TOYO TANSO
Inspiration for Innovation

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Attention: All concerned parties

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(Supplemental Materials) 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

We hereby provide further information in regard to our announcement dated August 10, 2015 titled "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" as follows.

Particulars

1. Differences between consolidated earnings forecasts and actual results for the first half of the fiscal year ending December 31, 2015 (January 1, 2015 – June 30, 2015)

	Net sales	Operating profit	Recurring profit	Net income	Net income per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previous forecast (A)	18,000	1,200	1,200	900	43.41
Actual results (B)	17,673	353	499	387	18.70
Amount of increase/decrease (B-A)	(326)	(846)	(700)	(512)	—
Percentage of increase/decrease (%)	(1.8)	(70.5)	(58.4)	(56.9)	—
(Ref.) Results for the first half of the previous fiscal year (first half of the fiscal year ended December 31, 2014)	17,070	585	530	914	44.09

2. Revision of figures in consolidated earnings forecast for the year ending December 31, 2015 (January 1, 2015 – December 31, 2015)

	Net sales	Operating profit	Recurring profit	Net income	Net income per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previous forecast (A)	37,000	2,900	2,900	2,100	101.28
Revised forecast (B)	36,000	1,100	1,100	700	33.76
Amount of increase/decrease (B-A)	(1,000)	(1,800)	(1,800)	(1,400)	—
Percentage of increase/decrease (%)	(2.7)	(62.1)	(62.1)	(66.7)	—
(Ref.) Previous fiscal year results (Year ended December 31, 2014)	34,066	1,140	1,501	1,327	64.02

3. Reasons for differences and revision

[Net sales]

First half of fiscal year

The Company had anticipated growth in SiC-coated graphite products, applications for industrial furnaces and carbon products for mechanical applications, but net sales failed to reach forecasts. As a result, net sales came in ¥300 million below the previous forecast.

Second half of fiscal year

As we expect sales of SiC-coated graphite products, applications for industrial furnaces and carbon products for mechanical applications to remain below initial forecasts, we have lowered our net sales forecasts for the second half of the fiscal year by ¥700 million yen compared to the previous forecast.

Full year

As a result, we have reduced our forecast for net sales in the full fiscal year by ¥1,000 million compared to the previous forecast.

[Operating profit]

First half of fiscal year

Although exchange rates had a positive effect of ¥50 million, the negative effect amounted to a total of ¥900 million. These effects included a decline in marginal profit resulting from lower net sales (¥150 million); an increase in some manufacturing costs such as expenses for subcontracted processing as a result of changes in the product mix following changes in demand (¥270 million); profitability improvement expenses at US subsidiary (¥100 million); higher sales, general and administrative expenses such as sales promotion costs aimed at overseas markets (¥120 million); and the posting of inventory valuation losses and the elimination of unrealized gains on inventories at overseas subsidiaries incurred at the end of the first half of the fiscal year (¥260 million). Moreover, the effects of cost-cutting and of management improvements made at overseas subsidiaries were minimal. As a result, operating profit was ¥850 million lower than the previous forecast.

Second half of fiscal year

Although we anticipate positive effects from reducing fixed costs amounting to ¥100 million, we also expect negative effects totaling ¥1.5 billion, namely a decline in marginal profit due to lower net sales (¥350 million), an increase in manufacturing costs due to ongoing changes in product mix in the second quarter (¥450 million), consideration of inventory and exchange rate fluctuations (¥150 million) and higher sales, general and administrative expenses such as sales promotion costs aimed at overseas markets (¥100 million). Accordingly, we have lowered our operating profit forecasts for the second half of the fiscal year by ¥950 million compared to the previous forecast. While the effects of cost-cutting and improving the management of overseas subsidiaries will gradually appear in the second half of the third quarter, the full effects will not be felt until the next fiscal year and thereafter, in our view.

Full year

As a result, we have reduced our forecast for operating profit in the full fiscal year by ¥1.8 billion over the previous forecast.

[Changes from initial forecasts]

Our initial forecasts had assumed rising demand for SiC-coated graphite products due to growth in the LED market and for graphite products for industrial furnaces in general industries applications. However, in the revised forecasts announced when the financial results for the first quarter were released, we lowered forecasts for the first half of the fiscal year as a result of the decline in net sales attributable to lower-than-expected demand in the solar cell sector, a fall in marginal profit following changes in product mix and the posting of unrealized gains on inventories. Accordingly, we revised our net sales forecast by ¥500 million relative to the initial forecast, operating profit and recurring profit by ¥500 million each and net income by ¥400 million. At that point, we had not anticipated the subsequent changes in product mix and the resulting costs and additional unrealized gains on inventories. We had also expected the effects of cost-cutting and management improvements at overseas subsidiaries to restore revenue. However, in light of sales in the first quarter and related market trends, we had expected sales to slightly undercut initial forecasts from the third quarter, and accordingly lowered forecasts for net sales by ¥500 million, operating profit and recurring profit by ¥300 million, respectively and net income by ¥200 million compared to the initial forecasts. As a result, we have lowered our forecasts for the full year relative to the initial forecasts by ¥1,000 million for net sales, ¥800 million for operating profit and recurring profit, respectively and ¥600 million for net income.

Note: The above forecasts are based on the information available when these materials were released, and actual results may differ from these forecasts due to various factors.

Please direct inquiries regarding the current situation to:

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