

May 12, 2020

## Consolidated Financial Results for the Three Months Ended March 31, 2020 [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, 2020
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, 2020

(From January 1, 2020 to March 31, 2020)

#### (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, 2020	7,897	(18.5)	905	(48.5)	831	(53.0)	568	(58.0)
Three months ended March 31, 2019	9,686	(21.5)	1,758	(29.6)	1,768	(24.2)	1,352	(19.9)

Note: Comprehensive income:

Three months ended March 31, 2020	193 million yen (-88.4%)
Three months ended March 31, 2019	1,672 million yen (28.6%)

	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, 2020	27.11	-
Three months ended March 31, 2019	64.50	-

**(2) Financial position**

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2020	75,254	64,851	85.2
As of December 31, 2019	76,082	65,706	85.4

Reference: Shareholders' equity

March 31, 2020	64,095 million yen
December 31, 2019	64,952 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, 2019	-	0.00	-	50.00	50.00
Year ending December 31, 2020 (Actual)	-				
Year ending December 31, 2020 (Forecast)		-	-	-	-

(Note) The dividend forecast for the fiscal year ending December 31, 2020 is undetermined at this time.

**3. Consolidated results forecast for the fiscal year ending December 31, 2020**

(From January 1, 2020 to December 31, 2020)

The consolidated results forecast for the fiscal year ending December 31, 2020 are not stated because it is difficult to make a reasonable estimation at this time.

**\* 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, 2020 20,992,588 shares

As of December 31, 2019 20,992,588 shares

2) Number of treasury stock at the end of period

As of March 31, 2020 19,815 shares

As of December 31, 2019 19,815 shares

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

Three months ended March 31, 2020 20,972,773 shares

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

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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 economy slowed significantly due to the global spread of COVID-19. The business environment surrounding the Group was difficult as demand in the semiconductor market, the transportation equipment market and energy-related market clearly declined through the second half of the quarter.

In this environment, the Group devised a wide range of measures to minimize the impact of the stalled economy, while always prioritizing the safety of its employees, customers and the local community as its first objective. In addition, the Group looked ahead to medium- and long-term growth after COVID-19 has abated, and moved ahead with initiatives to reinforce high value-added products, improve productivity, and develop new products and new businesses.

As a result, in the first quarter of the consolidated fiscal year under review, net sales fell 18.5% year on year to 7,897 million yen, and on the income side, operating income fell 48.5% to 905 million yen, ordinary income fell 53.0% to 831 million yen, and profit attributable to owners of parent fell 58.0% year on year to 568 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**

Although sales of carbon products for mechanical applications declined only slightly, sales of products for semiconductor, LED and metallurgical applications fell sharply. As a result, net sales were 4,266 million yen (down 17.5% year on year), and operating income was 926 million yen (down 26.3% year on year).

#### **United States**

Although sales of products for semiconductor applications were solid for some applications, overall they fell heavily, and in metallurgical applications, sales of products for EDM electrodes and industrial furnaces declined. As a result, net sales in the United States were 623 million yen (down 26.7% year on year). The drop in marginal profit caused by the drop in sales resulted in a 30 million yen operating loss (compared to 238 million yen in operating income for the same period in the previous year).

#### **Europe**

Although sales of products for semiconductor, metallurgical and carbon brush applications were weak, sales of carbon products for electrical applications increased. This resulted in net sales of 917 million yen (up 0.8% year on year) and operating income of 46 million yen (compared to a 27-million-yen operating loss for the same period in the previous year).

#### **Asia**

Not only did sales of products for LED and solar cell applications fall, but sales of products for metallurgical applications, such as optical fiber applications, and carbon brush products were weak. As a result, net sales were 2,090 million yen (down 24.1% year on year), and operating income was 112 million yen (down 65.7% year on year).

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

As of March 31, 2020, total assets decreased by 827 million yen from the end of the previous consolidated fiscal year. This was primarily because securities increased by 2,999 million yen and property, plant and equipment rose by 927 million yen, but cash and deposits fell by 3,699 million yen and accounts receivable - trade decreased by 1,363 million yen.

Total liabilities increased by 27 million yen from the end of the previous consolidated fiscal year. This was primarily because, although accounts payable - other decreased by 640 million yen and income taxes payable decreased by 284 million yen, provision for bonuses increased by 353 million yen and other current liabilities increased by 701 million yen due to an increase in electronically recorded obligations - non-operating.

Total net assets decreased by 855 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings decreased by 480 million yen and foreign currency translation adjustment decreased by 348 million yen.

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

At this point, there is much that is unknown about the factors that could affect earnings, such as when COVID-19 will subside, trends among other countries' governments, and supply chain conditions. This makes it difficult to calculate appropriate and logical earnings forecasts, and for this reason we will postpone the release of our consolidated forecasts for the fiscal year ending in December 2020. Moreover, related industries, such as the auto industry, have suspended operations at their factories and closed business sites, indicating that the global economy is heading toward a major correction. We think this could have a substantial impact on the Group's earnings. We will release our forecasts promptly as soon as logical estimates can be made, based on progress with our business going forward.

As of May 12, 2020, the Group, including consolidated subsidiaries, has continued its business activity at all sites, with employees working from home at some sites in line with the directives and requests of governments and local governments. Manufacturing activity is being carried out in line with plans both in Japan and overseas. In addition, the Group held 17,399 million yen in cash and deposits and securities as of March 31, 2020 and thus has adequate liquidity.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2019	As of March 31, 2020
	Amount	Amount
<b>Assets</b>		
Current assets		
Cash and deposits	18,099	14,399
Notes and accounts receivable - trade	14,195	12,832
Securities	—	2,999
Merchandise and finished goods	6,875	7,303
Work in process	5,505	5,487
Raw materials and supplies	3,036	2,685
Other	449	540
Allowance for doubtful accounts	(217)	(179)
Total current assets	47,943	46,069
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,685	8,580
Machinery, equipment and vehicles, net	6,992	7,012
Land	5,814	5,806
Construction in progress	2,007	2,976
Other, net	1,373	1,427
Total property, plant and equipment	24,874	25,801
Intangible assets	224	237
Investments and other assets	3,039	3,145
Total non-current assets	28,138	29,184
<b>Total assets</b>	<b>76,082</b>	<b>75,254</b>

(Millions of yen, rounded down)

	As of December 31, 2019	As of March 31, 2020
	Amount	Amount
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,685	1,650
Electronically recorded obligations - operating	1,056	998
Short-term loans payable	227	243
Accounts payable - other	1,986	1,345
Income taxes payable	614	329
Provision for bonuses	398	752
Provision for directors' bonuses	31	—
Other	3,558	4,260
Total current liabilities	9,558	9,579
Non-current liabilities		
Long-term loans payable	68	59
Net defined benefit liability	138	137
Asset retirement obligations	262	263
Other	347	363
Total non-current liabilities	817	823
<b>Total liabilities</b>	10,375	10,403
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,789	9,789
Retained earnings	46,717	46,237
Treasury shares	(60)	(60)
Total shareholders' equity	64,394	63,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	114	85
Foreign currency translation adjustment	442	94
Remeasurements of defined benefit plans	1	1
Total accumulated other comprehensive income	558	181
Non-controlling interests	753	755
<b>Total net assets</b>	65,706	64,851
<b>Total liabilities and net assets</b>	76,082	75,254



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

(Quarterly consolidated statements of income)

Three months ended March 31, 2019 and 2020

(Millions of yen, rounded down)

	Three months ended March 31, 2019 Amount	Three months ended March 31, 2020 Amount
Net sales	9,686	7,897
Cost of sales	6,216	5,502
Gross profit	3,469	2,394
Selling, general and administrative expenses	1,711	1,489
Operating income	1,758	905
Non-operating income		
Interest income	19	20
Dividend income	0	0
Share of profit of entities accounted for using equity method	10	—
Other	46	23
Total non-operating income	77	43
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	42	105
Share of loss of entities accounted for using equity method	—	1
Other	22	9
Total non-operating expenses	67	117
Ordinary income	1,768	831
Extraordinary income		
Gain on sales of non-current assets	1	21
Subsidy income	5	4
Total extraordinary income	6	26
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on retirement of non-current assets	31	39
Total extraordinary losses	35	39
Profit before income taxes	1,739	819
Income taxes	373	241
Profit	1,365	578
Profit attributable to non-controlling interests	13	10
Profit attributable to owners of parent	1,352	568

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2019 and 2020

(Millions of yen, rounded down)

	Three months ended March 31, 2019 Amount	Three months ended March 31, 2020 Amount
<b>Profit</b>	1,365	578
Other comprehensive income		
Valuation difference on available-for-sale securities	21	(28)
Foreign currency translation adjustment	230	(339)
Remeasurements of defined benefit plans, net of tax	40	(0)
Share of other comprehensive income of entities accounted for using equity method	14	(16)
Total other comprehensive income	306	(384)
Comprehensive income	1,672	193
Comprehensive income attributable to:		
Owners of parent	1,661	191
Non-controlling interests	11	1

**(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, 2019 (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

## II. Three months under review (from January 1, 2020 to March 31, 2020)

### 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	4,266	623	—	917	2,090	7,897	—
(2) Intersegment sales or transfers	1,693	7	—	22	1,723	(1,723)	—
Total	5,959	630	917	2,113	9,621	(1,723)	7,897
Segment profit (loss)	926	(30)	46	112	1,054	(149)	905

(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	3,373	763	832	2,887	1,932	41	7,897
Composition (%)	42.7	9.7	10.5	36.6	24.5	0.5	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, 2019					Year ending December 31, 2020
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,671	3,505	3,200	3,305	13,683	3,458
Carbon products for general industries* <sup>2</sup> (for mechanical applications)	976	1,023	928	928	3,857	1,129
Carbon products for general industries (for electrical applications)	1,126	1,130	1,053	1,186	4,496	1,076
Compound materials and other products	2,487	1,994	1,680	1,919	8,082	1,769
Total	8,262	7,654	6,863	7,339	30,120	7,433

(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, 2019				Year ending December 31, 2020
	1Q	2Q	3Q	4Q	1Q
Special graphite products	3,177	2,859	2,510	2,279	2,437
Carbon products for general industries* <sup>2</sup> (for mechanical applications)	770	823	829	781	905
Carbon products for general industries (for electrical applications)	848	827	741	780	900
Compound materials and other products	4,029	3,540	2,829	2,442	2,284
Total	8,826	8,050	6,910	6,283	6,527

(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, 2019					Year ending December 31, 2020
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,227	4,300	3,993	3,895	16,417	3,650
[Electronics applications]	1,440	1,540	1,502	1,474	5,958	1,351
[General industries applications]	2,308	2,275	2,090	2,052	8,726	1,880
[Others]	478	484	400	368	1,732	418
Carbon products for general industries (for mechanical applications)	960	998	952	1,009	3,921	1,032
Carbon products for general industries (for electrical applications)	1,128	1,141	1,121	1,136	4,527	945
Compound materials and other products	2,756	2,429	2,384	2,312	9,883	1,929
[3 major products]	2,347	2,041	1,973	2,007	8,370	1,675
[Other products]	408	387	411	305	1,513	253
Related goods	614	584	273	179	1,652	338
Total	9,686	9,455	8,726	8,533	36,402	7,897

## (2) Overview

### Special graphite products

In electronics applications, sales of products for composite semiconductor applications fell and sales of products for single-crystal silicon manufacturing and solar cell manufacturing applications were sluggish, but the decline was relatively modest. As a result, sales fell 6.2% over the previous year.

In general industries applications, demand for products for EDM electrodes and industrial furnaces in particular was low due to the impact of the decrease in automobile production, and demand for optical fiber products in China fell sharply. As a result, sales were down 18.5% over the previous year.

Due to these factors, sales of special graphite products overall were down 13.6% over the previous year.

### Carbon products for general industries

Sales of carbon products for mechanical applications increased 7.5% over the previous year due to the solid performance of mainstay products such as bearings and seal materials, offsetting the decline in sales of pantograph sliders, which can be attributed to its strength in the previous year.

Sales of carbon products for electrical applications fell 16.2% over the previous year due to low demand for products for electrical power tools and home appliances.

Due to these factors, sales of carbon products for general industries overall fell 5.3% over the previous fiscal year.

### Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products fell far short of levels in the same period in the previous fiscal year due to a slowdown in LED applications from the second half of the previous fiscal year, although demand for semiconductor applications was strong. Sales of products for solar cell applications, semiconductor applications and for industrial furnace applications fell, and as a result, sales of C/C composite products were far lower than the level recorded in the same period of the previous fiscal year. Sales of graphite sheet products were down over the same period of the previous fiscal year due to lower demand for semiconductor and metallurgical applications, although demand for automotive applications was robust.

Due to these factors, sales of the three mainstay products fell 28.6% over the previous year, and sales of compound materials and other products declined 30.0% over the previous year.