

April 12, 2012

## Consolidated Financial Results for the Nine Months Ended February 29, 2012 [Japanese GAAP]

Listed company name:	<b>Toyo Tanso Co., Ltd.</b>
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Location of headquarters:	Osaka, Japan
Website:	<a href="http://www.toyotanso.co.jp">http://www.toyotanso.co.jp</a>
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Scheduled date for submission of quarterly report:	April 13, 2012
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

### 1. Consolidated financial results for the nine months ended February 29, 2012

(From June 1, 2011 to February 29, 2012)

#### (1) Operating results (cumulative total)

(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	
		%		%		%		%
Nine months ended February 29, 2012	30,073	9.0	5,290	21.6	5,380	29.5	3,035	5.9
Nine months ended February 28, 2011	27,589	42.4	4,349	276.7	4,154	319.0	2,866	386.5

Note: Comprehensive income:  
 Nine months ended February 29, 2012 2,962 million yen (up 38.9%)  
 Nine months ended February 28, 2011 2,133 million yen (- %)

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended February 29, 2012	146.40	-
Nine months ended February 28, 2011	138.24	-

#### (2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio
			%
As of February 29, 2012	68,185	54,260	77.4
As of May 31, 2011	65,191	51,748	77.5

Reference: Shareholders' equity  
 February 29, 2012 52,743 million yen  
 May 31, 2011 50,510 million yen

## 2. Dividends

	Dividends per share (yen)				
	First quarter end	Second quarter end	Third quarter end	Year-end	Total (Full year)
Year ended May 31, 2011	-	-	-	22.00	22.00
Year ending May 31, 2012 (Actual)	-	-	-	-	-
Year ending May 31, 2012 (Forecast)	-	-	-	25.00	25.00

(Note) Revisions of projected dividends most recently announced: None

## 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 previous fiscal year.

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
		%		%		%		%	yen
Full year	40,000	6.5	6,300	7.4	6,300	12.2	4,000	8.1	192.92

(Note) Revisions of consolidated forecasts most recently announced: None

## 4. Others

### (1) Changes in significant subsidiaries during the quarter under review: None

(Changes in specified subsidiaries accompanying changes in scope of consolidation)

New subsidiaries: \_\_\_ (name of company(ies) )

Excluded subsidiaries: \_\_\_ (name of company(ies) )

### (2) Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to “Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements” on page 3 of the Attached Documents.

### (3) Changes in accounting policies and accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(Note) For details, please refer to “Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements” on page 3 of the Attached Documents.

### (4) Number of shares outstanding (common stock)

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

As of February 29, 2012 20,750,688 shares

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

ii. Number of treasury stock at the end of period

As of February 29, 2012 16,315 shares

As of May 31, 2011 16,265 shares

iii. Average number of shares during the period (quarterly cumulative total)

Third quarter ended February 29, 2012 20,734,414 shares

Third quarter ended February 28, 2011 20,734,473 shares

\* Implementation status of quarterly review procedures

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

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

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 “Qualitative Information Regarding Consolidated Results Forecast” on page 3 of the Attached Documents.

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## **1. Qualitative Information Regarding Consolidated Results for the Quarter under Review**

### **(1) Qualitative Information Regarding Consolidated Operating Results**

During the third quarter under review, the global economy on the whole gradually continued on its road to recovery, buttressed by economic growth in Asia and other emerging countries. The Japanese economy showed visible signs of recovery as the impact of the Great East Japan Earthquake gradually waned. After the summer months, however, concerns of an economic downturn in Japan and abroad have heightened, due to the growing feeling of a slowdown in the global economy precipitated by the European debt crisis and the ramifications of the historically strong yen.

Amid these circumstances, the Toyo Tanso Group concentrated its efforts on improving and expanding its performance by more widely broadening its sales reach in general industrial and mechanical sectors in addition to the environment and energy sectors, and also by shifting its focus to high value-added and high-profit goods. However, this performance momentum lost steam in early autumn as the solar cell market entered an adjustment phase after a continuous period of rapid growth.

As a result, the Group's business performance improved during the third quarter under review. Net sales totaled 30,073 million yen (up 9.0% from the same term last year), operating profit 5,290 million yen (up 21.6%), and recurring profit 5,380 million yen (up 29.5%). Net income for the quarter was 3,035 million yen (up 5.9%).

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

#### **Japan**

Sales in Japan grew steadily on the whole, as the impact of the earthquake gradually waned and the economy began to recover with the absorption of reconstruction-related demand. As a result, net sales for the quarter in Japan were 15,039 million yen and operating profit was 2,603 million yen.

#### **United States**

Despite the impact of the strong yen, a recovery trend continued mainly in the sales of products for solar cell and compound semiconductor applications. As a result, net sales for the quarter in the United States were 2,273 million yen and operating profit came to 127 million yen.

#### **Europe**

Sales in Europe, particularly of industrial furnace and brush products, fared relatively well despite the impact of the strong yen and a stalling of demand for products for solar cell applications. As a result, net sales for the quarter in Europe were 2,228 million yen and operating profit was 312 million yen.

#### **Asia**

Given the booming market particularly in China and other emerging countries, business in Asia grew at an exceedingly robust pace overall, with an upsurge in demand for our core products for solar cell applications and expanded sales of products for metallurgical and other general industrial applications. Sales of products for solar cell applications, however, took a dive in the third quarter. As a result, net sales for the quarter in Asia were 10,532 million yen and operating profit was 2,510 million yen.

### **(2) Qualitative Information Regarding Consolidated Financial Position**

Total assets as of February 29, 2012 increased by 2,993 million yen from the end of the previous consolidated fiscal year. This increase is mainly attributable to the 368 million yen rise in trade notes and accounts receivable from increased sales, the 2,478 million yen rise in inventories through the systematic accumulation of intermediate stock, etc., and the 925 million yen rise in tangible fixed assets, which more than compensated for the 1,125 million yen decrease in cash on hand and in banks after payment for the acquisition of tangible fixed assets, etc.

Total liabilities increased by 481 million yen from the end of the previous consolidated fiscal year. This is primarily the result of a 467 million yen increase in trade notes and accounts payable due to increased procurement of raw materials, etc. and a 1,034 million yen rise in accrued amount payable due to capital investment, which eclipsed the 353 million yen decrease in interest-bearing debt and the 756 million yen decrease in income taxes payable.

Total equity increased by 2,512 million yen from the end of the previous consolidated fiscal year. This net increase chiefly stemmed from such factors as an increase of 2,579 million yen in retained earnings.

### **(3) Qualitative Information Regarding Consolidated Results Forecast**

While there are views that domestic and overseas economic conditions going forward will continue on a mild recovery path, the future outlook is dampened by a heightening sense of uncertainty stemming from concerns about a global economic downturn precipitated by a deepening of the European debt crisis and other such negative sentiments.

Conditions surrounding our Group are also marking time, due to the persistently strong yen and to our mainstay solar cell market entering an adjustment phase. To make up for this temporary standstill, we will make active efforts to expand sales in a broad range of sectors, including the robust general industrial and machinery application sectors, while also pushing forward our strategies for medium and long-term growth.

In view of the above conditions and the fact that our business performance for the third quarter under review moved forward as planned, no changes will be made to the consolidated results forecast for the full fiscal year that was announced on October 13, 2011.

## **2. Items regarding summary information (Others)**

### **(1) Changes in significant subsidiaries during the quarter period under review**

None

### **(2) Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements**

Tax expense calculation

Tax expenses are calculated by multiplying profit before income taxes by an effective tax rate, which is reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the third quarter under review.

The income taxes-deferred is included in income taxes.

### **(3) Changes in accounting policies and accounting estimates and restatements**

Changes in accounting policies

Adoption of the Accounting Standard for Earnings Per Share and others

From the first quarter of the fiscal year under review, the Company has applied the “Accounting Standard for Earnings Per Share” (Accounting Standards Board of Japan (ASBJ) Statement No.2, June 30, 2010); and the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4, June 30, 2010).

The Company has changed the method by which it calculates quarterly diluted earnings per share as follows. For stock options that vest after a specified service period, the Company now includes the portion of stock options’ fair value attributable to future services provided to our company when calculating the cash proceeds assumed to be receivable upon exercise of the stock options.

However, this revision does not have any impact on quarterly diluted earnings per share.

## **3. Key events regarding the premise of a going concern**

None

## 4. Quarterly Consolidated Financial Statements

### (1) Quarterly consolidated balance sheets

	(Thousands of yen, rounded down)	
	Previous consolidated fiscal year As of May 31, 2011 Amount	Third quarterly consolidated fiscal year As of February 29, 2012 Amount
<b>Assets</b>		
Current assets		
Cash on hand and in banks	9,283,891	8,157,963
Trade notes and accounts receivable	13,047,069	13,415,588
Merchandise and finished goods	4,761,418	6,699,607
Work in process	6,182,218	6,336,472
Raw materials and stores	1,511,288	1,897,684
Other	1,591,422	1,759,178
Allowance for doubtful accounts	(111,741)	(107,137)
Total current assets	36,265,565	38,159,357
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net)	7,373,417	7,304,791
Machinery, equipment, and vehicles (Net)	12,096,129	11,817,529
Land	5,296,473	5,721,485
Construction in progress	655,395	1,461,114
Other (Net)	740,800	783,286
Total tangible fixed assets	26,162,216	27,088,207
Intangible fixed assets	785,261	857,875
Investments and other assets	1,978,597	2,079,826
Total fixed assets	28,926,075	30,025,910
<b>Total assets</b>	65,191,641	68,185,267

(Thousands of yen, rounded down)

	Previous consolidated fiscal year As of May 31, 2011 Amount	Third quarterly consolidated fiscal year As of February 29, 2012 Amount
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	2,950,193	3,417,547
Short-term borrowings	1,406,013	1,404,493
Accrued amount payable	2,538,873	3,573,607
Income taxes payable	1,495,600	739,413
Reserve for employees' bonuses	825,271	518,984
Reserve for directors' and corporate auditors' bonuses	78,480	-
Other	1,788,486	2,258,046
Total current liabilities	<u>11,082,920</u>	<u>11,912,092</u>
Long-term liabilities		
Long-term borrowings	665,014	313,164
Reserve for employees' retirement benefits	658,878	621,136
Asset retirement obligations	278,121	271,247
Other	758,342	807,233
Total long-term liabilities	<u>2,360,356</u>	<u>2,012,781</u>
<b>Total liabilities</b>	<u>13,443,276</u>	<u>13,924,874</u>
<b>Equity</b>		
Shareholders' equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	35,169,221	37,748,631
Treasury stock - at cost	(57,630)	(57,783)
Total shareholders' equity	<u>52,338,853</u>	<u>54,918,110</u>
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	2,941	23,227
Foreign currency translation adjustments	(1,831,083)	(2,198,092)
Total accumulated other comprehensive income	<u>(1,828,141)</u>	<u>(2,174,865)</u>
Share warrants	20,088	27,900
Minority interests	1,217,565	1,489,247
<b>Total equity</b>	<u>51,748,364</u>	<u>54,260,392</u>
<b>Total liabilities and equity</b>	<u>65,191,641</u>	<u>68,185,267</u>



**(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**  
 (Quarterly consolidated statements of income)  
 Nine months ended February 29, 2012

(Thousands of yen, rounded down)

	Nine months ended	Nine months ended
	February 28, 2011	February 29, 2012
	Amount	Amount
<b>Net sales</b>	27,589,092	30,073,497
Cost of goods sold	18,726,356	19,854,260
Gross profit	8,862,736	10,219,237
Selling, general and administrative expenses	4,512,976	4,929,010
Operating profit	4,349,760	5,290,226
Non-operating income		
Interest income	21,191	30,819
Dividends earned	5,941	11,149
Gain on foreign currency option	73,070	32,152
Gain on reversal of accrued legal claim	-	56,739
Other	40,597	52,808
Total non-operating income	140,800	183,669
Non-operating expenses		
Interest expenses	36,352	24,960
Foreign exchange losses	288,626	46,978
Other	10,799	21,823
Total non-operating expenses	335,778	93,762
Recurring profit	4,154,781	5,380,134
Extraordinary profit		
Gain on sale of investment securities	-	1,200
Gain on sale of fixed assets	87,702	63,466
Subsidies received	400	-
Total extraordinary profit	88,102	64,666
Extraordinary losses		
Loss on sale of fixed assets	4,016	894
Loss on disposal of fixed assets	16,679	51,790
Effect of application of the Accounting Standard for Asset Retirement Obligations	216,240	-
Payment of prior-year custom duties, etc.	23,894	-
Total extraordinary losses	260,829	52,685
Profit before income taxes	3,982,054	5,392,116
Income taxes	900,800	1,483,296
Prior-year corporate taxes, etc.	-	540,231
Income before minority interests	3,081,254	3,368,588
Minority interests	214,953	333,021
Net income	2,866,300	3,035,566

(Quarterly consolidated statements of comprehensive income)  
 Nine months ended February 29, 2012

(Thousands of yen, rounded down)

	Nine months ended February 28, 2011	Nine months ended February 29, 2012
	Amount	Amount
<b>Income before minority interests</b>	3,081,254	3,368,588
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	5,491	20,286
Foreign currency translation adjustments	(953,560)	(426,224)
Total other comprehensive income	(948,069)	(405,938)
Comprehensive income	2,133,184	2,962,649
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,018,001	2,688,843
Comprehensive income attributable to minority interests	115,183	273,806

### (3) Notes regarding the premise of a going concern

Not applicable.

### (4) Segment information

#### I. Nine months ended February 28, 2011 (From June 1, 2010 to February 28, 2011)

##### 1. Information on net sales and the amount of profits and losses per reportable segment

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the quarterly consolidated statement of income (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	15,000,114	2,160,597	2,260,984	8,167,396	27,589,092	-	27,589,092
(2) Intersegment sales or transfers	5,309,770	60,625	11,875	96,462	5,478,734	(5,478,734)	-
Total	20,309,885	2,221,222	2,272,860	8,263,858	33,067,826	(5,478,734)	27,589,092
Segment profit (loss)	2,118,929	(15,126)	308,807	1,534,913	3,947,524	402,235	4,349,760

(Notes) 1. Adjusted segment profit (loss) mainly takes into account the elimination of inter-segment transactions and unrealized income.

2. Segment profit (loss) has been adjusted to reflect the operating profit recorded in the quarterly consolidated statement of income.

##### 2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	11,561,310	2,061,609	2,533,805	11,218,117	7,723,321	214,248	27,589,092
Composition (%)	41.9	7.5	9.2	40.6	28.0	0.8	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 (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

## II. Third quarter under review (from June 1, 2011 to February 29, 2012)

### 1. Information on net sales and the amount of profits per reportable segment

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the quarterly consolidated statement of income (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	15,039,407	2,273,426	2,228,553	10,532,110	30,073,497	-	30,073,497
(2) Intersegment sales or transfers	6,736,902	275,877	38,914	57,130	7,108,824	(7,108,824)	-
Total	21,776,309	2,549,303	2,267,468	10,589,240	37,182,322	(7,108,824)	30,073,497
Segment profit	2,603,780	127,768	312,753	2,510,953	5,555,257	(265,030)	5,290,226

(Notes) 1. Adjusted segment profit mainly takes 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 quarterly consolidated statement of income.

### 2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	11,699,265	2,219,106	2,535,107	13,441,027	10,112,579	178,989	30,073,497
Composition (%)	38.9	7.4	8.4	44.7	33.6	0.6	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 (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

### (5) Notes if the amount of shareholders' equity has changed significantly

Not applicable.

## 5. Supplementary Information

### (1) Orders and sales by product category

#### i. Orders

(Unit: millions of yen)

Products	Year ended May 31, 2011						Year ending May 31, 2012			
	1Q	2Q	3Q	3Q cumulative	4Q	Fiscal year total	1Q	2Q	3Q	3Q cumulative
Special graphite products	4,900	4,413	5,285	14,600	6,158	20,758	6,154	5,440	3,265	14,859
Carbon products for general industries (for mechanical applications)	628	686	699	2,015	841	2,856	860	740	726	2,327
Carbon products for general industries (for electrical applications)	1,190	1,003	1,217	3,411	967	4,379	1,085	821	1,072	2,978
Compound materials and other products	2,462	2,093	2,144	6,700	2,549	9,249	2,121	1,880	1,749	5,750
Total	9,182	8,197	9,347	26,727	10,516	37,243	10,221	8,882	6,813	25,916

#### ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2011				Year ending May 31, 2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Special graphite products	3,336	3,328	3,834	4,787	4,956	4,494	3,712
Carbon products for general industries (for mechanical applications)	418	464	512	648	748	731	706
Carbon products for general industries (for electrical applications)	679	648	947	1,030	1,128	1,017	1,176
Compound materials and other products	4,406	3,865	3,799	3,930	3,508	3,055	2,612
Total	8,840	8,307	9,094	10,397	10,342	9,299	8,208

#### iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2011						Year ending May 31, 2012			
	1Q	2Q	3Q	3Q cumulative	4Q	Fiscal year total	1Q	2Q	3Q	3Q cumulative
Special graphite products	4,551	4,681	5,031	14,264	5,598	19,863	5,972	5,795	4,173	15,941
[Electronics applications]	2,611	2,630	2,983	8,225	3,506	11,731	3,649	3,565	1,855	9,070
[General industries applications]	1,737	1,844	1,810	5,392	1,846	7,238	2,035	1,946	1,972	5,954
[Others]	203	206	237	647	245	893	287	283	346	916
Carbon products for general industries (for mechanical applications)	625	678	684	1,987	741	2,728	793	796	785	2,375
Carbon products for general industries (for electrical applications)	1,128	1,063	955	3,146	935	4,082	1,012	959	953	2,925
Compound materials and other products	2,423	2,648	2,234	7,306	2,427	9,734	2,961	2,785	2,401	8,149
[3 major products]	2,124	2,257	1,838	6,220	2,070	8,290	2,600	2,437	1,977	7,015
[Other products]	298	391	395	1,085	357	1,443	361	348	424	1,133
Related goods	325	287	270	883	265	1,149	235	222	223	681
Total	9,054	9,358	9,175	27,589	9,968	37,557	10,976	10,559	8,538	30,073

## **(2) Overview**

### Special graphite products

Products for solar cell applications, which comprise our core applications, supported overall demand in the electronics applications category until the second quarter, but have entered a major adjustment phase in autumn, as has been expected. Demand for products for the manufacture of single crystal silicon continued to flag, in reflection of the sluggish semiconductor industry.

In the general industrial applications category, demand for special graphite products maintained its steady trend, supported by economic recovery in Japan and economic growth in emerging countries. As a result, relatively strong demand was created for automotive products and products for industrial furnaces and metallurgical applications in domestic and overseas markets.

### Carbon products for general industries

Sales of carbon products for mechanical applications expanded, thanks largely to increased domestic demand for such products as bearings and seals partly bolstered by the economic upturn as well as our progress in meeting reconstruction-related demand.

Among carbon products for electrical applications, sales of products for small motors intended for vacuum cleaners and electric power tools remained largely unchanged, due to increasing competition in our mainstay Chinese market and the impact of the strong yen.

### Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products grew sluggish on the whole. Although their demand had seemed to bottom out, the adjustment of LED products in reaction against their surging growth is taking longer than expected. In the C/C composite products category, demand for products for industrial furnaces and semiconductors fared strongly, while products for solar cells lost their steady momentum in the third quarter. In the graphite sheet products category, sales of semiconductor products failed to pick up, but overall performance remained strong, supported by steady demand for automotive products.