

May 14, 2014

## Consolidated Financial Results for the Three Months Ended March 31, 2014 [Japanese GAAP]

Listed company name:	<b>Toyo Tanso Co., Ltd.</b>
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Location of headquarters:	Osaka, Japan
Website:	<a href="http://www.toyotanso.co.jp">http://www.toyotanso.co.jp</a>
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Scheduled date for submission of quarterly report:	May 15, 2014
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

### 1. Consolidated financial results for the three months ended March 31, 2014

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

(1) Operating results (cumulative total)	(Millions of yen, rounded down)							
	(Percentages indicate changes from the same period in the previous fiscal year.)							
	Net sales		Operating profit		Recurring profit		Net income	
		%		%		%		%
Three months ended March 31, 2014	8,391	-	146	-	118	-	211	-
Three months ended August 31, 2013	7,673	2.2	430	(42.6)	435	(37.0)	132	(67.2)

Note: Comprehensive income:

Three months ended March 31, 2014	(532) million yen (-%)
Three months ended August 31, 2013	833 million yen (-%)

	Net income per share	Diluted net income per share
	yen	yen
Three months ended March 31, 2014	10.18	10.18
Three months ended August 31, 2013	6.38	-

Toyo Tanso changed its fiscal year (the last day of its business year) from May 31 to December 31 in the previous fiscal year (the fiscal year ended on December 31, 2013). Accordingly, changes over the previous fiscal year for quarterly periods are not provided since the first quarter (January 1 to March 31, 2014) differs from the previous first quarter (June 1 to August 31, 2013). (The consolidated period corresponding to the first quarter in the fiscal year ended on December 31, 2013 was the period from June 1 to August 31, 2013 for Toyo Tanso and its subsidiaries whose fiscal year previously ended in May and the period from April 1 to June 30, 2013 for the subsidiaries whose fiscal period previously ended in December or March.)

**(2) Financial position**

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio
			%
As of March 31, 2014	72,623	57,794	77.1
As of December 31, 2013	74,229	58,552	76.3

Reference: Shareholders' equity

March 31, 2014	55,969 million yen
December 31, 2013	56,668 million yen

**2. Dividends**

	Dividends per share (yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total (Full year)
Year ended December 31, 2013	-	0.00	-	11.50	11.50
Year ending December 31, 2014 (Actual)	-				
Year ending December 31, 2014 (Forecast)		0.00	-	22.00	22.00

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

**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 changes from the same period in the previous fiscal year.)

	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) Revisions of consolidated forecasts most recently announced: None

Due to the change in the fiscal year, the fiscal year ended on December 31, 2013 was a transitional period covering a seven-month period (June 1 to December 31, 2013), and quarterly financial statements were not be 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 quarter under review:**

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

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

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

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

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

**(3) 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 1): None

3) Changes in accounting estimates: None

4) Restatements: None

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

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

As of March 31, 2014 20,750,688 shares

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

2) Number of treasury stock at the end of period

As of March 31, 2014 16,815 shares

As of December 31, 2013 16,665 shares

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

First quarter ended March 31, 2014 20,733,937 shares

First quarter ended August 31, 2013 20,734,130 shares

**\* Implementation status of quarterly review procedures**

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

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

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 “Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections” on page 3 of the Attached Documents.

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

Toyo Tanso changed its fiscal year (the last day of its business year) from May 31 to December 31 in the previous fiscal year (the fiscal year ended on December 31, 2013). Accordingly, changes over the previous fiscal year for quarterly periods are not provided since the first quarter (January 1 to March 31, 2014) differs from the previous first quarter (June 1 to August 31, 2013). (The consolidated period corresponding to the first quarter in the fiscal year ended on December 31, 2013 was the period from June 1 to August 31, 2013 for Toyo Tanso and its subsidiaries whose fiscal year previously ended in May and the period from April 1 to June 30, 2013 for the subsidiaries whose fiscal period previously ended in December or March.)

### **(1) Explanation Regarding Operating Results**

During the first quarter of the fiscal year under review, growth slowed in some emerging economies, but the gradual recovery continued in the US, while the economy recovered in Europe. The Japanese economy also experienced a modest recovery trajectory, marked by improved corporate earnings and resurgence in capital spending attributable to the effect of economic stimulus measures and monetary policy.

The Toyo Tanso Group's business environment continued to recover, despite some uncertainties in the outlook for the solar cell market. Overall, the modest recovery continued as not only was the LED market solid, but demand picked up in the market for general industries applications on the back of the economic recovery.

In these conditions, the Group has focused its energies on facilitating sales promotion activities, developing new products and businesses and thoroughly cutting costs in order to achieve its medium-term business plan. In the first quarter, the Group posted 206 million yen in full for the cost of assets acquired for the purpose of specific research and development.

As a result, the Group's business performance during the first quarter under review for net sales totaled 8,391 million yen, operating profit 146 million yen, and recurring profit 118 million yen. Net income was 211 million yen.

The overall performance of each business segment was as follows. (Please refer to "4. Supplementary Information" for an overview of each product category.)

#### **Japan**

While sales of products for some semiconductor applications were weak, products for the metallurgical and mechanical applications remained solid, thanks to the recovery of the domestic economy. As a result, net sales in Japan were 4,160 million yen and operating profit was 143 million yen.

#### **United States**

Despite strong results for some applications, such as general industries applications, sluggish sales of electronics-related products for semiconductor applications dragged down overall performance. As a result, net sales totaled 633 million yen while operating loss came to 132 million yen.

#### **Europe**

Revenue improved due to stronger sales for general industries applications, such as applications for industrial furnaces and EDM electrodes. As a result, net sales amounted to 819 million yen and operating profit totaled 43 million yen.

#### **Asia**

In addition to a recovery for solar cell applications, particularly in China, sales of brushes for small motors remained solid, thus sustaining solid earnings. As a result, net sales in Asia were 2,777 million yen and operating profit was 208 million yen.

## **(2) Explanation Regarding Financial Position**

Total assets as of March 31, 2014 decreased by 1,605 million yen from the end of the previous consolidated fiscal year. This was primarily because cash on hand and in banks decreased 529 million yen partly due to loan repayments, inventory assets decreased 343 million yen, and tangible fixed assets decreased 560 million yen due to depreciation posted.

Total liabilities decreased by 847 million yen from the end of the previous consolidated fiscal year, primarily due to a 998 million yen decrease in interest-bearing debt.

Total equity decreased by 758 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustments decreased 637 million yen.

## **(3) Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections**

We expect the Japanese economy to gradually improve, although there are still some concerns, such as the possibility of downward deviations in overseas economies. At the same time, we expect the US economy to remain solid, and anticipate that the recovery trend in Europe will continue, but the outlook is still difficult to predict, given the potential impact of slower growth in some emerging economies.

We expect the business environment affecting the Group in the solar cell market to continue expanding, although there are some uncertainties. Moreover, not only is the LED market solid, but we anticipate the modest recovery to continue overall, given stronger demand on the back of the economic recovery in the market for general industries applications.

In this environment, we will continue to take measures to achieve the medium-term business plan.

Given these factors, we have not changed the first-half and full-year consolidated earnings forecasts announced on February 14, 2014.

## **2. Items Regarding Summary Information (Others)**

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

None

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

Tax expense calculation

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

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

None

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

	(Thousands of yen, rounded down)	
	Previous consolidated fiscal year As of December 31, 2013 Amount	First quarterly consolidated fiscal year As of March 31, 2014 Amount
<b>Assets</b>		
Current assets		
Cash on hand and in banks	8,497,958	7,968,805
Trade notes and accounts receivable	13,447,324	13,165,186
Merchandise and finished goods	9,856,738	9,648,525
Work in process	6,663,370	6,547,369
Raw materials and stores	1,961,139	1,942,067
Other	1,035,637	1,108,674
Allowance for doubtful accounts	(459,543)	(520,842)
Total current assets	41,002,624	39,859,785
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net)	9,087,232	8,880,925
Machinery, equipment, and vehicles (Net)	13,320,134	12,752,921
Land	5,852,591	5,831,855
Construction in progress	802,899	1,059,456
Other (Net)	829,573	806,499
Total tangible fixed assets	29,892,430	29,331,659
Intangible fixed assets	1,051,851	1,184,235
Investments and other assets	2,282,389	2,248,207
Total fixed assets	33,226,671	32,764,102
<b>Total assets</b>	74,229,295	72,623,887

(Thousands of yen, rounded down)

	Previous consolidated fiscal year As of December 31, 2013 Amount	First quarterly consolidated fiscal year As of March 31, 2014 Amount
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	2,393,584	2,275,332
Short-term borrowings	4,578,750	3,982,306
Accrued amount payable	2,482,552	2,519,641
Income taxes payable	145,566	124,202
Reserve for employees' bonuses	337,478	574,570
Other	1,589,808	1,668,279
Total current liabilities	11,527,742	11,144,333
Long-term liabilities		
Long-term borrowings	3,133,348	2,731,277
Net defined benefit liability	178,242	124,869
Asset retirement obligations	254,325	255,243
Other	582,695	573,325
Total long-term liabilities	4,148,611	3,684,716
<b>Total liabilities</b>	15,676,353	14,829,049
<b>Equity</b>		
Shareholders' equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	36,924,250	36,896,904
Treasury stock - at cost	(58,514)	(58,836)
Total shareholders' equity	54,092,997	54,065,331
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	84,387	66,605
Foreign currency translation adjustments	2,419,065	1,782,020
Remeasurements of defined benefit plans	72,254	55,533
Total accumulated other comprehensive income	2,575,707	1,904,159
Share warrants	44,855	57,571
Minority interests	1,839,381	1,767,776
<b>Total equity</b>	58,552,942	57,794,838
<b>Total liabilities and equity</b>	74,229,295	72,623,887

**(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**

(Quarterly consolidated statements of income)

Three months ended March 31, 2014

(Thousands of yen, rounded down)

	Three months ended August 31, 2013 Amount	Three months ended March 31, 2014 Amount
Net sales	7,673,344	8,391,470
Cost of goods sold	5,677,030	6,300,310
Gross profit	1,996,313	2,091,160
Selling, general and administrative expenses	1,565,538	1,945,056
Operating profit	430,774	146,104
Non-operating income		
Interest income	9,014	17,264
Dividends earned	4,403	1
Gain on foreign currency option	52,504	42,104
Other	17,397	18,056
Total non-operating income	83,320	77,426
Non-operating expenses		
Interest expenses	17,669	16,779
Foreign exchange losses	48,369	85,757
Other	12,868	2,933
Total non-operating expenses	78,907	105,471
Recurring profit	435,187	118,059
Extraordinary profit		
Gain on sale of fixed assets	13,470	12,437
Subsidy income	-	259,992
Total extraordinary profit	13,470	272,430
Extraordinary losses		
Loss on sale of fixed assets	321	3
Loss on disposal of fixed assets	18,098	8,464
Total extraordinary losses	18,419	8,467
Profit before income taxes	430,237	382,022
Income taxes	291,650	166,930
Income before minority interests	138,587	215,092
Minority interests	6,375	3,996
Net income	132,211	211,095

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2014

(Thousands of yen, rounded down)

	Three months ended August 31, 2013 Amount	Three months ended March 31, 2014 Amount
<b>Income before minority interests</b>	138,587	215,092
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(10,164)	(17,782)
Foreign currency translation adjustments	704,973	(716,267)
Remeasurements of defined benefit plans	-	(13,100)
Total other comprehensive income	694,808	(747,150)
Comprehensive income	833,395	(532,057)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	735,507	(460,452)
Comprehensive income attributable to minority interests	97,888	(71,605)

### (3) Notes on quarterly consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable.

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

Not applicable.

(Segment information)

#### I. Three months ended August 31, 2013 (From June 1, 2013 to August 31, 2013)

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

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	4,017,698	635,895	733,541	2,286,209	7,673,344	-	7,673,344
(2) Intersegment sales or transfers	1,393,039	10,524	17,513	23,849	1,444,926	(1,444,926)	-
Total	5,410,737	646,419	751,054	2,310,058	9,118,270	(1,444,926)	7,673,344
Segment profit (loss)	406,115	(196,461)	(15,369)	84,575	278,860	151,914	430,774

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

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

##### 2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	3,015,729	610,228	751,059	3,217,433	2,151,927	78,893	7,673,344
Composition (%)	39.3	8.0	9.8	41.9	28.0	1.0	100.0

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

2. The major countries or regions included in each geographic segment (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

## II. First quarter under review (from January 1, 2014 to March 31, 2014)

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

(Thousands of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Sales							
(1) Sales to unaffiliated customers	4,160,799	633,692	819,748	2,777,229	8,391,470	-	8,391,470
(2) Intersegment sales or transfers	1,488,098	17,627	8,971	18,997	1,533,694	(1,533,694)	-
Total	5,648,898	651,319	828,719	2,796,227	9,925,165	(1,533,694)	8,391,470
Segment profit (loss)	143,443	(132,806)	43,012	208,068	261,717	(115,613)	146,104

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

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

### 2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	3,187,643	598,375	887,468	3,661,336	2,604,321	56,646	8,391,470
Composition (%)	38.0	7.1	10.6	43.6	31.0	0.7	100.0

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

2. The major countries or regions included in each geographic segment (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

## 4. Supplementary Information

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

#### i. Orders

(Unit: millions of yen)

Products	Year ended May 31, 2013					Year ended December 31, 2013			Year ending December 31, 2014
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total	1Q
Special graphite products	2,577	2,672	2,849	3,269	11,368	3,363	5,717	9,081	3,634
Carbon products for general industries (for mechanical applications)	677	616	685	655	2,636	705	987	1,693	799
Carbon products for general industries (for electrical applications)	877	944	1,046	1,012	3,880	1,056	2,333	3,390	1,052
Compound materials and other products	1,635	1,572	1,590	1,811	6,610	1,669	3,228	4,897	2,224
Total	5,768	5,806	6,171	6,749	24,496	6,795	12,267	19,063	7,711

(\*) 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 previously ended on March 31 or December 31 and an irregular four-month period (September 1 to December 31, 2013) for subsidiaries whose fiscal year previously ended on May 31.

#### ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended May 31, 2013				Year ended December 31, 2013		Year ending December 31, 2014
	1Q	2Q	3Q	4Q	1Q	(*)	1Q
Special graphite products	1,944	1,706	1,820	1,805	1,930	2,071	1,968
Carbon products for general industries (for mechanical applications)	572	456	470	425	444	458	497
Carbon products for general industries (for electrical applications)	485	503	610	623	653	851	820
Compound materials and other products	1,832	1,758	1,567	1,567	1,399	1,489	1,660
Total	4,833	4,425	4,469	4,421	4,427	4,871	4,947

(\*) 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			Year ending December 31, 2014
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total	1Q
Special graphite products	3,628	3,049	2,966	3,546	13,191	3,580	6,304	9,885	4,048
[Electronics applications]	1,508	928	879	1,235	4,551	1,321	2,460	3,781	1,612
[General industries applications]	1,814	1,790	1,808	1,971	7,383	1,940	3,389	5,329	2,109
[Others]	305	331	278	339	1,255	318	455	774	326
Carbon products for general industries (for mechanical applications)	783	769	701	733	2,988	717	1,015	1,733	807
Carbon products for general industries (for electrical applications)	949	952	994	1,072	3,969	1,160	2,218	3,379	1,178
Compound materials and other products	1,963	1,743	1,947	2,043	7,698	2,029	3,046	5,075	2,174
[3 major products]	1,691	1,470	1,594	1,700	6,456	1,734	2,670	4,405	1,849
[Other products]	272	273	353	343	1,242	295	375	670	324
Related goods	183	112	131	134	561	185	283	468	182
Total	7,509	6,628	6,740	7,530	28,409	7,673	12,869	20,542	8,391

(\*) Please refer to the margin notes for “i. Orders” (page 10).

**(2) Overview**

Special graphite products

In electronics applications, despite the uncertain outlook for solar cell applications, performance was generally strong, thanks to growing demand resulting from facility upgrades by Chinese clients. Products for the manufacture of single-crystal silicon continued to struggle due to sluggish demand for computers.

General industries applications were solid performers, particularly products for EDM electrodes and industrial furnaces, due to growth in the transport equipment industry, such as the auto sector.

Carbon products for general industries

Sales of carbon products for mechanical applications remained solid, particularly for bearings, on the back of last-minute demand before the consumption tax hike went into effect. Pantograph sliders also remained strong performers.

Carbon products for electrical applications were strong overall, with firm sales of cleaner applications, particularly in China, and higher sales for fuel pumps and other auto applications.

Compound materials and other products

Despite strong sales of semiconductor applications and solid demand for mainstay LED products, the performance of SiC (silicon carbide)-coated graphite products was almost unchanged overall partly due to production adjustments by some customers. C/C composite products were strong overall due to better sales of industrial furnace applications, as well as higher demand for solar cell applications due to facility upgrades. Graphite sheet products were solid overall, despite the weakness of mainstay automotive applications.