

Consolidated Financial Results for the Fiscal Year Ended May 31, 2012 [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
 Website: <http://www.toyotanso.co.jp>
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 Scheduled date for ordinary general meeting of shareholders: August 30, 2012
 Scheduled date for dividend payment: August 31, 2012
 Scheduled date for submission of securities report: August 31, 2012
 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, 2012

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

(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, 2012	38,714	3.1	6,055	3.2	6,062	8.0	3,466	(6.3)
Fiscal year ended May 31, 2011	37,557	34.5	5,868	160.4	5,614	171.2	3,699	156.5

Note: Comprehensive income:
 Fiscal 2012 3,851 million yen (up 14.6%)
 Fiscal 2011 3,359 million yen (up 297.2%)

	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, 2012	167.20	-	6.7	8.8	15.6
Fiscal year ended May 31, 2011	178.43	-	7.5	8.8	15.6

Reference: Equity in earnings of affiliates
 May 31, 2012 - million yen
 May 31, 2011 - million yen

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Equity per share
			%	yen
As of May 31, 2012	71,900	55,064	74.4	2,580.53
As of May 31, 2011	65,191	51,748	77.5	2,436.08
Reference: Shareholders' equity				
May 31, 2012		53,505 million yen		
May 31, 2011		50,510 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, 2012	3,964	(3,920)	158	7,205
Fiscal year ended May 31, 2011	7,301	(5,380)	(550)	7,090

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, 2011	-	-	-	22.00	22.00	456	12.3	0.9
Year ended May 31, 2012	-	-	-	25.00	25.00	518	15.0	1.0
Year ending May 31, 2013 (Forecast)	-	-	-	25.00	25.00		14.8	

Consolidated results forecast for the fiscal year ending May 31, 2013

(From June 1, 2012 to May 31, 2013)

(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	17,000	(21.1)	1,900	(56.9)	1,800	(58.7)	1,100	(53.9)	53.05
Fiscal year ending May 31, 2013	37,000	(4.4)	5,500	(9.2)	5,400	(10.9)	3,500	1.0	168.80

* **Others**

(1) Changes in significant subsidiaries during the period:

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

New subsidiaries: ____

Excluded subsidiaries: ____

(2) Changes in accounting policies and accounting estimates and restatements

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

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

For details, please refer to “Changes in accounting policies” on page 23 and “Additional information” on page 24 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, 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 May 31, 2012 16,365 shares

As of May 31, 2011 16,265 shares

(iii) Average number of shares during the period

As of May 31, 2012 20,734,397 shares

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

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Non-consolidated financial results for the fiscal year ended May 31, 2012

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

(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, 2012	28,437	2.6	2,483	9.1	2,750	21.5	1,310	(1.6)
Fiscal year ended May 31, 2011	27,707	32.9	2,276	980.6	2,263	439.8	1,331	238.1

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended May 31, 2012	63.18	-
Fiscal year ended May 31, 2011	64.20	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Net assets per share
			%	yen
As of May 31, 2012	56,194	42,610	75.8	2,053.75
As of May 31, 2011	52,145	41,747	80.0	2,012.46

Reference: Shareholders' equity

May 31, 2012

42,583 million yen

May 31, 2011

41,727 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 2 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 23, 2012. 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, 2012

During the consolidated fiscal period under review, the global economy continued to recover gradually in the first half, but in the second half there were growing signs of a global slowdown on the back of Europe's debt crisis and concerns about sluggish growth in emerging economies. The Japanese economy steadily recovered as manufacturing activity picked up and capital spending resumed, but the recovery was hampered by the entrenchment of the yen at historically high rates and the global economic slowdown. As a result, the economy is locked in a temporary standstill.

Given these conditions, 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 reducing costs with steady efforts to enhance productivity. Nevertheless, this performance momentum lost steam from the third quarter as the solar cell market entered an adjustment phase after a period of sustained rapid growth.

As a result, the Group's business performance during the consolidated fiscal year under review for net sales totaled 38,714 million yen (up 3.1% from the same term last year), operating profit 6,055 million yen (up 3.2%), and recurring profit 6,062 million yen (up 8.0%). Net income for the fiscal year was 3,466 million yen (down 6.3%).

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

Japan

Sales in Japan were solid, particularly in the general industrial and mechanical sectors, as a result of the recovery in the domestic economy. As a result, net sales for the fiscal year in Japan were 19,767 million yen and operating profit was 3,074 million yen.

United States

Despite the impact of the strong yen, a recovery trend continued mainly in the sales of products for compound semiconductor applications and solar cell-related products. As a result, net sales for the fiscal year in the United States were 3,145 million yen and operating profit was 163 million yen.

Europe

Sales in Europe, particularly of industrial furnace and products for small motors, 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 fiscal year in Europe were 2,949 million yen and operating profit was 401 million yen.

Asia

Given the booming market particularly in China and other emerging countries, business in Asia was strong 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, a driver of this sector's performance, plunged from the third quarter. As a result, net sales for the fiscal year in Asia were 12,851 million yen and operating profit was 2,655 million yen.

(ii) Outlook for the Fiscal Year Ending May 31, 2013

While there are views that domestic and overseas economic conditions going forward will continue on a moderate recovery trajectory, particularly in the US and emerging economies, concerns about an economic downturn precipitated by the growing severity of the European debt crisis and slower growth in emerging economies prevent optimism about the future outlook for the domestic and overseas economies.

Conditions surrounding our Group also make it difficult to make forecasts, due to the impact of the strong

yen and lack of any signs of a recovery in the solar cell market. We will accordingly make active efforts to expand sales in a broad range of sectors, including the robust general industrial and machinery application sectors, while also steadily pursuing our strategies for medium- and long-term growth.

The Group has primarily used the fixed rate method as its depreciation method for tangible fixed assets in Japan, but this will be changed to the straight-line method beginning in the next fiscal period. This change is expected to reduce depreciation by approximately 2.3 billion yen.

In view of the above conditions, we expect sales of 37 billion yen (down 4.4% from the previous year), operating profit of 5.5 billion yen (down 9.2%), recurring profit of 5.4 billion yen (down 10.9%) and net income of 3.5 billion yen (up 1.0%) in the fiscal year ending May 31, 2013. (Assumed exchange rate: 80 yen/US\$, 100 yen/EUR, 12.7 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 6,709 million yen from the previous consolidated fiscal year. This rise is primarily attributable to a 3,233 million increase in inventories resulting from customers' inventory adjustments and a recovery in intermediate stock, which had reached excessively low levels, and a 3,048 million increase in tangible fixed assets resulting from the expansion of the Takuma Division's production facility.

Total liabilities increased by 3,392 million yen from the end of the previous consolidated fiscal year. This was primarily due to a 3,620 million yen increase in accrued amount payable resulting from the acquisition of tangible fixed assets and a 667 million yen increase in interest-bearing debt. This eclipsed the 621 million decrease in trade notes and accounts payable due to a reduction in the value of goods purchased as a result of fewer orders and the 628 million decrease in income taxes payable.

Total equity increased by 3,316 million yen from the end of the previous consolidated fiscal year. This net increase was primarily driven by an increase of 3,010 million yen in retained earnings.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") in the consolidated fiscal year ended May 31, 2012 increased by 114 million yen from the end of the previous consolidated fiscal year, to 7,205 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds provided by operating activities decreased 45.7% from the previous year to 3,964 million yen. Among the main items, profit before income taxes totaled 6,134 million yen (up 13.8%) and depreciation totaled 4,709 million yen (down 5.8%), while the 3,257 million yen rise in inventories (up 86.6%) and income taxes paid totaled 3,169 million yen (up 512.1%).

(Cash Flows from Investing Activities)

Funds used in investment activities decreased 27.1% from the previous year to 3,920 million yen. Among the main items, expenses for the acquisition of tangible fixed assets decreased to 4,171 million yen (down 20.8%).

(Cash Flows from Financing Activities)

Funds acquired in financing activities amounted to 158 million yen (550 million yen in funds were used for financing activities in the previous year). This is largely attributable to the 939 million yen (down by 697 million yen in the previous year) net increase in short-term borrowings.

(3) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended May 31, 2012 and the Fiscal Year Ending May 31, 2013

(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 May 31, 2012

Based on the above-mentioned policy, we plan to increase our annual dividend by 3 yen to 25 yen per share for the fiscal year ended May 31, 2012 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 May 31, 2013

We plan to pay a dividend of 25 yen per share for the fiscal year ending May 31, 2013 with the aim of continuing to provide stable shareholder returns. Our dividend policy is based on our quest to increase 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., 10 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 applies 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) Resistance 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 furnaces
		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 furnaces, carriers for anti-reflective coating films
	General industries applications		Continuous casting dies, EDM electrodes, heaters for various industrial furnaces, structural materials
	Others	For the manufacture of advanced processing 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, a manufacturing process using 300 mm wafers has become the mainstream of the manufacturing process. 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 clean energy technology. Their applications are expected to expand on a

global scale, given the legislation 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, and 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 aerospace applications such as rocket parts and 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 their 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 descriptions 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]

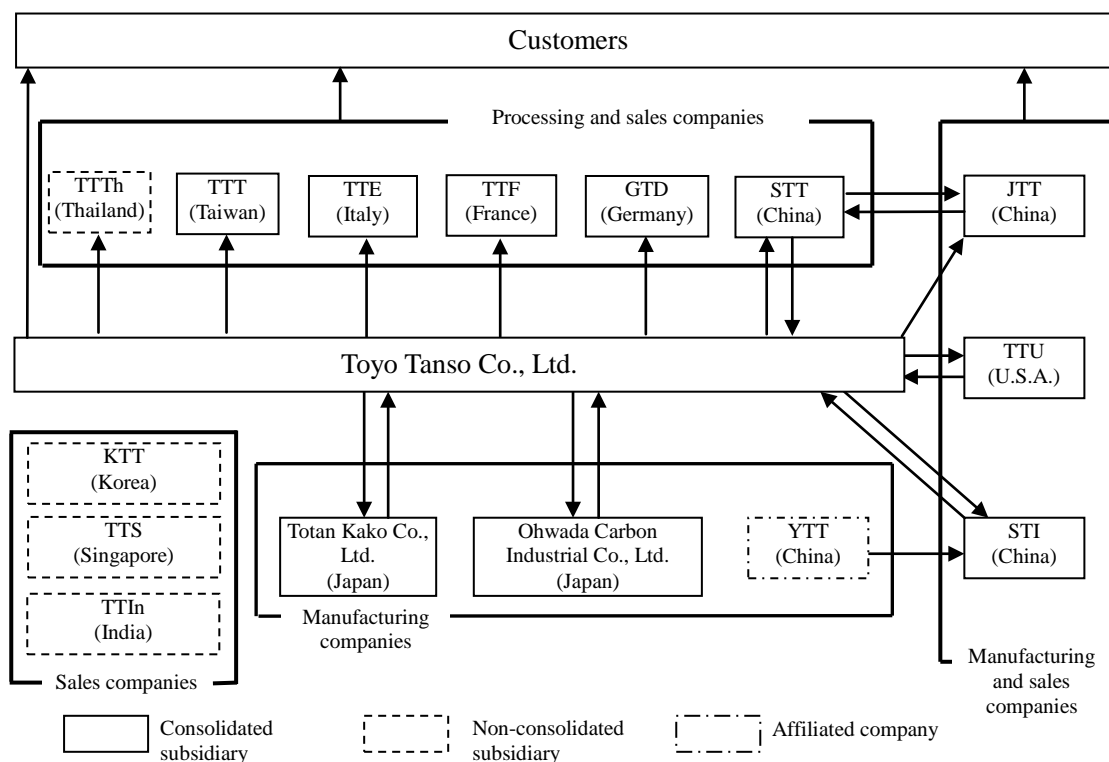
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its bendy nature.

[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 Toyo Tanso Group 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 in 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 businesses 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, 2011	As of May 31, 2012
Assets		
Current assets		
Cash on hand and in banks	9,283,891	9,136,958
Trade notes and accounts receivable	13,047,069	13,124,833
Merchandise and finished goods	4,761,418	7,315,218
Work in process	6,182,218	6,351,260
Raw materials and stores	1,511,288	2,022,085
Deferred tax assets	707,664	901,762
Other	883,757	839,792
Allowance for doubtful accounts	(111,741)	(133,107)
Total current assets	36,265,565	39,558,803
Fixed assets		
Tangible fixed assets		
Buildings and structures	14,707,804	16,536,559
Accumulated depreciation	(7,334,386)	(7,843,961)
Buildings and structures (net)	7,373,417	8,692,597
Machinery, equipment, and vehicles	37,586,480	40,371,337
Accumulated depreciation	(25,490,350)	(28,537,745)
Machinery, equipment, and vehicles (net)	12,096,129	11,833,591
Land	5,296,473	5,739,970
Construction in progress	655,395	2,162,921
Other	3,393,067	3,802,297
Accumulated depreciation	(2,652,267)	(3,021,049)
Other (net)	740,800	781,248
Total tangible fixed assets	26,162,216	29,210,330
Intangible fixed assets	785,261	894,851
Investments and other assets		
Investments in securities	199,072	189,214
Deferred tax assets	316,150	449,716
Other	1,466,194	1,600,845
Allowance for doubtful accounts	(2,820)	(3,043)
Total investments and other assets	1,978,597	2,236,733
Total fixed assets	28,926,075	32,341,914
Total assets	65,191,641	71,900,718

(Thousands of yen, rounded down)

	As of May 31, 2011	As of May 31, 2012
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,950,193	2,328,985
Short-term borrowings	1,406,013	2,267,846
Accrued amount payable	2,538,873	6,159,317
Income tax payable	1,495,600	867,101
Reserve for employees' bonuses	825,271	921,492
Reserve for directors' and corporate auditors' bonuses	78,480	67,420
Other	1,788,486	2,117,588
Total current liabilities	11,082,920	14,729,751
Long-term liabilities		
Long-term borrowings	665,014	470,349
Deferred tax liabilities	266,934	286,900
Reserve for employees' retirement benefits	658,878	602,502
Asset retirement obligations	278,121	270,946
Other	491,408	475,319
Total long-term liabilities	2,360,356	2,106,018
Total liabilities	13,443,276	16,835,770
Equity		
Shareholder's equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	35,169,221	38,179,893
Treasury stock - at cost	(57,630)	(57,934)
Total shareholders' equity	52,338,853	55,349,222
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	2,941	5,156
Foreign currency translation adjustments	(1,831,083)	(1,848,932)
Total accumulated other comprehensive income	(1,828,141)	(1,843,775)
Share warrants	20,088	27,900
Minority interests	1,217,565	1,531,602
Total equity	51,748,364	55,064,948
Total liabilities and equity	65,191,641	71,900,718

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

(Thousands of yen, rounded down)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Net sales	37,557,801	38,714,106
Cost of goods sold	25,445,901	25,872,301
Gross profit	12,111,899	12,841,804
Selling, general and administrative expenses	6,243,670	6,786,382
Operating profit	5,868,229	6,055,421
Non-operating income		
Interest income	31,599	44,221
Dividends earned	5,941	11,146
Gain on foreign currency option	63,411	64,840
Gain on reversal of accrued legal claim	-	58,890
Gain on sales of scraps	14,114	30,843
Other	49,402	37,860
Total non-operating income	164,467	247,803
Non-operating expenses		
Interest expenses	47,596	32,434
Loss on sale of notes payable	2,330	2,313
Valuation loss on investment securities	24,032	12,897
Depreciation	-	36,709
Foreign exchange loss	289,986	138,281
Other	54,033	18,529
Total non-operating expenses	417,979	241,165
Recurring profit	5,614,718	6,062,059
Extraordinary profit		
Gain on sale of fixed assets	88,317	62,532
Gain on sale of investment securities	-	1,200
Subsidies received	1,450	192,032
Total extraordinary profit	89,767	255,764
Extraordinary losses		
Loss on sale of fixed assets	4,433	1,347
Loss on disposal of fixed assets	55,431	65,833
Effect of application of the Accounting Standard for Asset Retirement Obligations	216,240	-
Payment for prior-year custom duties, etc	23,726	115,659
Loss from disaster	14,826	-
Total extraordinary losses	314,658	182,839
Profit before income taxes	5,389,826	6,134,984
Income taxes - current	1,839,077	2,047,543
Prior year income tax, etc.	-	540,096
Income taxes - deferred	(479,019)	(287,106)
Total income taxes	1,360,057	2,300,533
Income before minority interests	4,029,769	3,834,450
Minority interests	330,197	367,621
Net income	3,699,571	3,466,829

(Consolidated comprehensive income statement)

(Thousands of yen, rounded down)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Income before minority interests	4,029,769	3,834,450
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	1,098	2,215
Foreign currency translation adjustments	(671,503)	14,831
Total other comprehensive income	(670,404)	17,047
Comprehensive income	3,359,364	3,851,497
(Breakdown)		
Comprehensive income attributable to parent company shareholders	3,100,621	3,451,195
Comprehensive income attributable to minority interests	258,743	400,302

(3) Consolidated statements of changes in equity

(Thousands of yen, rounded down)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Equity		
Common stock		
Balance at beginning of 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 beginning of 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 beginning of fiscal year	31,884,339	35,169,221
Change in the fiscal year		
Dividends from retained earnings	(414,689)	(456,157)
Net income	3,699,571	3,466,829
Total change in the fiscal year	3,284,881	3,010,671
Balance at end of the fiscal year	35,169,221	38,179,893
Treasury stock		
Balance at beginning of fiscal year	(57,408)	(57,630)
Balance at end of the fiscal year		
Acquisition of treasury stock	(222)	(303)
Total change in the fiscal year	(222)	(303)
Balance at end of the fiscal year	(57,630)	(57,934)
Total equity		
Balance at beginning of fiscal year	49,054,194	52,338,853
Change in the fiscal year		
Dividends from retained earnings	(414,689)	(456,157)
Net income	3,699,571	3,466,829
Acquisition of treasury stock	(222)	(303)
Total change in the fiscal year	3,284,659	3,010,368
Balance at end of the fiscal year	52,338,853	55,349,222

(Thousands of yen, rounded down)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities		
Balance at beginning of fiscal year	1,842	2,941
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	1,098	2,215
Total change in the fiscal year	1,098	2,215
Balance at end of the fiscal year	2,941	5,156
Foreign currency translation adjustments		
Balance at beginning of fiscal year	(1,231,034)	(1,831,083)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(600,048)	(17,849)
Total change in the fiscal year	(600,048)	(17,849)
Balance at end of the fiscal year	(1,831,083)	(1,848,932)
Accumulated other comprehensive income		
Balance at beginning of fiscal year	(1,229,192)	(1,828,141)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(598,949)	(15,634)
Total change in the fiscal year	(598,949)	(15,634)
Balance at end of the fiscal year	(1,828,141)	(1,843,775)
Share warrants		
Balance at beginning of fiscal year	6,696	20,088
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	13,392	7,812
Total change in the fiscal year	13,392	7,812
Balance at end of the fiscal year	20,088	27,900
Minority interests		
Balance at beginning of fiscal year	1,128,557	1,217,565
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	89,008	314,037
Total change in the fiscal year	89,008	314,037
Balance at end of the fiscal year	1,217,565	1,531,602
Total equity		
Balance at beginning of fiscal year	48,960,255	51,748,364
Change in the fiscal year		
Dividends from retained earnings	(414,689)	(456,157)
Net income	3,699,571	3,466,829
Acquisition of treasury stock	(222)	(303)
Change in the fiscal year in items other than shareholders' equity (net)	(496,549)	306,214
Total change in the fiscal year	2,788,109	3,316,583
Balance at end of the fiscal year	51,748,364	55,064,948

(4) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Cash flows from operating activities		
Profit before income taxes	5,389,826	6,134,984
Depreciation	4,999,532	4,709,038
Amortization of goodwill	10,906	10,906
Increase (decrease) in reserve for employees' retirement benefits	70,429	(51,367)
Effect of application of the Accounting Standard for Asset Retirement Obligations	216,240	-
Decrease in long-term accrued amount payable (directors' retirement benefits)	-	(18,700)
Increase (decrease) in reserve for employees' bonuses	112,261	97,470
Increase (decrease) in reserve for directors' bonuses	78,480	(11,060)
Increase (decrease) in allowance for doubtful accounts	10,801	23,722
Interest and dividend income	(37,540)	(55,368)
Interest expenses	47,596	32,434
Foreign exchange loss (gain)	289,986	138,281
Valuation loss (gain) on investment securities	24,032	12,897
Gain on sale of fixed assets	(88,317)	(62,532)
Loss on disposal and sale of fixed assets	59,865	67,180
Loss (gain) on sale of investment securities	-	(1,200)
Decrease (increase) in notes and accounts receivable – trade	(2,718,394)	(9,620)
Decrease (increase) in inventories	(1,745,793)	(3,257,399)
Increase (decrease) in notes and accounts payable - trade	784,253	(529,362)
Other	326,010	(119,180)
Sub-total	7,830,177	7,111,124
Interest and dividend received	37,192	55,929
Interest paid	(48,042)	(33,009)
Income taxes paid	(517,782)	(3,169,447)
Net cash provided by operating activities	7,301,545	3,964,596
Cash flows from investing activities		
Payments for time deposits	(2,649,741)	(2,283,485)
Proceeds from time deposits	2,549,927	2,538,768
Payments for acquisition of tangible fixed assets	(5,264,400)	(4,171,176)
Proceeds from sale of tangible fixed assets	167,942	83,992
Payments for acquisition of intangible fixed assets	(30,872)	(192,431)
Proceeds from sale of intangible fixed assets	53,157	-
Payments for acquisition of investment securities	(1,199)	(1,199)
Proceeds from sale of investment securities	-	2,400
Payments for acquisition of subsidiary's shares	(50,502)	-
Other	(154,934)	102,742
Net cash used in investing activities	(5,380,622)	(3,920,389)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(697,419)	939,817
Proceeds from long-term borrowings	1,187,169	400,000
Repayment of long-term borrowings	(465,740)	(654,166)
Repayment of finance lease payables	(23,369)	(36,330)
Payments for acquisition of treasury stock	(222)	(303)
Payments for dividends	(414,544)	(455,869)
Payments for dividends to minority interests	(135,923)	(34,969)
Net cash provided by (used in) financing activities	(550,050)	158,178
Effect of exchange rate changes on cash and cash equivalents	(82,306)	(87,498)
Increase (decrease) in cash and cash equivalents	1,288,565	114,886
Cash and cash equivalents at beginning of period	5,802,412	7,090,978
Cash and cash equivalents at end of period	7,090,978	7,205,865

(5) Notes regarding the premise of a going concern

Not applicable.

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

1. Items concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 10

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.

(2) Names of significant non-consolidated subsidiaries

Significant non-consolidated subsidiaries

Toyo Tanso Korea Co., Ltd.

Toyo Tanso (Thailand) Co., Ltd.

Toyo Tanso Singapore Pte. Ltd.

Toyo Tanso India Private Limited

(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.

2. Items concerning the application of the equity method

The equity method has not been applied to any subsidiaries or affiliates.

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.

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.

3. Items concerning the business years of subsidiaries

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.

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.

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.

4. Items concerning accounting standards

(1) Valuation standards and method for significant assets

a. Securities

(a) Shares of subsidiaries and affiliates

Stated at cost using the moving average method

(b) Other securities

Securities with a readily determinable fair value

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)

Securities without a readily determinable fair value

Stated at cost using the moving average method

b. Derivatives

Stated at fair value

c. Inventories

(a) Merchandise and raw materials

Mainly stated at cost using the moving average method

(The carrying amount on the balance sheet is reduced for decreases in profitability)

(b) Finished goods and work in process (processed)

Mainly stated at individual cost

(The carrying amount on the balance sheet is reduced for decreases in profitability)

(c) Semi-finished goods and work in process (materials)

Mainly stated at cost using the moving average method

(The carrying amount on the balance sheet is reduced for decreases in profitability)

(d) Stores

Mainly stated at cost based on the last purchase price

(The carrying amount on the balance sheet is reduced for decreases in profitability)

(2) Depreciation method for significant depreciable assets

a. Tangible fixed assets (excluding lease assets)

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.

However, the straight-line method is used for buildings (excluding building-attached facilities) acquired by Ohwada Carbon Industrial Co., Ltd. since April 1, 1998.

The main useful lives are as follows.

Buildings and structures: 3 to 50 years

Machinery, equipment, and vehicles: 4 to 9 years

b. Intangible fixed assets (excluding lease assets)

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.

c. Lease assets

Lease assets in financial lease transactions without transfer of ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero.

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) was applied; accounting treatment based on the treatment used for conventional rental transactions shall continue to be applied.

(3) Criteria for posting significant reserves

a. Allowance for doubtful accounts

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.

b. Reserves for employees' bonuses

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.

c. Reserve for directors' bonuses

Toyo Tanso Co., Ltd. posts the expected payment amount to provide for bonuses paid to directors (including executive officers).

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.

(4) Standards for converting significant foreign-denominated assets and liabilities to Japanese yen

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.

(5) The amortization method and amortization period for goodwill

Goodwill and negative goodwill is evenly amortized over five years.

(6) 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.

(7) Other material items relating to the preparation of the consolidated financial statements

Accounting treatment for consumption taxes

The tax-excluded method is used.

(7) Changes in accounting policies

(Adoption of the Accounting Standard for Earnings Per Share and others)

From 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 diluted earnings per share for the fiscal year ended May 31, 2012 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 diluted earnings per share for the fiscal year ended May 31, 2012.

(8) Change in presentation method

(Consolidated statements of income)

Gain on sales of scrap was included under "Other" in "Non-operating income" in the previous consolidated fiscal year. However, it will be recorded as a separate category beginning in the current consolidated fiscal year as it exceeded 10% of total non-operating income. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, the 63,516 thousand yen in “Other” posted under “Non-operating income” in the previous fiscal year’s consolidated statements of income has been reclassified as 14,114 thousand yen in Gain on sales of scraps and 49,402 thousand yen in “Other.”

(Consolidated statements of cash flows)

The “Payment for lease and guarantee deposits” posted under “Cash flows from investing activities,” posted as a separate category in the previous consolidated fiscal year, was a minimal amount and thus lacked importance. Accordingly, this category will be classified under “Other” in the current fiscal year. This change in presentation has been reflected by reclassifying this category in the previous fiscal year’s financial statements.

As a result, the -44,365 thousand yen in “Payment for lease and guarantee deposits” posted under “Cash flows from investing activities” in the previous fiscal year’s consolidated statements of cash flows has been reclassified as “Other.”

(9) Additional information

(Application of the “Accounting Standard for Accounting Changes and Error Corrections”)

The Group has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 of December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Correction” (ASBJ Guidance No. 24 of December 4, 2009) for accounting changes and corrections of past errors carried out from the beginning of the consolidated fiscal period under review.

(Impact of changes in income tax rate)

“Law to revise part of the income tax law and other laws to rebuild the tax system in response to structural changes in the economy and society of Japan” (Law No. 114 of 2011) and the “Law on special measures related to securing financial sources necessary to execute programs for recovery from the Great East Japan Earthquake” (Law no. 117 of 2011) were officially announced on December 2, 2011. Accordingly, the income tax rate will be lowered and a special restoration surtax will be imposed from the consolidated fiscal year beginning on April 1, 2012.

As a result, the effective statutory tax rate to be used to calculate deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be reversed from the consolidated fiscal year beginning on June 1, 2012 to the consolidated fiscal year starting on June 1, 2014, and for the temporary differences expected to be reversed from the consolidated fiscal year beginning on June 1, 2015, from the former 40.3% to 37.64% and 35.26%, respectively.

As a result of this change to the tax rate, deferred tax assets (the amount excluding deferred tax liabilities) will decrease 75,829 thousand yen, and unrealized gains (losses) on available-for-sale securities and income taxes - deferred will increase 401 thousand yen and 76,231 thousand yen, respectively.

(10) Notes regarding the consolidated financial statements

(Segment information)

a. Reportable segments

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)

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-length transactions.

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

Previous 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	363,731	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 the elimination of inter-segment unrealized income.
2. Segment profit has been adjusted to reflect the operating profit recorded in the consolidated statement of income.

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)

(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	19,767,420	3,145,071	2,949,977	12,851,636	38,714,106	-	38,714,106
(2) Intersegment sales or transfers	8,667,277	335,346	38,871	68,916	9,110,412	(9,110,412)	-
Total	28,434,697	3,480,417	2,988,849	12,920,553	47,824,518	(9,110,412)	38,714,106
Segment profit	3,074,561	163,695	401,070	2,655,789	6,295,117	(239,695)	6,055,421
Segment asset	61,053,993	2,517,716	3,008,600	14,390,845	80,971,155	(9,070,436)	71,900,718
Other items							
(1) Depreciation	4,201,565	160,841	81,476	274,151	4,718,034	(8,995)	4,709,038
(2) Amortization of goodwill	10,906	-	-	-	10,906	-	10,906
(3) Increases in tangible and intangible fixed assets	6,918,752	241,791	155,438	724,360	8,040,342	(9,626)	8,030,715

(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.

b. Related information

Previous 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.

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)

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	15,461,677	3,051,083	3,367,793	16,597,469	12,349,755	236,082	38,714,106
Composition (%)	39.9	7.9	8.7	42.9	31.9	0.6	100.0

- (Notes)
- Sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.
 - The major countries or regions included in each geographic segment are listed below.
 - North America: United States
 - Europe: France, Germany, Italy
 - Asia: China, Taiwan, South Korea

(2) Tangible fixed assets

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total
	24,090,644	1,086,879	868,533	3,164,272	29,210,330

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.

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

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

Not applicable.

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)

Not applicable.

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

Previous 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.

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)

Not applicable.

e. Information on gains on negative goodwill by reportable segment
Previous consolidated fiscal year (From June 1, 2010 to May 31, 2011)
 Not applicable.

Current consolidated fiscal year (From June 1, 2011 to May 31, 2012)
 Not applicable.

(Per share information)

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Net assets per share	2,436.08 yen	2,580.53 yen
Net income per share	178.43 yen	167.20 yen

(Notes) 1. Diluted net income per share is not reported as there are no potential common shares with a dilutive effect.
 2. The basis for calculation of net income per share is as follows.

	From June 1, 2010 to May 31, 2011	From June 1, 2011 to May 31, 2012
Net income (thousands of yen)	3,699,571	3,466,829
Amount not attributed to common shareholders (thousands of yen)	-	-
Net income related to common shares (thousands of yen)	3,699,571	3,466,829
Average outstanding shares during the fiscal year (shares)	20,734,470	20,734,397
Overview of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	Stock options granted at the Ordinary General Meeting of Shareholders on August 28, 2009 (15,000 common shares)	

(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, 2011					Year ended May 31, 2012				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,900	4,413	5,285	6,158	20,758	6,154	5,440	3,265	3,261	18,121
Carbon products for general industries (for mechanical applications)	628	686	699	841	2,856	860	740	726	736	3,063
Carbon products for general industries (for electrical applications)	1,190	1,003	1,217	967	4,379	1,085	821	1,072	984	3,963
Compound materials and other products	2,462	2,093	2,144	2,549	9,249	2,121	1,880	1,749	1,561	7,312
Total	9,182	8,197	9,347	10,516	37,243	10,221	8,882	6,813	6,544	32,460

ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2011				Year ended May 31, 2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	3,336	3,328	3,834	4,787	4,956	4,494	3,712	2,879
Carbon products for general industries (for mechanical applications)	418	464	512	648	748	731	706	623
Carbon products for general industries (for electrical applications)	679	648	947	1,030	1,128	1,017	1,176	1,159
Compound materials and other products	4,406	3,865	3,799	3,930	3,508	3,055	2,612	2,009
Total	8,840	8,307	9,094	10,397	10,342	9,299	8,208	6,672

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2011					Year ended May 31, 2012				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,551	4,681	5,031	5,598	19,863	5,972	5,795	4,173	4,400	20,341
[Electronics applications]	2,611	2,630	2,983	3,506	11,731	3,649	3,565	1,855	2,074	11,144
[General industries applications]	1,737	1,844	1,810	1,846	7,238	2,035	1,946	1,972	1,993	7,947
[Others]	203	206	237	245	893	287	283	346	332	1,249
Carbon products for general industries (for mechanical applications)	625	678	684	741	2,728	793	796	785	848	3,223
Carbon products for general industries (for electrical applications)	1,128	1,063	955	935	4,082	1,012	959	953	919	3,845
Compound materials and other products	2,423	2,648	2,234	2,427	9,734	2,961	2,785	2,401	2,274	10,423
[3 major products]	2,124	2,257	1,838	2,070	8,290	2,600	2,437	1,977	1,933	8,948
[Other products]	298	391	395	357	1,443	361	348	424	341	1,475
Related goods	325	287	270	265	1,149	235	222	223	198	879
Total	9,054	9,358	9,175	9,968	37,557	10,976	10,559	8,538	8,640	38,714

(2) Overview

Special graphite products

In electronics applications, sales of special graphite products for the manufacture of solar cells drove overall performance as sales continued to expand sharply, particularly in China, through the second quarter to reach a record high. However, products for solar cell applications entered a major adjustment phase from the third quarter and growth remained flat. In addition, demand for products for the manufacture of single crystal silicon continued to flag, reflecting the sluggish semiconductor industry.

Demand for special graphite products for general industrial applications remained strong overall, despite fears over the impact of flooding in Thailand. This was primarily due to the solid performance of core industries such as the automotive sector on the back of a recovery in the Japanese economy and growth in emerging economies, and strong demand both domestically and overseas for products for continuous casting, electrodes for electrical discharge machines (EDM), and industrial furnaces.

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. Demand for sliders for pantographs remained strong.

Among carbon products for electrical applications, stiffer competition in the market for small motors intended for vacuum cleaners and electric power tools, a key market in China, and the impact of the strong yen made for a harsh business environment.

Compound materials and other products

Orders for SiC (silicon carbide)-coated graphite products increased only slightly overall. Despite signs that demand for LED products was bottoming out after a prolonged adjustment, this has not yet developed into a full-scale recovery, and demand for semiconductor products was also sluggish. Orders for C/C composite products expanded significantly due to strong demand for solar cell applications, semiconductor products, and industrial furnace products, while orders for several projects also made a contribution. However, toward the end of the fiscal year, demand for the mainstay products for solar cell applications began to decline. Orders for graphite sheet products remained weak for semiconductor applications, but the mainstay automotive applications drove overall strength.

(3) Changes of executives

i. Changes of board members

New title	Name	Former title
Representative Director and Chairperson	Junko Kondo	Representative Director and Chairperson & President Executive Operating Officer
Representative Director and President Executive Operating Officer	Akira Noami	Deputy General Manager of Planning Division

Note: Please refer to the “Notice of Changes to Board Members,” to be released today, for details.

ii. Changes to other executives

Other changes will be announced when decisions have been finalized.