exclusion from the scope of consolidation) Non-consolidated subsidiaries were not included in the scope of consolidation because their total assets, net sales, net income (loss), and retained earnings do not have a material impact on the consolidated financial statements.</p>	<p>(1) Same as on the left</p> <p>(2) Names of significant non-consolidated subsidiaries</p> <p>Significant non-consolidated subsidiaries Toyo Tanso Korea Co., Ltd. Toyo Tanso (Thailand) Co., Ltd. Toyo Tanso Singapore Pte. Ltd. Toyo Tanso India Private Limited</p> <p>(Reason for exclusion from the scope of consolidation) Same as left column</p>
<p>2. Items concerning the application of the equity method</p>	<p>The equity method has not been applied to any subsidiaries or affiliates.</p> <p>Because non-consolidated subsidiaries and affiliates have very little impact on the net income (loss) or retained earnings and have no materiality overall, the equity method has not been applied to the investment account for these companies, and they have instead been valued at cost.</p> <p>There are three non-consolidated subsidiaries and affiliates that the equity method has not been applied to: Toyo Tanso Korea Co., Ltd., Toyo Tanso (Thailand) Co., Ltd., and Shanghai Yongxin Toyo Tanso Co., Ltd.</p>	<p>The equity method has not been applied to any subsidiaries or affiliates.</p> <p>Because non-consolidated subsidiaries and affiliates have very little impact on the net income (loss) or retained earnings and have no materiality overall, the equity method has not been applied to the investment account for these companies, and they have instead been valued at cost.</p> <p>There are five non-consolidated subsidiaries and affiliates that the equity method has not been applied to: Toyo Tanso Korea Co., Ltd., Toyo Tanso (Thailand) Co., Ltd., Toyo Tanso Singapore Pte. Ltd., Toyo Tanso India Private Limited, and Shanghai Yongxin Toyo Tanso Co., Ltd.</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p>3. Items concerning the business years of subsidiaries</p>	<p>Excluding Ohwada Carbon Industrial Co., Ltd., Toyo Tanso Europe S.p.A., Shanghai Toyo Tanso Co., Ltd., Shanghai Toyo Tanso Industrial Co., Ltd., Toyo Tanso Taiwan Co., Ltd., and Jiaxiang Toyo Tanso Co., Ltd., the consolidated closing date for all consolidated subsidiaries is the same.</p> <p>Of these above six companies, the closing date for Ohwada Carbon Industrial Co., Ltd., Toyo Tanso Europe S.p.A., and Toyo Tanso Taiwan Co., Ltd. is March 31, while the closing date for Shanghai Toyo Tanso Co., Ltd., Shanghai Toyo Tanso Industrial Co., Ltd., and Jiaxiang Toyo Tanso Co., Ltd. is December 31. However, a provisional closing date of March 31 has been assumed for the preparation of the financial statements.</p> <p>For the preparation of the consolidated financial statements, the current financial statements from this closing date have been used. However, the required adjustments for consolidation have been made for material transactions that have occurred up until the consolidated closing date.</p> <p>Note that the original closing date of December 31 for Toyo Tanso Taiwan Co., Ltd. has been changed to March 31 from the current consolidated fiscal year.</p>	<p>Excluding Ohwada Carbon Industrial Co., Ltd., Toyo Tanso Europe S.p.A., Shanghai Toyo Tanso Co., Ltd., Shanghai Toyo Tanso Industrial Co., Ltd., Toyo Tanso Taiwan Co., Ltd., and Jiaxiang Toyo Tanso Co., Ltd., the consolidated closing date for all consolidated subsidiaries is the same.</p> <p>Of these above six companies, the closing date for Ohwada Carbon Industrial Co., Ltd., Toyo Tanso Europe S.p.A., and Toyo Tanso Taiwan Co., Ltd. is March 31, while the closing date for Shanghai Toyo Tanso Co., Ltd., Shanghai Toyo Tanso Industrial Co., Ltd., and Jiaxiang Toyo Tanso Co., Ltd. is December 31. However, a provisional closing date of March 31 has been assumed for the preparation of the financial statements.</p> <p>For the preparation of the consolidated financial statements, the current financial statements from this closing date have been used.</p> <p>However, the required adjustments for consolidation have been made for material transactions that have occurred up until the consolidated closing date.</p>
<p>4. Items concerning accounting standards</p> <p>(1) Valuation standards and method for significant assets</p>	<p>a. Securities</p> <p>(a) Shares of subsidiaries and affiliates</p> <p>Stated at cost using the moving average method</p>	<p>a. Securities</p> <p>(a) Shares of subsidiaries and affiliates</p> <p>Same as on the left</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
	<p>(b) Other securities</p> <p>Securities with a readily determinable fair value</p> <p>Stated at fair value based on market price on the consolidated closing date (valuation differences are treated through the partial direct net asset adjustment method and sales costs are calculated with the moving average method)</p> <p>Securities without a readily determinable fair value</p> <p>Stated at cost using the moving average method</p> <p>b. Derivatives</p> <p>Stated at fair value</p> <p>c. Inventories</p> <p>(a) Merchandise and raw materials</p> <p>Mainly stated at cost using the moving average method</p> <p>(The carrying amount on the balance sheet is reduced for decreases in profitability)</p> <p>(b) Finished goods and work in process (processed)</p> <p>Mainly stated at individual cost</p> <p>(The carrying amount on the balance sheet is reduced for decreases in profitability)</p> <p>(c) Semi-finished goods and work in process (materials)</p> <p>Mainly stated at cost using the moving average method</p> <p>(The carrying amount on the balance sheet is reduced for decreases in profitability)</p> <p>(d) Stores</p> <p>Mainly stated at cost based on the last purchase price</p> <p>(The carrying amount on the balance sheet is reduced for decreases in profitability)</p>	<p>(b) Other securities</p> <p>Securities with a readily determinable fair value</p> <p>Same as on the left</p> <p>Securities without a readily determinable fair value</p> <p>Same as on the left</p> <p>b. Derivatives</p> <p>Same as on the left</p> <p>c. Inventories</p> <p>(a) Merchandise and raw materials</p> <p>Same as on the left</p> <p>(b) Finished goods and work in process (processed)</p> <p>Same as on the left</p> <p>(c) Semi-finished goods and work in process (materials)</p> <p>Same as on the left</p> <p>(d) Stores</p> <p>Same as on the left</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
(2) Depreciation method for significant depreciable assets	<p>a. Tangible fixed assets (excluding lease assets)</p> <p>The fixed rate method is used for Toyo Tanso Co., Ltd. and subsidiaries in Japan. The straight-line method is mainly used for consolidated overseas subsidiaries.</p> <p>However, the straight-line method is used for buildings (excluding building-attached facilities) acquired by Ohwada Carbon Industrial Co., Ltd. since April 1, 1998.</p> <p>The main useful lives are as follows.</p> <p style="padding-left: 20px;">Buildings and structures 3 to 50 years</p> <p style="padding-left: 20px;">Machinery, equipment, and vehicles 2 to 9 years</p> <p>With the application of the interim measures in the Practical Guidance on Accounting Treatments for Research and Development Costs and Software (Accounting Committee Report of the Japanese Institute of Certified Public Accountants No. 12, March 31, 1999), use of the fixed rate method for machinery and equipment acquired in the business years that started before April 1, 1999 used only for specified research and development purposes will be continued.</p> <p>b. Intangible fixed assets (excluding lease assets)</p> <p>The straight-line method is used for Toyo Tanso Co., Ltd. and subsidiaries in Japan. The straight-line method is used for software (in-house use) based on the in-house use period (five years). The straight-line method is mainly used for consolidated overseas subsidiaries.</p>	<p>a. Tangible fixed assets (excluding lease assets)</p> <p>The fixed rate method is used for Toyo Tanso Co., Ltd. and subsidiaries in Japan. The straight-line method is mainly used for consolidated overseas subsidiaries.</p> <p>However, the straight-line method is used for buildings (excluding building-attached facilities) acquired by Ohwada Carbon Industrial Co., Ltd. since April 1, 1998.</p> <p>The main useful lives are as follows.</p> <p style="padding-left: 20px;">Buildings and structures 3 to 50 years</p> <p style="padding-left: 20px;">Machinery, equipment, and vehicles 4 to 9 years</p> <p>b. Intangible fixed assets (excluding lease assets)</p> <p>Same as on the left</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p>(3) Criteria for posting significant reserves</p>	<p>c. Lease assets</p> <p>Lease assets in financial lease transactions without transfer of ownership</p> <p>The straight-line method is applied for useful lives for the lease period, with a residual value of zero.</p> <p>For financial lease transactions without transfer of ownership whose lease period commenced before the first year, the Accounting Standards on Lease Transactions (Financial Accounting Standards No. 13, June 17, 1993 (Business Accounting Council Subcommittee No. 1), revised on March 30, 2007) was applied, accounting treatment based on the treatment used for conventional rental transactions shall continue to be applied.</p>	<p>c. Lease assets</p> <p>Same as on the left</p>
	<p>a. Allowance for doubtful accounts</p> <p>To make allowance for losses on uncollectible accounts, the expected uncollectible amount is posted based on the loss ratio for general receivables and individually examining the collectability of specific doubtful accounts.</p>	<p>a. Allowance for doubtful accounts</p> <p>Same as on the left</p>
	<p>b. Reserves for employees' bonuses</p> <p>Toyo Tanso Co., Ltd. and subsidiaries in Japan post the liability amount of expected payments for the current consolidated fiscal year to provide for bonuses paid to employees.</p> <p>c. Reserve for directors' bonuses</p> <p>Toyo Tanso Co., Ltd. posts the expected payment amount to provide for bonuses paid to directors (including executive officers).</p>	<p>b. Reserves for employees' bonuses</p> <p>Same as on the left</p> <p>c. Reserve for directors' bonuses</p> <p>Same as on the left</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
	<p>d. Reserve for employees' retirement benefits Toyo Tanso Co., Ltd. and subsidiaries in Japan post the amount recognized at the end of the current consolidated fiscal year based on the projected benefit obligations and expected pension assets at the end of the current consolidated fiscal year to provide for employees' retirement benefits. Actuarial differences are treated as a lump-sum expense in the following consolidated fiscal year.</p>	<p>d. Reserve for employees' retirement benefits Same as on the left</p>
(4) Standards for converting significant foreign-denominated assets and liabilities to Japanese yen	<p>Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the consolidated closing date, and revenue and expenses are converted to yen at the average annual exchange rate. Translation differences are then posted as part of minority interests and foreign currency translation adjustments in net assets.</p>	<p>Same as on the left</p>
(5) The amortization method and amortization period for goodwill	<p>_____</p>	<p>Goodwill and negative goodwill is evenly amortized over five years.</p>
(6) Scope of funds contained within the consolidated statement of cash flows	<p>_____</p>	<p>Cash on hand, deposits that can be withdrawn at any time, and short-term investments with high liquidity that can easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.</p>
(7) Other material items relating to the preparation of the consolidated financial statements	<p>Accounting treatment for consumption taxes The tax-excluded method is used.</p>	<p>Accounting treatment of consumption taxes. Same as on the left</p>

Items	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
5. Items concerning the valuation of asset and liabilities of consolidated subsidiaries	Overall mark-to-market valuation is used for the valuation of assets and liabilities of consolidated subsidiaries.	_____
6. Items concerning the amortization of goodwill and negative goodwill	Goodwill and negative goodwill is evenly amortized over five years.	_____
7. Scope of funds contained within the consolidated statement of cash flows	Cash on hand, deposits that can be withdrawn at any time, and short-term investments with high liquidity that can easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.	_____

(6) Changes in significant items that form the basis of preparations for consolidated financial statements

From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p>(Application of Partial Revision (No. 3) of Accounting Standards for Retirement Benefits) The Partial Revision (No. 3) of Accounting Standards for Retirement Benefits (Financial Accounting Standards No. 19, July 31, 2008) has been applied from the current consolidated fiscal year. Note that this change did not have an impact on operating profit, recurring profit, or profit before income taxes.</p> <p style="text-align: center;">_____</p>	<p style="text-align: center;">_____</p> <p>(Application of the Accounting Standards for Asset Retirement Obligations) The Accounting Standards for Asset Retirement Obligations (Financial Accounting Standards No. 18, March 31, 2008) and Application Guidance for the Accounting Standards for Asset Retirement Obligations (Guidance on Financial Accounting Standards No. 21, March 31, 2008) have been applied from the current consolidated fiscal year. As a result, operating profit and recurring profit were both reduced by 9,256 thousand yen, and profit before income taxes was reduced by 225,504 thousand yen.</p>

(7) Change in presentation method

From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p style="text-align: center;">_____</p>	<p>(Consolidated statements of income) With the application of the Cabinet Office Ordinance Partially Correcting Regulations Concerning Financial Statement Terminology, Format, and Presentation Method (Cabinet Office Ordinance No. 5, March 24, 2009) based on the Accounting Standards for Consolidated Financial Statements (Financial Accounting Standards No. 22, December 26, 2008), the item 'Income before minority interests' has been stated from the current consolidated fiscal year.</p>

(8) Additional information

From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
<p style="text-align: center;">_____</p>	<p>The Accounting Standards on the Presentation of Comprehensive Income (Financial Accounting Standards No. 25, June 30, 2010) has been applied from the current consolidated fiscal year. Note that the amounts stated in 'Accumulated other comprehensive income' and 'Total accumulated other comprehensive income' for the previous consolidated fiscal year are the amounts stated in 'Revaluation and translation gains (losses)' and 'Total revaluation and translation gains (losses).'</p>

(9) Notes regarding the consolidated financial statement

(Regarding the consolidated comprehensive income statement)

Consolidated fiscal year ended May 31, 2011 (From June 1, 2010 to May 31, 2011)

*1. Comprehensive income in the consolidated fiscal year ended May 31, 2010

	(Thousands of yen, rounded down)
Comprehensive income attributable to parent company shareholders:	835,290
<u>Comprehensive income attributable to minority interests:</u>	<u>9,994</u>
Total	845,284

*2. Other comprehensive income in the consolidated fiscal year ended May 31, 2010

	(Thousands of yen, rounded down)
Unrealized gains (losses) on available-for-sale securities:	857
<u>Foreign currency translation adjustments:</u>	<u>(648,227)</u>
Total	(647,370)

(Segment Information)

a. Business Segment Information

Previous consolidated fiscal year (from June 1, 2009 to May 31, 2010)

Business segment information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product related business.

b. Geographic Segment Information

Previous consolidated fiscal year (from June 1, 2009 to May 31, 2010)

	(Thousands of yen, rounded down)						
	Japan	North America	Europe	Asia	Total	Corporate and elim.	Consolidated
I. Sales and operating profit							
Sales							
(1) Sales to unaffiliated customers	15,546,466	2,487,339	2,637,299	7,253,748	27,924,853	-	27,924,853
(2) Intersegment sales or transfers	5,304,695	24,936	2,232	102,492	5,434,356	(5,434,356)	-
Total	20,851,162	2,512,275	2,639,531	7,356,240	33,359,210	(5,434,356)	27,924,853
Operating Expenses	20,318,244	2,520,261	2,514,971	6,220,756	31,574,234	(5,902,521)	25,671,713
Operating Profit (loss)	532,917	(7,985)	124,560	1,135,483	1,784,975	468,164	2,253,140
II. Assets	54,700,185	2,378,375	2,598,410	10,591,361	70,268,333	(8,482,103)	61,786,229

- Notes:
- Countries or regions are grouped together based on geographic proximity.
 - The major countries or regions included in each geographic segment (except Japan) are listed below.
 - North America: United States
 - Europe: France, Germany, Italy
 - Asia: China, Taiwan
 - Unallocated amounts for operating expenses for the above period are not included in Corporate and Eliminations.
 - There are no assets that are included in Corporate and Eliminations in the above period.

c. Overseas Sales

Previous consolidated fiscal year (from June 1, 2009 to May 31, 2010)

(Thousands of yen, rounded down)

	North America	Europe	Asia	Rest of world	Total
I Overseas sales	2,376,858	3,058,813	10,017,593	180,003	15,633,269
II Consolidated sales					27,924,853
III Overseas sales as a proportion of consolidated sales (%)	8.5	11.0	35.9	0.6	56.0

- Notes:
1. Countries or regions are grouped together based on geographic proximity.
 2. The major countries or regions included in each geographic segment are listed below.
 - (1) North America: United States
 - (2) Europe: France, Germany, Italy
 - (3) Asia: China, Taiwan
 3. The overseas sales are the sales of the Company and its consolidated subsidiaries in countries or regions excluding Japan.

d. Reportable segments

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

1. Reportable Segments

The reportable segments of the Toyo Tanso Group are business components for which separate financial information is available and whose operating results are regularly reviewed by the board of directors in order to decide on the allocation of management resources and evaluate performance.

The Company primarily engages in the manufacture and sale of carbon products, in Japan through Toyo Tanso and domestic subsidiaries, and abroad through overseas subsidiaries based in the United States, Europe, and Asia. All overseas subsidiaries are independently managed companies. They conduct business by formulating their own comprehensive regional strategies for the products they handle.

For this reason, our business is composed of segments that are based on region-based production and sales frameworks, and is categorized into the four reportable segments of Japan, United States, Europe, and Asia.

2. Calculation methods of net sales, profits, losses, assets, liabilities and other items per reportable segment

The accounting methods of reportable segments are by and large the same as those described in "Changes in the significant items that form the basis of preparations for consolidated financial statements."

Profits of reportable segments are recorded on an operating income basis.

Inter-segment sales are based on prices in arms-lengths transactions.

3. Information on net sales, profits, losses, assets, liabilities and other items per reportable segment

Previous consolidated fiscal year (from June 1, 2009 to May 31, 2010)

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	15,546,466	2,487,339	2,637,299	7,253,748	27,924,853	-	27,924,853
(2) Intersegment sales or transfers	5,304,695	24,936	2,232	102,492	5,434,356	(5,434,356)	-
Total	20,851,162	2,512,275	2,639,531	7,356,240	33,359,210	(5,434,356)	27,924,853
Segment profit (loss)	532,917	(7,985)	124,560	1,135,483	1,784,975	468,164	2,253,140
Segment asset	54,700,185	2,378,375	2,598,410	10,591,361	70,268,333	(8,482,103)	61,786,229
Other items							
(1) Depreciation	3,293,707	142,939	102,318	216,529	3,755,494	(2,421)	3,753,073
(2) Amortization of goodwill	10,906	-	-	-	10,906	-	10,906
(3) Increases in tangible and intangible fixed assets	8,531,430	142,715	290,982	1,213,002	10,178,131	(5,469)	10,172,662

(Notes) 1. The adjusted amounts are as follows:

- (1) Adjusted segment profit (loss) mainly takes into account the elimination of inter-segment transactions and unrealized income.
 - (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
 - (3) Adjusted increases in the amounts of tangible and intangible fixed assets take into account the elimination of inter-segment unrealized income.
2. Segment profit (loss) has been adjusted to reflect the operating profit recorded in the consolidated statement of income.

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	20,062,677	2,992,915	3,121,717	11,380,490	37,557,801	-	37,557,801
(2) Intersegment sales or transfers	7,642,395	127,765	11,756	116,166	7,898,084	(7,898,084)	-
Total	27,705,072	3,120,681	3,133,473	11,496,656	45,455,885	(7,898,084)	37,557,801
Segment profit	2,698,259	33,717	421,005	2,351,516	5,504,498	363,371	5,868,229
Segment asset	56,821,560	2,408,571	3,178,242	12,304,908	74,713,282	(9,521,641)	65,191,641
Other items							
(1) Depreciation	4,550,816	137,028	87,180	229,462	5,004,487	(4,955)	4,999,532
(2) Amortization of goodwill	10,906	-	-	-	10,906	-	10,906
(3) Increases in tangible and intangible fixed assets	2,078,868	320,128	85,502	719,967	3,204,467	(15,374)	3,189,092

(Notes) 1. The adjusted amounts are as follows:

- (1) Adjusted segment profit mainly takes into account the elimination of inter-segment transactions and unrealized income.
 - (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
 - (3) Adjusted increases in the amounts of tangible and intangible fixed assets take into account the elimination of inter-segment transactions and unrealized income.
2. Segment profit has been adjusted to reflect the operating profit recorded in the consolidated statement of income.

e. Related information

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

1. Information per product and service

This information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product-related business.

2. Information per region

(1) Sales

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	15,230,777	2,819,543	3,464,413	15,719,381	10,866,119	323,685	37,557,801
Composition (%)	40.5	7.5	9.2	41.9	28.9	0.9	100.0

(Notes) 1. Sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.

2. The major countries or regions included in each geographic segment are listed below.

- (1) North America: United States
- (2) Europe: France, Germany, Italy
- (3) Asia: China, Taiwan, South Korea

(2) Tangible fixed assets

(Thousands of yen, rounded down)

Japan	United States	Europe	Asia	Total
21,571,816	1,030,003	963,742	2,596,654	26,162,216

3. Information per major customer

This information has been omitted because we do not have any unaffiliated customers that have accounted for more than 10% of sales in the consolidated statement of income.

f. Information on impairment loss for fixed assets per reportable segment

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

Not applicable.

g. Information on the amortization of goodwill and unamortized balance per reportable segment

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total	Corporate and elim.	Total
Balance at end of the fiscal year	10,906	-	-	-	10,906	-	10,906

(Note) Our records regarding amortization of goodwill have been omitted because the same information is described in our segment information.

h. Information regarding gains on negative goodwill by reportable segment

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

Not applicable.

(Additional information)

Current consolidated fiscal year (From June 1, 2010 to May 31, 2011)

Effective as of the current consolidated fiscal year under review, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) have been adopted.

(Per share information)

From June 1, 2009 to May 31, 2010		From June 1, 2010 to May 31, 2011	
Net assets per share	2,306.55 yen	Net assets per share	2,436.8 yen
Net income per share	69.56 yen	Net income per share	178.43 yen
Diluted net income per share	69.56 yen	Diluted net income per share is not presented as there are no potential shares with dilutive effects.	

(Note) The basis for calculation of net income per share and diluted net income per share is as follows.

	From June 1, 2009 to May 31, 2010	From June 1, 2010 to May 31, 2011
Net income per share		
Net income (thousands of yen)	1,442,240	3,699,571
Amount not attributed to common shareholders (thousands of yen)	-	-
Net income related to common shares (thousands of yen)	1,442,240	3,699,571
Average outstanding shares during the fiscal year (shares)	20,734,498	20,734,470
Diluted net income per share		
Net income adjustment (thousands of yen)	-	-
Increase in number of common shares	466	-
Overview of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	-	-

(Significant subsequent events)

Not applicable

(Disclosure omissions)

The disclosure of notes related to lease transactions, financial instruments, securities, derivatives transactions, projected benefit obligations, and tax effect accounting has been omitted from the consolidated financial results as the necessity of disclosure of these items is not believed to be very high.

5. Others

(1) Orders and sales by product category

i. Orders

(Unit: millions of yen)

Products	Year ended May 31, 2010					Year ended May 31, 2011				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	2,530	3,539	3,643	4,349	14,062	4,900	4,413	5,285	6,158	20,758
Carbon products for general industries (for mechanical applications)	484	523	585	630	2,223	628	686	699	841	2,856
Carbon products for general industries (for electrical applications)	1,155	598	891	1,216	3,861	1,190	1,003	1,217	967	4,379
Compound materials and other products	1,715	1,297	2,627	4,011	9,652	2,462	2,093	2,144	2,549	9,249
Total	5,885	5,958	7,747	10,207	29,799	9,182	8,197	9,347	10,516	37,243

ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2010				Year ended May 31, 2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	1,522	1,686	2,030	2,637	3,336	3,328	3,834	4,787
Carbon products for general industries (for mechanical applications)	282	306	344	382	418	464	512	648
Carbon products for general industries (for electrical applications)	613	414	387	616	679	648	947	1,030
Compound materials and other products	1,560	1,728	2,789	3,983	4,406	3,865	3,799	3,930
Total	3,978	4,136	5,551	7,620	8,840	8,307	9,094	10,397

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2010					Year ended May 31, 2011				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	2,958	3,514	3,525	4,186	14,184	4,551	4,681	5,031	5,598	19,863
[Electronics applications]	1,437	1,783	1,757	2,079	7,057	2,611	2,630	2,983	3,506	11,731
[General industries applications]	1,307	1,495	1,547	1,840	6,190	1,737	1,844	1,810	1,846	7,238
[Others]	213	235	220	267	936	203	206	237	245	893
Carbon products for general industries (for mechanical applications)	537	504	565	663	2,269	625	678	684	741	2,728
Carbon products for general industries (for electrical applications)	884	1,030	970	1,046	3,931	1,128	1,063	955	935	4,082
Compound materials and other products	1,442	1,318	1,456	2,494	6,711	2,423	2,648	2,234	2,427	9,734
[3 major products]	1,230	1,118	1,268	2,184	5,802	2,124	2,257	1,838	2,070	8,290
[Other products]	212	199	187	309	908	298	391	395	357	1,443
Related goods	163	292	206	164	827	325	287	270	265	1,149
Total	5,986	6,659	6,723	8,554	27,924	9,054	9,358	9,175	9,968	37,557

(2) Overview

Special graphite products

In electronics applications, sales of special graphite products for the manufacture of solar cells rose dramatically, thanks to the growing trend toward environmentally friendly and energy-saving products, particularly in the latter half of the fiscal year. Demand sharply expanded in the Asian region, primarily in China, our mainstay market, and continued to be firm in Japan, Europe and the United States. Current demand remains brisk owing to continued strong motivation for the installation of solar cell manufacturing equipment among our major customers, especially in China, South Korea and Taiwan. Orders for products for the manufacture of single crystal silicon were only slightly affected by the earthquake disaster. As a whole, sales were firm in response to the increase in overseas sales and expansion of the semiconductor market.

Demand for special graphite products for general industries applications remained strong on the whole, primarily due to the increase in overseas demand for our mainstay products for electrical discharge machine (EDM) electrodes and metallurgical applications, in line with the economic recovery. Demand in the domestic market withstood the impact of the strong yen and other structural problems.

Carbon products for general industries

Overall, sales of carbon products for mechanical applications continued to recover gradually in tandem with the economic upturn, thanks to our success in meeting reconstruction-related demand and progress in cultivating overseas demand. Such sales recovered despite concerns in the domestic market that demand had peaked out owing to structural issues stemming from the strong yen.

Among carbon products for electrical applications, sales of our core products for small motors intended for vacuum cleaners and electric power tools were generally firm until the first half of this fiscal year. However, we faced such obstacles as a slowdown in Chinese demand, stiffer price competition and the effects of the stronger yen during the second half of the fiscal year. Sales of carbon products for cars, such as fuel pumps, leveled off owing partly to the repercussions of a decline in domestic auto output.

Compound materials and other products

Orders for SiC (silicon carbide)-coated graphite products sharply increased mainly in the first half of the fiscal year, bolstered by the high growth in sales of LED-related products primarily in Asia and an upturn in sales of semiconductor-related products. Among such graphite products, demand for LED-related products has entered into a temporary adjustment phase in the latter half of the fiscal year in reaction to the steep rise in the first half, but it has clearly recovered now in response to the energy-saving trend.

Orders for C/C composite products had expanded significantly partly as a result of the steady increase in demand for C/C crucibles for the manufacture of single crystal silicon, due in part to the expansion of our customer base. The dramatic increase also stemmed from new orders for products for the manufacture of solar cells and orders for products for nuclear fusion reactors and other large projects.

Orders for graphite sheet products, chiefly for semiconductor and solar cell-related applications, remained brisk, while some orders for automobiles were stagnant.