



August 11, 2014

## Consolidated Financial Results for the Six Months Ended June 30, 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>
Representative:	Akira Noami, President
Contact:	Toshimi Boki, Executive Officer, General Manager, Finance and Accounting Department
TEL:	81-6-6472-5811 (from overseas)
Scheduled date for submission of quarterly report:	August 12, 2014
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	Yes
Quarterly financial results briefing:	Yes (for securities analysts and institutional investors)

### 1. Consolidated financial results for the six months ended June 30, 2014

(From January 1, 2014 to June 30, 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	
		%		%		%		%
Six months ended June 30, 2014	17,070	-	585	-	530	-	914	-
Six months ended November 30, 2013	-	-	-	-	-	-	-	-

Note: Comprehensive income:  
 Six months ended June 30, 2014 (136) million yen (-%)  
 Six months ended November 30, 2013 - million yen (-%)

	Net income per share	Diluted net income per share
	yen	yen
Six months ended June 30, 2014	44.09	44.03
Six months ended November 30, 2013	-	-

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), and quarterly financial statements were not released for the second quarter (cumulative) in the previous fiscal year. Accordingly, changes over the same period in the previous fiscal year and the figures in operating results (cumulative total) in the same period in the previous fiscal year are not provided.

**(2) Financial position**

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio
			%
As of June 30, 2014	72,051	58,178	78.3
As of December 31, 2013	74,229	58,552	76.3

Reference: Shareholders' equity

June 30, 2014	56,402 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)	-	0.00			
Year ending December 31, 2014 (Forecast)			-	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 year-on-year changes.)

	Net sales	Operating profit	Recurring profit	Net income	Net income per share
	%	%	%	%	yen
Full year	34,000	-	1,500	-	1,400
				1,500	-
					72.35

(Note) Revisions of consolidated forecasts most recently announced: Yes

1. 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). Accordingly, changes over the previous fiscal year are not provided.
2. The consolidated forecasts have been revised on August 11, 2014. For details, please refer to the "Notification of Differences between Consolidated Earnings Forecasts for First Half of Fiscal Year and Actual Results, and Revisions to Consolidated Earnings Forecasts for Fiscal Year" issued on August 11, 2014.

**\* 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 June 30, 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 June 30, 2014 16,865 shares

As of December 31, 2013 16,665 shares

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

Second quarter ended June 30, 2014 20,733,900 shares

Second quarter ended November 30, 2013 - 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**

(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 "Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections" on page 3 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 August 25, 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. 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), and quarterly financial statements were not released for the second quarter in the previous fiscal year. As a result, changes over the same period of the previous fiscal year are not provided.

### (1) Explanation Regarding Operating Results

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

The Toyo Tanso Group's business environment is gradually recovering overall. The LED market remains solid, and demand is expanding for general industries applications on the back of the economic recovery. However, in the solar cell market, despite signs of a recovery, the outlook remains uncertain.

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. During the first half of the fiscal year under review, the Group posted 310 million yen in full for the cost of assets acquired for the purpose of specific research and development.

As a result, in the first half of the fiscal year under review, the Group's net sales totaled 17,070 million yen, operating profit 585 million yen, and recurring profit 530 million yen. Net income was 914 million yen as a result of the posting of deferred tax assets for the recoverable portion.

In the first half, we obtained authorization from Japanese government agencies for the export of graphite material\* for Chinese high-temperature reactor—pebble-bed modules (HTR-PM). As this made the shipment all but certain, we posted 3,173 million yen in orders. (Please refer to "4. Supplementary Information.") The materials that the Company will manufacture will be processed and installed by Shanghai Toyo Tanso Co., Ltd. (a consolidated subsidiary) for delivery to the client by 2016. We will post sales as a lump sum at the completion of delivery.

\* Please refer to the press release issued on November 5, 2008.

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

#### Japan

Products for metallurgical and mechanical applications remained solid on the back of the domestic economic recovery. As a result, net sales were 8,642 million yen and operating profit was 319 million yen.

#### United States

Although some electronics-related products were sluggish, sales for LED applications and continuous casting applications recovered. As a result, net sales were 1,304 million yen and operating loss was 221 million yen.

#### Europe

Sales were solid overall, particularly for applications for industrial furnaces and brushes for small motors. As a result, net sales were 1,764 million yen and operating profit was 108 million yen.

#### Asia

Sales in Asia were solid, partly because sales for solar cell applications in China rose on temporary demand spurred by facility upgrades. As a result, net sales were 5,359 million yen and operating profit was 386 million yen.

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

Total assets as of June 30, 2014 decreased by 2,177 million yen from the end of the previous consolidated fiscal year. This was primarily because cash on hand and in banks decreased 575 million yen partly due to loan repayments, inventory assets decreased 640 million yen, and tangible fixed assets decreased 1,224 million yen due to depreciation posted.

Total liabilities decreased by 1,802 million yen from the end of the previous consolidated fiscal year. This was primarily due to a 1,758 million yen decrease in interest-bearing debt.

Total equity decreased by 374 million yen from the end of the previous consolidated fiscal year. This was primarily because, although retained earnings increased 675 million yen, foreign currency translation adjustments decreased 892 million yen.

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

In addition to a weaker yen than projected, in light of recent earnings trends, we posted deferred tax assets for the recoverable portion after careful review of the recoverability of deferred tax assets. Accordingly, we posted -231 million yen in income taxes-deferred in the first half of the consolidated fiscal year. As a result, recurring profit and net income exceeded our previous forecasts in the first half.

In light of results in the first half of the consolidated fiscal year, we have revised the consolidated earnings forecasts for the full year released 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 half 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	Second quarterly consolidated fiscal year As of June 30, 2014 Amount
<b>Assets</b>		
Current assets		
Cash on hand and in banks	8,497,958	7,922,200
Trade notes and accounts receivable	13,447,324	13,256,755
Merchandise and finished goods	9,856,738	9,404,465
Work in process	6,663,370	6,418,336
Raw materials and stores	1,961,139	2,017,754
Other	1,035,637	1,204,646
Allowance for doubtful accounts	(459,543)	(442,968)
Total current assets	41,002,624	39,781,190
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net)	9,087,232	8,726,340
Machinery, equipment, and vehicles (Net)	13,320,134	12,266,943
Land	5,852,591	5,829,802
Construction in progress	802,899	1,073,117
Other (Net)	829,573	771,427
Total tangible fixed assets	29,892,430	28,667,631
Intangible fixed assets	1,051,851	1,168,726
Investments and other assets	2,282,389	2,434,335
Total fixed assets	33,226,671	32,270,693
<b>Total assets</b>	<b>74,229,295</b>	<b>72,051,883</b>

(Thousands of yen, rounded down)

	Previous consolidated fiscal year As of December 31, 2013 Amount	Second quarterly consolidated fiscal year As of June 30, 2014 Amount
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	2,393,584	2,599,229
Short-term borrowings	4,578,750	3,593,599
Accrued amount payable	2,482,552	2,718,838
Income taxes payable	145,566	228,151
Reserve for employees' bonuses	337,478	289,976
Other	1,589,808	1,097,668
Total current liabilities	11,527,742	10,527,463
Long-term liabilities		
Long-term borrowings	3,133,348	2,360,343
Net defined benefit liability	178,242	166,533
Asset retirement obligations	254,325	256,152
Other	582,695	562,932
Total long-term liabilities	4,148,611	3,345,961
<b>Total liabilities</b>	15,676,353	13,873,425
<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	37,599,990
Treasury stock - at cost	(58,514)	(58,950)
Total shareholders' equity	54,092,997	54,768,302
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	84,387	80,089
Foreign currency translation adjustments	2,419,065	1,526,628
Remeasurements of defined benefit plans	72,254	27,660
Total accumulated other comprehensive income	2,575,707	1,634,378
Share warrants	44,855	70,287
Minority interests	1,839,381	1,705,489
<b>Total equity</b>	58,552,942	58,178,458
<b>Total liabilities and equity</b>	74,229,295	72,051,883



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

(Quarterly consolidated statements of income)

Six months ended June 30, 2014

(Thousands of yen, rounded down)

	Six months ended June 30, 2014 Amount
Net sales	17,070,588
Cost of goods sold	12,778,725
Gross profit	4,291,863
Selling, general and administrative expenses	3,706,077
Operating profit	585,785
Non-operating income	
Interest income	27,930
Dividends earned	4,747
Gain on foreign currency option	60,723
Other	47,091
Total non-operating income	140,491
Non-operating expenses	
Interest expenses	31,828
Foreign exchange losses	151,845
Other	11,698
Total non-operating expenses	195,372
Recurring profit	530,904
Extraordinary profit	
Gain on sale of fixed assets	17,562
Subsidy income	394,752
Total extraordinary profit	412,314
Extraordinary losses	
Loss on sale of fixed assets	3
Loss on disposal of fixed assets	10,828
Total extraordinary losses	10,831
Profit before income taxes	932,388
Income taxes	38,593
Income before minority interests	893,794
Minority interests	(20,387)
Net income	914,181

(Quarterly consolidated statement of comprehensive income)

Six months ended June 30, 2014

(Thousands of yen, rounded down)

	Six months ended June 30, 2014 Amount
<b>Income before minority interests</b>	893,794
Other comprehensive income	
Unrealized gains (losses) on available-for-sale securities	(4,298)
Foreign currency translation adjustments	(988,420)
Remeasurements of defined benefit plans	(37,803)
Total other comprehensive income	(1,030,522)
Comprehensive income	(136,727)
(Breakdown)	
Comprehensive income attributable to parent company shareholders	(27,147)
Comprehensive income attributable to minority interests	(109,580)

### (3) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	Six months ended June 30, 2014
<b>Cash flows from operating activities</b>	
Profit before income taxes	932,388
Depreciation	1,778,937
Increase (decrease) in net defined benefit liability	(158,908)
Increase (decrease) in reserve for employees' bonuses	(39,274)
Increase (decrease) in allowance for doubtful accounts	9,882
Interest and dividend income	(32,677)
Interest expenses	31,828
Foreign exchange loss (gain)	151,845
Loss (gain) on disposal and sale of fixed assets	(6,731)
Decrease (increase) in notes and accounts receivable – trade	(254,070)
Decrease (increase) in inventories	379,749
Increase (decrease) in notes and accounts payable – trade	362,240
Other	(350,056)
Sub-total	2,805,153
Interest and dividend received	30,959
Interest paid	(30,474)
Income taxes paid	(199,961)
Net cash provided by operating activities	2,605,677
<b>Cash flows from investing activities</b>	
Payments for time deposits	(1,609,083)
Proceeds from time deposits	1,452,720
Payments for acquisition of tangible fixed assets	(734,733)
Proceeds from sale of tangible fixed assets	20,242
Payments for acquisition of intangible fixed assets	(202,230)
Payments for acquisition of investment securities	(48,187)
Other	4,849
Net cash used in investing activities	(1,116,422)
<b>Cash flows from financing activities</b>	
Net increase (decrease) in short-term borrowings	(871,523)
Repayment of long-term borrowings	(779,773)
Repayment of finance lease payables	(25,288)
Payments for acquisition of treasury stock	(436)
Payments for dividends	(238,052)
Payments for dividends to minority interests	(24,311)
Net cash provided by (used in) financing activities	(1,939,385)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(249,171)
<b>Increase (decrease) in cash and cash equivalents</b>	(699,302)
<b>Cash and cash equivalents at beginning of period</b>	6,871,521
<b>Cash and cash equivalents at end of period</b>	6,172,218

#### (4) 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)

#### Six months ended June 30, 2014 (From January 1, 2014 to June 30, 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	8,642,129	1,304,374	1,764,207	5,359,877	17,070,588	-	17,070,588
(2) Intersegment sales or transfers	2,755,118	28,893	11,854	35,549	2,831,415	(2,831,415)	-
Total	11,397,247	1,333,267	1,776,062	5,395,427	19,902,004	(2,831,415)	17,070,588
Segment profit (loss)	319,441	(221,398)	108,727	386,286	593,056	(7,270)	585,785

(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	6,604,527	1,292,259	1,783,655	7,249,432	4,991,477	140,714	17,070,588
Composition (%)	38.7	7.6	10.4	42.5	29.2	0.8	100.0

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

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

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

#### 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	1H	3Q	4Q	Fiscal year total	1Q	*1	Fiscal year total	1Q	2Q	1H
Special graphite products	2,577	2,672	5,249	2,849	3,269	11,368	3,363	5,717	9,081	3,634	6,529 *2	10,163
Carbon products for general industries (for mechanical applications)	677	616	1,294	685	655	2,636	705	987	1,693	799	806	1,605
Carbon products for general industries (for electrical applications)	877	944	1,822	1,046	1,012	3,880	1,056	2,333	3,390	1,052	1,347	2,400
Compound materials and other products	1,635	1,572	3,208	1,590	1,811	6,610	1,669	3,228	4,897	2,224	2,414	4,638
Total	5,768	5,806	11,574	6,171	6,749	24,496	6,795	12,267	19,063	7,711	11,097	18,808

\*1 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 second quarter. 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.

\*2 Orders for special graphite products in the first half of the fiscal year ending December 31, 2014 include 3,173 million yen in orders for the Chinese high-temperature reactor—pebble-bed modules (HTR-PM).

###### 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	*1	1Q	2Q
Special graphite products	1,944	1,706	1,820	1,805	1,930	2,071	1,968	4,942 *2
Carbon products for general industries (for mechanical applications)	572	456	470	425	444	458	497	476
Carbon products for general industries (for electrical applications)	485	503	610	623	653	851	820	898
Compound materials and other products	1,832	1,758	1,567	1,567	1,399	1,489	1,660	1,766
Total	4,833	4,425	4,469	4,421	4,427	4,871	4,947	8,084

\*1 Please refer to the margin note \*1 for “i. Orders.”

\*2 Please refer to the margin note \*2 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	1H	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total	1Q	2Q	1H
Special graphite products	3,628	3,049	6,678	2,966	3,546	13,191	3,580	6,304	9,885	4,048	3,907	7,955
[Electronics applications]	1,508	928	2,436	879	1,235	4,551	1,321	2,460	3,781	1,612	1,334	2,947
[General industries applications]	1,814	1,790	3,604	1,808	1,971	7,383	1,940	3,389	5,329	2,109	2,192	4,301
[Others]	305	331	637	278	339	1,255	318	455	774	326	380	707
Carbon products for general industries (for mechanical applications)	783	769	1,553	701	733	2,988	717	1,015	1,733	807	863	1,670
Carbon products for general industries (for electrical applications)	949	952	1,902	994	1,072	3,969	1,160	2,218	3,379	1,178	1,310	2,489
Compound materials and other products	1,963	1,743	3,707	1,947	2,043	7,698	2,029	3,046	5,075	2,174	2,416	4,590
[3 major products]	1,691	1,470	3,162	1,594	1,700	6,456	1,734	2,670	4,405	1,849	2,119	3,968
[Other products]	272	273	545	353	343	1,242	295	375	670	324	297	622
Related goods	183	112	295	131	134	561	185	283	468	182	180	363
Total	7,509	6,628	14,138	6,740	7,530	28,409	7,673	12,869	20,542	8,391	8,679	17,070

(\*) Please refer to the margin note \*1 for “i. Orders” (page 10).

**(2) Overview**

**Special graphite products**

In electronics applications, although demand increased for solar cell applications resulting from facility upgrades by Chinese clients, the recovery has not yet taken hold and lacked strength. Products for the manufacture of single-crystal silicon remained poor performers, with no sign of a positive turnaround in demand for personal computers.

General industries applications were solid performers overall, particularly products for EDM electrodes and continuous casting, due to strong growth in the auto sector.

**Carbon products for general industries**

Sales of carbon products for mechanical applications were solid overall, particularly for bearings, on the back of a recovery in the Japanese economy. Pantograph sliders also remained strong performers.

Carbon products for electrical applications were strong, with growing demand for cleaner applications and electrical power tools.

**Compound materials and other products**

The performance of SiC (silicon carbide)-coated graphite products was robust overall, since, in addition to growing demand for semiconductor applications, mainstay LED applications were solid. C/C composite products were strong overall due to an increase in orders for semiconductor and solar cell applications, in addition to growing sales for industrial furnace applications. Sales of graphite sheet products were high, particularly for the mainstay automotive applications.