

Consolidated Financial Results for the Fiscal Year Ended December 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: March 28, 2014
 Scheduled date for dividend payment: March 31, 2014
 Scheduled date for submission of securities report: March 31, 2014
 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 December 31, 2013

(From June 1, 2013 to December 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 December 31, 2013	20,542	-	1,035	-	1,303	-	(111)	-
Fiscal year ended May 31, 2013	28,409	(26.6)	517	(91.5)	673	(88.9)	(210)	-

Note: Comprehensive income:
 Fiscal year ended December 31, 2013 1,998 million yen (-%)
 Fiscal year ended May 31, 2013 2,432 million yen (down 36.8%)

	Net income per share	Diluted net income per share	Equity ratio	Recurring profit/total assets	Operating profit/net sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2013	(5.39)	-	(0.2)	1.8	5.0
Fiscal year ended May 31, 2013	(10.17)	-	(0.4)	0.9	1.8

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

Note: Toyo Tanso has changed its fiscal year (the last day of its business year) from May 31 to December 31. Accordingly, the fiscal year ended on December 31, 2013 was a transitional period in which the fiscal year was changed, and as a result the consolidated financial statements were irregular in that they covered a nine-month period (April 1 to December 31, 2013) for subsidiaries whose fiscal year ended on March 31 or December 31 and a seven-month period (June 1 to December 31, 2013) for subsidiaries whose fiscal year ended on May 31. As a result, changes over the previous fiscal year are not provided.

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Equity per share
			%	yen
As of December 31, 2013	74,229	58,552	76.3	2,733.13
As of May 31, 2013	73,508	56,966	75.2	2,664.70
Reference: Shareholders' equity				
December 31, 2013		56,668 million yen		
May 31, 2013		55,250 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 December 31, 2013	3,496	(1,442)	(1,464)	6,871
Fiscal year ended May 31, 2013	1,751	(8,381)	4,696	5,823

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, 2013	-	0.00	-	20.00	20.00	414	-	0.8
Year ended December 31, 2013	-	0.00	-	11.50	11.50	238	-	0.4
Year ending December 31, 2014 (Forecast)	-	0.00	-	22.00	22.00		45.6	

3. Consolidated results forecast for the fiscal year ending December 31, 2014

(From January 1, 2014 to December 31, 2014)

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales	Operating profit		Recurring profit		Net income		Net income per share	
		%	%	%	%	%	%	yen	
Six months ending June 30, 2014	16,000	-	500	-	400	-	400	-	19.29
Fiscal year ending December 31, 2014	34,000	-	1,500	-	1,400	-	1,000	-	48.23

Note: The fiscal year ended on December 31, 2013 was a transitional period in which the fiscal year was changed, and the consolidated results were irregular in that the figures for the full fiscal year covered a nine-month period (April 1 to December 31, 2013) for subsidiaries whose fiscal year ended on March 31 or December 31 and a seven-month period (June 1 to December 31, 2013) for subsidiaries whose fiscal year ended on May 31. In addition, quarterly financial statements were not released for the first two quarters (cumulative). Accordingly, changes over the previous fiscal year and the same period of the previous year are not provided.

* **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.: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

For details, please refer to “Changes in accounting policies” in “Significant items that form the basis of preparations for consolidated financial statements” on page 23 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 December 31, 2013 20,750,688 shares

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

2) Number of treasury stock at the end of period

As of December 31, 2013 16,665 shares

As of May 31, 2013 16,515 shares

3) Average number of shares during the period

As of December 31, 2013 20,734,119 shares

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

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

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

(From June 1, 2013 to December 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 December 31, 2013	12,994	-	596	-	1,064	-	626	-
Fiscal year ended May 31, 2013	20,747	(27.0)	280	(88.7)	648	(76.4)	96	(92.6)

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended December 31, 2013	30.24	-
Fiscal year ended May 31, 2013	4.64	-

Note: The fiscal year ended on December 31, 2013 was a transitional period in which the fiscal year was changed, and the consolidated financial statements were irregular in that they covered a seven-month period (June 1 to December 31, 2013). Accordingly, changes over the previous fiscal year are not provided.

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio	Net assets per share
			%	yen
As of December 31, 2013	55,123	42,496	77.0	2,047.45
As of May 31, 2013	56,596	42,253	74.6	2,036.52

Reference: Shareholders' equity

December 31, 2013

42,451 million yen

May 31, 2013

42,225 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 February 24, 2014. 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

Toyo Tanso has changed its fiscal year (the last day of its business year) from May 31 to December 31. Accordingly, the fiscal year ended on December 31, 2013 was a transitional period in which the fiscal year was changed, and as a result the consolidated financial statements were irregular in that they covered a nine-month period (April 1 to December 31, 2013) for subsidiaries whose fiscal year ended on March 31 or December 31 and a seven-month period (June 1 to December 31, 2013) for subsidiaries whose fiscal year ended on May 31. As a result, changes over the previous fiscal year are not provided.

(1) Analysis of Business Results

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

During the consolidated fiscal period under review, despite slower growth in some emerging economies, we continued to see a modest economic recovery in the global economy overall, as evidenced by solid trends in the US economy and signs of economic recovery in the euro zone.

The Japanese economy also experienced a moderate recovery trajectory as the yen weakened and the stock market strengthened on the back of the effect of economic stimulus policies and monetary policy, and corporate earnings also improved. The Toyo Tanso Group's business environment made a gradual recovery overall. The solar cell market did not enjoy a full-fledged recovery, but there were indications of improvements in some regions. Moreover, general industries applications picked up, and the LED market remained solid.

In these conditions, the Group focused its energies on promoting sales promotion activities, developing new products and businesses and thoroughly cutting costs in order to achieve its medium-term business plan, which was launched in the current fiscal year.

As a result, for the consolidated fiscal year under review, net sales were 20,542 million yen, operating profit totaled 1,035 million yen and recurring profit was 1,303 million yen. Moreover, net loss for the fiscal year was 111 million yen partly as a result of the posting of a 701 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

While sales of products for solar cell and semiconductor applications were weak, products for the general industries application sector remained solid, thanks to the recovery of the domestic economy. As a result, net sales for the fiscal year in Japan were 9,630 million yen and operating profit was 799 million yen.

United States

Despite strong results for some applications, such as general industries applications, sluggish sales of electronics-related products for solar cell and semiconductor applications dragged down overall performance. As a result, net sales for the fiscal year in the United States were 1,418 million yen and operating loss was 356 million yen.

Europe

Sales of brushes for small motors continued to recover, but electronics-related products such as solar cell applications remained weak and conditions remained harsh overall. As a result, net sales for the fiscal year in Europe were 1,810 million yen and operating loss was 79 million yen.

Asia

In addition to a partial recovery for mainstay solar cell applications, compound semiconductor applications were strong performers and operations in Asia picked up slowly overall. As a result, net sales for the fiscal year in Asia were 7,683 million yen and operating profit was 377 million yen.

(ii) Outlook for the Fiscal Year Ending December 31, 2014

While some observers expect the Japanese and overseas economies to continue tracking a modest recovery, particularly in the US and Europe, there are concerns about slower growth in some emerging economies, and as a result, we believe that the outlook remains unpredictable. Although there are some uncertainties for the electronics-related sector, we are beginning to see hopeful signs for the Group's operating environment, such as a gradual recovery in the solar cell market.

We will strive to stimulate demand for a broad range of applications, such as metallurgical applications and other general industries applications, as well as electrical applications, and will also continue to strengthen our structure with thorough cuts in costs and expenses.

In view of the above factors, we expect net sales of 34,000 million yen, 1,500 million yen in operating profit, 1,400 million yen in recurring profit and 1,000 million yen in net income in the fiscal year ending on December 31, 2014.

(Assumed exchange rate: 100 yen/US\$, 135 yen/EUR, 16.4 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 720 million yen from the previous consolidated fiscal year. This was primarily because, although tangible fixed assets decreased 1,514 million yen as a result of impairment losses and depreciation, trade notes and accounts receivable increased 2,190 million yen.

Total liabilities decreased by 865 million yen from the end of the previous consolidated fiscal year. This was primarily because, although trade notes and accounts payable increased 855 million yen, interest-bearing debt decreased 726 million yen and reserves for employees' bonuses and net defined benefit liability ("reserve for employees' retirement benefits" in the previous consolidated fiscal year) decreased 408 million yen and 496 million yen, respectively, as a result of the change in the fiscal period.

Total equity increased by 1,586 million yen from the end of the previous consolidated fiscal year. This net increase was primarily driven by an increase of 1,858 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 December 31, 2013 increased by 1,047 million yen from the end of the previous consolidated fiscal year, to 6,871 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds acquired by operating activities totaled 3,496 million yen. This was primarily because, although funds increased due to 587 million yen in profit before income taxes, 2,207 million yen in depreciation, a 653 million yen decrease in inventory, a 560 million yen increase in notes and accounts payable and 236 million yen in income tax refunds, funds decreased due to a 1,303 million yen increase in notes and accounts receivable-trade.

(Cash Flows from Investing Activities)

Funds used in investment activities totaled 1,442 million yen. This was primarily due to a decrease in funds, including payments for the acquisition of tangible fixed assets to 1,432 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities amounted to 1,464 million yen. This is primarily due to a decrease in funds, including 970 million yen in proceeds from long-term borrowings and 414 million yen in payments for dividends.

(3) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2013 and the Fiscal Year Ending December 31, 2014

(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 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 December 31, 2013

As the fiscal year under review was seven months in length due to the change in our fiscal period, and based on the aforementioned policy and our business results in the fiscal year under review, we plan to pay a dividend of 11.50 yen per share for the fiscal year ended December 31, 2013.

(iii) Dividends for the Fiscal Year Ending December 31, 2014

Given the continuing severity of the business environment and our consolidated earnings forecasts, we plan to pay dividends of 22 yen per share in the next fiscal year.

(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 tools
		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]

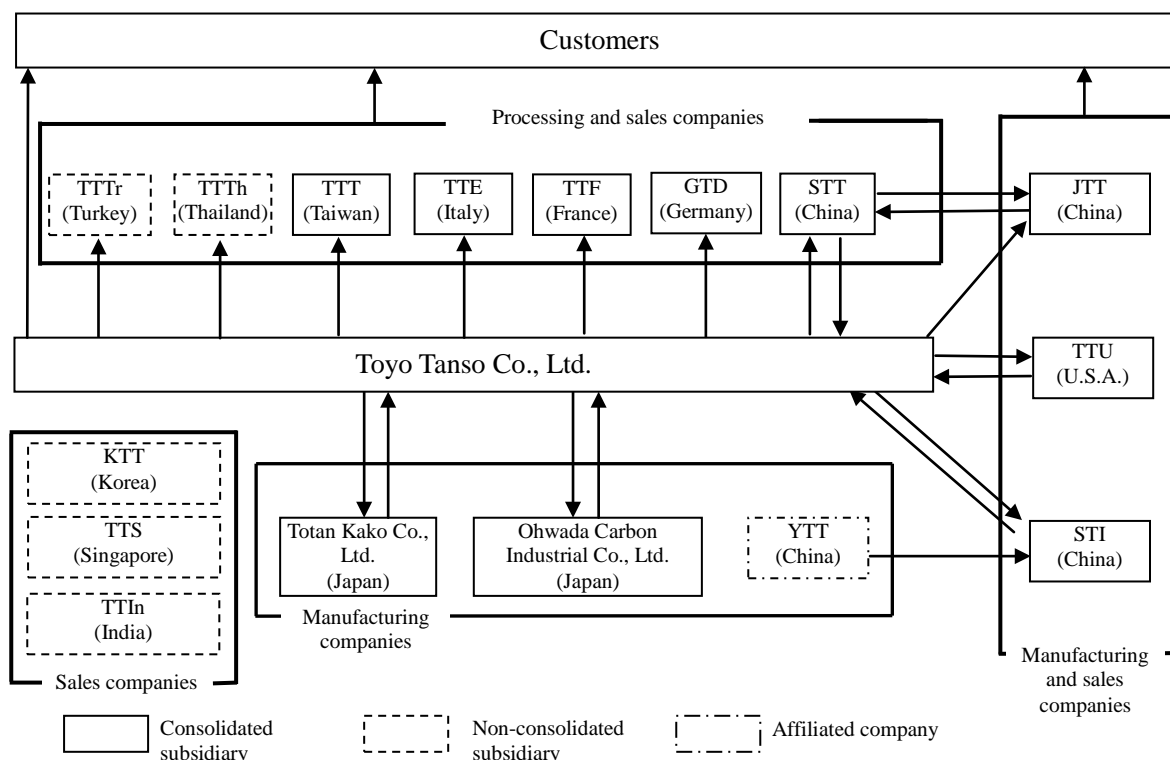
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its flexible nature.

[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

This section is omitted since there were no significant changes in the information disclosed since the release of financial results report for the fiscal year ended on May 31, 2013 (released on July 12, 2013).

Please refer to the following website for the relevant financial results report.

(Toyo Tanso's home page)

<http://www.toyotanso.co.jp>

(Tokyo Stock Exchange's home page [search page for information on listed companies])

<http://www.tse.or.jp/listing/compsearch/index.html>

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen, rounded down)

	As of May 31, 2013	As of December 31, 2013
Assets		
Current assets		
Cash on hand and in banks	7,209,187	8,497,958
Trade notes and accounts receivable	11,256,956	13,447,324
Merchandise and finished goods	9,607,170	9,856,738
Work in process	6,754,201	6,663,370
Raw materials and stores	2,185,992	1,961,139
Deferred tax assets	551,254	343,127
Other	1,390,955	692,510
Allowance for doubtful accounts	(506,809)	(459,543)
Total current assets	38,448,908	41,002,624
Fixed assets		
Tangible fixed assets		
Buildings and structures	17,524,720	17,894,090
Accumulated depreciation	(8,468,154)	(8,806,858)
Buildings and structures (net)	9,056,566	9,087,232
Machinery, equipment, and vehicles	45,302,597	45,679,246
Accumulated depreciation	(30,605,883)	(32,359,111)
Machinery, equipment, and vehicles (net)	14,696,713	13,320,134
Land	5,824,094	5,852,591
Construction in progress	925,999	802,899
Other	4,144,226	4,073,376
Accumulated depreciation	(3,240,745)	(3,243,802)
Other (net)	903,480	829,573
Total tangible fixed assets	31,406,855	29,892,430
Intangible fixed assets	1,055,821	1,051,851
Investments and other assets		
Investments in securities	286,767	309,337
Deferred tax assets	720,086	379,742
Other	1,590,593	1,593,561
Allowance for doubtful accounts	(61)	(252)
Total investments and other assets	2,597,386	2,282,389
Total fixed assets	35,060,062	33,226,671
Total assets	73,508,971	74,229,295

(Thousands of yen, rounded down)

	As of May 31, 2013	As of December 31, 2013
Liabilities		
Current liabilities		
Trade notes and accounts payable	1,538,134	2,393,584
Short-term borrowings	4,527,795	4,578,750
Accrued amount payable	2,536,584	2,482,552
Income tax payable	147,232	145,566
Reserve for employees' bonuses	746,193	337,478
Other	1,587,577	1,589,808
Total current liabilities	11,083,517	11,527,742
Long-term liabilities		
Long-term borrowings	3,910,739	3,133,348
Deferred tax liabilities	175,208	160,995
Reserve for employees' retirement benefits	674,299	-
Net defined benefit liability	-	178,242
Asset retirement obligations	252,477	254,325
Other	446,083	421,700
Total long-term liabilities	5,458,808	4,148,611
Total liabilities	16,542,325	15,676,353
Equity		
Shareholder's equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	37,450,666	36,924,250
Treasury stock - at cost	(58,217)	(58,514)
Total shareholders' equity	54,619,711	54,092,997
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	69,942	84,387
Foreign currency translation adjustments	560,616	2,419,065
Remeasurements of defined benefit plans	-	72,254
Total accumulated other comprehensive income	630,558	2,575,707
Share warrants	27,900	44,855
Minority interests	1,688,474	1,839,381
Total equity	56,966,645	58,552,942
Total liabilities and equity	73,508,971	74,229,295

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

(Thousands of yen, rounded down)

	From June 1, 2012 to May 31, 2013	From June 1, 2013 to December 31, 2013
Net sales	28,409,548	20,542,705
Cost of goods sold	21,345,566	15,648,969
Gross profit	7,063,982	4,893,736
Selling, general and administrative expenses	6,546,356	3,858,540
Operating profit	517,625	1,035,195
Non-operating income		
Interest income	38,142	30,634
Dividends earned	6,031	6,420
Foreign exchange gains	665,168	207,179
Other	65,584	137,541
Total non-operating income	774,926	381,775
Non-operating expenses		
Interest expenses	50,743	44,127
Loss on sale of notes payable	2,575	2,681
Valuation loss on investment securities	3,726	442
Loss on foreign currency option	435,542	47,306
Depreciation	84,924	14,970
Other	41,917	4,313
Total non-operating expenses	619,428	113,842
Recurring profit	673,123	1,303,128
Extraordinary profit		
Gain on sale of fixed assets	17,437	111,789
Subsidies received	55,951	-
Total extraordinary profit	73,388	111,789
Extraordinary losses		
Loss on sale of fixed assets	7,792	8,565
Loss on disposal of fixed assets	58,272	90,379
Impairment loss	*1 604,221	*1 701,818
Expenses for relocation of head office	-	26,737
Total extraordinary losses	670,286	827,500
Profit before income taxes	76,226	587,417
Income taxes - current	402,016	180,326
Income taxes - deferred	(61,222)	504,037
Total income taxes	340,793	684,364
Net loss before minority interests	(264,567)	(96,946)
Minority interest in income (loss)	(53,698)	14,786
Net loss	(210,868)	(111,733)

(Consolidated comprehensive income statement)

(Thousands of yen, rounded down)

	From June 1, 2012 to May 31, 2013	From June 1, 2013 to December 31, 2013
Net loss before minority interests	(264,567)	(96,946)
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	64,785	14,445
Foreign currency translation adjustments	2,632,778	2,080,820
Total other comprehensive income	2,697,563	2,095,265
Comprehensive income	2,432,995	1,998,318
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,263,465	1,761,160
Comprehensive income attributable to minority interests	169,529	237,158

(3) Consolidated statements of changes in equity

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

(Thousands of yen, rounded down)

	Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at beginning of the fiscal year	7,692,575	9,534,686	38,179,893	(57,934)	55,349,222
Change in the fiscal year					
Dividends from retained earnings			(518,358)		(518,358)
Net loss			(210,868)		(210,868)
Acquisition of treasury stock				(283)	(283)
Change in the fiscal year in items other than shareholders' equity (net)					
Total change in the fiscal year	-	-	(729,227)	(283)	(729,510)
Balance at end of the fiscal year	7,692,575	9,534,686	37,450,666	(58,217)	54,619,711

	Accumulated other comprehensive income				Share warrants	Minority interests	Total equity
	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the fiscal year	5,156	(1,848,932)	-	(1,843,775)	27,900	1,531,602	55,064,948
Change in the fiscal year							
Dividends from retained earnings							(518,358)
Net loss							(210,868)
Acquisition of treasury stock							(283)
Change in the fiscal year in items other than shareholders' equity (net)	64,785	2,409,549	-	2,474,334	-	156,872	2,631,207
Total change in the fiscal year	64,785	2,409,549	-	2,474,334	-	156,872	1,901,697
Balance at end of the fiscal year	69,942	560,616	-	630,558	27,900	1,688,474	56,966,645

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

(Thousands of yen, rounded down)

	Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at beginning of the fiscal year	7,692,575	9,534,686	37,450,666	(58,217)	54,619,711
Change in the fiscal year					
Dividends from retained earnings			(414,683)		(414,683)
Net loss			(111,733)		(111,733)
Acquisition of treasury stock				(297)	(297)
Change in the fiscal year in items other than shareholders' equity (net)					
Total change in the fiscal year	-	-	(526,416)	(297)	(526,714)
Balance at end of the fiscal year	7,692,575	9,534,686	36,924,250	(58,514)	54,092,997

	Accumulated other comprehensive income				Share warrants	Minority interests	Total equity
	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the fiscal year	69,942	560,616	-	630,558	27,900	1,688,474	56,966,645
Change in the fiscal year							
Dividends from retained earnings							(414,683)
Net loss							(111,733)
Acquisition of treasury stock							(297)
Change in the fiscal year in items other than shareholders' equity (net)	14,445	1,858,448	72,254	1,945,148	16,955	150,906	2,113,010
Total change in the fiscal year	14,445	1,858,448	72,254	1,945,148	16,955	150,906	1,586,296
Balance at end of the fiscal year	84,387	2,419,065	72,254	2,575,707	44,855	1,839,381	58,552,942

(4) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	From June 1, 2012 to May 31, 2013	From June 1, 2013 to December 31, 2013
Cash flows from operating activities		
Profit before income taxes	76,226	587,417
Depreciation	3,319,299	2,207,613
Impairment loss	604,221	701,818
Increase (decrease) in reserve for employees' retirement benefits	60,516	-
Increase (decrease) in net defined benefit liability	-	(408,451)
Increase (decrease) in long-term accounts payable - retirement bonuses for directors	200	(3,100)
Increase (decrease) in reserve for employees' bonuses	(183,959)	(422,519)
Increase (decrease) in reserve for directors' bonuses	(67,420)	-
Increase (decrease) in allowance for doubtful accounts	305,995	(81,420)
Interest and dividend income	(44,174)	(37,054)
Interest expenses	50,743	44,127
Foreign exchange loss (gain)	(665,168)	(207,179)
Valuation loss (gain) on investment securities	3,726	442
Gain on sale of fixed assets	(17,437)	(111,789)
Loss on disposal and sale of fixed assets	66,064	98,945
Decrease (increase) in notes and accounts receivable - trade	2,795,157	(1,303,397)
Decrease (increase) in inventories	(1,972,508)	653,007
Increase (decrease) in notes and accounts payable - trade	(1,239,074)	560,981
Other	260,390	987,209
Sub-total	3,352,798	3,266,651
Interest and dividend received	44,244	37,794
Interest paid	(52,985)	(43,858)
Income taxes paid	(1,592,641)	236,152
Net cash provided by operating activities	1,751,415	3,496,740
Cash flows from investing activities		
Payments for time deposits	(1,788,427)	(435,192)
Proceeds from time deposits	2,375,938	249,409
Payments for acquisition of tangible fixed assets	(8,866,884)	(1,432,894)
Proceeds from sale of tangible fixed assets	18,543	156,555
Payments for acquisition of intangible fixed assets	(126,844)	(46,552)
Payments for acquisition of investment securities	(1,209)	(17,760)
Other	7,118	84,103
Net cash used in investing activities	(8,381,766)	(1,442,331)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	985,385	(74,692)
Proceeds from long-term borrowings	5,778,075	100,000
Repayment of long-term borrowings	(1,394,250)	(970,049)
Repayment of finance lease payables	(50,083)	(30,254)
Payments for acquisition of treasury stock	(283)	(297)
Payments for dividends	(518,266)	(414,190)
Payments for dividends to minority interests	(104,040)	(75,246)
Net cash provided by (used in) financing activities	4,696,535	(1,464,731)
Effect of exchange rate changes on cash and cash equivalents	551,899	457,893
Increase (decrease) in cash and cash equivalents	(1,381,915)	1,047,571
Cash and cash equivalents at beginning of period	7,205,865	5,823,949
Cash and cash equivalents at end of period	5,823,949	6,871,521

(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; amount corresponding to equity), and retained earnings (amount corresponding to equity) 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; amount corresponding to equity), or retained earnings (amount corresponding to equity) 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 change in the consolidated fiscal year

In a decision made at the Ordinary General Meeting of Shareholders held on August 29, 2013, the Company changed its consolidated fiscal year (the last day of its business year) from May 31 to December 31 in order to disclose more accurate business information in a more timely manner and improve the efficiency of earnings management and business operations, as well as comply with international financial reporting standards (IFRS) in the future.

As a result of this change, the fiscal year from June 1 to December 31, 2013, the transitional period, was an irregular seven-month period. The consolidated fiscal year was the nine-month period from April 1 to December 31, 2013 for consolidated subsidiaries Ohwada Carbon Industry 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.

4. Items concerning the business years of subsidiaries

As a result of the change in the consolidated fiscal year, the consolidated closing date for the four subsidiaries Totan Kako Co., Ltd., Toyo Tanso USA, Inc., Toyo Tanso France S.A. and GTD Graphit Technologie GmbH and the three subsidiaries Ohwada Carbon Industrial Co., Ltd., Toyo Tanso Europe S.p.A., and Toyo Tanso Taiwan Co., Ltd. has changed from May 31 and March 31, respectively, to December 31.

As a result, the closing date for all consolidated subsidiaries is in line with the consolidated closing date.

5. 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

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.

(Changes in accounting policies)

Beginning with the current consolidated fiscal year, the Company adopted the "Accounting Standards for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Retirement Benefits Accounting Standards") and the "Guidance on the Accounting Standards for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the "Guidance on Retirement Benefits") (excluding the provisions set forth in Clause 35 of the Retirement Benefits Accounting Standards and Clause 67 of the Guidance on Retirement Benefits).

Consequently, retirement benefit obligations net pension assets were recorded as net defined benefit liability, and the unrecognized actuarial difference, unrecognized past service costs and unrecognized difference at time of change in accounting standards were recorded as net defined benefit liability.

In accordance with the transitional accounting treatments set forth in Clause 37 of the Retirement Benefits Accounting Standards, the Company has made adjustments to the remeasurements of defined benefit plans recorded as "Accumulated other comprehensive income" by factoring in the effects arising from the changes in this change in the current consolidated fiscal year.

As a result, accumulated other comprehensive income at the end of this consolidated fiscal year increased by 72,254 thousand yen.

(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.

(Related to consolidated income statement)

*1. Impairment loss

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

The Group posted impairment losses on the following assets in the previous 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, USA	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 their 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.

Current consolidated fiscal year (from June 1, 2013 to December 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	Toyo Tanso Co., Ltd.	Toyo Tanso Technology Center (Kanonji, Kagawa)	136,216
Assets for business use	Machinery, equipment and vehicles	Toyo Tanso USA, Inc.	Troutdale, Oregon, USA	565,602

(ii) Reasons for recognition of impairment losses

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

The operating activities of Toyo Tanso USA, Inc. generated a loss, and having determined that there was little possibility that future cash flow would be able to recover an amount equivalent to the book value, we recognized an impairment loss.

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

Machinery, equipment and vehicles: 698,461 thousand yen

Tangible fixed assets and others: 3,357 thousand yen

(iv) Grouping method

Toyo Tanso groups its assets by individual company, and as the aforementioned assets are idle, decisions to recognize impairment losses were made on the basis of each individual asset.

Consolidated subsidiaries group their assets according to the minimum independent cash-flow-generating unit.

(v) Method for calculating recoverable amount

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

In the case of Toyo Tanso USA, Inc., the recoverable amount is calculated from the net sales price calculated using rational estimates taking into account transactions and other factors.

(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 profit 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, 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.

Current consolidated fiscal year (From June 1, 2013 to December 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	9,630,665	1,418,178	1,810,417	7,683,444	20,542,705	-	20,542,705
(2) Inter-segment sales or transfers	3,366,348	29,732	20,998	51,233	3,468,313	(3,468,313)	-
Total	12,997,013	1,447,910	1,831,416	7,734,677	24,011,018	(3,468,313)	20,542,705
Segment profit (loss)	799,867	(356,706)	(79,428)	377,625	741,357	293,837	1,035,195
Segment asset	58,153,327	2,039,456	4,291,022	18,460,729	82,944,536	(8,715,241)	74,229,295
Other items							
(1) Depreciation	1,696,965	134,813	79,533	298,361	2,209,673	(2,060)	2,207,613
(2) Amortization of goodwill	-	-	-	-	-	-	-
(3) Increases in tangible and intangible fixed assets	663,740	19,257	135,677	37,070	855,746	-	855,746

(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.

b. Related information

Previous 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) 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
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.

Current consolidated fiscal year (From June 1, 2013 to December 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	7,312,739	1,337,786	1,938,522	9,771,410	7,192,758	182,245	20,542,705
Composition (%)	35.6	6.5	9.4	47.6	35.0	0.9	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
	24,053,013	509,455	1,577,624	3,752,337	29,892,430

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, 2012 to May 31, 2013)

(Thousands of yen, rounded down)

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

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

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment loss	136,216	565,602	-	-	701,818

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

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

Not applicable.

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

Not applicable.

e. Information on gains on negative goodwill by reportable segment

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

Not applicable.

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

Not applicable.

(Per share information)

	From June 1, 2012 to May 31, 2013	From June 1, 2013 to December 31, 2013
Net assets per share	2,664.70 yen	2,733.13 yen
Net loss per share	(10.17) yen	(5.39) yen

(Notes) 1. Although there are residual securities, the diluted net income per share is not noted as it was a net loss per share.
2. The basis for calculating net loss per share is outlined below.

	From June 1, 2012 to May 31, 2013	From June 1, 2013 to December 31, 2013
Net loss (thousands of yen)	(210,868)	(111,733)
Amount not attributed to common shareholders (thousands of yen)	-	-
Net loss related to common shares (thousands of yen)	(210,868)	(111,733)
Average outstanding shares during the fiscal year (shares)	20,734,269	20,734,119
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)	Stock options granted at the Ordinary General Meeting of Shareholders on August 28, 2009 (15,000 common shares) Stock options granted at the Board of Directors Meeting on July 12, 2013 (265,800 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, 2013					Year ended December 31, 2013		
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total
Special graphite products	2,577	2,672	2,849	3,269	11,368	3,363	5,717	9,081
Carbon products for general industries (for mechanical applications)	677	616	685	655	2,636	705	987	1,693
Carbon products for general industries (for electrical applications)	877	944	1,046	1,012	3,880	1,056	2,333	3,390
Compound materials and other products	1,635	1,572	1,590	1,811	6,610	1,669	3,228	4,897
Total	5,768	5,806	6,171	6,749	24,496	6,795	12,267	19,063

(*) The fiscal year ended on December 31, 2013, the transitional period, was an irregular fiscal period and quarterly financial statements were not released for the first two quarters (cumulative). Accordingly, the fiscal year was an irregular six-month period (July 1 to December 31, 2013) for subsidiaries whose fiscal year ended on March 31 or December 31 and an irregular four-month period (September 1 to December 31, 2013) for subsidiaries whose fiscal year ended on May 31.

ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2013				Year ended December 31, 2013	
	1Q	2Q	3Q	4Q	1Q	(*)
Special graphite products	1,944	1,706	1,820	1,805	1,930	2,071
Carbon products for general industries (for mechanical applications)	572	456	470	425	444	458
Carbon products for general industries (for electrical applications)	485	503	610	623	653	851
Compound materials and other products	1,832	1,758	1,567	1,567	1,399	1,489
Total	4,833	4,425	4,469	4,421	4,427	4,871

(*) Please refer to the margin notes for "i. Orders".

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2013					Year ended December 31, 2013		
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total
Special graphite products	3,628	3,049	2,966	3,546	13,191	3,580	6,304	9,885
[Electronics applications]	1,508	928	879	1,235	4,551	1,321	2,460	3,781
[General industries applications]	1,814	1,790	1,808	1,971	7,383	1,940	3,389	5,329
[Others]	305	331	278	339	1,255	318	455	774
Carbon products for general industries (for mechanical applications)	783	769	701	733	2,988	717	1,015	1,733
Carbon products for general industries (for electrical applications)	949	952	994	1,072	3,969	1,160	2,218	3,379
Compound materials and other products	1,963	1,743	1,947	2,043	7,698	2,029	3,046	5,075
[3 major products]	1,691	1,470	1,594	1,700	6,456	1,734	2,670	4,405
[Other products]	272	273	353	343	1,242	295	375	670
Related goods	183	112	131	134	561	185	283	468
Total	7,509	6,628	6,740	7,530	28,409	7,673	12,869	20,542

(*) Please refer to the margin notes for “i. Orders” (page 31).

(2) Overview

Special graphite products

Although the solar cell market did not enjoy a full-fledged recovery, indications of improvements in some regions pointed to a modest recovery in electronics applications. Conditions remained difficult for products for the manufacture of single crystal silicon as demand for computers, driven by the semiconductor market, was weak.

General industries applications were solid performers, particularly products for electrical discharge machine (EDM) electrodes and industrial furnaces, due to solid demand in key industries such as the auto industry.

Carbon products for general industries

Sales of carbon products for mechanical applications were solid overall due to a recovery in the Japanese economy. Pantograph sliders also remained strong performers.

Among carbon products for electrical applications, sales of products for small motors intended for home electronics and electric power tools remained strong, and sales picked up in the second half for auto applications such as fuel pumps. As a result, sales remained solid.

Compound materials and other products

The performance of SiC (silicon carbide)-coated graphite products was robust overall since, although sales were lackluster for some semiconductor applications, mainstay LED applications continued to recover. Orders for C/C composite products increased only slightly overall as, although industrial furnaces were strong performers and semiconductor applications made a partial recovery, demand for solar cell products did not fully recover. Moreover, orders for graphite sheet products were solid as electronics-related products picked up and mainstay automotive applications recovered.

(3) Changes of executives

This information will be released when the information to be disclosed is finalized.