

February 12, 2016

Consolidated Financial Results for the Fiscal Year Ended December 31, 2015 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
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Scheduled date for ordinary general meeting of shareholders:	March 30, 2016
Scheduled date for dividend payment:	March 31, 2016
Scheduled date for submission of securities report:	March 31, 2016
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, 2015

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

(1) Operating results

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended December 31, 2015	35,558	4.4	790	(30.7)	917	(38.9)	402	(69.7)
Fiscal year ended December 31, 2014	34,066	-	1,140	-	1,501	-	1,327	-

Note:	Comprehensive income:	
	Fiscal year ended December 31, 2015	(563) million yen (-%)
	Fiscal year ended December 31, 2014	2,725 million yen (-%)

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income/total assets	Operating income/net sales
	yen	Yen	%	%	%
Fiscal year ended December 31, 2015	19.40	19.38	0.7	1.2	2.2
Fiscal year ended December 31, 2014	64.02	63.90	2.3	2.0	3.3

Reference:	Equity in earnings of affiliates	
	December 31, 2015	- million yen
	December 31, 2014	- 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 consolidated financial statements for the fiscal year ended on December 31, 2013 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, year-on-year changes for the fiscal year

ended on December 31, 2014 are not provided.

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2015	72,990	59,487	79.6	2,803.69
As of December 31, 2014	75,831	60,918	78.0	2,850.98
Reference: Shareholders' equity				
December 31, 2015		58,130 million yen		
December 31, 2014		59,111 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, 2015	6,797	(5,235)	(3,167)	7,147
Fiscal year ended December 31, 2014	7,374	(2,314)	(3,406)	9,061

2. Dividends

(Millions of yen, rounded down)

	Dividends per share (yen)				Total (Full year)	Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter -end	Interim -end	Third quarter -end	Year -end				
	yen	yen	yen	yen	yen		%	%
Year ended December 31, 2014	-	0.00	-	22.00	22.00	456	34.4	0.8
Year ended December 31, 2015	-	0.00	-	25.00	25.00	518	128.9	0.9
Year ending December 31, 2016 (Forecast)	-	0.00	-	25.00	25.00		148.1	

3. Consolidated results forecast for the fiscal year ending December 31, 2016

(From January 1, 2016 to December 31, 2016)

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
		%		%		%		%		yen
Six months ending June 30, 2016	17,000	(3.8)	300	(15.1)	300	(39.9)	(150)	-		(7.23)
Fiscal year ending December 31, 2016	35,000	(1.6)	700	(11.4)	700	(23.7)	350	(13.0)		16.88

*** 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.: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

(Note) For details, please refer to “5. Consolidated financial statements, (5) Notes to the consolidated financial statements, (Changes to accounting policies)” on page 23 of the Attached Documents.

(3) Number of shares outstanding (common stock)

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

As of December 31, 2015 20,750,688 shares

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

2) Number of treasury shares at the end of period

As of December 31, 2015 17,169 shares

As of December 31, 2014 17,015 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2015 20,733,590 shares

Fiscal year ended December 31, 2014 20,733,839 shares

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial results for the fiscal year ended December 31, 2015

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

(1) Operating results

(Millions of yen, rounded down)
(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended December 31, 2015	24,090	4.8	423	27.9	1,467	(13.6)	596	(67.3)
Fiscal year ended December 31, 2014	22,977	-	331	-	1,697	-	1,824	-

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended December 31, 2015	28.78	28.75
Fiscal year ended December 31, 2014	88.02	87.85

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, year-on-year changes for the fiscal year ended on December 31, 2014 are not provided.

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2015	55,115	44,280	80.2	2,130.77
As of December 31, 2014	55,373	44,116	79.5	2,124.48

Reference: Shareholders' equity

December 31, 2015 44,178 million yen

December 31, 2014 44,048 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 22, 2016. The materials distributed at the briefing are scheduled to be disclosed on TDnet and our website on that same day.

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1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

(i) Business Results for the Fiscal Year Ended December 31, 2015

During the consolidated fiscal year under review, improved employment conditions in the US bolstered personal spending and supported global economic growth. Europe's economy continued to recover modestly, despite fears that the financial crisis would trigger an economic downturn. 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 these conditions, demand in the semiconductor market was flat, and demand in the LED and solar cell markets fell somewhat. At the same time, the markets for general industries applications and carbon brushes were solid.

The Group endeavored to restore earnings by continuing its sales promotion activities, pursuing new product and business development, and cutting costs. However, given the market conditions described above and intense competition over prices and other areas, sales and income were as reported below.

In the special graphite products sector, sales of products for the manufacture of single-crystal silicon and the manufacture of solar cells declined, while sales of products for general industries applications were flat. In carbon products for general industries, sales of carbon products for mechanical applications fell, but sales of carbon products for electrical applications increased. In compound materials and other products, sales of SiC (silicon carbide)-coated graphite products were unchanged, and sales of C/C composite products and graphite sheet products increased. In addition, on the income side, we focused on securing sales of high-value-added products, improving profitability, and strengthening unprofitable subsidiaries, but income was pressured by an increase in some manufacturing costs, the posting of inventory valuation losses, the posting of an impairment loss on some manufacturing facilities, and the reversal of deferred tax assets, among other factors.

As a result, in the fiscal year under review, net sales rose 4.4% year on year to 35,558 million yen, operating income decreased 30.7% to 790 million yen and ordinary income fell 38.9% to 917 million yen. Net income decreased 69.7% year on year to 402 million yen.

The overall performance of each business segment was as follows. (Please refer to "6. Others" for an overview of each product category.)

Japan

Although products for LED applications were weak in the second half, products for metallurgical applications were solid, primarily due to economic recovery and progress of sales promotion activities. As a result, the recovery continued overall. As a result, net sales in Japan rose 3.5% year on year to 18,387 million yen and operating income increased 29.3% to 849 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 income side, costs were incurred from measures to improve management. As a result, net sales in the United States rose 25.6% year on year to 3,411 million yen, but an operating loss of 403 million yen was posted (a 459 million yen operating loss was posted in the previous fiscal year).

Europe

Sales for electronics-related products and carbon brushes were firm, but some metallurgical applications were weak. As a result, net sales in Europe fell 1.0% to 3,241 million yen and operating income decreased 85.5% to 12 million yen.

Asia

While demand for solar cell applications spurred by facility upgrades waned in the second half, sales for carbon brush and metallurgical applications remained solid, and net sales recovered. However, on the income side, sales rose 2.0% to 10,517 million yen and operating income fell 32.2% to 408 million yen as a result of an

increase in some expenses and the posting of inventory valuation losses in the first half.

(ii) Outlook for the Fiscal Year Ending December 31, 2016

While we expect the US and European economies to remain solid going forward, growth rates are expected to decline in China and emerging economies. We expect the Japanese economy to continue to recover gradually, but the situation is difficult to predict due to concerns over downward deviations attributable to a slowdown in the Chinese economy.

In this business environment, the recovery in demand for mainstay products such as special graphite products would be limited, while the competitive environment would become even harsher. We expect these trends to continue in the near term. Given these conditions, the Group will focus on improving the marginal profit ratio through business structure reforms and reducing fixed costs in order to transition to a business structure that can steadily generate income without being affected by the business environment, as well as build a foundation for further growth and development in the future.

Our earnings forecasts have been made on the assumption of exchange rates of 115 yen/US\$, 130 yen/EUR and 17.5 yen/CNY. In view of the above factors, we expect net sales of 35,000 million yen, 700 million yen in operating income, 700 million yen in ordinary income, and 350 million yen in profit attributable to owners of parent in the fiscal year ending December 31, 2016.

(2) Analysis of Financial Position

(i) Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated fiscal year under review decreased by 2,840 million yen from the end of the previous consolidated fiscal year. This was primarily because notes and accounts receivable–trade decreased by 613 million yen, inventories decreased by 1,201 million yen due to production adjustments and property, plant and equipment fell by 1,833 million yen as a result of depreciation posted although net defined benefit asset increased by 212 million yen.

Total liabilities decreased by 1,409 million yen from the end of the previous consolidated fiscal year. This was due to a 2,323 million yen decrease in interest-bearing liabilities, despite a 1,060 million yen increase in advance payment received for orders for the Chinese high-temperature reactor–pebble-bed modules (HTR-PM).

Total net assets decreased by 1,431 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustments decreased by 985 million yen and minority interests fell by 483 million yen.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) as of December 31, 2015 decreased by 1,914 million yen from the end of the previous consolidated fiscal year, to 7,147 million yen on a consolidated basis.

(Cash Flows from Operating Activities)

Funds acquired by operating activities totaled 6,797 million yen, a 7.8% decrease year on year. This was primarily because funds increased due to income before income taxes and minority interests of 1,160 million yen (a 32.8% year-on-year drop), depreciation of 3,673 million yen (a 2.8% increase), a decline in notes and accounts receivable–trade of 262 million yen (a 42.4% decrease), a decrease in inventories of 938 million yen (a 36.6% increase), and an increase in notes and accounts payable–trade of 1,145 million yen (compared to a 75 million yen decrease in the previous fiscal year), offsetting a decrease in funds due to income taxes paid of 910 million yen (a 202.3% increase year on year).

(Cash Flows from Investing Activities)

Funds used in investment activities totaled 5,235 million yen, a 126.2% increase year on year. This was primarily due to a decrease in funds from payments into time deposits of 5,525 million yen (a 113.4% increase year on year) and purchase of property, plants and equipment of 2,616 million yen (a 20.2% gain), which offset an increase in funds from proceeds from withdrawals of time deposits of 3,284 million yen (an 18.7% increase).

(Cash Flows from Financing Activities)

Funds used in financing activities amounted to 3,167 million yen, a 7.0% decrease year on year. This was primarily due to a decrease in funds, including 1,128 million yen in net decrease in short-term loans payable (a 16.2% decrease) and 1,135 million yen in repayments of long-term loans payable (a 27.2% decrease).

(3) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2015 and the Fiscal Year Ending December 31, 2016

(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, 2015

Based on the aforementioned policy and our business results in the fiscal year under review, we plan to pay a dividend of 25 yen per share for the fiscal year ended December 31, 2015.

(iii) Dividends for the Fiscal Year Ending December 31, 2016

While we expect the business environment to remain harsh, in the interest of consistently returning profits to shareholders, we plan to pay a dividend of 25 yen per share for the fiscal year ending December 31, 2016.

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, seven 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, and 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 our 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, and are 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.

(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 will quickly respond to the need for local production and local consumption primarily by promptly establishing production and sales subsidiaries in China. This will enable us to respond to the needs of local customers.

(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 single-crystal silicon, 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 single-crystal silicon. 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.

(iv) Porous carbon products

Porous carbon products are products in powder form that have a large volume of mesopores (2-50nm pores), and thus have functions that conventional porous materials do not. In addition to applications in absorbent materials compatible with a wide range of substances, they can be used in applications related to energy storage, such as electrode material and additives for electrical storage devices, and bio-related applications, such as protein adhesion and separation and body sensor materials.

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]

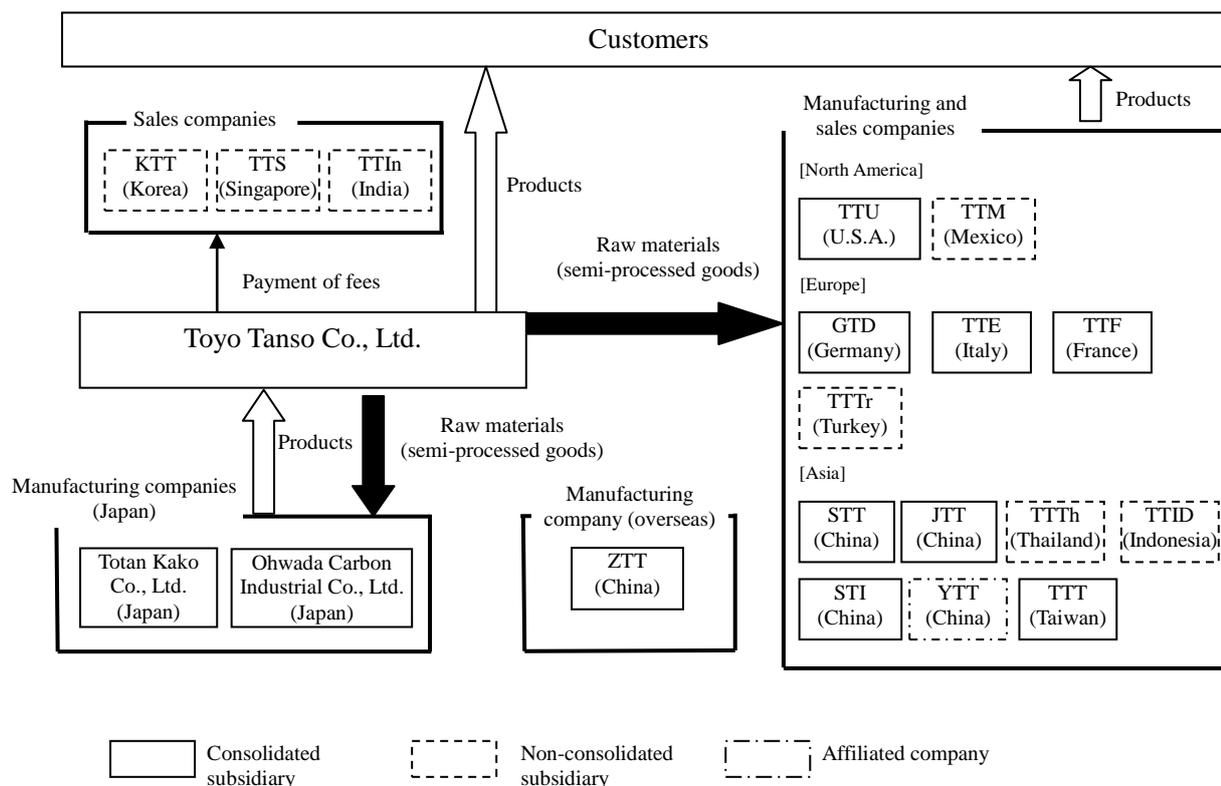
Graphite that is formed into a sheet-like shape by a special production method. This is used for gaskets and other products because of its flexible nature.

[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
	(TTM) ... Toyo Tanso Mexico, S.A. de C.V.
	(TTID) ... PT. Toyo Tanso Indonesia

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

The business environment in which we operate has become increasingly competitive, and we expect similar trends to continue in the near term, while the recovery in demand for our mainstay products, such as special graphite products, has been limited. As a result, the Group will strive to improve marginal profit ratio and reduce fixed costs by reforming our business structure with the aim of shifting to a business structure that can generate steady profits that do not fluctuate with the business environment, and building a foundation for further growth and development in the future. Through these efforts, the Group aims at operating income of 3.0 billion yen on a consolidated basis for the fiscal year ending December 31, 2018. Priority measures aimed at improving the marginal profit ratio and reducing fixed costs are described below.

(Select specific businesses on which to focus resources)

- Review projects with poor profitability
- Review price strategy on new orders

(Optimize organization)

- Streamline headquarters and indirect departments at domestic plants
- Consolidate and close domestic and overseas bases

(Optimize personnel)

- Reduce the hiring of indefinite-term employees
- Reduce new and ongoing use of temporary employees
- Review personnel structure at overseas bases

(Strengthen business management)

In order to entrench the results achieved with the three priority measures described above, we will shift to a comprehensive business operation system with the introduction of the business division system, currently under way, and also strengthen business management by reinforcing governance systems in both domestic and overseas operations and clarifying the standards for the continuation of or withdrawal from existing businesses.

In addition to the above priority measures, we will strive to quickly bring the US business, which continues to post operating losses, back to profitability through the use and application of long-term retained stock, employee reductions at the US headquarters and plants' indirect departments, the reduction of nonessential and non-urgent capital investments, and the consolidation of business bases at the US headquarters.

4. Basic approach to selection of accounting standards

The Group will prepare its consolidated financial statements in line with Japanese standards for the near term, given that these standards enable comparison of consolidated financial statements across fiscal periods and between companies.

We plan to respond appropriately to the adoption of international accounting standards, taking into account conditions in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen, rounded down)

	As of December 31, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	11,665,862	11,627,045
Notes and accounts receivable - trade	13,660,986	13,047,380
Merchandise and finished goods	8,785,680	7,061,051
Work in process	7,232,537	7,778,543
Raw materials and supplies	2,191,164	2,168,634
Deferred tax assets	665,867	941,806
Other	548,856	614,207
Allowance for doubtful accounts	(541,365)	(428,546)
Total current assets	44,209,589	42,810,122
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,330,787	18,191,522
Accumulated depreciation	(9,394,046)	(9,511,019)
Buildings and structures, net	8,936,741	8,680,502
Machinery, equipment and vehicles	47,673,231	47,497,475
Accumulated depreciation	(35,134,659)	(36,722,568)
Machinery, equipment and vehicles, net	12,538,572	10,774,906
Land	5,893,797	5,869,520
Construction in progress	756,040	1,076,791
Other	4,193,541	4,266,415
Accumulated depreciation	(3,468,566)	(3,651,392)
Other, net	724,975	615,023
Total property, plant and equipment	28,850,126	27,016,744
Intangible assets	1,285,433	1,174,717
Investments and other assets		
Investment securities	327,318	343,849
Deferred tax assets	284,721	40,564
Net defined benefit asset	170,055	382,909
Other	740,132	1,223,921
Allowance for doubtful accounts	(35,806)	(1,917)
Total investments and other assets	1,486,421	1,989,327
Total non-current assets	31,621,980	30,180,789
Total assets	75,831,570	72,990,912

(Thousands of yen, rounded down)

	As of December 31, 2014	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,533,655	2,408,820
Electronically recorded obligations - operating	—	1,083,559
Short-term loans payable	2,988,821	1,453,675
Accounts payable - other	2,853,857	1,775,379
Income taxes payable	532,540	403,310
Provision for bonuses	396,251	384,246
Other	2,641,948	3,829,905
Total current liabilities	11,947,076	11,338,897
Non-current liabilities		
Long-term loans payable	2,003,985	1,215,396
Deferred tax liabilities	160,610	197,163
Net defined benefit liability	167,349	140,131
Asset retirement obligations	257,681	261,423
Other	376,493	350,557
Total non-current liabilities	2,966,120	2,164,673
Total liabilities	14,913,196	13,503,570
Net assets		
Shareholders' equity		
Capital stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	38,013,139	37,932,706
Treasury shares	(59,279)	(59,591)
Total shareholders' equity	55,181,122	55,100,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,073	111,246
Foreign currency translation adjustment	3,878,723	2,893,096
Remeasurements of defined benefit plans	(43,712)	25,664
Total accumulated other comprehensive income	3,930,083	3,030,006
Subscription rights to shares	68,396	102,009
Minority interests	1,738,770	1,254,947
Total net assets	60,918,373	59,487,341
Total liabilities and net assets	75,831,570	72,990,912

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

(Thousands of yen, rounded down)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Net sales	34,066,654	35,558,179
Cost of sales	25,765,695	27,273,696
Gross profit	8,300,958	8,284,483
Selling, general and administrative expenses	7,160,659	7,494,377
Operating income	1,140,299	790,105
Non-operating income		
Interest income	60,522	89,861
Dividend income	163,159	25,314
Foreign exchange gains	330,234	—
Gain on currency options	—	42,560
Revenue from sales of electric power	7,018	46,100
Miscellaneous income	110,320	108,942
Total non-operating income	671,256	312,780
Non-operating expenses		
Interest expenses	60,887	41,436
Loss on sales of notes payable	1,192	966
Foreign exchange losses	—	107,058
Loss on currency options	178,018	—
Depreciation	1,520	14,981
Miscellaneous loss	68,504	20,554
Total non-operating expenses	310,123	184,997
Ordinary income	1,501,432	917,888
Extraordinary income		
Gain on sales of non-current assets	23,849	6,325
Gain on sales of investment securities	—	1,982
Subsidy income	502,422	1,131,510
Gain on reversal of subscription rights to shares	27,900	—
Insurance income	—	79,625
Total extraordinary income	554,171	1,219,443
Extraordinary losses		
Loss on sales of non-current assets	3,258	188
Loss on retirement of non-current assets	37,119	421,355
Impairment loss	*184,790	*290,512
Loss on valuation of shares of subsidiaries	65,701	39,570
Subsidiary relocation expenses	—	224,970
Loss on disaster	36,199	—
Total extraordinary losses	327,068	976,597
Income before income taxes and minority interests	1,728,535	1,160,734
Income taxes - current	692,642	790,930
Income taxes - deferred	(166,734)	(16,632)
Total income taxes	525,907	774,298
Income before minority interests	1,202,628	386,436
Minority interests in loss	(124,702)	(15,804)
Net income	1,327,330	402,240

(Consolidated statement of comprehensive income)

(Thousands of yen, rounded down)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Income before minority interests	1,202,628	386,436
Other comprehensive income		
Valuation difference on available-for-sale securities	10,685	16,172
Foreign currency translation adjustment	1,617,276	(1,035,760)
Remeasurements of defined benefit plans, net of tax	(105,013)	69,669
Total other comprehensive income	1,522,948	(949,918)
Comprehensive income	2,725,577	(563,481)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,681,707	(497,836)
Comprehensive income attributable to minority interests	43,870	(65,645)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2014

(Thousands of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,692,575	9,534,686	36,924,250	(58,514)	54,092,997
Cumulative effects of changes in accounting policies					—
Restated balance	7,692,575	9,534,686	36,924,250	(58,514)	54,092,997
Changes of items during period					
Dividends of surplus			(238,441)		(238,441)
Net income			1,327,330		1,327,330
Purchase of treasury shares				(764)	(764)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,088,889	(764)	1,088,124
Balance at end of period	7,692,575	9,534,686	38,013,139	(59,279)	55,181,122

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	84,387	2,419,065	72,254	2,575,707	44,855	1,839,381	58,552,942
Cumulative effects of changes in accounting policies							—
Restated balance	84,387	2,419,065	72,254	2,575,707	44,855	1,839,381	58,552,942
Changes of items during period							
Dividends of surplus							(238,441)
Net income							1,327,330
Purchase of treasury shares							(764)
Net changes of items other than shareholders' equity	10,685	1,459,658	(115,967)	1,354,376	23,541	(100,611)	1,277,306
Total changes of items during period	10,685	1,459,658	(115,967)	1,354,376	23,541	(100,611)	2,365,431
Balance at end of period	95,073	3,878,723	(43,712)	3,930,083	68,396	1,738,770	60,918,373

Fiscal year ended December 31, 2015

(Thousands of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,692,575	9,534,686	38,013,139	(59,279)	55,181,122
Cumulative effects of changes in accounting policies			(26,533)		(26,533)
Restated balance	7,692,575	9,534,686	37,986,606	(59,279)	55,154,589
Changes of items during period					
Dividends of surplus			(456,140)		(456,140)
Net income			402,240		402,240
Purchase of treasury shares				(311)	(311)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(53,900)	(311)	(54,212)
Balance at end of period	7,692,575	9,534,686	37,932,706	(59,591)	55,100,377

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	95,073	3,878,723	(43,712)	3,930,083	68,396	1,738,770	60,918,373
Cumulative effects of changes in accounting policies							(26,533)
Restated balance	95,073	3,878,723	(43,712)	3,930,083	68,396	1,738,770	60,891,839
Changes of items during period							
Dividends of surplus							(456,140)
Net income							402,240
Purchase of treasury shares							(311)
Net changes of items other than shareholders' equity	16,172	(985,627)	69,377	(900,076)	33,612	(483,822)	(1,350,286)
Total changes of items during period	16,172	(985,627)	69,377	(900,076)	33,612	(483,822)	(1,404,498)
Balance at end of period	111,246	2,893,096	25,664	3,030,006	102,009	1,254,947	59,487,341

(4) Consolidated statement of cash flows

(Thousands of yen, rounded down)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,728,535	1,160,734
Depreciation	3,574,325	3,673,278
Impairment loss	184,790	290,512
Increase (decrease) in net defined benefit asset or liability	(351,472)	(173,877)
Increase (decrease) in long-term accounts payable (directors' retirement benefits)	(1,600)	(3,000)
Increase (decrease) in provision for bonuses	38,444	(589)
Increase (decrease) in allowance for doubtful accounts	64,015	(122,492)
Interest and dividend income	(223,682)	(115,176)
Interest expenses	60,887	41,436
Foreign exchange losses (gains)	(330,234)	107,058
Gain on sales of non-current assets	(23,849)	(6,325)
Loss on sales and retirement of non-current assets	40,377	421,544
Decrease (increase) in notes and accounts receivable - trade	455,993	262,659
Decrease (increase) in inventories	686,695	938,041
Increase (decrease) in notes and accounts payable - trade	(75,256)	1,145,891
Other	1,686,219	18,822
Subtotal	7,514,188	7,638,516
Interest and dividend income received	221,387	109,895
Interest expenses paid	(59,902)	(40,827)
Income taxes (paid) refund	(301,054)	(910,194)
Net cash provided by (used in) operating activities	7,374,619	6,797,391
Cash flows from investing activities		
Payments into time deposits	(2,588,971)	(5,525,516)
Proceeds from withdrawal of time deposits	2,767,905	3,284,185
Purchase of property, plant and equipment	(2,177,868)	(2,616,905)
Proceeds from sales of property, plant and equipment	67,573	10,077
Purchase of intangible assets	(242,552)	(219,939)
Purchase of investment securities	(51,183)	(138,887)
Other	(89,544)	(28,063)
Net cash provided by (used in) investing activities	(2,314,641)	(5,235,049)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,345,681)	(1,128,231)
Repayments of long-term loans payable	(1,559,527)	(1,135,227)
Repayments of finance lease obligations	(49,058)	(33,864)
Purchase of treasury shares	(764)	(311)
Cash dividends paid	(307,115)	(451,914)
Cash dividends paid to minority shareholders	(144,481)	(418,176)
Net cash provided by (used in) financing activities	(3,406,628)	(3,167,726)
Effect of exchange rate change on cash and cash equivalents	536,635	(309,045)
Net increase (decrease) in cash and cash equivalents	2,189,985	(1,914,430)
Cash and cash equivalents at beginning of period	6,871,521	9,061,506
Cash and cash equivalents at end of period	9,061,506	7,147,075

(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.

(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

Toyo Tanso Mexico, S.A. de C.V.

PT. Toyo Tanso Indonesia

(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 eight non-consolidated subsidiaries and affiliates to which the equity method has not been applied: 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, Toyo Tanso Mexico, S.A. de C.V., PT. Toyo Tanso Indonesia, 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) Supplies

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. Property, plant and equipment (excluding leased 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 assets (excluding leased 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. Leased assets

Leased 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.

(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. Provision for 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. Provision 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 benefit formula method is used to attribute projected retirement benefits to periods until the fiscal year-end.

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 adjustment 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.

(Changes to accounting policies)

From the fiscal year under review, 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 fiscal year under review 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 fiscal year under review decreased 41,060 thousand yen, and retained earnings decreased 26,533 thousand yen. The changes have little impact on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year under review.

(Related to consolidated statement of income)

* Impairment loss

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

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	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 non-current 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.

Current consolidated fiscal year (from January 1, 2015 to December 31, 2015)

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 Construction in progress	Toyo Tanso Co., Ltd.	Takuma Division (Mitoyo, Kagawa)	217,068
Business assets	Buildings and structures Machinery, equipment and vehicles	Toyo Tanso USA, Inc.	Durham, Connecticut, USA	73,444

(ii) Reasons for recognition of impairment losses

Takuma Division of 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.

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 non-current assets

Buildings and structures: 210 thousand yen

Machinery, equipment and vehicles: 89,190 thousand yen

Construction in progress: 201,111 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.

Toyo Tanso USA, Inc. groups its assets according to the minimum independent cash-flow-generating unit.

(v) Method for calculating recoverable amount

The recoverable amount for the Company's machinery, equipment and vehicles and Toyo Tanso USA, Inc. is calculated primarily by using the usable value, but the recoverable amount is set at zero since the usable value based on future cash flow is negative.

As for construction in progress, the recoverable amount is calculated from the net realizable value calculated using rational estimates taking into account transactions and other factors.

(Segment information)

[Segment information]

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 by 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 income basis.

Inter-segment sales are based on prices in arms-length transactions.

3. Information on net sales, profits, losses, assets, liabilities, and other items by reportable segment

Previous 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		
Net 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 assets	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) Increase in property, plant and equipment and intangible 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 income recorded in the consolidated statement of income.

Current consolidated fiscal year (From January 1, 2015 to December 31, 2015)

(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		
Net sales							
(1) Sales to unaffiliated customers	18,387,278	3,411,227	3,241,999	10,517,674	35,558,179	—	35,558,179
(2) Inter-segment sales or transfers	5,704,810	88,816	21,667	186,312	6,001,607	(6,001,607)	—
Total	24,092,088	3,500,043	3,263,667	10,703,986	41,559,786	(6,001,607)	35,558,179
Segment profit (loss)	849,879	(403,371)	12,714	408,664	867,886	(77,781)	790,105
Segment assets	58,986,692	2,233,439	4,073,321	18,284,973	83,578,426	(10,587,514)	72,990,912
Other items							
(1) Depreciation	2,963,957	107,995	181,528	422,281	3,675,762	(2,484)	3,673,278
(2) Increases in tangible and intangible fixed assets	1,500,326	44,470	239,493	1,236,749	3,021,040	—	3,021,040

(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 income recorded in the consolidated statement of income.

[Related information]

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

1. Information by 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 by region

(1) Net sales

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net 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) 1. Net 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) Property, plant and equipment

(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

3. Information by 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, 2015 to December 31, 2015)

1. Information by 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 by region

(1) Sales

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	13,713,009	3,368,192	3,612,534	14,663,296	9,071,404	201,146	35,558,179
Composition (%)	38.6	9.5	10.1	41.2	25.5	0.6	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) Property, plant and equipment

(Thousands of yen, rounded down)

Japan	United States	Europe	Asia		Total
			Asia (including China)	China only	
20,997,361	337,955	1,502,686	4,178,741	3,323,450	27,016,744

3. Information by 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.

[Information on impairment loss for non-current assets by reportable segment]

Previous 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

Current consolidated fiscal year (From January 1, 2015 to December 31, 2015)

(Thousands of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment loss	217,068	73,444	—	—	290,512

[Information on the amortization of goodwill and unamortized balance by reportable segment]

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

Not applicable.

Current consolidated fiscal year (From January 1, 2015 to December 31, 2015)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

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

Not applicable.

Current consolidated fiscal year (From January 1, 2015 to December 31, 2015)
Not applicable.

(Per share information)

	From January 1, 2014 to December 31, 2014	From January 1, 2015 to December 31, 2015
Net assets per share	2,850.98 yen	2,803.69 yen
Net income (loss) per share	64.02 yen	19.40 yen
Diluted net income per share	63.90 yen	19.38 yen

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

	From January 1, 2014 to December 31, 2014	From January 1, 2015 to December 31, 2015
Net income per share		
Net income (thousands of yen)	1,327,330	402,240
Amount not attributed to common shareholders (thousands of yen)	—	—
Net income related to common shares (thousands of yen)	1,327,330	402,240
Average outstanding shares during the fiscal year (shares)	20,733,839	20,733,590
Diluted net income per share		
Adjustments to net income (thousands of yen)	—	—
Increase in shares outstanding (shares)	38,871	25,826
Overview of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	—	—

(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.

6. Others

(1) Orders and sales by product category

i. Orders

(Unit: millions of yen)

Products	Year ended December 31, 2014					Year ended December 31, 2015				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	3,634	6,529 *2	3,118	3,662	16,944	3,942	3,757	3,466	3,498	14,664
Carbon products for general industries (for mechanical applications)	799	806	630	690	2,926	815	841	636	660	2,953
Carbon products for general industries (for electrical applications)	1,052	1,347	1,239	1,379	5,019	1,427	1,430	1,326	1,344	5,528
Compound materials and other products	2,224	2,414	1,931	2,206	8,776	2,645	3,019	2,201	2,735	10,602
Total	7,711	11,097	6,920	7,937	33,666	8,831	9,048	7,630	8,238	33,748

- 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 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 December 31, 2014				Year ended December 31, 2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	1,968	4,942 *2	4,820 *2	5,084 *2	5,628 *2	5,575 *2	5,607 *2	5,727 *2
Carbon products for general industries (for mechanical applications)	497	476	393	422	422	437	382	424
Carbon products for general industries (for electrical applications)	820	898	896	992	1,133	1,177	1,130	1,237
Compound materials and other products	1,660	1,766	1,599	1,604	2,043	2,692	2,315	2,240
Total	4,947	8,084	7,708	8,104	9,228	9,882	9,436	9,629

- 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 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 December 31, 2014					Year ended December 31, 2015				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,048	3,907	3,727	4,017	15,700	3,699	4,413	3,679	3,759	15,551
[Electronics applications]	1,612	1,334	1,141	1,306	5,395	1,241	1,514	1,066	1,216	5,038
[General industries applications]	2,109	2,192	2,151	2,337	8,790	2,021	2,439	2,167	2,136	8,765
[Others]	326	380	434	372	1,513	436	459	444	406	1,747
Carbon products for general industries (for mechanical applications)	807	863	793	836	3,300	818	813	699	702	3,033
Carbon products for general industries (for electrical applications)	1,178	1,310	1,314	1,410	5,215	1,283	1,404	1,374	1,317	5,380
Compound materials and other products	2,174	2,416	2,176	2,339	9,106	2,295	2,436	2,609	2,844	10,186
[3 major products]	1,849	2,119	1,888	2,037	7,894	1,992	2,128	2,285	2,468	8,874
[Other products]	324	297	288	302	1,212	302	308	324	376	1,312
Related goods	182	180	193	186	743	350	159	311	586	1,407
Total	8,391	8,679	8,205	8,790	34,066	8,446	9,227	8,674	9,210	35,558

(2) Overview

Special graphite products

In electronics application, demand for solar cell applications resulting from facility upgrades declined in the second half of the fiscal year, and demand for products for the manufacture of single-crystal silicon was low due to market conditions. As a result, performance slightly undercut that of the previous fiscal year.

In general industries applications, demand for products for industrial furnaces steadily expanded, but demand for products for continuous casting was lackluster, and products for EDM electrodes were weak. As a result, this area performed at about the same level as in the previous fiscal year.

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

Carbon products for general industries

Despite solid sales of pantograph sliders, sales of carbon products for mechanical applications fell over the previous fiscal year due to low demand for bearings.

Carbon products for electrical applications picked up somewhat over the previous fiscal year, with solid demand for electrical power tools and cleaner applications, primarily in China.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products were unchanged over the previous fiscal year, despite a drop in demand for LED applications, as demand for semiconductors for smartphones and tablets as well as automotive applications were solid. C/C composite products surpassed their performance in the previous fiscal year as sales promotion activities for industrial furnace applications progressed and semiconductor and solar cell applications were also robust. Sales of graphite sheet products were up over the previous fiscal year due to stronger demand for automotive applications that are our mainstay and solid results for electronics applications.

(3) Changes of executives

i. Change of representative directors

New Title	Name	Current Title
Representative Director, President	Takashi Konishi	Director, Executive Officer In charge of Global Quality Assurance, In charge of Quality Assurance Dept., In charge of Environmental Control Dept.
Honorary Chairperson	Junko Morita	Representative Director, Chairperson
—	Akira Noami	Representative Director, President

(Note) For details, please refer to "Notice Concerning Change of Representative Directors" announced today.

ii. Changes of other executives

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