

February 13, 2015

Consolidated Financial Results for the Fiscal Year Ended December 31, 2014 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Location of headquarters:	Osaka, Japan
Website:	http://www.toyotanso.co.jp
Representative:	Akira Noami, President
Contact:	Toshimi Boki, Executive Officer, General Manager, Finance and Accounting Department
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Scheduled date for ordinary general meeting of shareholders:	March 26, 2015
Scheduled date for dividend payment:	March 27, 2015
Scheduled date for submission of securities report:	March 27, 2015
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, 2014

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

(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, 2014	34,066	-	1,140	-	1,501	-	1,327	-
Fiscal year ended December 31, 2013	20,542	-	1,035	-	1,303	-	(111)	-

Note:	Comprehensive income:	
	Fiscal year ended December 31, 2014	2,725 million yen (-%)
	Fiscal year ended December 31, 2013	1,998 million yen (-%)

	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, 2014	64.02	63.90	2.3	2.0	3.3
Fiscal year ended December 31, 2013	(5.39)	-	(0.2)	1.8	5.0

Reference:	Equity in earnings of affiliates	
	December 31, 2014	- million yen
	December 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 in the previous fiscal year (the fiscal year ended on December 31, 2013). 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 December 31 or previously ended on March 31 and a seven-month period (June 1 to December 31, 2013) for subsidiaries whose fiscal year previously 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, 2014	75,831	60,918	78.0	2,850.98
As of December 31, 2013	74,229	58,552	76.3	2,733.13
Reference: Shareholders' equity				
December 31, 2014		59,111 million yen		
December 31, 2013		56,668 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, 2014	7,374	(2,314)	(3,406)	9,061
Fiscal year ended December 31, 2013	3,496	(1,442)	(1,464)	6,871

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 December 31, 2013	-	0.00	-	11.50	11.50	238	-	0.4
Year ended December 31, 2014	-	0.00	-	22.00	22.00	456	34.4	0.8
Year ending December 31, 2015 (Forecast)	-	0.00	-	25.00	25.00		19.2	

3. Consolidated results forecast for the fiscal year ending December 31, 2015

(From January 1, 2015 to December 31, 2015)

(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, 2015	18,500	8.4	1,700	190.2	1,700	220.2	1,300	42.2	62.70
Fiscal year ending December 31, 2015	38,000	11.5	3,700	224.5	3,700	146.4	2,700	103.4	130.22

*** Others**

(1) Changes in significant subsidiaries during the period:

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

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

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

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

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

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

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares outstanding (common stock)

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

As of December 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 December 31, 2014 17,015 shares

As of December 31, 2013 16,665 shares

3) Average number of shares during the period

As of December 31, 2014 20,733,839 shares

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

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial results for the fiscal year ended December 31, 2014

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

(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, 2014	22,977	-	331	-	1,697	-	1,824	-
Fiscal year ended December 31, 2013	12,994	-	596	-	1,064	-	626	-

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended December 31, 2014	88.02	87.85
Fiscal year ended December 31, 2013	30.24	-

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, 2014	55,373	44,116	79.5	2,124.48
As of December 31, 2013	55,123	42,496	77.0	2,047.45

Reference: Shareholders' equity

December 31, 2014 44,048 million yen

December 31, 2013 42,451 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 23, 2015. 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 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). Changes over the previous fiscal year are not provided.

(1) Analysis of Business Results

(i) Business Results for the Fiscal Year Ended December 31, 2014

During the fiscal year under review, the US economy remained solid overall, but the European economy came to a standstill from the second half due to fiscal problems, and the emerging economies were still unstable. Although there were signs of weakness in some sectors of the Japanese economy, economic policy and monetary policy remain effective. As such, the Japanese economy remains in a recovery trajectory, marked by improved corporate earnings and a recovery in capital spending.

The Toyo Tanso Group's business environment gradually recovered overall. The LED market remained solid, and demand expanded for general industries applications on the back of the economic recovery. At the same time, despite signs of a recovery, the outlook for the solar cell market was increasingly uncertain through the second half.

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 fiscal year under review, the Group posted 361 million yen in full for the cost of assets acquired for the purpose of specific research and development.

As a result, in this fiscal year, the Group's net sales totaled 34,066 million yen, operating profit 1,140 million yen, and recurring profit 1,501 million yen. Net income was 1,327 million yen, in part as a result of the posting of deferred tax assets for the recoverable portion.

In the first half of the fiscal year under review, we obtained authorization from Japanese government agencies for the export of graphite material* for a 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 “5. Others.”) 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 “5. Others” for an overview of each product category.)

Japan

Demand for products for metallurgical applications and mechanical applications was solid, and sales of products for LED applications increased on the back of the domestic economic recovery. As a result, net sales for the fiscal year in Japan were 17,761 million yen and operating profit was 657 million yen.

United States

The recovery trend was sustained as sales for electronics-related products were solid and sales for continuous casting applications were also strong. As a result, net sales for the fiscal year in the United States were 2,716 million yen and operating loss was 459 million yen.

Europe

Sales were solid overall, particularly for products for metallurgical applications, such as applications for industrial furnaces, and brushes for small motors. As a result, net sales for the fiscal year in Europe were 3,273 million yen and operating profit was 87 million yen.

Asia

While demand for solar cell applications spurred by facility upgrades waned in the second half, sales for LED applications and brushes for small motors performed well so that sales were solid overall. As a result, net sales for the fiscal year in Asia were 10,315 million yen and operating profit was 602 million yen.

(ii) Outlook for the Fiscal Year Ending December 31, 2015

While we expect the US economy to remain solid, there are still concerns about Europe's fiscal problems and growth is slower in some emerging economies. As a result, we believe that the outlook remains unpredictable. We expect the recovery in Japan to continue, but the situation is difficult to predict as the impact of unexpectedly weak overseas economies could put downward pressure on the Japanese economy.

Although the solar cell market is gradually recovering, we expect it to remain weak and essentially unchanged. The LED market should continue to grow slowly as demand gradually increases. We also expect demand to pick up in the market for general industries applications, particularly metallurgical applications.

In this environment, the Group will continue to focus on initiatives aimed at achieving the medium-term business plan. We will pursue sales promotion activities, develop new products and businesses, pursue business in the global market and thoroughly cut costs.

The continued weakness of the yen since the previous fiscal year is factored into our earnings forecasts, and our assumed exchange rates are 115 yen/US\$, 135 yen/EUR and 18.5 yen/CNY. In view of the above factors, we expect net sales of 38,000 million yen, 3,700 million yen in operating profit, 3,700 million yen in recurring profit and 2,700 million yen in net income in the fiscal year ending on December 31, 2015.

(2) Analysis of Financial Position

(i) Assets, Liabilities, and Equity

Total assets as of the end of the consolidated fiscal year under review increased by 1,602 million yen from the previous consolidated fiscal year. This was primarily because, although inventory decreased 271 million yen and tangible fixed assets fell by 1,042 million yen as a result of depreciation posted, cash on hand and in banks increased 3,167 million yen.

Total liabilities decreased by 763 million yen from the end of the previous consolidated fiscal year. This was primarily because, although accrued amount payable increased 371 million yen as a result of equipment purchases and other factors, income taxes payable increased 386 million yen and other current liabilities increased 1,052 million yen as a result of advance payment received for graphite material for the Chinese high-temperature reactor—pebble-bed modules (HTR-PM), interest-bearing liabilities decreased 2,719 million yen.

Total equity increased by 2,365 million yen from the end of the previous consolidated fiscal year. This net increase was primarily driven by an increase of 1,088 million yen in retained earnings and 1,459 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, 2014 increased by 2,189 million yen from the end of the previous consolidated fiscal year, to 9,061 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds acquired by operating activities totaled 7,374 million yen. This was due to an increase in funds of 1,728 million yen in profit before income taxes, 3,574 million yen in depreciation, a 455 million yen decrease in notes and accounts receivable-trade, a 686 million yen decrease in inventories, funds decreased due to a 75 million yen decrease in notes and accounts payable-trade and 301 million yen in income taxes paid.

(Cash Flows from Investing Activities)

Funds used in investment activities totaled 2,314 million yen. This was primarily due to a decrease in funds, including payments for acquisition of tangible fixed assets to 2,177 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities amounted to 3,406 million yen. This is primarily due to a decrease in funds, including 1,345 million yen in net decrease in short-term borrowings and 1,559 million yen in repayment of long-term borrowings.

(3) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2014 and the Fiscal Year Ending December 31, 2015

(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, 2014

Based on the aforementioned policy and our business results in the fiscal year under review, we plan to pay a dividend of 22 yen per share for the fiscal year ended December 31, 2014.

(iii) Dividends for the Fiscal Year Ending December 31, 2015

Given the Group's interest in improving shareholder returns while implementing our capital investment plan aimed at future growth, we plan to pay a dividend of 25 yen per share for the fiscal year ending December 31, 2015, an increase of 3 yen per share.

2. Composition of Corporate Group

The Toyo Tanso Group consists of Toyo Tanso Co., Ltd., 11 consolidated subsidiaries, including two domestic and nine 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. 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. This system ranges from materials to products. 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 that 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 properties are 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]

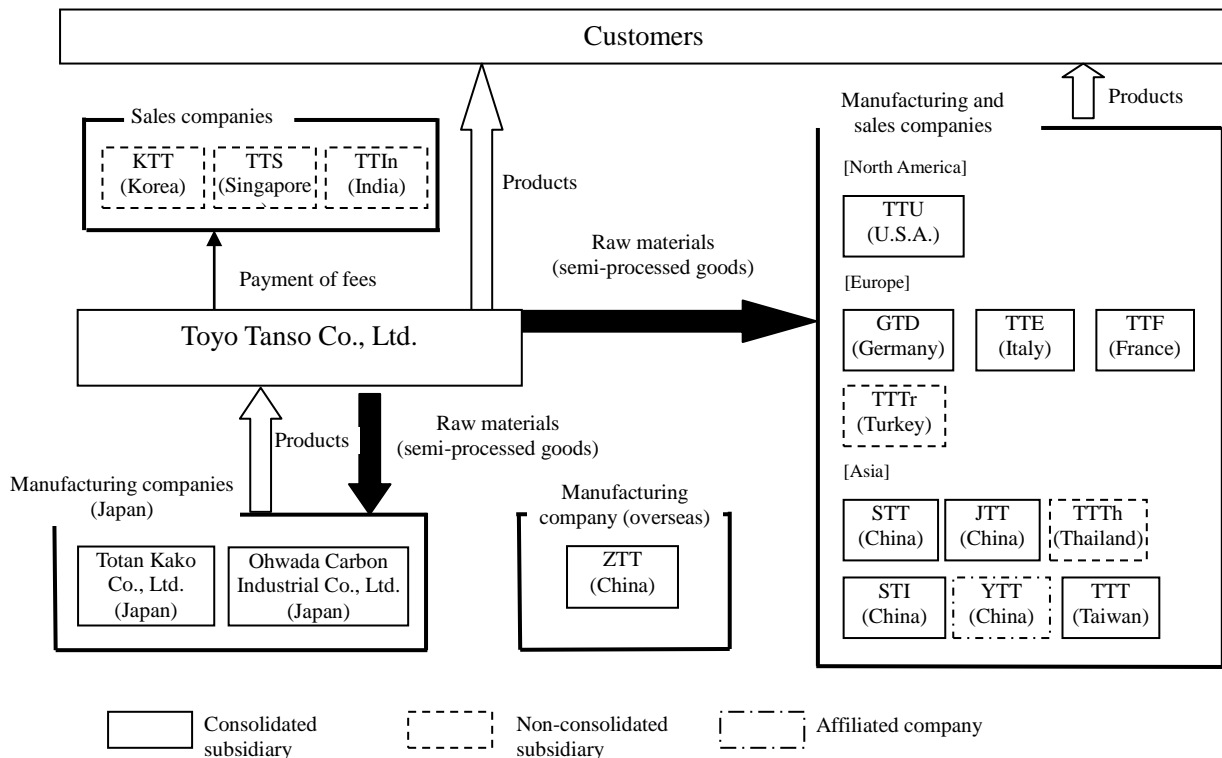
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its flexible nature.

[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.
	(ZTT) ... Toyo Tanso (Zhejiang) Co., Ltd.
	(JTT) ... Jiexiang Toyo Tanso Co., Ltd.
	(TTT) ... Toyo Tanso Taiwan Co., Ltd.
	(YTT) ... Shanghai Yongxin Toyo Tanso Co., Ltd.
	(KTT) ... Toyo Tanso Korea Co., Ltd.
	(TTTh) ... Toyo Tanso (Thailand) Co., Ltd.
	(TTS) ... Toyo Tanso Singapore Pte. Ltd.
	(TTIn) ... Toyo Tanso India Private Limited
	(TTTr) ... Toyo Tanso Graphite and Carbon Products Industry and Commercial A.S

3. Management Policy

(1) Basic Policies for the Management of the Company

BRAND VISION: Future that Company aspires to

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

BRAND PROMISE: Long-term commitments that Company makes

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

BRAND VALUE: Value offered to stakeholders

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

BRAND PERSONALITY: Company conduct and world-view

We are required to demonstrate the following attributes:

Integrity: Sincerity

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

Never give up: Always persevering

Unique: Creative and original

Passionate: Acting with enthusiasm

Humanity: Respecting people and valuing human ties

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

We have implemented the medium-term business plan established in 2013 (consolidated net sales target of 50 billion yen in 2017-2018) as planned in 2013 and 2014. In conjunction with initiatives aimed at achieving 40 billion yen in consolidated net sales, our target for fiscal 2015, we emphasize a long-term perspective as well as a medium-term point of view, and strive to further reform and transform corporate value through the following initiatives.

When we established the 2013 medium-term business plan, we focused on expanding clients, applications and industries (balancing), pursuing development issues based on customer needs (4-in-1 challenge) and pursuing business efficiency (lean investment). In fiscal 2015, we will take more concrete steps with the following plans.

(Expanding clients, applications and industries)

While continuing to increase sales of traditional products such as semiconductor and metallurgical applications, we will reinforce initiatives focused on individual product businesses, such as special carbon products (particularly isotropic graphite and C/C composite products), sliding products utilizing tribology (friction, abrasion, lubrication) technology, powder products utilizing nanocarbon technology, and new business products utilizing various carbon technologies. In addition to the foundation of clients, applications and industries built up thus far, this approach will enable us to expand into new fields efficiently and quickly.

(Development based on customer needs)

In addition to putting the focus on surface, interface, joint and binding technology and tribology (friction, abrasion, lubrication) as we have up until now, we will put a further emphasis on reforms and transformations of manufacturing, covering not only raw material development but also processing methods and manufacturing techniques. This will enhance our efforts to provide an unprecedented level of craftsmanship with a strong emphasis on quality, cost and deadlines (QCD) and enable us to provide products that meet the needs of more customers. We aim to create next-generation carbon products that provide new added value.

(Pursuing business efficiency)

In addition to our previous policy of increasing effects to the maximum extent with minimum investments, we will make bold investments in core technology to manage profits of individual product businesses from a medium- and long-term perspective. Implementation of such strategies will lead us to improve net sales and profit growth rates and raise ROA, the core financial targets of our medium-term management plan.

In conjunction with thorough implementation of our brand concept, the Company's basic management policy, we will endeavor to strengthen discipline, job performance and skills in order to strengthen a corporate culture that prioritizes high value-added work from each individual employee with a system that encourages efficient and

streamlined work style providing work-life balance. At the same time, Group employees will come together to work for medium- and long-term sustainable growth by building stronger relationships of trust between the Company and employees and reinforcing mutual efforts.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen, rounded down)

	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash on hand and in banks	8,497,958	11,665,862
Trade notes and accounts receivable	13,447,324	13,660,986
Merchandise and finished goods	9,856,738	8,785,680
Work in process	6,663,370	7,232,537
Raw materials and stores	1,961,139	2,191,164
Deferred tax assets	343,127	665,867
Other	692,510	548,856
Allowance for doubtful accounts	(459,543)	(541,365)
Total current assets	41,002,624	44,209,589
Fixed assets		
Tangible fixed assets		
Buildings and structures	17,894,090	18,330,787
Accumulated depreciation	(8,806,858)	(9,394,046)
Buildings and structures (net)	9,087,232	8,936,741
Machinery, equipment, and vehicles	45,679,246	47,673,231
Accumulated depreciation	(32,359,111)	(35,134,659)
Machinery, equipment, and vehicles (net)	13,320,134	12,538,572
Land	5,852,591	5,893,797
Construction in progress	802,899	756,040
Other	4,073,376	4,193,541
Accumulated depreciation	(3,243,802)	(3,468,566)
Other (net)	829,573	724,975
Total tangible fixed assets	29,892,430	28,850,126
Intangible fixed assets	1,051,851	1,285,433
Investments and other assets		
Investments in securities	309,337	327,318
Deferred tax assets	379,742	284,721
Net defined benefit asset	4,980	170,055
Other	1,588,581	740,132
Allowance for doubtful accounts	(252)	(35,806)
Total investments and other assets	2,282,389	1,486,421
Total fixed assets	33,226,671	31,621,980
Total assets	74,229,295	75,831,570

(Thousands of yen, rounded down)

	As of December 31, 2013	As of December 31, 2014
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,393,584	2,533,655
Short-term borrowings	4,578,750	2,988,821
Accrued amount payable	2,482,552	2,853,857
Income taxes payable	145,566	532,540
Reserve for employees' bonuses	337,478	396,251
Other	1,589,808	2,641,948
Total current liabilities	11,527,742	11,947,076
Long-term liabilities		
Long-term borrowings	3,133,348	2,003,985
Deferred tax liabilities	160,995	160,610
Net defined benefit liability	178,242	167,349
Asset retirement obligations	254,325	257,681
Other	421,700	376,493
Total long-term liabilities	4,148,611	2,966,120
Total liabilities	15,676,353	14,913,196
Equity		
Shareholders' equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	36,924,250	38,013,139
Treasury stock - at cost	(58,514)	(59,279)
Total shareholders' equity	54,092,997	55,181,122
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	84,387	95,073
Foreign currency translation adjustments	2,419,065	3,878,723
Remeasurements of defined benefit plans	72,254	(43,712)
Total accumulated other comprehensive income	2,575,707	3,930,083
Share warrants	44,855	68,396
Minority interests	1,839,381	1,738,770
Total equity	58,552,942	60,918,373
Total liabilities and equity	74,229,295	75,831,570

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

(Thousands of yen, rounded down)

	From June 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2014
Net sales	20,542,705	34,066,654
Cost of goods sold	15,648,969	25,765,695
Gross profit	4,893,736	8,300,958
Selling, general and administrative expenses	3,858,540	7,160,659
Operating profit	1,035,195	1,140,299
Non-operating income		
Interest income	30,634	60,522
Dividends earned	6,420	163,159
Foreign exchange gains	207,179	330,234
Other	137,541	117,339
Total non-operating income	381,775	671,256
Non-operating expenses		
Interest expenses	44,127	60,887
Loss on sale of notes payable	2,681	1,192
Valuation loss on investment securities	442	-
Loss on foreign currency option	47,306	178,018
Depreciation	14,970	1,520
Other	4,313	68,504
Total non-operating expenses	113,842	310,123
Recurring profit	1,303,128	1,501,432
Extraordinary profit		
Gain on sale of fixed assets	111,789	23,849
Subsidies received	-	502,422
Gain on reversal of subscription rights to shares	-	27,900
Total extraordinary profit	111,789	554,171
Extraordinary losses		
Loss on sale of fixed assets	8,565	3,258
Loss on disposal of fixed assets	90,379	37,119
Impairment loss	* 701,818	* 184,790
Expenses for relocation of head office	26,737	-
Loss on disaster	-	36,199
Loss on valuation of shares to subsidiaries	-	65,701
Total extraordinary losses	827,500	327,068
Profit before income taxes	587,417	1,728,535
Income taxes - current	180,326	692,642
Income taxes - deferred	504,037	(166,734)
Total income taxes	684,364	525,907
Income (loss) before minority interests	(96,946)	1,202,628
Minority interest in income (loss)	14,786	(124,702)
Net income (loss)	(111,733)	1,327,330

(Consolidated comprehensive income statement)

(Thousands of yen, rounded down)

	From June 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2014
Net Income (Loss) before minority interests	(96,946)	1,202,628
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	14,445	10,685
Foreign currency translation adjustments	2,080,820	1,617,276
Remeasurements of defined benefit plans, net of tax	-	(105,013)
Total other comprehensive income	2,095,265	1,522,948
Comprehensive income	1,998,318	2,725,577
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,761,160	2,681,707
Comprehensive income attributable to minority interests	237,158	43,870

(3) Consolidated statements of changes in equity

Previous 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 income (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 income (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

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

(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	36,924,250	(58,514)	54,092,997
Change in the fiscal year					
Dividends from retained earnings			(238,441)		(238,441)
Net income (loss)			1,327,330		1,327,330
Acquisition of treasury stock				(764)	(764)
Change in the fiscal year in items other than shareholders' equity (net)					
Total change in the fiscal year			1,088,889	(764)	1,088,124
Balance at end of the fiscal year	7,692,575	9,534,686	38,013,139	(59,279)	55,181,122

	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	84,387	2,419,065	72,254	2,575,707	44,855	1,839,381	58,552,942
Change in the fiscal year							
Dividends from retained earnings							(238,441)
Net income (loss)							1,327,330
Acquisition of treasury stock							(764)
Change in the fiscal year in items other than shareholders' equity (net)	10,685	1,459,658	(115,967)	1,354,376	23,541	(100,611)	1,277,306
Total change in the fiscal year	10,685	1,459,658	(115,967)	1,354,376	23,541	(100,611)	2,365,431
Balance at end of the fiscal year	95,073	3,878,723	(43,712)	3,930,083	68,396	1,738,770	60,918,373

(4) Consolidated statements of cash flows

(Thousands of yen, rounded down)

	From June 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2014
Cash flows from operating activities		
Profit before income taxes	587,417	1,728,535
Depreciation	2,207,613	3,574,325
Impairment loss	701,818	184,790
Increase (decrease) in net defined benefit asset or liability	(408,451)	(351,472)
Increase (decrease) in long-term accounts payable - retirement bonuses for directors	(3,100)	(1,600)
Increase (decrease) in reserve for employees' bonuses	(422,519)	38,444
Increase (decrease) in allowance for doubtful accounts	(81,420)	64,015
Interest and dividend income	(37,054)	(223,682)
Interest expenses	44,127	60,887
Foreign exchange loss (gain)	(207,179)	(330,234)
Valuation loss (gain) on investment securities	442	-
Gain on sale of fixed assets	(111,789)	(23,849)
Loss on disposal and sale of fixed assets	98,945	40,377
Decrease (increase) in notes and accounts receivable - trade	(1,303,397)	455,993
Decrease (increase) in inventories	653,007	686,695
Increase (decrease) in notes and accounts payable - trade	560,981	(75,256)
Other	987,209	1,686,219
Sub-total	3,266,651	7,514,188
Interest and dividend received	37,794	221,387
Interest paid	(43,858)	(59,902)
Income taxes (paid) refund	236,152	(301,054)
Net cash provided by operating activities	3,496,740	7,374,619
Cash flows from investing activities		
Payments for time deposits	(435,192)	(2,588,971)
Proceeds from time deposits	249,409	2,767,905
Payments for acquisition of tangible fixed assets	(1,432,894)	(2,177,868)
Proceeds from sale of tangible fixed assets	156,555	67,573
Payments for acquisition of intangible fixed assets	(46,552)	(242,552)
Payments for acquisition of investment securities	(17,760)	(51,183)
Other	84,103	(89,544)
Net cash used in investing activities	(1,442,331)	(2,314,641)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(74,692)	(1,345,681)
Proceeds from long-term borrowings	100,000	-
Repayment of long-term borrowings	(970,049)	(1,559,527)
Repayment of finance lease payables	(30,254)	(49,058)
Payments for acquisition of treasury stock	(297)	(764)
Payments for dividends	(414,190)	(307,115)
Payments for dividends to minority interests	(75,246)	(144,481)
Net cash provided by (used in) financing activities	(1,464,731)	(3,406,628)
Effect of exchange rate changes on cash and cash equivalents	457,893	536,635
Increase (decrease) in cash and cash equivalents	1,047,571	2,189,985
Cash and cash equivalents at beginning of period	5,823,949	6,871,521
Cash and cash equivalents at end of period	6,871,521	9,061,506

(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: 11

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.

Toyo Tanso (Zhejiang) Co., Ltd.

Jiaxiang Toyo Tanso Co., Ltd.

Toyo Tanso Taiwan Co., Ltd.

Of the above, Toyo Tanso (Zhejiang) Co., Ltd. was newly established in the consolidated fiscal year under review and is included in the scope of consolidation.

(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 business years of subsidiaries

The closing date for all consolidated subsidiaries is in line with the consolidated closing date.

4. Items concerning accounting standards

(1) Valuation standards and method for significant assets

a. Securities

(a) Shares of subsidiaries and affiliates

Stated at cost using the moving average method

(b) Other securities

Securities with a readily determinable fair value

Stated at fair value based on market price on the consolidated closing date (valuation differences are treated through the partial direct net asset adjustment method and sales costs are calculated with the moving average method)

Securities without a readily determinable fair value

Stated at cost using the moving average method

b. Derivatives

Stated at fair value

c. Inventories

(a) Merchandise and raw materials

Mainly stated at cost using the moving average method

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

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

Mainly stated at individual cost

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

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

Mainly stated at cost using the moving average method

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

(d) Stores

Mainly stated at cost based on the last purchase price

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

(2) Depreciation method for significant depreciable assets

a. Tangible fixed assets (excluding lease assets)

The straight-line method is used.

The main useful lives are as follows.

Buildings and structures: 3 to 50 years

Machinery, equipment, and vehicles: 4 to 9 years

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. Reserve 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).

(4) Accounting policies for retirement benefits

a. Attribution method for projected retirement benefits

The straight-line attribution method is used to attribute projected retirement benefits.

b. Amortization of actuarial differences and unrecognized prior service costs

Actuarial differences are treated as a lump-sum expense in the following consolidated fiscal year.

c. Adoption of simplified methods for small-scale companies

Some consolidated companies adopt a simplified method in which the amount paid for voluntary termination is posted as retirement benefit obligations when calculating net defined benefit liabilities and retirement benefit expenses.

(5) 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.

(6) Scope of funds contained within the consolidated statement of cash flows

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

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

Accounting treatment for consumption taxes

The tax-excluded method is used.

(Related to consolidated income statement)

* Impairment loss

Previous consolidated fiscal year (From June 1, 2013 to December 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	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.

Current consolidated fiscal year (from January 1, 2014 to December 31, 2014)

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	Jiaxiang Toyo Tanso Co., Ltd.	Jining, Shandong, China	184,790

(ii) Reasons for recognition of impairment losses

Jiaxiang Toyo Tanso Co., Ltd. is idle due to lower production volume, 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

Machinery, equipment and vehicles: 184,790 thousand yen

(iv) Grouping method

Consolidated subsidiaries group their assets according to the minimum independent cash-flow-generating unit. In the case of Jiaxiang Toyo Tanso Co., Ltd., as the aforementioned assets are idle, decisions to recognize impairment losses were made on the basis of each individual asset.

(v) Method for calculating recoverable amount

In the case of Jiaxiang Toyo Tanso Co., Ltd., the recoverable amount is calculated primarily using the usable value, but as the usable value based on future cash flow is negative, we calculated the recoverable value as zero.

(Segment information)

a. Reportable segments

1. Reportable Segments

The reportable segments of the Toyo Tanso Group are business components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide on the allocation of management resources and evaluate performance.

The Company primarily engages in the manufacture and sale of carbon products, in Japan through Toyo Tanso and domestic subsidiaries, and abroad through overseas subsidiaries based in the United States, Europe, and Asia. All overseas subsidiaries are independently managed companies. They conduct business by formulating their own comprehensive regional strategies for the products they handle.

For this reason, our business is composed of segments that are based on region-based production and sales frameworks, and is categorized into the four reportable segments of Japan, United States, Europe, and Asia.

2. Calculation methods of net sales, profits, losses, assets, liabilities and other items per reportable segment

The accounting methods of reportable segments are by and large the same as those described in "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, 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) 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.

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

(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	17,761,668	2,716,318	3,273,649	10,315,018	34,066,654	-	34,066,654
(2) Inter-segment sales or transfers	5,217,372	62,137	20,180	77,113	5,376,804	(5,376,804)	-
Total	22,979,040	2,778,456	3,293,829	10,392,131	39,443,459	(5,376,804)	34,066,654
Segment profit (loss)	657,139	(459,273)	87,631	602,906	888,403	251,896	1,140,299
Segment asset	58,719,092	2,101,069	4,422,782	19,899,306	85,142,251	(9,310,681)	75,831,570
Other items							
(1) Depreciation	2,908,249	99,146	163,296	406,655	3,577,347	(3,022)	3,574,325
(2) Increases in tangible and intangible fixed assets	1,889,044	50,527	175,678	476,212	2,591,462	-	2,591,462

(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, 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) 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
				Asia (including China)	China only	
	24,053,013	509,455	1,577,624	3,752,337	2,863,216	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.

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

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	13,561,035	2,665,750	3,486,211	14,063,874	9,616,426	289,783	34,066,654
Composition (%)	39.8	7.8	10.2	41.3	28.2	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
			Asia (including China)	China only	
22,722,863	474,299	1,610,593	4,042,369	3,125,281	28,850,126

(Change in reporting method)

In the previous consolidated fiscal year, "China," which was included in "Asia," accounted for more than 10% of the tangible fixed assets on the consolidated balance sheet, and accordingly we have provided a breakdown for China within the "Asia" category. In order to reflect this change in the reporting method, we have also changed the reporting method for the previous consolidated fiscal year.

As a result, we provide a breakdown showing that in the previous consolidated fiscal year, China accounted for 2,863,216 thousand yen of tangible fixed assets under "Asia."

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, 2013 to December 31, 2013)

(Thousands of yen, rounded down)

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

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment loss	-	-	-	184,790	184,790

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

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

Not applicable.

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

Not applicable.

e. Information on gains on negative goodwill by reportable segment

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

Not applicable.

Current consolidated fiscal year (From January 1, 2014 to December 31, 2014)

Not applicable.

(Per share information)

	From June 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2014
Net assets per share	2,733.13 yen	2,850.98 yen
Net income (loss) per share	(5.39) yen	64.02 yen
Diluted net income per share	-	63.90 yen

(Notes) 1. Although there are residual securities, the diluted net income per share in the previous consolidated fiscal year is not noted as it was a net loss per share.

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

	From June 1, 2013 to December 31, 2013	From January 1, 2014 to December 31, 2014
Net income (loss) per share		
Net income (loss) (thousands of yen)	(111,733)	1,327,330
Amount not attributed to common shareholders (thousands of yen)	-	-
Net income (loss) related to common shares (thousands of yen)	(111,733)	1,327,330
Average outstanding shares during the fiscal year (shares)	20,734,119	20,733,839
Diluted net income per share		
Adjustments to net income (thousands of yen)	-	-
Increase in shares outstanding (shares)	-	38,871
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 Board of Directors Meeting on July 12, 2013 (265,800 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			Year ended December 31, 2014				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	*2	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	2,577	2,672	2,849	3,269	11,368	3,363	5,717	9,081	3,634	6,529* ₃	3,118	3,662	16,944
Carbon products for general industries (for mechanical applications)	677	616	685	655	2,636	705	987	1,693	799	806	630	690	2,926
Carbon products for general industries (for electrical applications)	877	944	1,046	1,012	3,880	1,056	2,333	3,390	1,052	1,347	1,239	1,379	5,019
Compound materials and other products	1,635	1,572	1,590	1,811	6,610	1,669	3,228	4,897	2,224	2,414	1,931	2,206	8,776
Total	5,768	5,806	6,171	6,749	24,496	6,795	12,267	19,063	7,711	11,097	6,920	7,937	33,666

- 1 These orders were denominated in foreign currency prior to the previous quarter; discrepancies resulting from fluctuations in foreign exchange rates during the quarter under review are included in the figure for orders placed in this quarter.
- *2 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 ended on December 31 or previously ended on March 31 and an irregular four-month period (September 1 to December 31, 2013) for subsidiaries whose fiscal year previously ended on May 31.
- *3 Orders for special graphite products in the second quarter of the fiscal year ending on 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 ended December 31, 2014			
	1Q	2Q	3Q	4Q	1Q	*2	1Q	2Q	3Q	4Q
Special graphite products	1,944	1,706	1,820	1,805	1,930	2,071	1,968	4,942* ₃	4,820* ₃	5,084* ₃
Carbon products for general industries (for mechanical applications)	572	456	470	425	444	458	497	476	393	422
Carbon products for general industries (for electrical applications)	485	503	610	623	653	851	820	898	896	992
Compound materials and other products	1,832	1,758	1,567	1,567	1,399	1,489	1,660	1,766	1,599	1,604
Total	4,833	4,425	4,469	4,421	4,427	4,871	4,947	8,084	7,708	8,104

- 1 These orders were denominated in foreign currency prior to the previous quarter; discrepancies resulting from fluctuations in foreign exchange rates during the quarter under review are included in the figure for orders placed in this quarter.
- *2 Please refer to the margin note *2 for “i. Orders.”
- *3 Outstanding orders for special graphite products from the second quarter of the fiscal year ending on December 31, 2014 include orders for the Chinese high-temperature reactor—pebble-bed modules (HTR-PM).

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended May 31, 2013					Year ended December 31, 2013			Year ended December 31, 2014				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	(*)	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	3,628	3,049	2,966	3,546	13,191	3,580	6,304	9,885	4,048	3,907	3,727	4,017	15,700
[Electronics applications]	1,508	928	879	1,235	4,551	1,321	2,460	3,781	1,612	1,334	1,141	1,306	5,395
[General industries applications]	1,814	1,790	1,808	1,971	7,383	1,940	3,389	5,329	2,109	2,192	2,151	2,337	8,790
[Others]	305	331	278	339	1,255	318	455	774	326	380	434	372	1,513
Carbon products for general industries (for mechanical applications)	783	769	701	733	2,988	717	1,015	1,733	807	863	793	836	3,300
Carbon products for general industries (for electrical applications)	949	952	994	1,072	3,969	1,160	2,218	3,379	1,178	1,310	1,314	1,410	5,215
Compound materials and other products	1,963	1,743	1,947	2,043	7,698	2,029	3,046	5,075	2,174	2,416	2,176	2,339	9,106
[3 major products]	1,691	1,470	1,594	1,700	6,456	1,734	2,670	4,405	1,849	2,119	1,888	2,037	7,894
[Other products]	272	273	353	343	1,242	295	375	670	324	297	288	302	1,212
Related goods	183	112	131	134	561	185	283	468	182	180	193	186	743
Total	7,509	6,628	6,740	7,530	28,409	7,673	12,869	20,542	8,391	8,679	8,205	8,790	34,066

(*) Please refer to the margin note 2 for "i. Orders" (page 32).

(2) Overview

Special graphite products

A recovery has not yet taken hold in electronics applications, despite demand for solar cell applications resulting from facility upgrades in the first half of the fiscal year. In addition, in products for the manufacture of single crystal silicon, there were no signs of a positive turnaround in demand for personal computers. As such, performance was lackluster overall.

In general industries applications, products for EDM electrodes and continuous casting were solid performers overall, particularly in Japan, due to strong growth in the auto sector. In addition, stronger sales for products for industrial furnaces led to a solid performance overall.

Carbon products for general industries

Sales of carbon products for mechanical applications were strong overall as demand picked up for bearings, and pantograph sliders were solid performers

Carbon products for electrical applications showed robust growth overall, with sustained solid demand for cleaner applications and growing demand for washing machines and electrical power tools, primarily in China.

Compound materials and other products

SiC (silicon carbide)-coated graphite products recovered overall since, in addition to solid demand for semiconductor applications, mainstay LED applications recovered on the back of a growing market. C/C composite products were robust as, in addition to strong sales for semiconductor applications and solar cell applications, sales for industrial furnace applications also increased. Moreover, sales of graphite sheet products were solid overall, particularly for industrial furnace applications and mainstay automotive applications.

(3) Changes of executives

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