

Consolidated Financial Results for the Fiscal Year Ended May 31, 2013 [Japanese GAAP]

Listed company name: **Toyo Tanso Co., Ltd.**
 Stock exchange listing: Tokyo Stock Exchange, 1st Section
 Stock code: 5310
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 Scheduled date for ordinary general meeting of shareholders: August 29, 2013
 Scheduled date for dividend payment: August 30, 2013
 Scheduled date for submission of securities report: August 30, 2013
 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, 2013

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

(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, 2013	28,409	(26.6)	517	(91.5)	673	(88.9)	(210)	-
Fiscal year ended May 31, 2012	38,714	3.1	6,055	3.2	6,062	8.0	3,466	(6.3)

Note: Comprehensive income:
 Fiscal 2013 2,432 million yen (down 36.8%)
 Fiscal 2012 3,851 million yen (up 14.6%)

	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, 2013	(10.17)	-	(0.4)	0.9	1.8
Fiscal year ended May 31, 2012	167.20	-	6.7	8.8	15.6

Reference: Equity in earnings of affiliates
 May 31, 2013 - million yen
 May 31, 2012 - million yen

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Equity per share
			%	yen
As of May 31, 2013	73,508	56,966	75.2	2,664.70
As of May 31, 2012	71,900	55,064	74.4	2,580.53
Reference: Shareholders' equity				
May 31, 2013		55,250 million yen		
May 31, 2012		53,505 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, 2013	1,751	(8,381)	4,696	5,823
Fiscal year ended May 31, 2012	3,964	(3,920)	158	7,205

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, 2012	-	0.00	-	25.00	25.00	518	15.0	1.0
Year ended May 31, 2013	-	0.00	-	20.00	20.00	414	-	0.8
Year ending December 31, 2013 (Forecast)	-	0.00	-	11.50	11.50		238.4	

Note: The Company plans to change its fiscal year (the last day of its business year) from May 31 to December 31, pending authorization of "Partial Amendments to the Articles of Incorporation" at the 71st Ordinary General Meeting of Shareholders to be held on August 29, 2013.

3. Consolidated results forecast for the fiscal year ending December 31, 2013

(From June 1, 2013 to December 31, 2013)

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales	Operating profit	Recurring profit	Net income	Net income per share
	%	%	%	%	yen
Fiscal year ending December 31, 2013	19,700	-	200	-	100
		-	100	-	100
				-	4.82

Notes: 1. The fiscal year ending on December 31, 2013 will be a transitional period in which the fiscal year is changed, and quarterly financial statements will not be released for the first two quarters (cumulative). Accordingly, forecasts will not be provided for this period. In addition, the consolidated forecasts for the full fiscal year cover a nine-month period (April 1 to December 31, 2013) for subsidiaries whose fiscal year ends on March 31 and a seven-month period (June 1 to December 31, 2013) for subsidiaries whose fiscal year ends on May 31. As a result, changes over the previous fiscal year will not be provided for the full fiscal year.

2. As a reference, we have provided full-year consolidated forecasts assuming our previous fiscal year (June 1, 2013 to May 31, 2014). Under these terms, we would forecast net sales amounting to 31,500 million yen, operating profit totaling 1,000 million yen, recurring profit at 900 million yen and net income amounting to 700 million yen.

* **Others**

(1) Changes in significant subsidiaries during the period:

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

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

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

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than (i): Yes

3) Changes in accounting estimates: Yes

4) Restatements: None

This is considered a "change in accounting policy that is difficult to distinguish from a change in accounting estimates." For details, please refer to "Changes in accounting policies" in "Significant items that form the basis of preparations for consolidated financial statements" on page 22 of the Attached Documents.

(3) Number of shares outstanding (common stock)

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

As of May 31, 2013 20,750,688 shares

As of May 31, 2012 20,750,688 shares

2) Number of treasury stock at the end of period

As of May 31, 2013 16,515 shares

As of May 31, 2012 16,365 shares

3) Average number of shares during the period

As of May 31, 2013 20,734,269 shares

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

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial results for the fiscal year ended May 31, 2013

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

(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, 2013	20,747	(27.0)	280	(88.7)	648	(76.4)	96	(92.6)
Fiscal year ended May 31, 2012	28,437	2.6	2,483	9.1	2,750	21.5	1,310	(1.6)

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended May 31, 2013	4.64	-
Fiscal year ended May 31, 2012	63.18	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Net assets per share
			%	yen
As of May 31, 2013	56,596	42,253	74.6	2,036.52
As of May 31, 2012	56,194	42,610	75.8	2,053.75

Reference: Shareholders' equity

May 31, 2013

42,225 million yen

May 31, 2012

42,583 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.)

Forward-looking statements such as the earnings forecasts in this material are based on currently available information and certain assumptions deemed rational, and are not intended as a guarantee that these forecasts will be achieved. 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. Analysis of Business Results and Financial Position, (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 22, 2013. 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. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

(i) Business Results for the Fiscal Year Ended May 31, 2013

During the consolidated fiscal period under review, conditions for the global economy remained harsh, despite support from the US economy, as the debt crisis in the euro area led to faltering growth in the region and China and other emerging economies experienced slowdowns. The Japanese economy was locked in a temporary standstill in the first half of the fiscal year, but continued to recover throughout the second half on the back of a rebound in exports as the yen weakened and a halt in the downturn in capital spending.

Given these conditions, the Toyo Tanso Group concentrated all of its efforts into stimulating demand, primarily in the relatively stable general industries applications, and also focused on reducing costs and expenses and reducing investments. Nevertheless, conditions remained difficult as demand declined on the growing severity of the slump in the solar cell market.

As a result, the Group's business performance during the consolidated fiscal year under review for net sales totaled 28,409 million yen (down 26.6% from the same term last year). Including the bad debt allowances and inventory devaluation in China posted in this fiscal period, operating profit totaled 517 million yen (down 91.5%) and recurring profit was 673 million yen (down 88.9%). Moreover, net loss for the fiscal year was 210 million yen (compared to net income of 3,466 million yen in the previous term) as a result of the posting of a 604 million yen impairment loss on some manufacturing facilities.

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

Japan

Sales remained solid in the general industries applications on the back of the recovery in the Japanese economy, but sales of products for solar cell applications and semiconductors declined and exports failed to bounce back. As a result, sales were weak overall, with net sales for the fiscal year in Japan of 15,673 million yen and operating profit of 699 million yen.

United States

Conditions remained challenging for operations in the US, dragged down by the disappointing performance of electronics-related products for compound semiconductor applications and solar cell applications. As a result, net sales for the fiscal year in the United States were 2,491 million yen and operating loss was 335 million yen.

Europe

Although we began to see signs of a recovery in the sales of brushes for small motors, sales were weak overall as a result of the sluggish European economy. As a result, net sales for the fiscal year in Europe were 2,615 million yen and operating profit was 106 million yen.

Asia

Brushes for small motors and electrical discharge machining (EDM) electrodes were strong performers, but there was no sign yet of a recovery in mainstay solar cell applications and sales remained low. Bad debt allowances and inventory devaluation in China posted in this fiscal year also pressured profits. As a result, net sales for the fiscal year in Asia were 7,628 million yen and operating loss was 68 million yen.

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

With no signs of a recovery in China's solar cell market at this point, the outlook for the Group remains uncertain. That said, the general industries applications remain solid and we are beginning to see some hopeful signs in the electronics-related sector, such as an upturn in orders for LED products. We will strive to stimulate demand for a broad range of applications and steadily promote medium- and long-term strategies and issues that will once again trigger growth.

The Group plans to change the last day of its business year from May 31 to December 31, pursuant to approval of the “Partial Amendments to the Articles of Incorporation” at the Ordinary General Meeting of Shareholders on August 29, 2013.

In view of the above factors, we expect net sales of 19,700 million yen, 200 million yen in operating profit, 100 million yen in recurring profit and 100 million yen in net income in the irregular seven-month fiscal year ending on December 31, 2013.

(Assumed exchange rate: 95 yen/US\$, 120 yen/EUR, 15.1 yen/CNY)

Over a twelve-month period equivalent to our previous fiscal year (June 1, 2013 to May 31, 2014), we forecast net sales of 31,500 million yen, 1,000 million yen in operating profit, 900 million yen in recurring profit and 700 million yen in net income.

(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 1,608 million yen from the previous consolidated fiscal year. This was primarily because, although cash on hand and in banks decreased 1,927 million yen as a result of spending for the acquisition of tangible fixed assets, and trade notes and accounts receivable decreased 1,867 million yen due to a decline in net sales, inventories increased 2,858 million yen through the systematic accumulation of intermediate stock and customers’ inventory adjustments and tangible fixed assets increased 2,196 million yen resulting from the acquisition of manufacturing equipment for the Takuma Division’s production facility.

Total liabilities decreased by 293 million yen from the end of the previous consolidated fiscal year. This was primarily because, although interest-bearing debt increased 5,700 million yen due to financing for capital expenditures, this was offset by a 3,622 million yen reduction in accrued amount payable due to spending for the acquisition of tangible fixed assets, a 497 million yen decrease in trade notes payable related to facilities, a 790 million yen decrease in trade notes and accounts payable due to a reduction in raw material procurement, and a 719 million yen decrease in income taxes payable.

Total equity increased by 1,901 million yen from the end of the previous consolidated fiscal year. This net increase was primarily driven by an increase of 2,409 million yen in foreign currency translation adjustments.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) in the consolidated fiscal year ended May 31, 2013 decreased by 1,381 million yen from the end of the previous consolidated fiscal year, to 5,823 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds acquired by operating activities decreased 55.8% from the previous year to 1,751 million yen. This was primarily because, although funds increased due to 76 million yen in profit before income taxes (down 98.8%), 3,319 million yen in depreciation and amortization (down 29.5%) and 2,795 million yen in notes and accounts receivable – trade (up 9 million yen in the previous term), funds decreased due to a 1,972 million yen increase in inventories (down 39.4%), a 1,239 million yen decrease in accounts payable (up 134.1%) and 1,592 million yen in income taxes paid (down 49.8%).

(Cash Flows from Investing Activities)

Funds used in investment activities increased 113.8% from the previous year to 8,381 million yen. This was primarily due to a decrease in funds, including a 112.6% increase in expenses for the acquisition of tangible fixed assets to 8,866 million yen.

(Cash Flows from Financing Activities)

Funds acquired in financing activities amounted to 4,696 million yen (up 2,869.1%). This is primarily due to the 5,778 million yen increase (up 1,344.5%) in proceedings from long-term borrowings.

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

Based on the aforementioned policy and our business results in the fiscal year under review, we are compelled to reduce dividends by 5 yen over the previous term, and accordingly plan to pay a dividend of 20 yen per share for the fiscal year ending May 31, 2013.

(iii) Dividends for the Fiscal Year Ending December 31, 2013

The next fiscal year will be seven months in length due to the change in our fiscal period, and given the continuing severity of the business environment and our consolidated earnings forecasts, we plan to pay dividends of 11.50 yen per share.

(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, five 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 electric power tool
		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 furnaces 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 electrodes (*) for manufacturing dies, the sintering 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, where further economic growth is expected.

(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.

(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 are shifting their production to China by promptly establishing production and sales 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 expected to rise 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.

Please refer to the glossary below for words with an asterisk (*).

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 that 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]

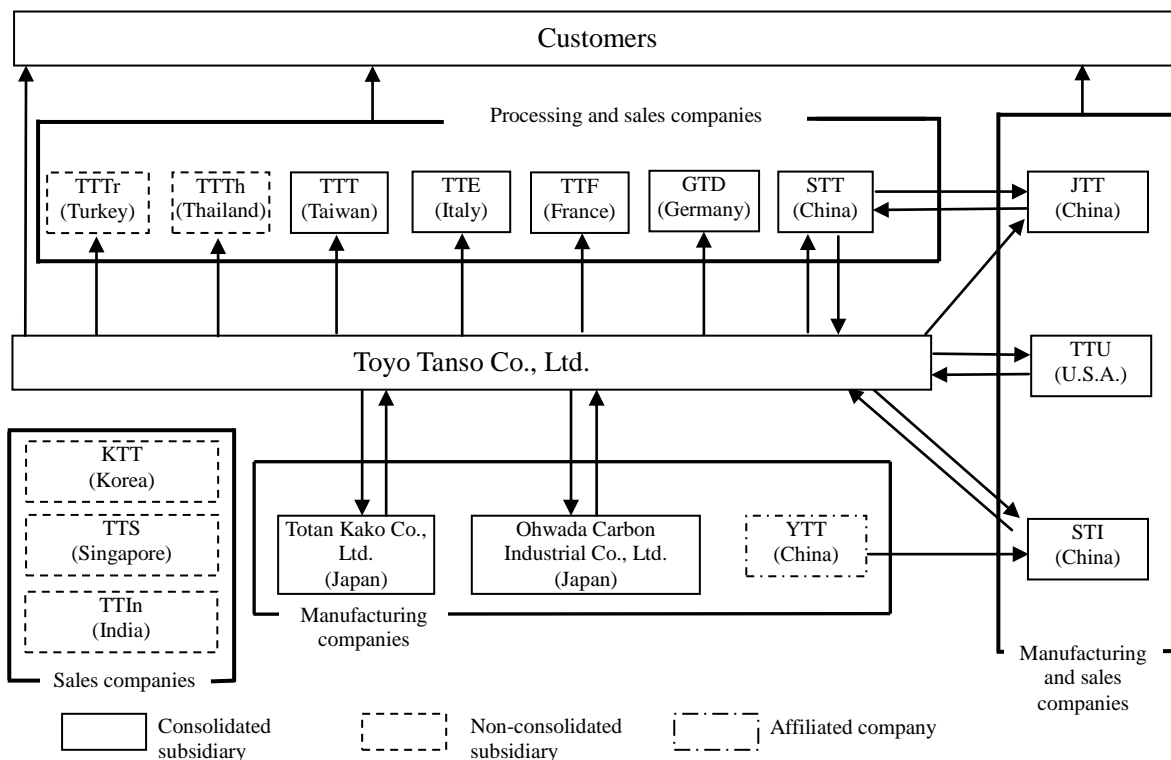
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its bendy nature.

[Etching resistance]

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

[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
	(TTTr) ... Toyo Tanso Graphite and Carbon Products Industry and Commercial A.S

3. Management Policy

(1) Basic Policies for the Management of the Company

BRAND VISION: Future that Company aspires to

We enrich people's lives and society by contributing to the development of scientific technology.

BRAND PROMISE: Long-term commitments that Company makes

We are committed to always living up to the public's trust and meeting expectations without forgetting our pioneering spirit to create products never before seen.

BRAND VALUE: Value offered to stakeholders

We form the foundation for a wide variety of industries and products and beat the competition in providing the best technology at the highest quality that make the impossible possible.

BRAND PERSONALITY: Company conduct and world-view

We are required to demonstrate the following attributes:

Integrity: Sincerity

Challenging: Continuing to take up challenges without being afraid of making mistakes

Never give up: Always persevering

Unique: Creative and original

Passionate: Acting with enthusiasm

Humanity: Respecting people and valuing human ties

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

We established a medium-term business plan in 2013, and are working to create BRAND VALUE on a medium-term basis, with a focus on the initiatives described below, from 2013, the year the plan started, and the development years from 2014 to 2016. In order to reinforce our BRAND VALUE in this medium-term business plan, we aspire to contribute to society by becoming an "R&D-based multipurpose carbon + materials manufacturer" that prioritizes agile production facilities, with our revenue generated primarily by material, applications, and production technology development.

(Overview of initiatives)

Expand clients, applications and industries in "carbon + α materials field" – Balancing*

In the final period through 2018, we aspire to an optimal business portfolio yielding 50 billion yen in net sales. We will continue developing and reinforcing the semiconductor field (primarily applications for solar cells, single crystal silicon and compound semiconductors), focusing on our mainstays, isotropic graphite and C/C composite products. Moreover, we will enhance the stability of our business by reducing our business dependence, strengthening added-value metallurgical applications and broadening the scope of our clients, applications and industries with new product development and new businesses. To this end, we will strengthen our global management strategy based on the four global poles of Japan, Europe and the US, East Asia and Southeast Asia, while also optimizing the volume, quality and form of our customer-oriented technology sales system.

Pursuing development issues based on customer needs – 4-in-1 Challenge*

In order to accurately meet customer needs that directly lead to a value-added business, we will endeavor to enhance the quality of our new products and new business development as well as accelerate the speed of these efforts by consolidating the vertical organizations—technology development, marketing, new business development and manufacturing—into a "4-in-1" system with unified organization and strengthening our horizontal organization for development and manufacturing more closely tailored to customers. Moreover, we will not only develop products with speed, but will produce products with revenue-generating capacity by systematically ascertaining needs and employing our Product Lifecycle Management (PLM) development method.

Pursuing business efficiency - Lean investment*

We will achieve value-added products with the minimum number of employees and capital investment and emphasize sales and income growth as well as improvements in ROA. While effectively utilizing existing manufacturing equipment, we will improve manufacturing methods for our existing product lineup. In overseas production, we will proactively expand markets with high potential, and raise our competitiveness

and profitability in these markets by making the minimum investments and using minimal methods.

We are working for early achievement of our medium-term business targets by revising the employee evaluation system, given that our employees are the source of the vitality needed for the company to come together to create BRAND VALUE on a medium-term basis.

(*Toyo Tanso's medium-term slogan)

(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, 2012	As of May 31, 2013
Assets		
Current assets		
Cash on hand and in banks	9,136,958	7,209,187
Trade notes and accounts receivable	13,124,833	11,256,956
Merchandise and finished goods	7,315,218	9,607,170
Work in process	6,351,260	6,754,201
Raw materials and stores	2,022,085	2,185,992
Deferred tax assets	901,762	551,254
Other	839,792	1,390,955
Allowance for doubtful accounts	(133,107)	(506,809)
Total current assets	39,558,803	38,448,908
Fixed assets		
Tangible fixed assets		
Buildings and structures	16,536,559	17,524,720
Accumulated depreciation	(7,843,961)	(8,468,154)
Buildings and structures (net)	8,692,597	9,056,566
Machinery, equipment, and vehicles	40,371,337	45,302,597
Accumulated depreciation	(28,537,745)	(30,605,883)
Machinery, equipment, and vehicles (net)	11,833,591	14,696,713
Land	5,739,970	5,824,094
Construction in progress	2,162,921	925,999
Other	3,802,297	4,144,226
Accumulated depreciation	(3,021,049)	(3,240,745)
Other (net)	781,248	903,480
Total tangible fixed assets	29,210,330	31,406,855
Intangible fixed assets	894,851	1,055,821
Investments and other assets		
Investments in securities	189,214	286,767
Deferred tax assets	449,716	720,086
Other	1,600,845	1,590,593
Allowance for doubtful accounts	(3,043)	(61)
Total investments and other assets	2,236,733	2,597,386
Total fixed assets	32,341,914	35,060,062
Total assets	71,900,718	73,508,971

(Thousands of yen, rounded down)

	As of May 31, 2012	As of May 31, 2013
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,328,985	1,538,134
Short-term borrowings	2,267,846	4,527,795
Accrued amount payable	6,159,317	2,536,584
Income tax payable	867,101	147,232
Reserve for employees' bonuses	921,492	746,193
Reserve for directors' and corporate auditors' bonuses	67,420	-
Other	2,117,588	1,587,577
Total current liabilities	14,729,751	11,083,517
Long-term liabilities		
Long-term borrowings	470,349	3,910,739
Deferred tax liabilities	286,900	175,208
Reserve for employees' retirement benefits	602,502	674,299
Asset retirement obligations	270,946	252,477
Other	475,319	446,083
Total long-term liabilities	2,106,018	5,458,808
Total liabilities	16,835,770	16,542,325
Equity		
Shareholder's equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	38,179,893	37,450,666
Treasury stock - at cost	(57,934)	(58,217)
Total shareholders' equity	55,349,222	54,619,711
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	5,156	69,942
Foreign currency translation adjustments	(1,848,932)	560,616
Total accumulated other comprehensive income	(1,843,775)	630,558
Share warrants	27,900	27,900
Minority interests	1,531,602	1,688,474
Total equity	55,064,948	56,966,645
Total liabilities and equity	71,900,718	73,508,971

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

(Thousands of yen, rounded down)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Net sales	38,714,106	28,409,548
Cost of goods sold	25,872,301	21,345,566
Gross profit	12,841,804	7,063,982
Selling, general and administrative expenses	6,786,382	6,546,356
Operating profit	6,055,421	517,625
Non-operating income		
Interest income	44,221	38,142
Dividends earned	11,146	6,031
Foreign exchange gains	-	665,168
Gain on foreign currency option	64,840	-
Gain on reversal of accrued legal claim	58,890	-
Other	68,704	65,584
Total non-operating income	247,803	774,926
Non-operating expenses		
Interest expenses	32,434	50,743
Loss on sale of notes payable	2,313	2,575
Valuation loss on investment securities	12,897	3,726
Loss on foreign currency option	-	435,542
Depreciation	36,709	84,924
Foreign exchange loss	138,281	-
Other	18,529	41,917
Total non-operating expenses	241,165	619,428
Recurring profit	6,062,059	673,123
Extraordinary profit		
Gain on sale of fixed assets	62,532	17,437
Gain on sale of investment securities	1,200	-
Subsidies received	192,032	55,951
Total extraordinary profit	255,764	73,388
Extraordinary losses		
Loss on sale of fixed assets	1,347	7,792
Loss on disposal of fixed assets	65,833	58,272
Impairment loss	-	*1 604,221
Payment for prior-year custom duties, etc.	115,659	-
Total extraordinary losses	182,839	670,286
Profit before income taxes	6,134,984	76,226
Income taxes - current	2,047,543	402,016
Prior year income tax, etc.	540,096	-
Income taxes - deferred	(287,106)	(61,222)
Total income taxes	2,300,533	340,793
Income (loss) before minority interests	3,834,450	(264,567)
Minority interest in income (loss)	367,621	(53,698)
Net income (loss)	3,466,829	(210,868)

(Consolidated comprehensive income statement)

(Thousands of yen, rounded down)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Income (loss) before minority interests	3,834,450	(264,567)
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	2,215	64,785
Foreign currency translation adjustments	14,831	2,632,778
Total other comprehensive income	17,047	2,697,563
Comprehensive income	3,851,497	2,432,995
(Breakdown)		
Comprehensive income attributable to parent company shareholders	3,451,195	2,263,465
Comprehensive income attributable to minority interests	400,302	169,529

(3) Consolidated statements of changes in equity

(Thousands of yen, rounded down)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
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	35,169,221	38,179,893
Change in the fiscal year		
Dividends from retained earnings	(456,157)	(518,358)
Net income (loss)	3,466,829	(210,868)
Total change in the fiscal year	3,010,671	(729,227)
Balance at end of the fiscal year	38,179,893	37,450,666
Treasury stock		
Balance at beginning of fiscal year	(57,630)	(57,934)
Balance at end of the fiscal year		
Acquisition of treasury stock	(303)	(283)
Total change in the fiscal year	(303)	(283)
Balance at end of the fiscal year	(57,934)	(58,217)
Total equity		
Balance at beginning of fiscal year	52,338,853	55,349,222
Change in the fiscal year		
Dividends from retained earnings	(456,157)	(518,358)
Net income (loss)	3,466,829	(210,868)
Acquisition of treasury stock	(303)	(283)
Total change in the fiscal year	3,010,368	(729,510)
Balance at end of the fiscal year	55,349,222	54,619,711

(Thousands of yen, rounded down)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities		
Balance at beginning of fiscal year	2,941	5,156
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	2,215	64,785
Total change in the fiscal year	2,215	64,785
Balance at end of the fiscal year	5,156	69,942
Foreign currency translation adjustments		
Balance at beginning of fiscal year	(1,831,083)	(1,848,932)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(17,849)	2,409,549
Total change in the fiscal year	(17,849)	2,409,549
Balance at end of the fiscal year	(1,848,932)	560,616
Accumulated other comprehensive income		
Balance at beginning of fiscal year	(1,828,141)	(1,843,775)
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	(15,634)	2,474,334
Total change in the fiscal year	(15,634)	2,474,334
Balance at end of the fiscal year	(1,843,775)	630,558
Share warrants		
Balance at beginning of fiscal year	20,088	27,900
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	7,812	-
Total change in the fiscal year	7,812	-
Balance at end of the fiscal year	27,900	27,900
Minority interests		
Balance at beginning of fiscal year	1,217,565	1,531,602
Change in the fiscal year		
Change in the fiscal year in items other than shareholders' equity (net)	314,037	156,872
Total change in the fiscal year	314,037	156,872
Balance at end of the fiscal year	1,531,602	1,688,474
Total equity		
Balance at beginning of fiscal year	51,748,364	55,064,948
Change in the fiscal year		
Dividends from retained earnings	(456,157)	(518,358)
Net income (loss)	3,466,829	(210,868)
Acquisition of treasury stock	(303)	(283)
Change in the fiscal year in items other than shareholders' equity (net)	306,214	2,631,207
Total change in the fiscal year	3,316,583	1,901,697
Balance at end of the fiscal year	55,064,948	56,966,645

(4) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Cash flows from operating activities		
Profit before income taxes	6,134,984	76,226
Depreciation	4,709,038	3,319,299
Impairment loss	-	604,221
Amortization of goodwill	10,906	-
Increase (decrease) in reserve for employees' retirement benefits	(51,367)	60,516
Increase (decrease) in long-term accounts payable – retirement bonuses for directors	(18,700)	200
Increase (decrease) in reserve for employees' bonuses	97,470	(183,959)
Increase (decrease) in reserve for directors' bonuses	(11,060)	(67,420)
Increase (decrease) in allowance for doubtful accounts	23,722	305,995
Interest and dividend income	(55,368)	(44,174)
Interest expenses	32,434	50,743
Foreign exchange loss (gain)	138,281	(665,168)
Valuation loss (gain) on investment securities	12,897	3,726
Gain on sale of fixed assets	(62,532)	(17,437)
Loss on disposal and sale of fixed assets	67,180	66,064
Loss (gain) on sale of investment securities	(1,200)	-
Decrease (increase) in notes and accounts receivable – trade	(9,620)	2,795,157
Decrease (increase) in inventories	(3,257,399)	(1,972,508)
Increase (decrease) in notes and accounts payable - trade	(529,362)	(1,239,074)
Other	(119,180)	260,390
Sub-total	7,111,124	3,352,798
Interest and dividend received	55,929	44,244
Interest paid	(33,009)	(52,985)
Income taxes paid	(3,169,447)	(1,592,641)
Net cash provided by operating activities	3,964,596	1,751,415
Cash flows from investing activities		
Payments for time deposits	(2,283,485)	(1,788,427)
Proceeds from time deposits	2,538,768	2,375,938
Payments for acquisition of tangible fixed assets	(4,171,176)	(8,866,884)
Proceeds from sale of tangible fixed assets	83,992	18,543
Payments for acquisition of intangible fixed assets	(192,431)	(126,844)
Payments for acquisition of investment securities	(1,199)	(1,209)
Proceeds from sale of investment securities	2,400	-
Other	102,742	7,118
Net cash used in investing activities	(3,920,389)	(8,381,766)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	939,817	985,385
Proceeds from long-term borrowings	400,000	5,778,075
Repayment of long-term borrowings	(654,166)	(1,394,250)
Repayment of finance lease payables	(36,330)	(50,083)
Payments for acquisition of treasury stock	(303)	(283)
Payments for dividends	(455,869)	(518,266)
Payments for dividends to minority interests	(34,969)	(104,040)
Net cash provided by (used in) financing activities	158,178	4,696,535
Effect of exchange rate changes on cash and cash equivalents	(87,498)	551,899
Increase (decrease) in cash and cash equivalents	114,886	(1,381,915)
Cash and cash equivalents at beginning of period	7,090,978	7,205,865
Cash and cash equivalents at end of period	7,205,865	5,823,949

(5) Notes to the consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable.

(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

Totan Kako 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

Toyo Tanso Graphite and Carbon Products Industry and Commercial A.S

(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 six 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, Toyo Tanso Graphite and Carbon Products Industry and Commercial A.S, 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 straight-line method is used.

The main useful lives are as follows.

Buildings and structures: 3 to 50 years

Machinery, equipment, and vehicles: 4 to 9 years

(Changes in accounting policies)

Toyo Tanso and its Japanese subsidiaries changed their depreciation method for tangible fixed assets from the fixed rate method to the straight-line method from the fiscal year beginning on June 1, 2012.

This change was motivated by the changes in the structure of Toyo Tanso's production system with the start of operations at the No. 3 plant built at the Takuma Division, a state-of-the-art mass-production plant. Since this plant began operating, optimum allocation at each plant achieved by categorizing according to product type has leveled out the equipment load, creating a system that enables stable production of all products.

As a result of the change in the structure of the production system, we determined that using the straight-line method as the depreciation method for tangible fixed assets, primarily manufacturing equipment, would most accurately reflect the stable use of the tangible fixed assets over their useful life and the consumption of the equalized economic benefits.

This change will increase operating profit by 608,781 thousand yen and recurring profit and profit before income taxes by 718,194 thousand yen each compared to the previous method in the consolidated fiscal year under review.

b. Intangible fixed assets (excluding lease assets)
The straight-line method is used. However, the straight-line method is used for software (in-house use) based on the in-house use period (five years).

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 currency-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) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short-term investments with high liquidity that can easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

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

Accounting treatment for consumption taxes

The tax-excluded method is used.

(Change in presentation method)

(Consolidated statements of income)

"Gain on sales of scraps," which was posted separately in the previous consolidated fiscal year, was less than one-tenth the total "non-operating income," and thus is posted under "other" in the fiscal year under review. In order to reflect this change in presentation, it was also posted under "other" in the previous fiscal year's consolidated financial statements.

As a result, the 30,843 thousand yen in "gain on sales of scraps" posted under "non-operating income" in the previous fiscal year's consolidated income statement is instead posted under "other."

(Related to consolidated income statement)

*1. Impairment loss

Current consolidated fiscal year (from June 1, 2012 to May 31, 2013)

The Group posted impairment losses on the following assets in the current consolidated fiscal year.

(i) Assets for which impairment losses were recognized

(Thousands of yen, rounded down)

Type	Type	Name of Company	Location	Impairment loss
Idle assets	Machinery, equipment and vehicles Tangible fixed assets, other Intangible fixed assets	Toyo Tanso Co., Ltd.	Takuma Division (Mitoyo, Kagawa)	291,235
Idle assets	Buildings and structures Machinery, equipment and vehicles	Toyo Tanso Co., Ltd.	Toyo Tanso Technology Center (Kanonji, Kagawa)	173,085
Head office	Buildings and structures Investments and other assets, other	Toyo Tanso Co., Ltd.	Head office (Kita-ku, Osaka)	89,565
Idle assets	Construction in progress Intangible fixed assets	Toyo Tanso USA, Inc.	Troutdale, Oregon, US	50,334

(ii) Reasons for recognition of impairment losses

Some of the manufacturing equipment at Toyo Tanso's Takuma Division and the Toyo Tanso Technology Center are idle due to lower production volume, and we recognized an impairment loss as the recoverable amount fell short of the book value amount.

Due to the decision to move our head office, the recoverable amount for some of the head office's assets fell short of the book value amount, and accordingly we recognized an impairment loss.

Some of Toyo Tanso USA, Inc.'s manufacturing equipment became idle due to changes in the business environment, and we recognized an impairment loss as the recoverable amount fell short of the book value amount.

(iii) Impairment loss amounts and amounts by type of primary fixed asset

Buildings and structures:	27,058 thousand yen
Machinery, equipment and vehicles:	459,591 thousand yen
Tangible fixed assets and others:	4,202 thousand yen
Construction in progress:	49,221 thousand yen
Investments and other assets, other:	58,514 thousand yen

(iv) Grouping method

Toyo Tanso and its consolidated subsidiaries group its assets by individual company, and as the aforementioned assets are either idle or are to be moved, decisions to recognize impairment losses were made on the basis of each individual asset.

(v) Method for calculating recoverable amount

The recoverable amount is calculated primarily using the usable value, but as the usable value based on future cash flow is negative, we calculated the recoverable value as zero.

(Segment information)

a. Reportable segments

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, 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) Inter-segment 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 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, 2012 to May 31, 2013)

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	15,673,949	2,491,883	2,615,223	7,628,491	28,409,548	-	28,409,548
(2) Inter-segment sales or transfers	5,077,077	29,258	5,521	68,715	5,180,573	(5,180,573)	-
Total	20,751,026	2,521,142	2,620,745	7,697,207	33,590,121	(5,180,573)	28,409,548
Segment profit (loss)	699,112	(335,224)	106,127	(68,348)	401,667	115,958	517,625
Segment asset	60,112,786	2,744,000	3,903,210	15,138,467	81,898,465	(8,389,493)	73,508,971
Other items							
(1) Depreciation	2,717,080	201,077	89,612	319,106	3,326,876	(7,576)	3,319,299
(2) Amortization of goodwill	-	-	-	-	-	-	-
(3) Increases in tangible and intangible fixed assets	4,551,356	113,110	290,877	291,461	5,246,806	-	5,246,806

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

- (1) Adjusted segment profit (loss) mainly takes into account the elimination of inter-segment transactions and unrealized income.
- (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
2. Segment profit (loss) has been adjusted to reflect the operating profit recorded in the consolidated statement of income.
3. Changes in Reportable Segments
(Changes to depreciation method)

As noted in "Changes in accounting policies" in "Significant items that form the basis of preparations for consolidated financial statements," Toyo Tanso and its Japanese subsidiaries have changed their depreciation method for tangible fixed assets from the fixed rate method to the straight-line method from the fiscal year beginning on June 1, 2012. As a result, profits for segments in Japan increased 770,162 thousand yen and the "adjusted amount" for segment profits decreased 161,381 thousand yen in the consolidated fiscal year.

b. Related information

Previous 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) 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
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.

Current consolidated fiscal year (From June 1, 2012 to May 31, 2013)

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	12,282,253	2,411,386	2,813,662	10,671,426	7,241,428	230,818	28,409,548
Composition (%)	43.2	8.5	9.9	37.6	25.5	0.8	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
	25,248,683	1,202,162	1,383,127	3,572,881	31,406,855

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, 2011 to May 31, 2012)

Not applicable.

Current consolidated fiscal year (From June 1, 2012 to May 31, 2013)

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment loss	553,887	50,334	-	-	604,221

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

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

There is no unamortized amount of goodwill. Notes on amortization of goodwill are omitted here as similar information is provided in segment information.

Current consolidated fiscal year (From June 1, 2012 to May 31, 2013)

Not applicable.

e. Information on gains on negative goodwill by reportable segment

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

Not applicable.

Current consolidated fiscal year (From June 1, 2012 to May 31, 2013)

Not applicable.

(Per share information)

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Net assets per share	2,580.53 yen	2,664.70 yen
Net income (loss) per share	167.20 yen	(10.17) yen

(Notes) 1. Although there are residual securities, the diluted net income per share in the current fiscal year is not noted as it was a net loss per share. As there are no residual securities with dilutive effects, the diluted net income per share in the current fiscal year is not noted.

2. The basis for calculating net income (loss) per share is outlined below.

	From June 1, 2011 to May 31, 2012	From June 1, 2012 to May 31, 2013
Net income (loss) (thousands of yen)	3,466,829	(210,868)
Amount not attributed to common shareholders (thousands of yen)	-	-
Net income (loss) related to common shares (thousands of yen)	3,466,829	(210,868)
Average outstanding shares during the fiscal year (shares)	20,734,397	20,734,269
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, 2012					Year ended May 31, 2013				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	6,154	5,440	3,265	3,261	18,121	2,577	2,672	2,849	3,269	11,368
Carbon products for general industries (for mechanical applications)	860	740	726	736	3,063	677	616	685	655	2,636
Carbon products for general industries (for electrical applications)	1,085	821	1,072	984	3,963	883	1,104	1,072	1,103	4,164
Compound materials and other products	2,121	1,880	1,749	1,561	7,312	1,635	1,572	1,590	1,811	6,610
Total	10,221	8,882	6,813	6,544	32,460	5,774	5,966	6,198	6,840	24,779

ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2012				Year ended May 31, 2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	4,956	4,494	3,712	2,879	1,944	1,706	1,820	1,805
Carbon products for general industries (for mechanical applications)	748	731	706	623	572	456	470	425
Carbon products for general industries (for electrical applications)	1,128	1,017	1,176	1,159	1,172	1,340	1,480	1,611
Compound materials and other products	3,508	3,055	2,612	2,009	1,832	1,758	1,567	1,567
Total	10,342	9,299	8,208	6,672	5,521	5,262	5,339	5,409

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2012					Year ended May 31, 2013				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	5,972	5,795	4,173	4,400	20,341	3,628	3,049	2,966	3,546	13,191
[Electronics applications]	3,649	3,565	1,855	2,074	11,144	1,508	928	879	1,235	4,551
[General industries applications]	2,035	1,946	1,972	1,993	7,947	1,814	1,790	1,808	1,971	7,383
[Others]	287	283	346	332	1,249	305	331	278	339	1,255
Carbon products for general industries (for mechanical applications)	793	796	785	848	3,223	783	769	701	733	2,988
Carbon products for general industries (for electrical applications)	1,012	959	953	919	3,845	949	952	994	1,072	3,969
Compound materials and other products	2,961	2,785	2,401	2,274	10,423	1,963	1,743	1,947	2,043	7,698
[3 major products]	2,600	2,437	1,977	1,933	8,948	1,691	1,470	1,594	1,700	6,456
[Other products]	361	348	424	341	1,475	272	273	353	343	1,242
Related goods	235	222	223	198	879	183	112	131	134	561
Total	10,976	10,559	8,538	8,640	38,714	7,509	6,628	6,740	7,530	28,409

(2) Overview

Special graphite products

In electronics applications, sales remained depressed for solar cells, which are in the midst of a deep slump, primarily in China. In addition, products for the manufacture of single crystal silicon continued to flag on the back of the struggling semiconductor industry.

General industries applications were solid performers, particularly products for electrical discharge machine (EDM) electrodes and continuous casting, due to a recovery in the Japanese economy and strong overseas demand, although there were some signs of weakness in the auto industry.

Carbon products for general industries

Sales of carbon products for mechanical applications were weak in some areas, but performance remained solid due to robust domestic demand. Pantograph sliders also remained strong performers.

Among carbon products for electrical applications, sales of products for domestic auto applications disappointed temporarily, but sales of products for small motors intended for vacuum cleaners and electric power tools were strong, particularly in China. As a result, sales recovered overall.

Compound materials and other products

The performance of SiC (silicon carbide)-coated graphite products continued to take one step back for every step forward, particularly for LED applications, but there were signs of recovery as indicated by an upturn in orders driven by products for smartphones and tablets through the end of the fiscal year. Orders for C/C composite products remained sluggish due to disappointing demand for solar cell products and a drop-off in large projects, although there were some signs of a turn-around in semiconductors. Orders for graphite sheet products were somewhat soft as a slump in electronics-related products was exacerbated by a temporary correction in the mainstay automotive applications.

(3) Changes of executives

i. Changes of board members
Not applicable.

ii Changes to other executives
Not applicable.

iii Changes in company executives
Retirement of company executive (as of August 29, 2013)

Current	Name	Position after retirement
Company executive Chief Executive Officer, Jiayang Toyo Tanso Co., Ltd.	Hiroaki Ogura	Chief Executive Officer, Jiayang Toyo Tanso Co., Ltd.