



May 10, 2018

Consolidated Financial Results for the Three Months Ended March 31, 2018 [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 11, 2018
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, 2018

(From January 1, 2018 to March 31, 2018)

(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, 2018	12,335	52.0	2,498	455.2	2,334	427.2	1,687	199.8
Three months ended March 31, 2017	8,115	(7.6)	450	38.4	442	92.4	563	-
Note:	Comprehensive income:							
			1,300 million yen (739.6%)					
			154 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, 2018	80.80				80.63			
Three months ended March 31, 2017	27.15				27.13			

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2018	72,148	61,789	84.5
As of December 31, 2017	74,223	60,986	81.0
Reference: Shareholders' equity			
March 31, 2018		60,983 million yen	
December 31, 2017		60,140 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, 2017	-	0.00	-	30.00	30.00
Year ending December 31, 2018 (Actual)	-				
Year ending December 31, 2018 (Forecast)		0.00	-	40.00	40.00

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

3. Consolidated results forecast for the fiscal year ending December 31, 2018

(From January 1, 2018 to December 31, 2018)

(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, 2018	21,800	31.6	3,600	171.5	3,500	209.7	2,600	130.2	124.32
Fiscal year ending December 31, 2018	41,000	16.3	6,500	75.3	6,400	72.1	4,700	55.6	224.74

(Note) Revisions of consolidated forecasts most recently announced: Yes

For details, please refer to "Notification of Revisions to Consolidated Earnings Forecasts for the First Half of the Fiscal Year and the Fiscal Year" issued on May 10, 2018.

*** 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 8 of the Attached Documents.

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

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

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

3) Changes in accounting estimates: None

4) Restatements: None

(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, 2018 20,937,988 shares

As of December 31, 2017 20,865,488 shares

2) Number of treasury stock at the end of period

As of March 31, 2018 17,269 shares

As of December 31, 2017 17,219 shares

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

Three months ended March 31, 2018 20,890,445 shares

Three months ended March 31, 2017 20,733,519 shares

*** The quarterly financial results report is not subject to quarterly review.**

*** 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.

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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, the US economy continued to expand on the back of an increase in personal consumption and capital spending, while Europe continued to experience a gradual recovery, despite concerns about the UK's exit from the EU. Emerging economies such as China have been continuously recovering overall. The Japanese economy also made a gradual recovery, with an increase in capital spending and growing personal consumption attributable to improvements in corporate earnings and employment conditions.

In the business environment surrounding the Group, the solar cell market was strong due to higher demand, particularly from China. The markets for semiconductor applications, LED applications, and general industries applications also remained favorable, although the carbon brush market underperformed.

In this environment, the situation surrounding the Group remains harsh as a result of ongoing heightened competition with other companies. However, the Group has continued to improve profitability, including with price revisions, and to pursue development of new products and new business. Also, in the first quarter of the consolidated fiscal year under review, the Group formulated the new Medium-Term Management Plan "TVC 2022" and began working towards its achievement.

Inspections of the delivery of graphite materials for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM), ordered in 2008, were completed in the first quarter of the consolidated fiscal year under review. Sales totaling 3,215 million yen were recorded.

As a result, in the first quarter of the consolidated fiscal year under review, net sales rose 52.0% year on year to 12,335 million yen. On the income side, operating income rose 455.2% to 2,498 million yen, ordinary income rose 427.2 % to 2,334 million yen, and profit attributable to owners of parent rose 199.8% year on year to 1,687 million yen.

The overall performance of each business segment was as follows. (Please refer to "3. Supplementary Information" for an overview of each product category.)

Japan

Products for metallurgical, LED, and semiconductor applications did well, carbon products for mechanical applications remained solid overall, and 2,651 million yen was recorded in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM). As a result, net sales in Japan rose 69.6% year on year to 7,293 million yen. Operating income increased 252.1% to 1,649 million yen due to reductions in fixed costs.

United States

Sales of electronics-related applications were disappointing, but metallurgical applications were solid and we endeavored to improve earnings. As a result, net sales in the United States rose 0.1% to 656 million yen. On the income side, we posted an operating income of 100 million yen (compared to an 80 million yen operating loss in the same period of the previous fiscal year).

Europe

Sales of carbon brush products and electronics-related applications were strong, but sales of metallurgical applications were poor. Also, costs increased due to facility expansions. As a result, net sales in Europe rose 18.6% to 857 million yen and an operating loss of 23 million yen was posted (an operating loss of 4 million yen was in the same period of the previous fiscal year).

Asia

Although sales of carbon brush products were poor, sales for solar cell applications and metallurgical applications were strong. Additionally, 564 million yen was recorded in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM). As a result, net sales in Asia rose 44.8% year on year to 3,528 million yen and operating income increased 711.4% to 750 million yen.

(2) Explanation Regarding Financial Position

Total assets as of March 31, 2018, decreased by 2,074 million yen from the end of the previous consolidated fiscal year. This was primarily because inventories fell by 1,905 million yen and cash and deposits fell by 355 million yen as a result of recording sales for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM), although notes and accounts receivable - trade increased by 547 million yen.

Total liabilities decreased by 2,877 million yen from the end of the previous consolidated fiscal year. This was primarily because, although provision for bonuses increased by 312 million yen, interest-bearing liabilities decreased 510 million yen and other current liabilities decreased by 2,540 million yen due to a decrease in advances received as a result of recording sales for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM).

Total net assets increased by 802 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustment decreased by 347 million yen and retained earnings increased by 1,062 million yen.

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

Based on the results of the first quarter of the consolidated fiscal year under review, the Group has revised its consolidated forecasts for the first half of the fiscal year ending in December 2018 and the full year, released on February 14, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2017	As of March 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,906	15,551
Notes and accounts receivable - trade	14,255	14,802
Merchandise and finished goods	5,423	5,389
Work in process	7,801	5,760
Raw materials and supplies	2,246	2,415
Other	1,340	1,358
Allowance for doubtful accounts	(273)	(293)
Total current assets	46,700	44,983
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,710	8,549
Machinery, equipment and vehicles, net	7,832	7,371
Land	5,850	5,823
Construction in progress	1,422	1,768
Other, net	827	837
Total property, plant and equipment	24,642	24,350
Intangible assets	885	841
Investments and other assets	1,995	1,973
Total non-current assets	27,523	27,165
Total assets	74,223	72,148

(Millions of yen, rounded down)

	As of December 31, 2017	As of March 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,113	2,370
Electronically recorded obligations - operating	1,105	1,169
Short-term loans payable	831	340
Accounts payable - other	1,594	1,545
Income taxes payable	926	557
Provision for bonuses	441	753
Provision for directors' bonuses	22	—
Other	4,833	2,292
Total current liabilities	11,869	9,028
Non-current liabilities		
Long-term loans payable	362	343
Net defined benefit liability	141	134
Asset retirement obligations	267	268
Other	594	584
Total non-current liabilities	1,366	1,330
Total liabilities	13,236	10,359
Net assets		
Shareholders' equity		
Capital stock	7,810	7,888
Capital surplus	9,652	9,730
Retained earnings	40,536	41,599
Treasury shares	(59)	(59)
Total shareholders' equity	57,940	59,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	233	206
Foreign currency translation adjustment	1,965	1,617
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	2,199	1,824
Subscription rights to shares	63	34
Non-controlling interests	783	771
Total net assets	60,986	61,789
Total liabilities and net assets	74,223	72,148

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2017 and 2018

(Millions of yen, rounded down)

	Three months ended March 31, 2017 Amount	Three months ended March 31, 2018 Amount
Net sales	8,115	12,335
Cost of sales	5,983	8,227
Gross profit	2,131	4,107
Selling, general and administrative expenses	1,681	1,608
Operating income	450	2,498
Non-operating income		
Interest income	11	15
Gain on currency options	39	72
Share of profit of entities accounted for using equity method	27	22
Other	62	18
Total non-operating income	141	128
Non-operating expenses		
Interest expenses	6	5
Foreign exchange losses	128	282
Other	13	5
Total non-operating expenses	148	293
Ordinary income	442	2,334
Extraordinary income		
Gain on sales of non-current assets	29	0
Subsidy income	3	3
Total extraordinary income	32	3
Extraordinary losses		
Loss on retirement of non-current assets	10	5
Total extraordinary losses	10	5
Income before income taxes and minority interests	464	2,332
Income taxes	(103)	625
Profit	568	1,706
Profit attributable to non-controlling interests	5	19
Profit attributable to owners of parent	563	1,687

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2017 and 2018

(Millions of yen, rounded down)

	Three months ended March 31, 2017 Amount	Three months ended March 31, 2018 Amount
Profit	568	1,706
Other comprehensive income		
Valuation difference on available-for-sale securities	8	(27)
Foreign currency translation adjustment	(431)	(364)
Remeasurements of defined benefit plans, net of tax	25	0
Share of other comprehensive income of entities accounted for using equity method	(15)	(14)
Total other comprehensive income	(413)	(406)
Comprehensive income	154	1,300
Comprehensive income attributable to:		
Owners of parent	146	1,312
Non-controlling interests	8	(11)

(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.

(Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements)

Tax expense calculations

Tax expenses are calculated by multiplying profit before income taxes by an effective tax rate, which is reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year, including the first quarter under review.

(Segment information)

I. Three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)

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	4,300	655	723	2,436	8,115	—	8,115
(2) Intersegment sales or transfers	1,461	17	2	22	1,503	(1,503)	—
Total	5,761	672	725	2,459	9,619	(1,503)	8,115
Segment profit (loss)	468	(80)	(4)	92	475	(25)	450

(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	3,390	716	780	3,165	2,215	62	8,115
Composition (%)	41.8	8.8	9.6	39.0	27.3	0.8	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 (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, 2018 to March 31, 2018)

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	7,293	656	857	3,528	12,335	—	12,335
(2) Intersegment sales or transfers	1,749	68	2	68	1,889	(1,889)	—
Total	9,043	725	860	3,596	14,225	(1,889)	12,335
Segment profit (loss)	1,649	100	(23)	750	2,478	20	2,498

(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	3,617	704	890	7,093	5,927	28	12,335
Composition (%)	29.3	5.7	7.2	57.6	48.1	0.2	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 (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

3. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2017					Year ending December 31, 2018
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,306	3,599	4,300	4,565	15,772	4,636
Carbon products for general industries* ² (for mechanical applications)	1,320	504	417	912	3,154	911
Carbon products for general industries (for electrical applications)	1,235	1,353	1,352	1,405	5,345	1,276
Compound materials and other products	2,300	2,408	2,771	2,525	10,004	3,382
Total	8,161	7,865	8,841	9,408	34,277	10,208

(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. Data for Carbon products for general industries (for mechanical applications) includes orders that have not been officially confirmed.

ii. Outstanding orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2017				Year ending December 31, 2018
	1Q	2Q	3Q	4Q	1Q
Special graphite products* ²	4,937	5,041	5,546	5,994	3,159
Carbon products for general industries* ³ (for mechanical applications)	1,209	918	551	584	648
Carbon products for general industries (for electrical applications)	876	902	911	975	981
Compound materials and other products	1,987	2,193	2,503	2,589	3,664
Total	9,011	9,056	9,513	10,144	8,453

(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 in the year ended December 31, 2017 include orders for the Chinese high-temperature reactor pebble-bed modules (HTR-PM).

*3. Data for Carbon products for general industries (for mechanical applications) includes orders that have not been officially confirmed.

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended December 31, 2017					Year ending December 31, 2018
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,655	3,768	4,168	4,499	16,093	7,248
[Electronics applications]	1,301	1,327	1,538	1,884	6,052	1,392
[General industries applications]	1,996	2,083	2,246	2,177	8,505	2,232
[Others]	357	357	383	437	1,535	3,624
Carbon products for general industries (for mechanical applications)	791	822	815	909	3,339	873
Carbon products for general industries (for electrical applications)	1,293	1,321	1,348	1,348	5,311	1,292
Compound materials and other products	2,171	2,209	2,476	2,457	9,314	2,384
[3 major products]	1,897	1,943	2,193	2,145	8,179	2,083
[Other products]	274	266	283	311	1,134	300
Related goods	202	327	319	331	1,182	536
Total	8,115	8,449	9,128	9,546	35,240	12,335

(2) Overview

Special graphite products

In electronics applications, in addition to the strong demand for solar cell applications in China, semiconductor applications went well. As a result, performance surpassed that in the same period in the previous fiscal year.

In general industries applications, although demand for products for EDM electrodes and products for continuous casting fell short of levels in the same period in the previous fiscal year, demand for products for industrial furnaces was strong due to solid capital spending in the automotive industry. As a result, performance surpassed that in the same period in the previous fiscal year.

In addition, with the recording of 3,215 million yen in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM), special graphite products overall performed substantially better than in the same period in the previous fiscal year.

Carbon products for general industries

Sales of carbon products for mechanical applications surpassed the same period of the previous fiscal year with strong ongoing demand for mainstay products such as bearings, seal materials and pantograph sliders.

Carbon products for electrical applications were in line with the same period in the same period of the previous fiscal year although demand for electrical power tools and cleaner applications was weak.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products exceeded levels in the same period in the previous fiscal year due to an increase in demand for semiconductor applications and LED applications. C/C composite products exceeded their performance in the same period in the previous fiscal year, as demand for semiconductor applications was strong and demand for solar cell applications was steady, although demand for industrial furnace applications was weak. Sales of graphite sheet products were up over the same period of the previous fiscal year due to solid demand for automotive applications and metallurgical applications.

Therefore, compound materials and other products overall performed better than in the same period of the previous fiscal year.