

Toyo Tanso Co., Ltd.

***Results for the Fiscal Year Ended December 31, 2019***

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**February 2020**  
**Toyo Tanso Co., Ltd.**

# **1. Results for the Fiscal Year Ended December 31, 2019**

## **2. Future Outlook and Groundwork for Growth**

# 1. Results for the Fiscal Year Ended December 31, 2019

	FYE Dec. 2018	FYE Dec. 2019	
		Year-on-year change	
(Unit: Yen, millions)			
<b>Net sales</b>	<b>41,132</b>	<b>36,402</b>	<b>(4,729) / (11.5) %</b>
<b>Operating income</b>	<b>7,009</b>	<b>5,175</b>	<b>(1,833) / (26.2) %</b>
(Ratio of operating income to net sales)	<b>17.0%</b>	<b>14.2%</b>	
<b>Ordinary income</b>	<b>7,057</b>	<b>5,207</b>	<b>(1,849) / (26.2) %</b>
(Ratio of ordinary income to net sales)	<b>17.2%</b>	<b>14.3%</b>	
<b>Profit attributable to owners of parent</b>	<b>4,910</b>	<b>2,944</b>	<b>(1,965) / (40.0) %</b>
<b>Profit attributable to owners of parent per share (basic)</b>	<b>234.52 yen</b>	<b>140.40 yen</b>	
<b>Exchange rate</b>	<b>110.4 yen/\$ 130.4 yen/€ 16.7 yen/CNY</b>	<b>109.1 yen/\$ 122.1 yen/€ 15.8 yen/CNY</b>	

## ■ Net sales

- Steady first half, turning sluggish in the second half
- Absence of the previous fiscal year's sales from one-off project (3,204 million yen from Chinese high-temperature reactor-pebble-bed modules [HTR-PM] deal) impacting significantly

## ■ Operating income, ordinary income

- Decrease in marginal profit due to sales decline
- Increase in fixed costs

## ■ Profit attributable to owners of parent

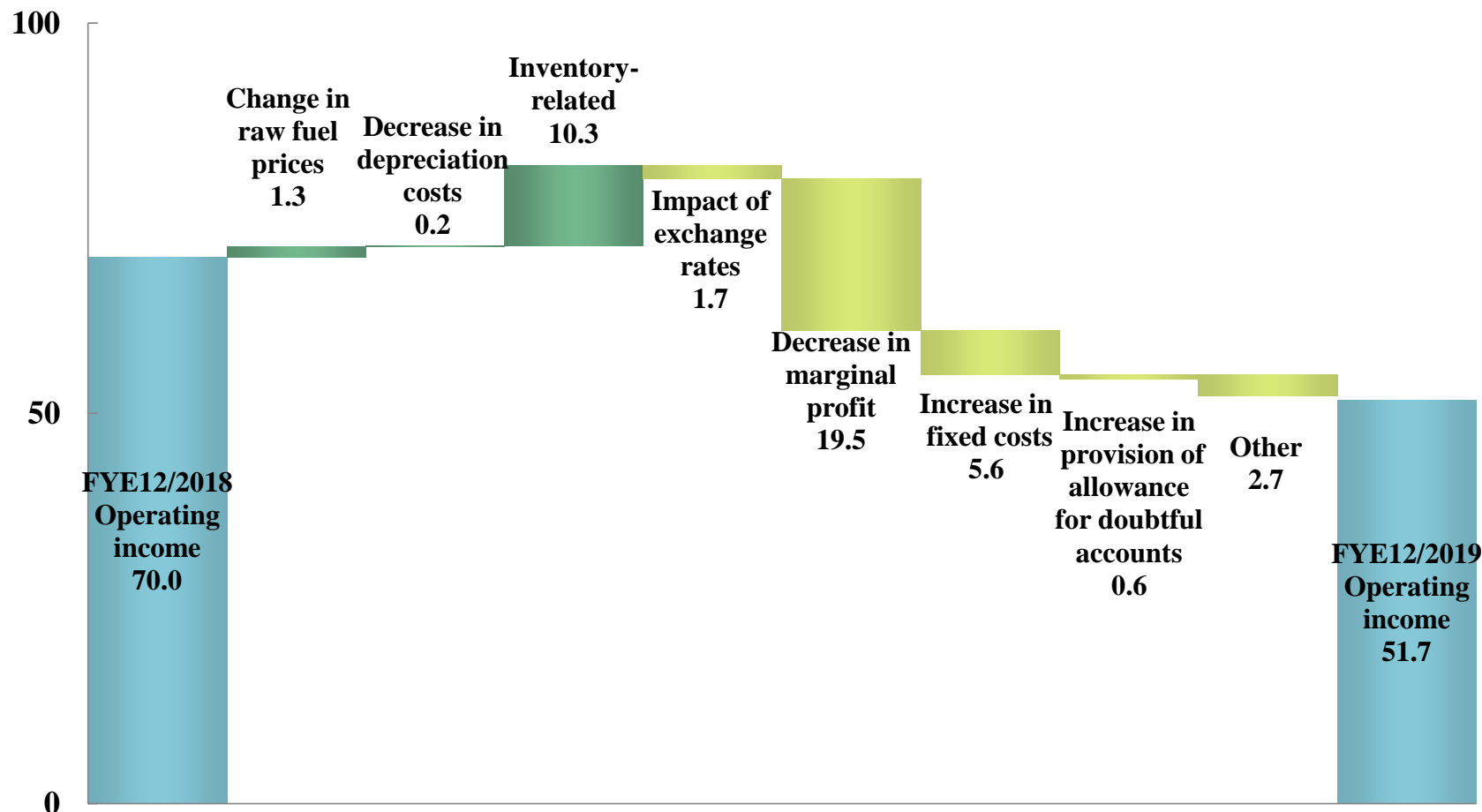
- 930 million yen of impairment loss recorded in German subsidiary

## 2. Factors Affecting Changes in Operating Income

(Results for the year ended December 31, 2018 vs. results for the year ended December 31, 2019)

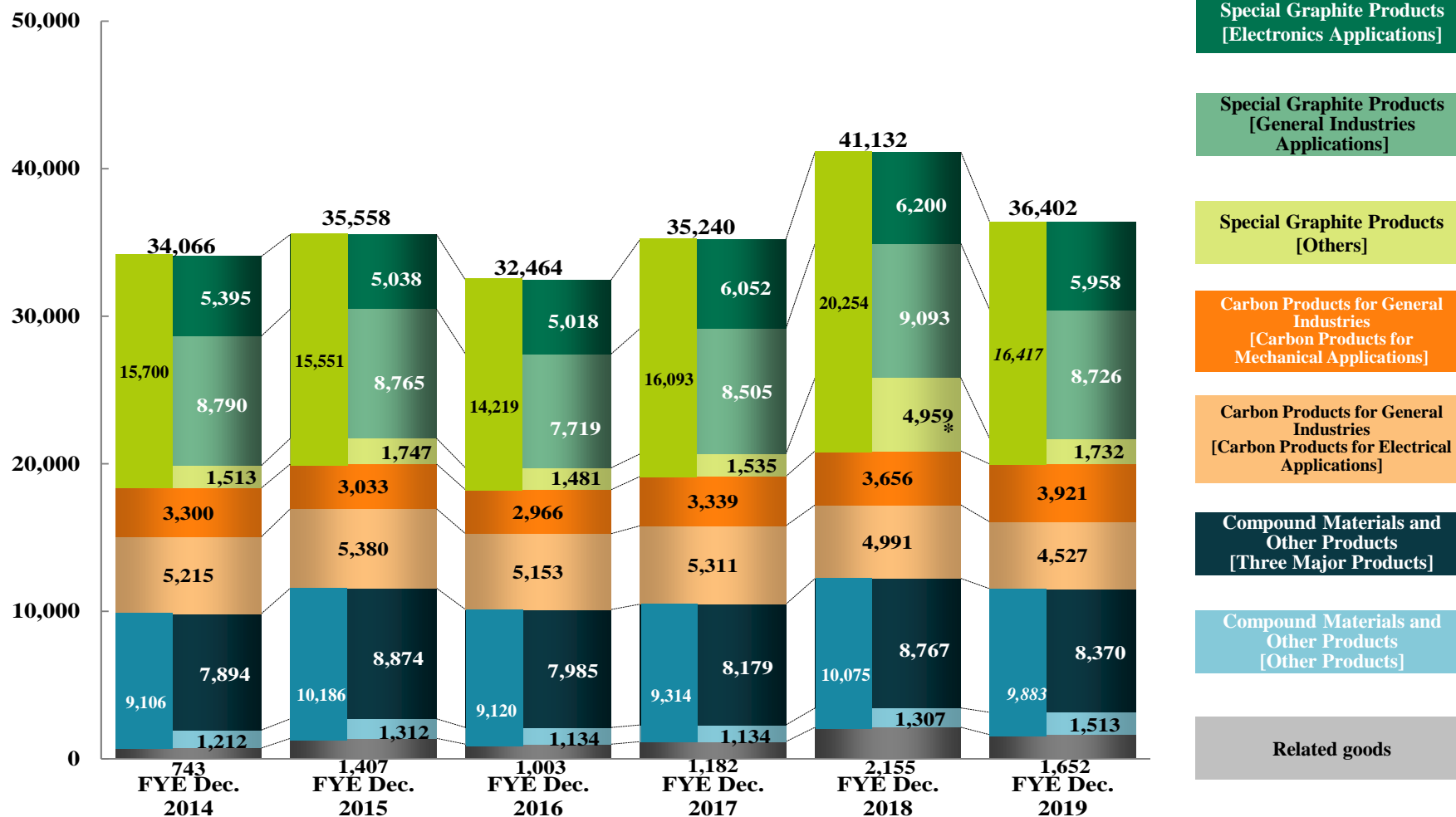
- ✓ Inventory buildup in preparation for facilities upgrades
- ✓ Decrease in marginal profit reflecting absence of one-off project and other factors
- Increase in fixed costs due to increases in personnel costs and retirement benefit expenses

(Unit: Yen, 100 millions)



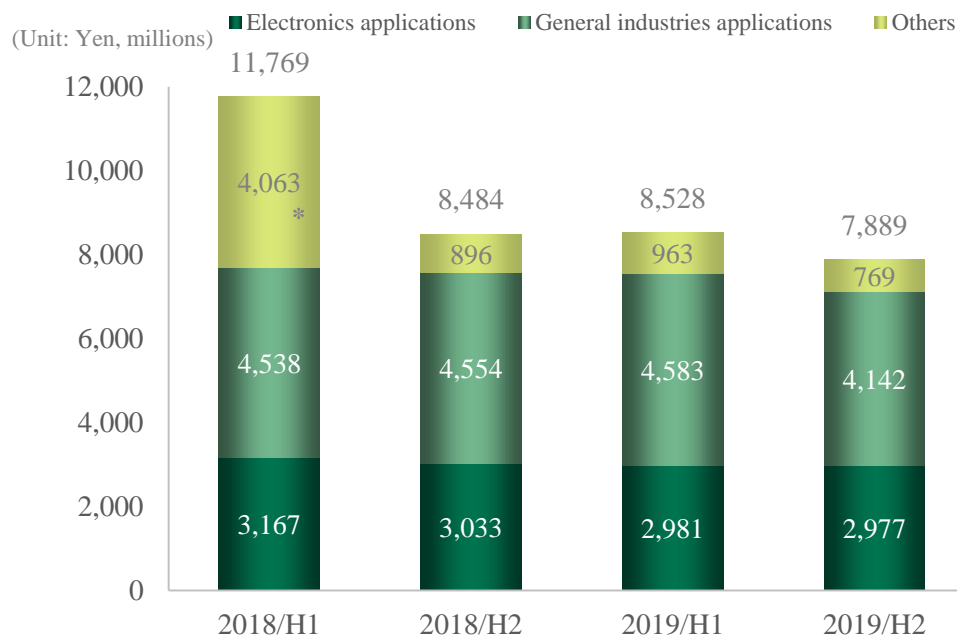
### 3. Net Sales by Product and Segment (Full Year)

(Unit: Yen, millions)



\* Net sales for special graphite products [others] for the fiscal year ended December 31, 2018, include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).

### 3. Net Sales by Product and Segment: Special Graphite Products



\* Net sales for [others] for the fiscal year ended December 31, 2018 include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).



#### Key points

##### [Electronics applications]

In applications for single-crystal silicon manufacturing, despite requests from some customers for adjustment to delivery deadlines, year-on-year increases were recorded in both first and second half. In solar cell applications, while capital investment in China was resumed, order intake gave priority to securing profitability, such as large materials, given strong price competitiveness of local manufacturers.

##### [General industries applications]

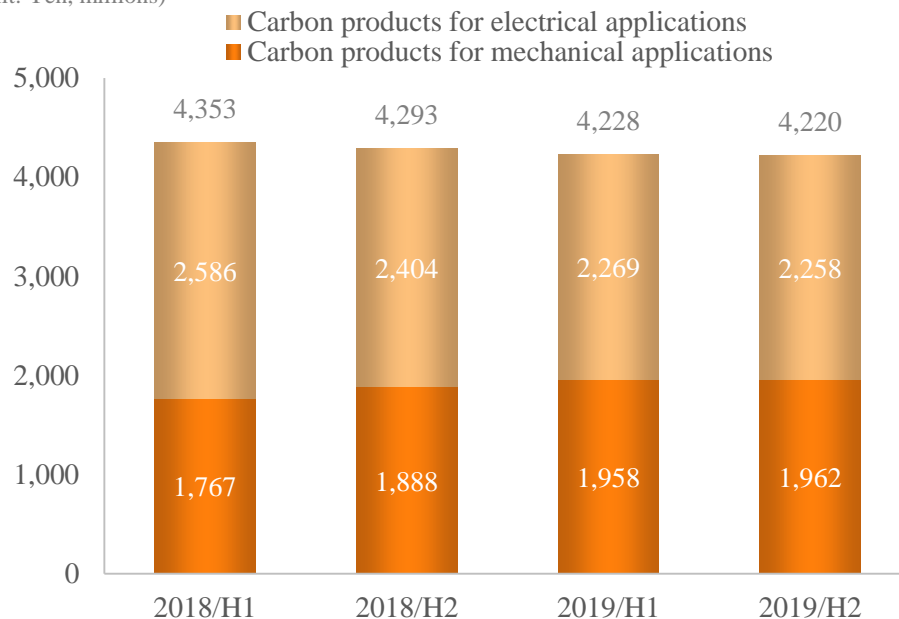
Business involving applications for EDM electrodes, continuous casting, and industrial furnace showed strong performance in the first half. However, for the full year, results fell short of the previous fiscal year due to substantial decrease in demand for optical fibers in China. In America, sales are achieving steady growth, albeit small in scope, amid a scenario where efforts to expand sales particularly involving industrial furnaces are beginning to yield results.

##### [Others]

Sales are returning to normal in the absence of the 3,204 million yen in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM) recorded in the first quarter of the previous fiscal year.

### 3. Net Sales by Product and Segment: Carbon Products for General Industries

(Unit: Yen, millions)



#### Key points

##### [Carbon products for mechanical applications]

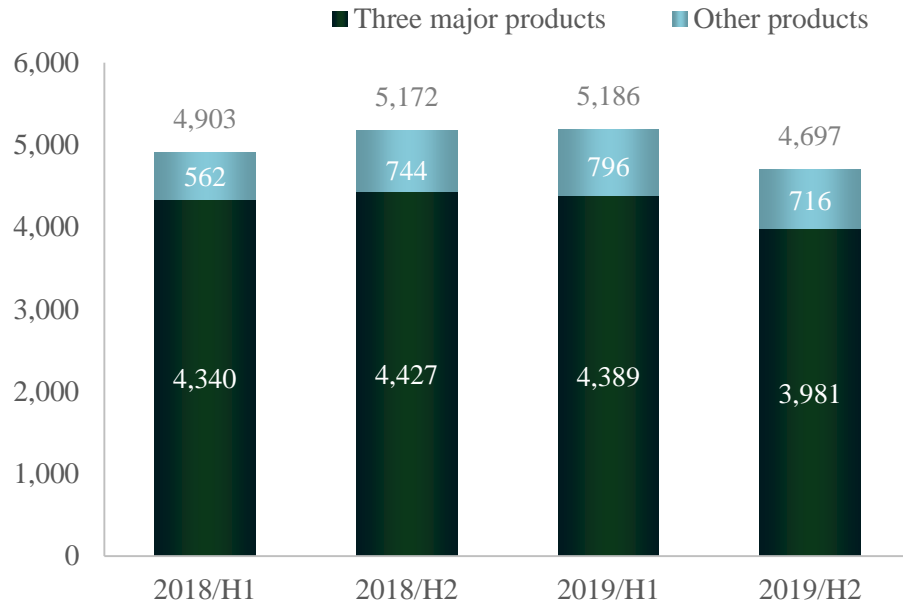
Domestic sales of shaft bearings, sealing rings, and other mainstay products were solid overall. Sales of pantograph sliders have been steadily gaining ground, particularly amid a rising number of inquiries involving new orders for overseas projects. We are in the process of assertively carrying out public relations initiatives targeting Japan's private railway companies. Enhancement of production capacity is planned by updating aging equipment. Group-wide efforts are underway to establish technologies for the launch of automotive applications.

##### [Carbon products for electrical applications]

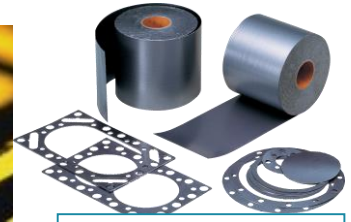
In the area of small-motor applications, the company is struggling against the further accelerating trend toward use of brushless motors in both home appliances (vacuum cleaners and washing machines) and power tools. In response to competition against cheap products from local manufacturers in China, the Company has been improving profitability by further cutting costs and revising prices, while maintaining and expanding market share through various initiatives that include enhancing manufacturing bases that address customer demand.

# 3. Net Sales by Product and Segment: Compound Materials and Other Products

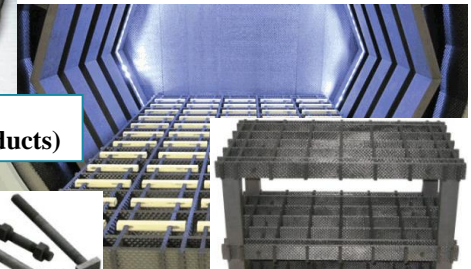
(Unit: Yen, millions)



**MOCVD susceptor  
(SiC-coated graphite products)**



**Graphite sheet products**



**Three-layered trays  
(C/C composite products)**



**Bolts and nuts  
(C/C composite products)**

## Key points

### [Three major products]

SiC-coated graphite products performed well in the first half, driven by strong demand for semiconductor applications. Demand for LED applications started declining in the second quarter. The Company is in the process of increasing capacity with a view to capturing growth of power device and LED markets.

C/C composite products recorded year-on-year decrease due to a heavy decline in sales of products for solar cell applications (for manufacture of polycrystal silicon), in spite of solid sales in semiconductor and industrial furnace applications.

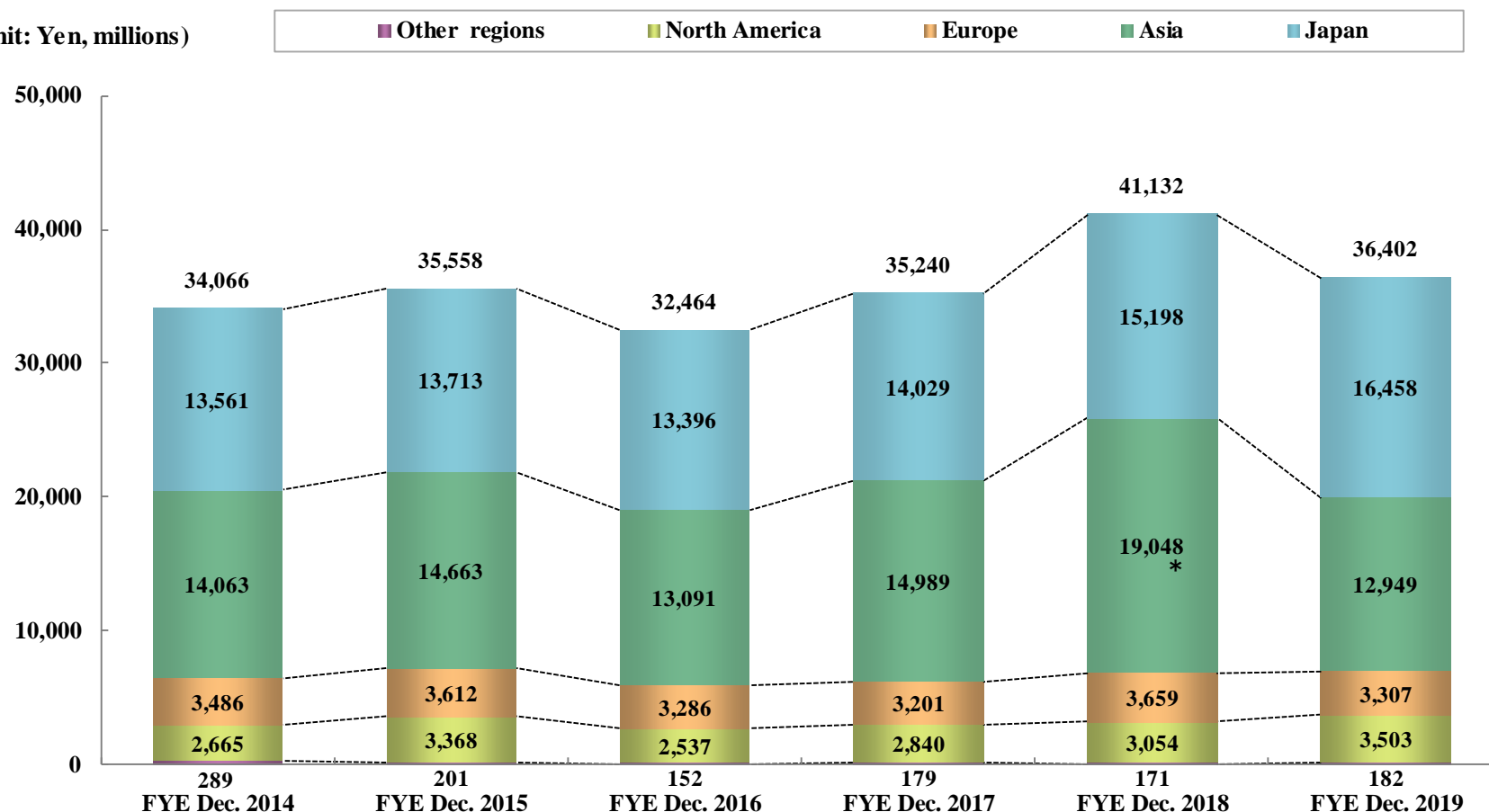
Sales of graphite sheet products for metallurgical, automotive, and electronics applications generally struggled due to weak market conditions.



## 4. Sales by Region

- ✓ In Japan, sales of products for semiconductor and other applications all performed strongly, recording year-on-year increases
- ✓ Sales in Asia decreased substantially reflecting absence of the previous fiscal year's one-off project and from the effects of the slowdown in the Chinese economy

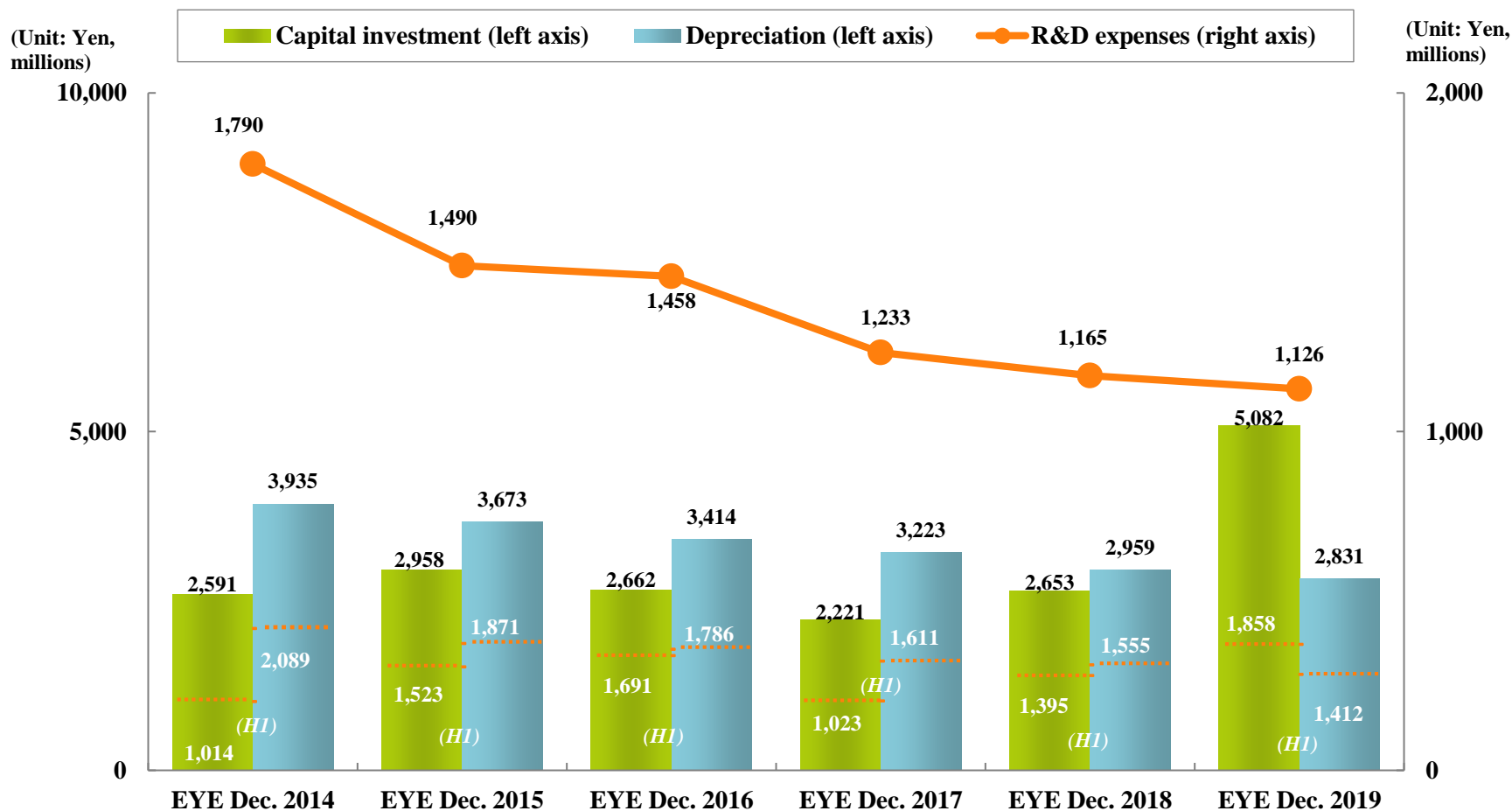
(Unit: Yen, millions)



\* Net sales in Asia for the fiscal year ended December 31, 2018, include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).

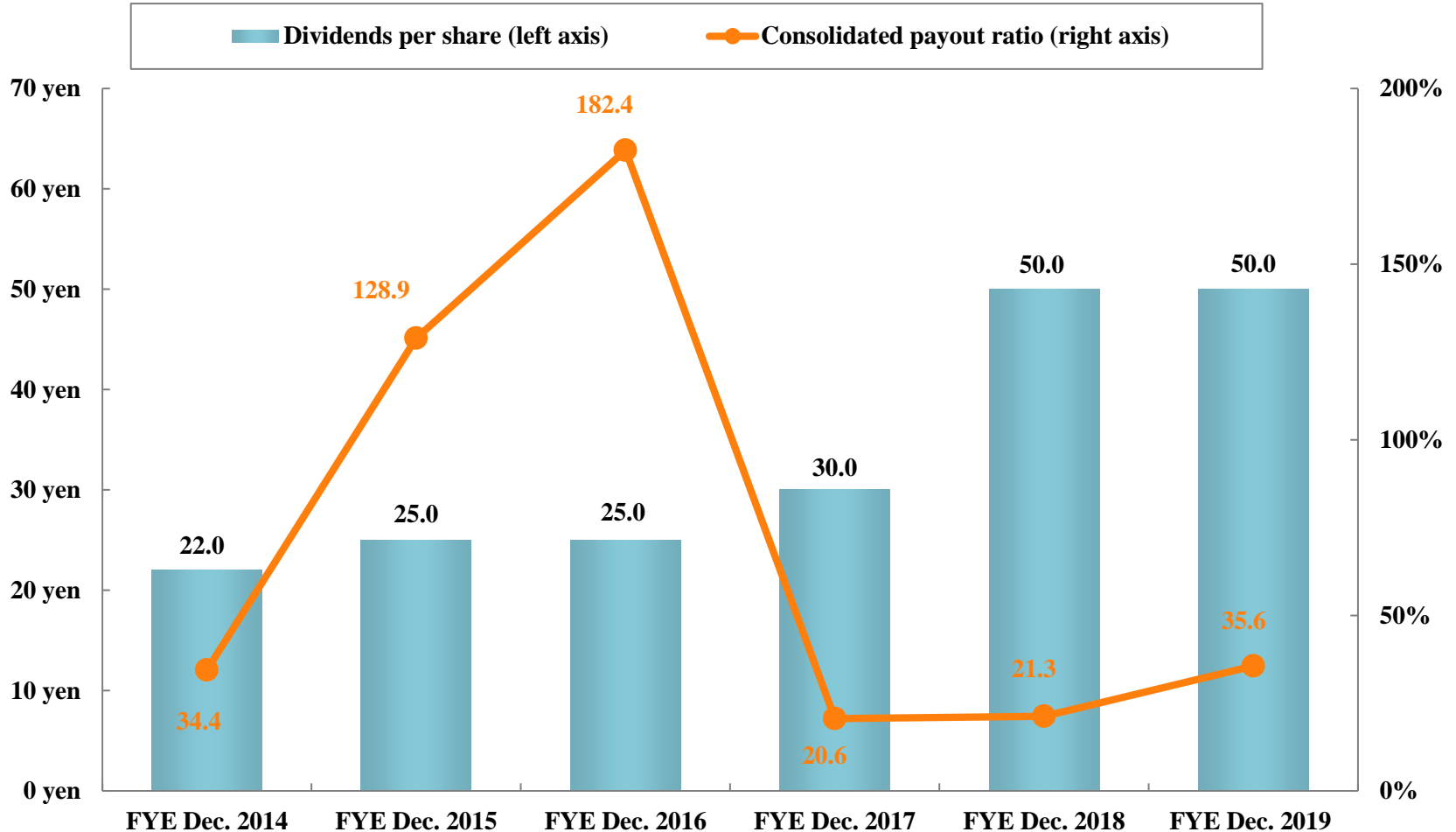
## 5. Capital Investment, Depreciation, and R&D Expenses

✓ Capital investment doubled as a result of enhancement and facilities upgrades in the high value-added areas



## 6. Dividend

✓ In light of the profit level, dividend in fiscal 2019 to be kept at the same amount as the previous fiscal year



# 7. Consolidated Balance Sheet and Statement of Cash Flows for the Fiscal Year Ended December 31, 2019

Consolidated Balance Sheet	(Unit: Yen, millions)		Consolidated Statement of Cash Flows	(Unit: Yen, millions)	
	December 31, 2018	December 31, 2019		FYE Dec. 2018	FYE Dec. 2019
<b>Total assets</b>	<b>74,951</b>	<b>76,082</b>	<b>Cash and cash equivalents at beginning of period</b>	<b>6,361</b>	<b>6,414</b>
Notes and accounts receivable - trade	15,274	14,195	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>53</b>	<b>(313)</b>
Inventories	14,686	15,416	<b>Cash and cash equivalents at end of period</b>	<b>6,414</b>	<b>6,101</b>
Property, plant and equipment	23,502	24,874	Net cash provided by (used in) operating activities	5,759	5,149
<b>Total liabilities and net assets</b>	<b>74,951</b>	<b>76,082</b>	Net cash provided by (used in) investing activities	(4,318)	(4,017)
Interest-bearing liabilities	505	296	Net cash provided by (used in) financing activities	(1,169)	(1,372)
Capital stock	7,947	7,947			
Net assets	64,096	65,706			
<b>Equity ratio</b>	<b>84.5%</b>	<b>85.4%</b>			

# 1. Results for the Fiscal Year Ended December 31, 2019

## 2. Future Outlook and Groundwork for Growth

## ▶ **Macroevironment**

**Uncertainties to grow given the impact of such issues as US-China trade issues, slowdown in the Chinese economy, UK's departure from the EU, and novel coronavirus**

## ▶ **Industries in which the Company operates**

**While signs of improvement are emerging, the environment surrounding the Company remains unpredictable**

- **Electronics (5G, power devices)**
- **Transportation equipment (automotive, aircraft, trains)**
- **Renewable energy (solar power generation, wind-power generation)**
- **Other**



**Results forecasts and the dividend for the fiscal year ending Dec. 2020 are to be disclosed after careful assessment of the situation**  
**Medium-term management plan will also be closely examined**

## 2. Direction of the Use of Funds

### Capital investment

- Continue with strategic investment to enhance higher added-value areas and improve production efficiency through automation of operations, introduction of AI and other means
- However, the investment plan is to be revised following reexamination of the size, priority and timing with due consideration of business environment

### M&A

- Research of projects underway
- Targeting carbon-related businesses and their peripheral technologies

### Dividend

- Shareholder returns to take into consideration overall balance with strategic investment and other funding requirements
- In fiscal 2019, despite decline in profits, dividend to be maintained at the level of the previous fiscal year  
Going forward, enhancement of shareholder returns will be sought through increase in dividends in line with profit growth

### 3. Groundwork for Growth: Production

#### 1. Enhancement of basic technologies and material development

Basic technologies	Isotropy	Strengthened manufacturing of large materials which enjoy robust inquiries, by improving manufacturing processes
	Mechanical applications	Accelerated establishment of new manufacturing techniques in Japan, China, and Germany. Strengthened automotive applications
	SiC	Started sample shipment of next generation MOCVD susceptors offering improved quality Embarked on expansion of the aftermarket share
Material development	C/C	In the process of developing high-performance/low-cost materials for industrial furnaces
	Graphite sheet	Launched initiatives for upstream processes aimed at stable supply of raw materials and quality improvement

#### 2. Productivity improvement

Material production	Isotropy	Installed equipment for automating and mechanizing operations with a view to reducing manpower and manufacturing time
Inspections	All products	Implemented mechanized inspection to save manpower

#### 3. Increase in productive capacity

Equipment	Mechanical applications	Increased production facilities for pantograph sliders Promoted sales expansion in domestic and overseas markets
Facilities	SiC	New building scheduled to be completed in 2020 1.5-fold increase in capacity



#### 1. Entry into new application fields

##### Mechanical applications

Obtained certification of compliance with FDA (Food and Drug Administration) standards

Started preparation for entry into the food sector (manufacturing facilities and equipment)

##### C/C

Started providing one-stop service in some areas, through support in optimal procurement for interiors of industrial furnaces and maintenance

#### 2. Expansion of market share

##### Brushes

Established a manufacturing and sales base for carbon brushes in Chengdu, China  
Promoted global expansion aligned to local needs

##### SiC

Strengthened deployment of sales engineering resources in Europe and China  
Expanded market share through optimization of global sales structure

# TOYO TANSO

Inspiration for Innovation

**Note: This presentation contains “forward-looking statements” and forecasts of business results. These statements are not historical facts but instead represent the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond the Company’s control. It is possible that the Company’s actual results may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.**

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