



May 12, 2016

Consolidated Financial Results for the Three Months Ended March 31, 2016 [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 submission of quarterly report:	May 13, 2016
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

1. Consolidated financial results for the three months ended March 31, 2016

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

(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 income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Three months ended March 31, 2016	8,785	4.0	325	27.0	230	0.5	(95)	-
Three months ended March 31, 2015	8,446	0.7	255	75.2	228	93.8	78	(62.6)

Note: Comprehensive income:
 Three months ended March 31, 2016 (869) million yen (-%)
 Three months ended March 31, 2015 (150) million yen (-%)

	Profit attributable to owners of parent per share(basic)	Profit attributable to owners of parent per share (diluted)
	yen	yen
Three months ended March 31, 2016	(4.61)	-
Three months ended March 31, 2015	3.81	3.80

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2016	72,072	58,412	79.3
As of December 31, 2015	72,990	59,487	79.6

Reference: Shareholders' equity

March 31, 2016	57,130 million yen
December 31, 2015	58,130 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, 2015	-	0.00	-	25.00	25.00
Year ending December 31, 2016 (Actual)	-				
Year ending December 31, 2016 (Forecast)		0.00	-	25.00	25.00

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

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

(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): Yes

3) Changes in accounting estimates: None

4) Restatements: None

(Note) For details, please refer to “Changes in accounting policies and accounting estimates and restatements” on Page 3 (attached materials).

(4) Number of shares outstanding (common stock)

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

As of March 31, 2016 20,750,688 shares

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

2) Number of treasury stock at the end of period

As of March 31, 2016 17,169 shares

As of December 31, 2015 17,169 shares

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

Three months ended March 31, 2016 20,733,519 shares

Three months ended March 31, 2015 20,733,631 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**

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.

*** Change in unit of presentation**

Previously, figures in the Company’s quarterly consolidated financial statements and other items were listed in thousand-yen units. However, beginning in the first quarter and the cumulative first quarter of the fiscal year under review, figures will be shown in million-yen units. For purposes of comparison, figures for the previous consolidated fiscal year and the cumulative first quarter in the previous fiscal year will be shown in million-yen units.

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

(1) Explanation Regarding Business Results

During the first quarter of the consolidated fiscal year under review, although economic growth in emerging markets such as China faltered, the US economy continued to expand gradually, and there were also signs of an economic recovery in Europe. Moreover, despite a recovery in corporate earnings and employment conditions, the outlook for the Japanese economy remains uncertain given fluctuations in the exchange rate, the drop in crude oil prices and a weak stock market.

Toyo Tanso Group's business environment faced harsher competition with other companies overall. In this environment, demand in the solar cell market grew, while demand in the semiconductor market, general industries market and carbon brush market was solid. However, the LED market was somewhat weak.

The Group attempted to counter this increasingly harsh competitive environment by carrying out measures to reform the business structure with the aim of shifting to a business structure that can ensure steady profits and building up a foundation for future growth and expansion.

As a result, in the first quarter of the consolidated fiscal year under review, net sales rose 4.0% year on year to 8,785 million yen. On the income side, despite the strong yen and the posting of a provision of allowance for doubtful accounts, operating income rose 27.0% to 325 million yen and ordinary income was up 0.5% to 230 million yen. However, loss attributable to owners of parent stood at 95 million as a result of the reversal of deferred tax assets, compared to profit attributable to owners of parent of 78 million yen in the same period of the previous fiscal year.

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

Japan

Although products for LED applications were weak, sales of carbon products for mechanical applications were solid, and sales for metallurgical applications were firm. However, net sales fell 1.7% year on year to 4,409 million yen and operating income decreased 56.8% to 168 million yen.

United States

Sales for electronics-related products were disappointing, but metallurgical applications such as industrial furnaces were steady. However, net sales fell 0.9% year over year to 735 million yen. On the income side, we posted an operating loss of 206 million yen (compared to a 152 million yen operating loss in the same period of the previous fiscal year) due to the posting of 139 million yen of provision of allowance for doubtful accounts and other factors.

Europe

Although small carbon brushes were poor performers, electronics-related products for solar cell applications were strong. As a result, net sales rose 7.4% year on year to 850 million yen and operating income decreased 24.9% to 17 million yen.

Asia

Not only did demand increase for solar cell applications spurred by facility upgrades, but some metallurgical applications were also solid. As a result, net sales rose 15.0% year on year to 2,790 million yen and operating income increased 213.0% to 222 million yen.

(2) Explanation Regarding Financial Position

Total assets as of March 31, 2016, decreased by 918 million yen from the end of the previous consolidated fiscal year. This was primarily because, although the increase in equity-method affiliates led to a 457 million yen increase in investments and other assets, cash and deposits decreased by 256 million yen due to capital spending, and notes and accounts receivable—trade fell 861 million yen.

Total liabilities increased by 155 million yen from the end of the previous consolidated fiscal year. This was primarily because "Other" under current liabilities increased 550 million yen due to a 187 million yen increase in provisions for bonuses and higher advances received for orders for high-temperature gas reactors in China, which offset a 121 million yen decrease in interest-bearing liabilities and a 306 million yen reduction in income taxes payable.

Total net assets decreased by 1,074 million yen from the end of the previous consolidated fiscal year. This was primarily due to a 278 million yen decrease in retained earnings and a 679 million yen fall in foreign currency translation adjustments.

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

There are no changes to the consolidated earnings forecasts for the fiscal year ending December 31, 2016, released on February 12, 2016.

2. Items Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the three months 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 income before income taxes for the fiscal year including the first quarter under review.

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

Application of accounting methods for business combinations

Toyo Tanso adopted the “Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter “Consolidation Accounting Standard”), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other standards from the first quarter of this consolidated fiscal year. Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries which Toyo Tanso continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding business combinations which became or will become effective from the start of the first quarter of this consolidated fiscal year, the accounting method was changed to retroactively reflect adjustments to the amount allocated to acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarter in which the relevant business combinations became or will become effective. In addition, presentation of net income and others has been changed and “minority interests” has been changed to “non-controlling interests.” Consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year have been restated to reflect these changes in presentation.

The Business Combinations Accounting Standard and other standards were applied from the beginning of first quarter in accordance with the transitional treatments stated in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

These changes have no impact on profit/loss.

Changes in valuation standards and valuation methods for inventories

The Group had primarily stated inventories (semi-finished goods, work in process [materials]) at cost determined by the moving-average method (the amount posted on the balance sheet is calculated by writing down the book value of assets which decreased in profitability), but beginning in the first quarter of the fiscal year under review, inventories will be stated at cost using the specific cost method (the amount posted on the balance sheet is calculated by writing down the book value of assets which decreased in profitability).

This change is intended to ensure that the costs of inventories are managed exhaustively and in a timely manner, that inventories are valued more appropriately, and that inventories are reported in period profit/losses. The utilization of this newly introduced cost of sales accounting system is a good opportunity for this change.

The necessary records for receipt and payment of inventories for the specific cost method were not preserved in past consolidated fiscal years. Accordingly, it is not practically possible to calculate the cumulative effect when adopting this accounting method retroactively. Accordingly, the book value of inventories at the end of the previous fiscal year is used as the balance at the start of the first quarter of this

fiscal year, and the specific cost method is used from the start of the fiscal year.
This change has a minimal impact.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2015	As of March 31, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	11,627	11,370
Notes and accounts receivable - trade	13,047	12,185
Merchandise and finished goods	7,061	6,741
Work in process	7,778	7,950
Raw materials and supplies	2,168	2,221
Other	1,556	1,478
Allowance for doubtful accounts	(428)	(347)
Total current assets	42,810	41,601
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,680	9,224
Machinery, equipment and vehicles, net	10,774	10,468
Land	5,869	5,840
Construction in progress	1,076	622
Other, net	615	751
Total property, plant and equipment	27,016	26,906
Intangible assets	1,174	1,117
Investments and other assets	1,989	2,446
Total non-current assets	30,180	30,470
Total assets	72,990	72,072

(Millions of yen, rounded down)

	As of December 31, 2015	As of March 31, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,408	2,419
Electronically recorded obligations - operating	1,083	1,091
Short-term loans payable	1,453	1,518
Accounts payable - other	1,775	1,639
Income taxes payable	403	96
Provision for bonuses	384	571
Other	3,829	4,380
Total current liabilities	11,338	11,718
Non-current liabilities		
Long-term loans payable	1,215	1,029
Net defined benefit liability	140	137
Asset retirement obligations	261	262
Other	547	512
Total non-current liabilities	2,164	1,941
Total liabilities	13,503	13,659
Net assets		
Shareholders' equity		
Capital stock	7,692	7,692
Capital surplus	9,534	9,534
Retained earnings	37,932	37,654
Treasury shares	(59)	(59)
Total shareholders' equity	55,100	54,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	111	74
Foreign currency translation adjustment	2,893	2,214
Remeasurements of defined benefit plans	25	19
Total accumulated other comprehensive income	3,030	2,307
Subscription rights to shares	102	100
Non-controlling interests	1,254	1,181
Total net assets	59,487	58,412
Total liabilities and net assets	72,990	72,072

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2015 and 2016

(Millions of yen, rounded down)

	Three months ended March 31, 2015 Amount	Three months ended March 31, 2016 Amount
Net sales	8,446	8,785
Cost of sales	6,405	6,422
Gross profit	2,040	2,362
Selling, general and administrative expenses	1,784	2,037
Operating income	255	325
Non-operating income		
Interest income	25	16
Gain on currency options	26	62
Share of profit of entities accounted for using equity method	-	29
Other	20	32
Total non-operating income	72	140
Non-operating expenses		
Interest expenses	12	6
Foreign exchange losses	76	213
Other	10	14
Total non-operating expenses	100	235
Ordinary income	228	230
Extraordinary income		
Gain on sales of non-current assets	0	5
Subsidy income	41	35
Gain on reversal of subscription rights to shares	-	1
Total extraordinary income	41	41
Extraordinary losses		
Loss on retirement of non-current assets	4	14
Total extraordinary losses	4	14
Income before income taxes and minority interests	265	257
Income taxes	192	341
Profit (loss)	73	(84)
Profit (loss) attributable to non-controlling interests	(5)	10
Profit (loss) attributable to owners of parent	78	(95)

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2015 and 2016

(Millions of yen, rounded down)

	Three months ended March 31, 2015 Amount	Three months ended March 31, 2016 Amount
Profit (loss)	73	(84)
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(36)
Foreign currency translation adjustment	(237)	(828)
Remeasurements of defined benefit plans, net of tax	9	(6)
Share of other comprehensive income of entities accounted for using equity method	-	87
Total other comprehensive income	(223)	(784)
Comprehensive income	(150)	(869)
Comprehensive income attributable to:		
Owners of parent	(156)	(817)
Non-controlling interests	6	(51)

(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)

[Segment information]

I. Three months ended March 31, 2015 (From January 1, 2015 to March 31, 2015)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Millions 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		
Net sales							
(1) Sales to unaffiliated customers	4,485	741	792	2,427	8,446	-	8,446
(2) Intersegment sales or transfers	1,453	13	16	20	1,503	(1,503)	-
Total	5,938	754	808	2,448	9,949	(1,503)	8,446
Segment profit (loss)	388	(152)	23	71	330	(74)	255

(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 income recorded in the consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	3,506	741	841	3,299	2,043	56	8,446
Composition (%)	41.5	8.8	10.0	39.0	24.2	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. Three months under review (from January 1, 2016 to March 31, 2016)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Millions 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		
Net sales							
(1) Sales to unaffiliated customers	4,409	735	850	2,790	8,785	-	8,785
(2) Intersegment sales or transfers	1,619	59	15	32	1,726	(1,726)	-
Total	6,028	794	866	2,822	10,511	(1,726)	8,785
Segment profit (loss)	168	(206)	17	222	202	122	325

(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 income recorded in the consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	3,519	709	943	3,577	2,570	35	8,785
Composition (%)	40.1	8.1	10.7	40.7	29.3	0.4	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 15, 2016) and the “Law for Partial Revision of Local Tax Law, etc.” (Article 13, 2016) were promulgated on March 31, 2016, resulting in a reduction in the corporate tax rates from fiscal years beginning on or after April 1, 2016.

This change has a minimal impact.

4. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2015					Year ending December 31, 2016
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,942	3,757	3,466	3,498	14,664	3,710
Carbon products for general industries (for mechanical applications)	815	841	636	660	2,953	806
Carbon products for general industries (for electrical applications)	1,427	1,430	1,326	1,344	5,528	1,223
Compound materials and other products	2,645	3,019	2,201	2,735	10,602	2,106
Total	8,831	9,048	7,630	8,238	33,748	7,846

(Notes) 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.

ii. Outstanding orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2015				Year ending December 31, 2016
	1Q	2Q	3Q	4Q	1Q
Special graphite products* ²	5,628	5,575	5,607	5,727	5,567
Carbon products for general industries (for mechanical applications)	422	437	382	424	441
Carbon products for general industries (for electrical applications)	1,133	1,177	1,130	1,237	1,067
Compound materials and other products	2,043	2,692	2,315	2,240	1,950
Total	9,228	9,882	9,436	9,629	9,026

(Notes) 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 include orders for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM). Outstanding orders in the quarter under review include 3,223 million yen attributable to such orders.

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended December 31, 2015					Year ending December 31, 2016
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,699	4,413	3,679	3,759	15,551	3,996
[Electronics applications]	1,241	1,514	1,066	1,216	5,038	1,574
[General industries applications]	2,021	2,439	2,167	2,136	8,765	1,981
[Others]	436	459	444	406	1,747	440
Carbon products for general industries (for mechanical applications)	818	813	699	702	3,033	791
Carbon products for general industries (for electrical applications)	1,283	1,404	1,374	1,317	5,380	1,291
Compound materials and other products	2,295	2,436	2,609	2,844	10,186	2,458
[3 major products]	1,992	2,128	2,285	2,468	8,874	2,162
[Other products]	302	308	324	376	1,312	295
Related goods	350	159	311	586	1,407	247
Total	8,446	9,227	8,674	9,210	35,558	8,785

(2) Overview

Special graphite products

In electronics applications, performance exceeded that in the same period of the previous fiscal year mainly due to growing demand for solar cell applications resulting from facility upgrades in China.

In general industries applications, demand for products for continuous casting was flat, but products for EDM electrodes were weak. As a result, performance slightly undercut that in the same period of the previous fiscal year.

Therefore, special graphite products overall performed slightly better than in the same period of the previous fiscal year.

Carbon products for general industries

Despite solid sales of pantograph sliders, sales of carbon products for mechanical applications slightly fell year on year mainly due to low demand for bearings.

Sales of carbon products for electrical applications were flat year on year, with solid demand for electrical power tools and cleaner applications.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products fell short of levels in the same period of the previous fiscal year due to a decline in demand for LED applications. This cancelled out the solid performance of semiconductor applications. C/C composite products surpassed their performance in the same period of the previous fiscal year as sales promotion activities for industrial furnace applications progressed in Japan and overseas and semiconductor and solar cell applications were also robust. Sales of graphite sheet products were up over the same period of the previous fiscal year due to solid demand for automotive applications and growing demand for electronics-related applications.