

November 12, 2015

Consolidated Financial Results for the Nine Months Ended September 30, 2015 [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
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Scheduled date for submission of quarterly report:	November 13, 2015
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

1. Consolidated financial results for the nine months ended September 30, 2015

(From January 1, 2015 to September 30, 2015)

(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	
		%		%		%		%
Nine months ended September 30, 2015	26,347	4.2	652	(33.1)	771	(31.8)	560	(57.9)
Nine months ended September 30, 2014	25,276	-	975	-	1,130	-	1,329	-

Note: Comprehensive income:
 Nine months ended September 30, 2015 55 million yen; (96.3)%
 Nine months ended September 30, 2014 1,524 million yen; -%

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended September 30, 2015	27.01	26.97
Nine months ended September 30, 2014	64.11	63.98

Toyo Tanso changed its fiscal year (the last day of its business year) from May 31 to December 31 in the year before the previous fiscal year (the fiscal year ended on December 31, 2013), and quarterly consolidated financial statements were not prepared for the third quarter (cumulative) in that fiscal year. Accordingly, changes over the same period in the year before the previous fiscal year are not provided.

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio
			%
As of September 30, 2015	73,077	60,106	80.4
As of December 31, 2014	75,831	60,918	78.0

Reference: Shareholders' equity

September 30, 2015	58,739 million yen
December 31, 2014	59,111 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, 2014	-	0.00	-	22.00	22.00
Year ending December 31, 2015 (Actual)	-	0.00	-		
Year ending December 31, 2015 (Forecast)				25.00	25.00

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

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
Full year	36,000	5.7	1,100	(3.5)	1,100	(26.7)	700	(47.3)	33.76

(Note) Revisions of consolidated forecasts most recently announced: None

*** Others**

(1) Changes in significant subsidiaries during the period 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.: Yes

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 September 30, 2015 20,750,688 shares

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

2) Number of treasury stock at the end of period

As of September 30, 2015 17,119 shares

As of December 31, 2014 17,015 shares

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

Nine months ended September 30, 2015 20,733,597 shares

Nine months ended September 30, 2014 20,733,868 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.

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1. Qualitative Information Regarding Consolidated Results for the Nine Months under Review

(1) Explanation Regarding Operating Results

During the first three quarters of the fiscal year under review, domestic demand continued to expand in the US, but export growth remained sluggish as a result of the strong dollar and other factors. The economy continued to recover in Europe. In Asia, China's economy slowed and growth subsided in emerging economies. In Japan, corporate earnings improved and capital spending recovered on the back of lower crude oil prices and the effect of various economic policies, but the slowdown in the Chinese economy has weakened the momentum driving exports. This makes the economic outlook difficult to predict.

The Toyo Tanso Group's business environment faced harsher competition with other companies overall. In this environment, the LED and semiconductor markets were solid, and those for general industries applications and carbon brushes were strong, but the solar cell market was soft.

Given this business environment, the Group continued its sales promotion activities, pursuing new product and business development and thoroughly cutting operating costs. In addition, we focused on securing sales of high-value-added products, improving profitability and turning around unprofitable subsidiaries. Despite these efforts, profit came under pressure from an increase in some manufacturing costs and the posting of inventory valuation losses in the first half of the fiscal year.

As a result, in the nine months under review, net sales rose 4.2% year on year to 26,347 million yen, operating profit decreased 33.1% to 652 million yen and recurring profit fell 31.8% to 771 million yen. Net income decreased 57.9% year on year to 560 million yen.

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

Japan

As a result of the economic recovery and progress with sales promotions, sales of products for metallurgical applications remained strong and LED applications were solid. As a result, net sales in Japan rose 5.4% year on year to 13,678 million yen and operating profit increased 101.8% to 872 million yen.

United States

Sales increased due to successful sales promotions for metallurgical applications such as industrial furnaces, and strong performances from LED applications and other electronics-related products. However, on the profit side, costs were incurred from measures to improve management. As a result, net sales in the United States rose 26.9% year on year to 2,522 million yen, but an operating loss of 303 million yen was posted (a 219 million yen operating loss was posted in the same period in the previous fiscal year).

Europe

Although sales of applications for industrial furnaces were flat, sales of electronics-related products and carbon brush-related products were strong. As a result, net sales in Europe fell 0.9% to 2,468 million yen and operating profit decreased 51.9% to 57 million yen.

Asia

Although demand for solar cell applications resulting from facility upgrades decreased in the third quarter, carbon brush-related products and metallurgical applications remained firm, supporting solid sales. However, on the profit side, some costs increased and the Company posted inventory valuation losses in the first half of the fiscal year. As a result, net sales in Asia decreased 1.8% to 7,678 million yen, and operating profit fell 65.0% to 185 million yen.

(2) Explanation Regarding Financial Position

Total assets as of September 30, 2015 decreased by 2,753 million yen from the end of the previous consolidated fiscal year. This was primarily because trade notes and accounts receivable decreased by 1,087 million yen, inventory decreased by 695 million yen due to production adjustments and tangible fixed assets fell by 911 million yen as a result of depreciation posted.

Total liabilities decreased by 1,942 million yen from the end of the previous consolidated fiscal year. This was primarily due to a 1,955 million yen decrease in interest-bearing debt.

Total equity decreased by 811 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustments decreased by 489 million yen and minority interests fell by 473 million yen.

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

There is no change to the forecasts for consolidated earnings in the fiscal year ending on December 31, 2015, announced on August 10, 2015.

2. Items Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the period 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 nine months under review.

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

Application of accounting standards, etc. related to retirement benefits

From the first quarter of the fiscal year, Toyo Tanso adopted Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter, "Accounting Standard for Retirement Benefits") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on March 26, 2015; hereinafter, "Guidance on Accounting Standard for Retirement Benefits") in accordance with the provisions of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. We revised the calculation methods for retirement benefit obligations and service costs, adopted the method to attribute expected retirement benefits to the periods of service based on the benefit formula instead of on the straight-line basis and changed the method of determining discount rates from the method in which the discount rate is based on the number of years that approximates the average working term of the employee to a method in which a single-weighted-average discount rate is used that reflects the estimated payment period for each benefit payment and the amount of benefit payments for each estimated payment period.

At the application of the Accounting Standard for Retirement Benefits, we recognized the effect of changes of calculation methods for retirement benefit obligations and service costs in retained earnings at the beginning of the first quarter of the fiscal year in accordance with transitional treatments set forth in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net defined benefit asset at the beginning of the first quarter decreased 41 million yen, and retained earnings decreased 26 million yen. The changes have little impact on operating profit, recurring profit and profit before income taxes for the nine months under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Thousands of yen, rounded down)

	As of December 31, 2014	As of September 30, 2015
	Amount	Amount
Assets		
Current assets		
Cash on hand and in banks	11,665,862	10,966,464
Trade notes and accounts receivable	13,660,986	12,573,726
Merchandise and finished goods	8,785,680	7,489,538
Work in process	7,232,537	7,982,009
Raw materials and stores	2,191,164	2,042,199
Other	1,214,724	1,177,348
Allowance for doubtful accounts	(541,365)	(498,858)
Total current assets	44,209,589	41,732,427
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net)	8,936,741	8,536,171
Machinery, equipment and vehicles (Net)	12,538,572	11,206,875
Land	5,893,797	5,865,561
Construction in progress	756,040	1,711,434
Other (Net)	724,975	618,340
Total tangible fixed assets	28,850,126	27,938,382
Intangible fixed assets	1,285,433	1,215,163
Investments and other assets	1,486,421	2,191,623
Total fixed assets	31,621,980	31,345,169
Total assets	75,831,570	73,077,597

(Thousands of yen, rounded down)

	As of December 31, 2014	As of September 30, 2015
	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,533,655	2,084,824
Electronically recorded obligations	—	1,062,252
Short-term borrowings	2,988,821	1,628,805
Accrued amount payable	2,853,857	1,426,538
Income taxes payable	532,540	170,431
Reserve for employees' bonuses	396,251	668,346
Other	2,641,948	3,601,781
Total current liabilities	11,947,076	10,642,980
Long-term liabilities		
Long-term borrowings	2,003,985	1,408,171
Net defined benefit liability	167,349	143,708
Asset retirement obligations	257,681	260,488
Other	537,104	515,365
Total long-term liabilities	2,966,120	2,327,734
Total liabilities	14,913,196	12,970,714
Equity		
Shareholders' equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	38,013,139	38,090,505
Treasury stock—at cost	(59,279)	(59,501)
Total shareholders' equity	55,181,122	55,258,266
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	95,073	98,699
Foreign currency translation adjustments	3,878,723	3,388,794
Remeasurements of defined benefit plans	(43,712)	(6,423)
Total accumulated other comprehensive income	3,930,083	3,481,071
Share warrants	68,396	102,009
Minority interests	1,738,770	1,265,535
Total equity	60,918,373	60,106,882
Total liabilities and equity	75,831,570	73,077,597

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

(Quarterly consolidated statements of income)

Nine months ended September 30, 2014 and 2015

(Thousands of yen, rounded down)

	Nine months ended September 30, 2014 Amount	Nine months ended September 30, 2015 Amount
Net sales	25,276,352	26,347,742
Cost of goods sold	18,884,648	20,030,372
Gross profit	6,391,703	6,317,370
Selling, general and administrative expenses	5,416,070	5,664,918
Operating profit	975,633	652,452
Non-operating income		
Interest income	46,634	73,166
Dividends earned	155,337	22,289
Gain on foreign currency option	—	42,782
Other	73,045	123,802
Total non-operating income	275,017	262,040
Non-operating expenses		
Interest expenses	46,183	34,922
Foreign exchange losses	1,940	77,074
Loss on foreign currency option	54,034	—
Other	17,641	30,691
Total non-operating expenses	119,801	142,688
Recurring profit	1,130,850	771,804
Extraordinary profit		
Gain on sales of fixed assets	22,905	5,984
Gain on sales of investment securities	—	1,023
Subsidy income	394,752	41,491
Insurance income	—	80,241
Total extraordinary profit	417,658	128,740
Extraordinary losses		
Loss on sales of fixed assets	2,769	8
Loss on disposal of fixed assets	19,917	31,511
Total extraordinary losses	22,687	31,519
Profit before income taxes	1,525,820	869,026
Income taxes	212,640	324,315
Income before minority interests	1,313,179	544,710
Minority interest in income (loss)	(16,013)	(15,328)
Net income	1,329,193	560,039

(Quarterly consolidated statement of comprehensive income)

Nine months ended September 30, 2014 and 2015

(Thousands of yen, rounded down)

	Nine months ended September 30, 2014 Amount	Nine months ended September 30, 2015 Amount
Income before minority interests	1,313,179	544,710
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	10,970	3,626
Foreign currency translation adjustments	254,015	(529,670)
Remeasurements of defined benefit plans	(54,096)	37,301
Total other comprehensive income	210,889	(488,741)
Comprehensive income	1,524,069	55,969
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,490,189	111,027
Comprehensive income attributable to minority interests	33,879	(55,058)

(3) Notes on quarterly consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable.

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

Not applicable.

(Segment information)

I. Nine months ended September 30, 2014 (From January 1, 2014 to September 30, 2014)

1. Information on net sales and the amount of profits (losses) by 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	12,980,686	1,987,099	2,489,722	7,818,844	25,276,352	-	25,276,352
(2) Intersegment sales or transfers	3,978,483	42,608	15,125	55,234	4,091,451	(4,091,451)	-
Total	16,959,170	2,029,707	2,504,847	7,874,078	29,367,804	(4,091,451)	25,276,352
Segment profit (loss)	432,569	(219,483)	120,114	530,365	863,566	112,067	975,633

(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 quarterly consolidated statements 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	9,943,525	1,942,088	2,610,044	10,597,598	7,294,925	183,095	25,276,352
Composition (%)	39.4	7.7	10.3	41.9	28.9	0.7	100.0

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

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

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

II. Nine months ended September 30, 2015 (From January 1, 2015 to September 30, 2015)

1. Information on net sales and the amount of profits (losses) by 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	13,678,380	2,522,285	2,468,441	7,678,635	26,347,742	-	26,347,742
(2) Intersegment sales or transfers	4,233,470	73,125	17,447	126,259	4,450,302	(4,450,302)	-
Total	17,911,850	2,595,411	2,485,889	7,804,895	30,798,045	(4,450,302)	26,347,742
Segment profit (loss)	872,927	(303,436)	57,735	185,543	812,769	(160,316)	652,452

(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 quarterly consolidated statements 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	10,215,249	2,453,943	2,732,288	10,808,004	6,608,229	138,257	26,347,742
Composition (%)	38.8	9.3	10.4	41.0	25.1	0.5	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

(Additional information)

Effects of Changes in Corporate Tax Rates

The “Law for Partial Revision of Income Tax Law” (Article 9, 2015) and the “Law for Partial Revision of Local Tax Law” (Article 2, 2015) were promulgated on March 31, 2015, resulting in a reduction in the corporate tax rates from fiscal years beginning on or after April 1, 2015.

As a result of this change, income tax payable increased 53,644 thousand yen in the nine months under review, and corporate taxes increased by the same amount. Any other impact was negligible.

4. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Unit: millions of yen)

Products	Year ended December 31, 2014						Year ending December 31, 2015			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	3,634	6,529 *2	3,118	13,282	3,662	16,944	3,942	3,757	3,466	11,166
Carbon products for general industries (for mechanical applications)	799	806	630	2,236	690	2,926	815	841	636	2,293
Carbon products for general industries (for electrical applications)	1,052	1,347	1,239	3,640	1,379	5,019	1,427	1,430	1,326	4,184
Compound materials and other products	2,224	2,414	1,931	6,570	2,206	8,776	2,645	3,019	2,201	7,866
Total	7,711	11,097	6,920	25,728	7,937	33,666	8,831	9,048	7,630	25,510

*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 Orders for special graphite products in the second quarter of the fiscal year ended 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 December 31, 2014				Year ending December 31, 2015		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Special graphite products	1,968	4,942 *2	4,820 *2	5,084 *2	5,628 *2	5,575 *2	5,607 *2
Carbon products for general industries (for mechanical applications)	497	476	393	422	422	437	382
Carbon products for general industries (for electrical applications)	820	898	896	992	1,133	1,177	1,130
Compound materials and other products	1,660	1,766	1,599	1,604	2,043	2,692	2,315
Total	4,947	8,084	7,708	8,104	9,228	9,882	9,436

*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 Outstanding orders for special graphite products from the second quarter of the fiscal year ended 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 December 31, 2014						Year ending December 31, 2015			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	4,048	3,907	3,727	11,682	4,017	15,700	3,699	4,413	3,679	11,791
[Electronics applications]	1,612	1,334	1,141	4,088	1,306	5,395	1,241	1,514	1,066	3,822
[General industries applications]	2,109	2,192	2,151	6,452	2,337	8,790	2,021	2,439	2,167	6,628
[Others]	326	380	434	1,141	372	1,513	436	459	444	1,341
Carbon products for general industries (for mechanical applications)	807	863	793	2,464	836	3,300	818	813	699	2,330
Carbon products for general industries (for electrical applications)	1,178	1,310	1,314	3,804	1,410	5,215	1,283	1,404	1,374	4,062
Compound materials and other products	2,174	2,416	2,176	6,767	2,339	9,106	2,295	2,436	2,609	7,341
[3 major products]	1,849	2,119	1,888	5,856	2,037	7,894	1,992	2,128	2,285	6,406
[Other products]	324	297	288	910	302	1,212	302	308	324	935
Related goods	182	180	193	557	186	743	350	159	311	821
Total	8,391	8,679	8,205	25,276	8,790	34,066	8,446	9,227	8,674	26,347

(2) Overview

Special graphite products

In electronics applications, demand for solar cell applications resulting from facility upgrades declined in the third quarter. In addition, demand for products for the manufacture of single-crystal silicon was sluggish, and as a consequence, results were down slightly over the same period in the previous fiscal year.

General industries applications performed slightly better than in the same period of the previous fiscal year since, despite somewhat weak demand for continuous casting applications, demand for products for industrial furnaces was steady and products for EDM electrodes were solid.

As a result, special graphite products overall performed about level with the same period of the previous fiscal year.

Carbon products for general industries

Sales of carbon products for mechanical applications were down slightly year on year because, although demand for pantograph sliders was solid, that for bearings fell for some applications.

Results for carbon products for electrical applications came in slightly above sales in the same period of the previous fiscal year, thanks to strong sales of electric power tool and cleaner applications, particularly in China.

Compound materials and other products

In SiC (silicon carbide)-coated graphite products, demand for semiconductor applications for smartphones and tablets, as well as for automobiles, was strong, and orders for LED products were flat. C/C composite products surpassed results in the same period of the previous fiscal year due to progress with sales promotions for industrial furnace applications, as well as solid sales for semiconductor and solar cell applications. Moreover, sales of graphite sheet products were up year on year on the back of high demand for mainstay automotive applications, and electronics-related products also remained firm.