

November 6, 2020

Consolidated Financial Results for the Nine Months Ended September 30, 2020 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
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:	November 9, 2020
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

1. Consolidated financial results for the nine months ended September 30, 2020

(From January 1, 2020 to September 30, 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
	%		%		%		%
Nine months ended September 30, 2020	23,119	(17.0)	2,751	(37.4)	3,053	(29.1)	2,085 (33.6)
Nine months ended September 30, 2019	27,868	(12.3)	4,394	(26.6)	4,303	(28.6)	3,143 (28.6)

Note:

Comprehensive income:

Nine months ended September 30, 2020	2,000 million yen; (-11.2%)
Nine months ended September 30, 2019	2,251 million yen; (-39.1%)

	Profit attributable to owners of parent per share (basic)	Profit attributable to owners of parent per share (diluted)
	yen	yen
Nine months ended September 30, 2020	99.46	-
Nine months ended September 30, 2019	149.87	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of September 30, 2020	75,509	66,615	87.2
As of December 31, 2019	76,082	65,706	85.4
Reference:	Shareholders' equity		
	September 30, 2020	65,863 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)	–	0.00	–		
Year ending December 31, 2020 (Forecast)				50.00	50.00

Note: Revisions of projected dividends most recently announced: None

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

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

(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
Fiscal year ending December 31, 2020	30,000	(17.6)	3,200	(38.2)	3,200	(38.6)	2,200	(25.3)	104.90

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 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 September 30, 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 September 30, 2020 19,848 shares

As of December 31, 2019 19,815 shares

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

Nine months ended September 30, 2020 20,972,756 shares

Nine months ended September 30, 2019 20,972,801 shares

*** The quarterly financial results are not subject to quarterly review by a certified public accountant or an audit corporation.**

*** Disclaimer regarding appropriate use of forecasts and related points of note**

(We urge you to be cautious in relying on forward-looking statements.)

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 Nine Months under Review

(1) Explanation Regarding Business Results

During the first three quarters of the consolidated fiscal year under review, the global economy slowed due to the spread of COVID-19 pandemic, and despite signs of a recovery as economic activity resumed, the Group's operating environment remained severe in the absence of a full-fledged recovery for transportation-related areas such as automotive and aircraft applications or in other industries, and amid continued concerns about the impact of trade friction between the US and China.

In this environment, the Group devised a wide range of measures to minimize the impact of the stalled economy, while looking ahead to medium- and long-term growth after the end of the pandemic, and moving ahead with initiatives to reinforce high-value-added products, improve productivity, and develop new products and new businesses.

As a result, in the nine months of the consolidated fiscal year under review, net sales were 23,119 million yen (down 17.0% year on year). On the income side, operating income fell 37.4% to 2,751 million yen, ordinary income fell 29.1% to 3,053 million yen, and profit attributable to owners of parent stood at 2,085 million yen, down 33.6%.

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 and LED applications and products for industrial furnaces, continuous casting, and other metallurgical applications fell sharply, and demand declined for carbon products for mechanical applications, such as bearings and sealing rings, during the third quarter of the fiscal year. As a result, net sales in Japan were 12,396 million yen (down 20.0% year on year), and operating income was 2,215 million yen (down 36.8% year on year).

United States

Sales of products for semiconductor applications fell sharply, and sales of products for EDM electrodes, continuous casting, and other metallurgical applications also declined. As a result, in the United States, net sales were 1,944 million yen (down 19.2% year on year), and operating income was 30 million yen (down 91.9% year on year).

Europe

Sales of products for industrial furnaces, EDM electrodes, and other metallurgical applications, as well as carbon brush products, were weak. As a result, in Europe, net sales were 2,308 million yen (down 8.6% year on year), and operating income was 20 million yen (versus an operating loss of 158 million yen in the same period of the previous consolidated fiscal year).

Asia

Sales of carbon brush products recovered to be flat year on year as demand rose temporarily at the start of the third quarter, but sales of products for LED, solar cell, and optical fiber applications, as well as EDM electrodes and other metallurgical applications, fell steeply. As a result, net sales in Asia were 6,470 million yen (down 13.1% year on year), and operating income was 353 million yen (down 41.7% year on year).

(2) Explanation Regarding Financial Position

Total assets as of September 30, 2020 decreased by 572 million yen from the end of the previous consolidated fiscal year. This was primarily because, although inventory rose by 560 million yen and property, plant and equipment increased by 2,654 million yen, cash and deposits fell by 4,021 million yen due to 2,999 million yen in securities purchases and other factors, and notes and accounts receivable - trade decreased by 3,121 million yen.

Total liabilities decreased by 1,481 million yen from the end of the previous consolidated fiscal year. This was chiefly because, although provision for bonuses increased by 437 million yen, income taxes payable fell by 384 million yen and electronically recorded obligations - non-operating declined, resulting in the “other” item of current liabilities falling by 1,465 million yen.

Total net assets increased by 908 million yen from the end of the previous consolidated fiscal year. This was primarily because, although foreign currency translation adjustments decreased by 120 million yen, retained earnings increased by 1,037 million yen.

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

Consolidated forecasts for the year ending December 31, 2020 are unchanged from the figures announced on August 7, 2020.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2019	As of September 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	18,099	14,077
Notes and accounts receivable – trade	14,195	11,074
Securities	–	2,999
Merchandise and finished goods	6,875	7,697
Work in process	5,505	5,505
Raw materials and supplies	3,036	2,774
Other	449	580
Allowance for doubtful accounts	(217)	(162)
Total current assets	47,943	44,547
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,685	10,158
Machinery, equipment and vehicles, net	6,992	6,635
Land	5,814	5,815
Construction in progress	2,007	3,417
Other, net	1,373	1,501
Total property, plant and equipment	24,874	27,528
Intangible assets	224	227
Investments and other assets	3,039	3,206
Total non-current assets	28,138	30,962
Total assets	76,082	75,509

(Millions of yen, rounded down)

	As of December 31, 2019	As of September 30, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,685	1,683
Electronically recorded obligations – operating	1,056	836
Short-term loans payable	227	236
Accounts payable–other	1,986	2,056
Income taxes payable	614	229
Provision for bonuses	398	835
Provision for directors’ bonuses	31	—
Other	3,558	2,093
Total current liabilities	9,558	7,971
Non-current liabilities		
Long-term loans payable	68	46
Net defined benefit liability	138	142
Asset retirement obligations	262	264
Other	347	468
Total non-current liabilities	817	923
Total liabilities	10,375	8,894
Net assets		
Shareholders’ equity		
Capital stock	7,947	7,947
Capital surplus	9,789	9,789
Retained earnings	46,717	47,754
Treasury shares	(60)	(60)
Total shareholders’ equity	64,394	65,431
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	114	109
Foreign currency translation adjustment	442	322
Remeasurements of defined benefit plans	1	0
Total accumulated other comprehensive income	558	432
Non-controlling interests	753	751
Total net assets	65,706	66,615
Total liabilities and net assets	76,082	75,509

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

(Quarterly consolidated statement of income)

Nine months ended September 30, 2019 and 2020

	(Millions of yen, rounded down)	
	Nine months ended September 30, 2019 Amount	Nine months ended September 30, 2020 Amount
Net sales	27,868	23,119
Cost of sales	18,342	15,909
Gross profit	9,526	7,209
Selling, general and administrative expenses	5,131	4,458
Operating income	4,394	2,751
Non-operating income		
Interest income	49	48
Dividend income	8	63
Share of profit of entities accounted for using equity method	53	43
Subsidies for employment adjustment	—	148
Other	135	118
Total non-operating income	246	422
Non-operating expenses		
Interest expenses	5	7
Foreign exchange losses	262	90
Other	69	21
Total non-operating expenses	337	120
Ordinary income	4,303	3,053
Extraordinary income		
Gain on sales of non-current assets	4	21
Subsidy income	8	23
Total extraordinary income	12	44
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	205	101
Loss on liquidation of subsidiaries and associates	—	15
Total extraordinary losses	210	116
Profit before income taxes	4,105	2,981
Income taxes	920	856
Profit	3,185	2,124
Profit attributable to non-controlling interests	41	38
Profit attributable to owners of parent	3,143	2,085

(Quarterly consolidated statement of comprehensive income)

Nine months ended September 30, 2019 and 2020

(Millions of yen, rounded down)

	Nine months ended September 30, 2019 Amount	Nine months ended September 30, 2020 Amount
Profit	3,185	2,124
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(4)
Foreign currency translation adjustment	(991)	(112)
Remeasurements of defined benefit plans, net of tax	116	(0)
Share of other comprehensive income of entities accounted for using equity method	(44)	(5)
Total other comprehensive income	(933)	(124)
Comprehensive income	2,251	2,000
Comprehensive income attributable to:		
Owners of parent	2,237	1,959
Non-controlling interests	14	40

(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 are reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the consolidated fiscal year, including the third quarter of the consolidated fiscal year under review.

(Additional information)

(Accounting estimates taking into account the impact of COVID-19)

The assumptions used in accounting estimates that factor in the impact of COVID-19 pandemic have not changed from those presented in the additional information section of the quarterly report for the second quarter of the fiscal year.

(Segment information)

I. Nine months ended September 30, 2019 (From January 1, 2019 to September 30, 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	15,493	2,405	2,524	7,444	27,868	—	27,868
(2) Intersegment sales or transfers	4,625	197	1	168	4,994	(4,994)	—
Total	20,119	2,603	2,526	7,613	32,862	(4,994)	27,868
Segment profit (loss)	3,505	378	(158)	605	4,330	64	4,394

(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	12,272	2,737	2,608	10,126	7,004	123	27,868
Composition (%)	44.0	9.8	9.4	36.3	25.1	0.5	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. Nine months ended September 30, 2020 (From January 1, 2020 to September 30, 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	12,396	1,944	2,308	6,470	23,119	—	23,119
(2) Intersegment sales or transfers	4,312	66	—	103	4,483	(4,483)	—
Total	16,708	2,011	2,308	6,574	27,602	(4,483)	23,119
Segment profit (loss)	2,215	30	20	353	2,620	131	2,751

(Notes) 1. Adjusted segment profit mainly takes into account the elimination of intersegment transactions and unrealized income.

2. Segment profit 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	9,896	2,274	2,173	8,669	6,004	105	23,119
Composition (%)	42.8	9.8	9.4	37.5	26.0	0.5	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

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	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	3,671	3,505	3,200	10,378	3,305	13,683	3,458	2,838	2,819	9,115
Carbon products for general industries* ² (for mechanical applications)	976	1,023	928	2,928	928	3,857	1,129	834	760	2,725
Carbon products for general industries (for electrical applications)	1,126	1,130	1,053	3,310	1,186	4,496	1,076	852	1,501	3,430
Compound materials and other products	2,487	1,994	1,680	6,162	1,919	8,082	1,769	1,544	1,818	5,131
Total	8,262	7,654	6,863	22,780	7,339	30,120	7,433	6,070	6,900	20,403

(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 general carbon products (carbon 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	2Q	3Q
Special graphite products	3,177	2,859	2,510	2,279	2,437	2,115	1,904
Carbon products for general industries* ² (for mechanical applications)	770	823	829	781	905	789	701
Carbon products for general industries (for electrical applications)	848	827	741	780	900	707	932
Compound materials and other products	4,029	3,540	2,829	2,442	2,284	1,884	1,854
Total	8,826	8,050	6,910	6,283	6,527	5,496	5,393

(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 outstanding orders placed in this quarter.

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

iii. Sales performance by product category

(Millions of yen, rounded down)

Products		Year ended December 31, 2019					Year ending December 31, 2020				
		1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products		4,227	4,300	3,993	12,521	3,895	16,417	3,650	3,455	3,348	10,455
	[Electronics applications]	1,440	1,540	1,502	4,483	1,474	5,958	1,351	1,305	1,281	3,937
	[General industries applications]	2,308	2,275	2,090	6,674	2,052	8,726	1,880	1,664	1,654	5,199
	[Others]	478	484	400	1,364	368	1,732	418	485	412	1,317
Carbon products for general industries (for mechanical applications)		960	998	952	2,911	1,009	3,921	1,032	977	875	2,884
Carbon products for general industries (for electrical applications)		1,128	1,141	1,121	3,391	1,136	4,527	945	1,040	1,256	3,242
Compound materials and other products		2,756	2,429	2,384	7,571	2,312	9,883	1,929	1,959	1,862	5,751
	[3 major products]	2,347	2,041	1,973	6,363	2,007	8,370	1,675	1,684	1,615	4,975
	[Other products]	408	387	411	1,208	305	1,513	253	274	247	776
Related goods		614	584	273	1,472	179	1,652	338	184	262	785
Total		9,686	9,455	8,726	27,868	8,533	36,402	7,897	7,616	7,605	23,119

(2) Overview

Special graphite products

In electronics applications, sales of products for composite semiconductor applications were sluggish, but the decline was relatively modest. However, sales of products for single-crystal silicon manufacturing applications and solar cell applications were soft, and as a result, sales fell 12.2% over the previous fiscal year.

In general industries applications, demand for products for EDM electrodes, continuous casting, and industrial furnaces was weak due to the impact of the sluggish market for automobiles, aircraft, and other applications, and demand for optical fiber products in China also fell sharply. As a result, sales were down 22.1% over the previous fiscal year.

Due to these factors, sales of special graphite products overall were down 16.5% over the previous fiscal year.

Carbon products for general industries

Sales of carbon products for mechanical applications fell 0.9% year on year as a slowdown in mainstay bearing and seal material products in the third quarter was offset by demand for pantograph sliders, which remained firm from the first half of the fiscal year.

Sales of carbon products for electrical applications fell 4.4% year on year, as a temporary increase in demand in the third quarter was unable to offset the downturn in the first half.

Due to these factors, sales of carbon products for general industries overall fell 2.8% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products fell sharply year on year due to soft demand for LED applications, although demand for semiconductor applications was solid. Sales of C/C composite products were far lower than the level recorded in the same period of the previous fiscal year, due to sales of all the applications (semiconductor, industrial furnace, and solar cell). 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, and a decline in demand for automotive applications.

Due to these factors, sales of the three major products fell 21.8% over the previous year, and sales of compound materials and other products declined 24.0% over the previous year.