



May 10, 2019

## Consolidated Financial Results for the Three Months Ended March 31, 2019 [Japanese GAAP]

Listed company name:	<b>Toyo Tanso Co., Ltd.</b>
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
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Representative:	Naotaka Kondo, Representative Director, Chairman & President, CEO
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Scheduled date for submission of quarterly report:	May 13, 2019
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, 2019

(From January 1, 2019 to March 31, 2019)

(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, 2019	9,686	(21.5)	1,758	(29.6)	1,768	(24.2)	1,352	(19.9)
Three months ended March 31, 2018	12,335	52.0	2,498	455.2	2,334	427.2	1,687	199.8
Note:	Comprehensive income:							
			1,672 million yen (28.6%)					
			1,300 million yen (739.6%)					
	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, 2019	64.50				-			
Three months ended March 31, 2018	80.80				80.63			

**(2) Financial position**

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2019	74,957	64,721	85.3
As of December 31, 2018	74,951	64,096	84.5
Reference: Shareholders' equity			
March 31, 2019		63,939 million yen	
December 31, 2018		63,326 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, 2018	-	0.00	-	50.00	50.00
Year ending December 31, 2019 (Actual)	-				
Year ending December 31, 2019 (Forecast)		0.00	-	50.00	50.00

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

**3. Consolidated results forecast for the fiscal year ending December 31, 2019**

(From January 1, 2019 to December 31, 2019)

(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, 2019	19,500	(11.6)	2,400	(42.6)	2,400	(41.4)	1,700	(44.4)	81.06
Fiscal year ending December 31, 2019	40,000	(2.8)	5,000	(28.7)	5,000	(29.2)	3,500	(28.7)	166.88

(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 8 (attached materials).

**(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, 2019 20,992,588 shares

As of December 31, 2018 20,992,588 shares

2) Number of treasury stock at the end of period

As of March 31, 2019 19,769 shares

As of December 31, 2018 19,769 shares

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

Three months ended March 31, 2019 20,972,819 shares

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

**\* The quarterly financial results report is not subject to quarterly review conducted by a certified public accountant or an audit firm.**

**\* 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.

○Attached Documents

<b>1. Qualitative Information Regarding Consolidated Results for the Three Months under Review</b>	<b>2</b>
(1) Explanation Regarding Business Results	2
(2) Explanation Regarding Financial Position	3
(3) Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections	3
<b>2. Quarterly Consolidated Financial Statements</b>	<b>4</b>
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(Quarterly consolidated statements of income)	6
(Quarterly consolidated statement of comprehensive income)	7
(3) Notes on quarterly consolidated financial statements	8
(Notes regarding the premise of a going concern)	8
(Notes if the amount of shareholders' equity has changed significantly)	8
(Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements)	8
(Additional information)	8
(Segment information)	9
<b>3. Supplementary Information</b>	<b>11</b>
(1) Orders and sales by product category	11
(2) Overview	12

## 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. In emerging economies such as China, with the US-China trade dispute taking a long time to be resolved, economic growth has continued to stagnate. The Japanese economy 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, in the semiconductor market, demand increased because of investments made by silicon wafer manufacturers to boost production. Furthermore, in the transportation equipment market, there was an increase in domestic and overseas demand for pantograph sliders for trains. Finally, in the energy-related market, demand for products for solar cell applications slumped on factors, including the shift in Chinese governmental policy.

In this environment, mainly by making capital spending focused on medium-term demand, the Group worked to increase its production capacity and productivity for high-value-added products and to develop new products and businesses.

As a result, in the first quarter of the consolidated fiscal year under review, net sales fell 21.5% year on year to 9,686 million yen despite the removal of the 3,204 million yen in sales recorded in the first quarter of the previous fiscal year for Chinese high-temperature reactor-pebble-bed modules (HTR-PM). On the income side, operating income fell 29.6% to 1,758 million yen, ordinary income fell 24.2% to 1,768 million yen, and profit attributable to owners of parent fell 19.9% year on year to 1,352 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

Sales of products for semiconductor, LED, and metallurgical applications were strong, and those of carbon products for mechanical applications remained steady. Even though the 2,651 million yen in sales recorded in the first quarter of the previous fiscal year for Chinese high-temperature reactor-pebble-bed modules (HTR-PM) was removed, in Japan, net sales were 5,171 million yen (down 29.1% year on year), and operating income was 1,258 million (down 23.7% year on year).

#### United States

Although sales of products for metallurgical applications remained weak, those for electronics-related applications remained strong, and there was also a productivity improvement effect. As a result, in the United States, net sales were 849 million yen (up 29.5% year on year), and operating income was 238 million yen (up 136.5% year on year).

#### Europe

Although sales of products for electronics-related applications and metallurgical applications remained strong, sales of carbon brush products remained weak. As a result, in Europe, net sales were 909 million yen (up 6.0% year on year), and there was an operating loss of 27 million yen (versus an operating loss of 23 million yen in the year-ago period).

#### Asia

Sales of products for solar cell applications and carbon brush products remained weak, and sales of products for metallurgical applications underperformed. Furthermore, the 553 million yen in sales recorded in the first quarter of the previous fiscal year for Chinese high-temperature reactor-pebble-bed modules (HTR-PM) was removed. As a result, net sales were 2,755 million yen (down 21.9% year on year), and operating income was 326 million yen (down 56.5% year on year).

## **(2) Explanation Regarding Financial Position**

As of March 31, 2019, total assets increased by 6 million yen from the end of the previous consolidated fiscal year. This was primarily because cash and deposits rose by 499 million yen and inventories rose by 356 million yen, although notes and accounts receivable - trade decreased by 1,039 million yen.

Total liabilities decreased by 617 million yen from the end of the previous consolidated fiscal year. This was primarily because, although provision for bonuses increased by 470 million yen, income taxes payable decreased by 598 million yen, accounts payable – other decreased by 272 million yen, and electronically recorded obligations - operating decreased by 197 million yen.

Total net assets increased by 624 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 304 million yen and foreign currency translation adjustment increased by 246 million yen.

Please note that, from the beginning of the consolidated first quarter under review, the Group has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 February 16, 2018). In regard to its financial position, it makes a comparison with the accounting figures from the end of the previous consolidated fiscal year after applying the necessary treatment retrospectively.

## **(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, 2019, released on February 14, 2019.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2018	As of March 31, 2019
	Amount	Amount
<b>Assets</b>		
Current assets		
Cash and deposits	17,885	18,385
Notes and accounts receivable - trade	15,274	14,235
Merchandise and finished goods	6,420	6,573
Work in process	5,619	5,659
Raw materials and supplies	2,646	2,810
Other	557	393
Allowance for doubtful accounts	(245)	(136)
Total current assets	48,159	47,921
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,566	8,484
Machinery, equipment and vehicles, net	6,946	7,200
Land	5,816	5,812
Construction in progress	1,315	1,249
Other, net	857	1,437
Total property, plant and equipment	23,502	24,184
Intangible assets	729	215
Investments and other assets	2,558	2,636
Total non-current assets	26,791	27,036
<b>Total assets</b>	<b>74,951</b>	<b>74,957</b>

(Millions of yen, rounded down)

	As of December 31, 2018	As of March 31, 2019
	Amount	Amount
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,275	2,161
Electronically recorded obligations - operating	1,325	1,127
Short-term loans payable	402	406
Accounts payable - other	1,923	1,651
Income taxes payable	1,028	429
Provision for bonuses	560	1,030
Provision for directors' bonuses	33	—
Other	2,436	2,568
Total current liabilities	9,985	9,376
Non-current liabilities		
Long-term loans payable	103	93
Net defined benefit liability	131	131
Asset retirement obligations	264	265
Other	368	369
Total non-current liabilities	868	859
<b>Total liabilities</b>	<b>10,854</b>	<b>10,236</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,789	9,789
Retained earnings	44,821	45,125
Treasury shares	(59)	(59)
Total shareholders' equity	62,498	62,802
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	124
Foreign currency translation adjustment	886	1,133
Remeasurements of defined benefit plans	(162)	(121)
Total accumulated other comprehensive income	828	1,136
Non-controlling interests	770	781
<b>Total net assets</b>	<b>64,096</b>	<b>64,721</b>
<b>Total liabilities and net assets</b>	<b>74,951</b>	<b>74,957</b>



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

(Quarterly consolidated statements of income)

Three months ended March 31, 2018 and 2019

(Millions of yen, rounded down)

	Three months ended March 31, 2018 Amount	Three months ended March 31, 2019 Amount
Net sales	12,335	9,686
Cost of sales	8,227	6,216
Gross profit	4,107	3,469
Selling, general and administrative expenses	1,608	1,711
Operating income	2,498	1,758
Non-operating income		
Interest income	15	19
Dividend income	0	0
Share of profit of entities accounted for using equity method	22	10
Insurance income	0	17
Contracted research income	-	13
Other	89	15
Total non-operating income	128	77
Non-operating expenses		
Interest expenses	5	1
Foreign exchange losses	282	42
Contracted research expenses	-	13
Other	5	8
Total non-operating expenses	293	67
Ordinary income	2,334	1,768
Extraordinary income		
Gain on sales of non-current assets	0	1
Subsidy income	3	5
Total extraordinary income	3	6
Extraordinary losses		
Loss on sales of non-current assets	-	3
Loss on retirement of non-current assets	5	31
Total extraordinary losses	5	35
Profit before income taxes	2,332	1,739
Income taxes	625	373
Profit	1,706	1,365
Profit attributable to non-controlling interests	19	13
Profit attributable to owners of parent	1,687	1,352

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2018 and 2019

(Millions of yen, rounded down)

	Three months ended March 31, 2018 Amount	Three months ended March 31, 2019 Amount
<b>Profit</b>	1,706	1,365
Other comprehensive income		
Valuation difference on available-for-sale securities	(27)	21
Foreign currency translation adjustment	(364)	230
Remeasurements of defined benefit plans, net of tax	0	40
Share of other comprehensive income of entities accounted for using equity method	(14)	14
Total other comprehensive income	(406)	306
Comprehensive income	1,300	1,672
Comprehensive income attributable to:		
Owners of parent	1,312	1,661
Non-controlling interests	(11)	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.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 February 16, 2018) was adopted from the beginning of the first quarter. Deferred tax assets are stated under "investments and other assets" and deferred tax liabilities are stated under "non-current liabilities."

(Segment information)

**I. Three months ended March 31, 2018 (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

## II. Three months under review (from January 1, 2019 to March 31, 2019)

### 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	5,171	849	909	2,755	9,686	—	9,686
(2) Intersegment sales or transfers	1,671	131	—	62	1,865	(1,865)	—
Total	6,842	981	909	2,818	11,551	(1,865)	9,686
Segment profit (loss)	1,258	238	(27)	326	1,795	(36)	1,758

(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	4,084	916	974	3,678	2,639	32	9,686
Composition (%)	42.1	9.5	10.1	38.0	27.3	0.3	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, 2018					Year ending December 31, 2019
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,636	4,261	3,777	3,825	16,502	3,671
Carbon products for general industries* <sup>2</sup> (for mechanical applications)	911	848	970	968	3,698	976
Carbon products for general industries (for electrical applications)	1,276	1,308	1,141	1,059	4,785	1,126
Compound materials and other products	3,382	2,959	2,755	2,543	11,641	2,487
Total	10,208	9,377	8,645	8,396	36,627	8,262

(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, 2018				Year ending December 31, 2019
	1Q	2Q	3Q	4Q	1Q
Special graphite products	3,159	3,299	2,984	3,381	3,177
Carbon products for general industries* <sup>2</sup> (for mechanical applications)	648	622	729	733	770
Carbon products for general industries (for electrical applications)	981	977	894	849	848
Compound materials and other products	3,664	4,057	4,229	4,234	4,029
Total	8,453	8,957	8,836	9,198	8,826

(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.

### iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended December 31, 2018					Year ending December 31, 2019
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	7,248	4,521	4,464	4,019	20,254	4,227
[Electronics applications]	1,392	1,775	1,587	1,445	6,200	1,440
[General industries applications]	2,232	2,306	2,394	2,160	9,093	2,308
[Others]	3,624	439	483	413	4,959	478
Carbon products for general industries (for mechanical applications)	873	894	883	1,005	3,656	960
Carbon products for general industries (for electrical applications)	1,292	1,293	1,214	1,189	4,991	1,128
Compound materials and other products	2,384	2,518	2,592	2,579	10,075	2,756
[3 major products]	2,083	2,256	2,206	2,220	8,767	2,347
[Other products]	300	262	385	359	1,307	408
Related goods	536	493	551	574	2,155	614
Total	12,335	9,720	9,707	9,368	41,132	9,686

## (2) Overview

### Special graphite products

In electronics applications, although sales of products for solar cell applications were low due to the impact of a shift in Chinese governmental policy, semiconductor applications performed well. As a result, performance surpassed that in the same period in the previous fiscal year.

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

Under Others, since the 3,204 million yen in sales recorded in the first quarter of the previous fiscal year for Chinese high-temperature reactor-pebble-bed modules (HTR-PM) was removed, the figure for net sales in the period under review fell below the figure in the year-ago period.

Therefore, special graphite products overall performed worse than in the same period of 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 fell short of their performance in the same period in the same period of the previous fiscal year due to low demand for products for electrical power tools and cleaner applications.

Therefore, carbon products for general industries overall performed worse than in the same period of the previous fiscal year.

### 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 strong performance of semiconductor applications and LED applications. Although sales of products for solar cell applications remained weak, those for semiconductor applications and for industrial furnace applications remained strong. As a result, sales of C/C composite products exceeded the level

recorded in the same period of the previous fiscal year. Sales of graphite sheet products were up over the same period of the previous fiscal year due to strong demand for electronics-related applications and metallurgical applications.

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