

May 12, 2021

Consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Website:	http://www.toyotanso.co.jp
Representative:	Naotaka Kondo, Representative Director, Chairman & President, CEO
Contact:	Shigeki Masuda, General Manager, Finance and Accounting Department
TEL:	81-6-6472-5811 (from overseas)
Scheduled date for submission of quarterly report:	May 13, 2021
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, 2021

(From January 1, 2021 to March 31, 2021)

(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, 2021	8,288	5.0	1,002	10.8	1,263	51.8	693	22.0
Three months ended March 31, 2020	7,897	(18.5)	905	(48.5)	831	(53.0)	568	(58.0)

Note: Comprehensive income:

Three months ended March 31, 2021	1,692 million yen (774.9%)
Three months ended March 31, 2020	193 million yen (-88.4%)

	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, 2021	33.06	-
Three months ended March 31, 2020	27.11	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2021	78,129	67,266	86.0
As of December 31, 2020	76,075	66,622	87.5

Reference: Shareholders' equity

March 31, 2021	67,219 million yen
December 31, 2020	66,578 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, 2020	-	0.00	-	50.00	50.00
Year ending December 31, 2021 (Actual)	-				
Year ending December 31, 2021 (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, 2021

(From January 1, 2021 to December 31, 2021)

(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, 2021	16,500	6.4	1,800	(12.8)	2,100	(0.3)	1,300	(11.1)	61.99
Fiscal year ending December 31, 2021	33,600	7.6	4,000	16.9	4,300	10.9	2,900	8.9	138.27

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

For details, please refer to "Notification of Revisions to Consolidated Earnings Forecasts" issued on May 12, 2021.

*** 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, 2021 20,992,588 shares

As of December 31, 2020 20,992,588 shares

2) Number of treasury stock at the end of period

As of March 31, 2021 19,848 shares

As of December 31, 2020 19,848 shares

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

Three months ended March 31, 2021 20,972,740 shares

Three months ended March 31, 2020 20,972,773 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. 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, signs of moderate recovery were visible in the economy, including improvements in corporate earnings and recovery in capital investment in some areas. At the same time, an uncertain outlook continued due to concerns over the COVID-19 pandemic and impacts of trade friction between the US and China.

Looking at the business environment surrounding the Group, the transportation equipment-related market faced concerns over the impact of operational decline in the automobile industry due to semiconductor shortages. In the energy-related market, the competitive environment for products for solar cell applications remained challenging. In the semiconductor market, demand remained firm against the backdrop of strong semiconductor demand.

In this environment, to steadily capture business opportunities while solidly addressing customer needs, the Group made improvements to cost competitiveness through productivity enhancements, and engaged in development and reinforcement of new and high value-added products able to keep pace with technological innovations.

As a result, in the first quarter of the consolidated fiscal year under review, net sales rose 5.0% year on year to 8,288 million yen, and on the income side, operating income rose 10.8% to 1,002 million yen, ordinary income rose 51.8% to 1,263 million yen, and profit attributable to owners of parent rose 22.0% year on year to 693 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 applications remained firm, supported by solid demand. In carbon products for mechanical applications, however, demand for bearings and sealing rings declined from spot demand in the first quarter of the previous fiscal year. In products for metallurgical applications, sales of products for EDM electrodes did not reach the level of the previous fiscal year. As a result, net sales were 4,206 million yen (down 1.4% year on year), and operating income was 894 million yen (down 3.5% year on year).

United States

Despite signs of recovery, in products for metallurgical applications, sales of products for continuous casting and products for industrial furnaces fell year on year; products for semiconductor applications were also lacking in strength. As a result, net sales were 601 million yen (down 3.4% year on year), and operating income was 0 million yen (compared to 30 million yen of operating loss for the same period in the previous fiscal year).

Europe

On a quarterly basis, a recovery trend was present. Although sales of carbon brush products remained strong, sales of carbon products for metallurgical applications and for mechanical applications declined year on year. This resulted in net sales of 823 million yen (down 10.2% year on year) and operating income of 56 million yen (up 21.5% year on year).

Asia

Despite a decrease in sales of products for solar cell applications, products for EDM electrodes and other products for metallurgical applications, as well as carbon brush products, performed well. As a result, net sales were 2,657 million yen (up 27.1% year on year), and operating income was 125 million yen (up 12.3% year on year).

(2) Explanation Regarding Financial Position

As of March 31, 2021, total assets increased by 2,053 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits fell by 266 million yen, notes and accounts receivable - trade increased by 775 million yen and property, plant and equipment rose by 1,393 million yen.

Total liabilities increased by 1,409 million yen from the end of the previous consolidated fiscal year. This was primarily because, although accounts payable - other decreased by 152 million yen, income taxes payable increased by 206 million yen, provision for bonuses increased by 316 million yen, and other of current liabilities increased by 694 million yen due to an increase of notes payable - facilities.

Total net assets increased by 644 million yen from the end of the previous consolidated fiscal year. This was primarily because, although retained earnings decreased by 355 million yen, foreign currency translation adjustment increased by 967 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 first-six-months and full-year forecasts for the fiscal year ending in December 2021, released on February 12, 2021. For details, please refer to “Notification of Revisions to Consolidated Earnings Forecasts” issued on May 12, 2021.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2020	As of March 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	13,632	13,365
Notes and accounts receivable - trade	11,389	12,164
Securities	2,999	2,999
Merchandise and finished goods	7,495	7,578
Work in process	5,454	5,683
Raw materials and supplies	2,725	2,593
Other	707	534
Allowance for doubtful accounts	(150)	(155)
Total current assets	44,253	44,765
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,180	11,143
Machinery, equipment and vehicles, net	7,287	7,229
Land	5,821	5,852
Leased assets, net	786	1,005
Construction in progress	3,414	3,602
Other, net	958	1,007
Total property, plant and equipment	28,448	29,842
Intangible assets	198	211
Investments and other assets	3,174	3,310
Total non-current assets	31,821	33,364
Total assets	76,075	78,129

(Millions of yen, rounded down)

	As of December 31, 2020	As of March 31, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,587	1,749
Electronically recorded obligations - operating	788	837
Short-term borrowings	215	214
Accounts payable - other	1,831	1,679
Income taxes payable	365	572
Provision for bonuses	379	695
Provision for directors' bonuses	20	—
Other	3,260	3,954
Total current liabilities	8,450	9,703
Non-current liabilities		
Long-term borrowings	39	32
Net defined benefit liability	140	145
Asset retirement obligations	265	266
Other	556	714
Total non-current liabilities	1,003	1,159
Total liabilities	9,453	10,862
Net assets		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	48,331	47,976
Treasury shares	(60)	(60)
Total shareholders' equity	65,828	65,473
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131	157
Foreign currency translation adjustment	628	1,595
Remeasurements of defined benefit plans	(9)	(7)
Total accumulated other comprehensive income	749	1,745
Non-controlling interests	43	47
Total net assets	66,622	67,266
Total liabilities and net assets	76,075	78,129

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2020 and 2021

(Millions of yen, rounded down)

	Three months ended March 31, 2020 Amount	Three months ended March 31, 2021 Amount
Net sales	7,897	8,288
Cost of sales	5,502	5,731
Gross profit	2,394	2,557
Selling, general and administrative expenses	1,489	1,554
Operating income	905	1,002
Non-operating income		
Interest income	20	17
Dividend income	0	0
Foreign exchange gains	—	176
Share of profit of entities accounted for using equity method	—	21
Subsidies for employment adjustment	—	38
Other	23	18
Total non-operating income	43	272
Non-operating expenses		
Interest expenses	0	7
Foreign exchange losses	105	—
Share of loss of entities accounted for using equity method	1	—
Depreciation	4	3
Other	5	0
Total non-operating expenses	117	12
Ordinary income	831	1,263
Extraordinary income		
Gain on sales of non-current assets	21	0
Subsidy income	4	7
Total extraordinary income	26	7
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	39	52
Total extraordinary losses	39	52
Profit before income taxes	819	1,217
Income taxes	241	334
Income taxes for prior periods	—	189*
Total income taxes	241	523
Profit	578	694
Profit attributable to non-controlling interests	10	0
Profit attributable to owners of parent	568	693

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2020 and 2021

(Millions of yen, rounded down)

	Three months ended March 31, 2020 Amount	Three months ended March 31, 2021 Amount
Profit	578	694
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	25
Foreign currency translation adjustment	(339)	923
Remeasurements of defined benefit plans, net of tax	(0)	2
Share of other comprehensive income of entities accounted for using equity method	(16)	46
Total other comprehensive income	(384)	998
Comprehensive income	193	1,692
Comprehensive income attributable to:		
Owners of parent	191	1,689
Non-controlling interests	1	3

(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)

No significant changes have been made to assumptions regarding the impacts of the COVID-19 pandemic described in "Additional information" in the securities report for the previous consolidated fiscal year.

(Consolidated statement of income)

*Income taxes for prior periods

Following a tax audit conducted by the Osaka Regional Taxation Bureau regarding income taxes for the taxable years from the fiscal year ended December 2016 to the fiscal year ended December 2018, the Company recorded 189 million yen in income taxes for prior periods.

(Segment information)

I. Three months ended March 31, 2020 (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	—	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	7,897
Segment profit (loss)	926	(30)	46	112	1,054	(149)	905	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

II. Three months under review (from January 1, 2021 to March 31, 2021)

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	4,206	601	—	823	2,657	8,288	—
(2) Intersegment sales or transfers	1,620	13	—	22	1,656	(1,656)	—
Total	5,826	615	823	2,679	9,945	(1,656)	8,288
Segment profit (loss)	894	0	56	125	1,077	(74)	1,002

(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	3,440	653	826	3,320	2,481	46	8,288
Composition (%)	41.5	7.9	10.0	40.0	29.9	0.6	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, 2020					Year ending December 31, 2021
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,458	2,838	2,819	3,352	12,468	4,319
Carbon products for general industries* ² (for mechanical applications)	1,129	834	760	884	3,609	912
Carbon products for general industries (for electrical applications)	1,076	852	1,501	1,674	5,105	1,462
Compound materials and other products	1,769	1,544	1,818	2,060	7,191	2,466
Total	7,433	6,070	6,900	7,972	28,376	9,160

(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, 2020				Year ending December 31, 2021
	1Q	2Q	3Q	4Q	1Q
Special graphite products	2,437	2,115	1,904	2,134	3,072
Carbon products for general industries* ² (for mechanical applications)	905	789	701	745	760
Carbon products for general industries (for electrical applications)	900	707	932	1,188	1,275
Compound materials and other products	2,284	1,884	1,854	1,841	2,284
Total	6,527	5,496	5,393	5,909	7,393

(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 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, 2020					Year ending December 31, 2021
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,650	3,455	3,348	3,452	13,907	3,588
[Electronics applications]	1,351	1,305	1,281	1,328	5,266	1,359
[General industries applications]	1,880	1,664	1,654	1,824	7,024	1,790
[Others]	418	485	412	299	1,616	438
Carbon products for general industries (for mechanical applications)	1,032	977	875	879	3,763	927
Carbon products for general industries (for electrical applications)	945	1,040	1,256	1,459	4,701	1,423
Compound materials and other products	1,929	1,959	1,862	2,084	7,835	2,052
[3 major products]	1,675	1,684	1,615	1,768	6,743	1,743
[Other products]	253	274	247	316	1,092	308
Related goods	338	184	262	232	1,017	297
Total	7,897	7,616	7,605	8,107	31,226	8,288

(2) Overview

Special graphite products

In electronics applications, sales of products for solar cell manufacturing applications, primarily in China, declined significantly. However, sales of products for single-crystal silicon manufacturing and products for composite semiconductor applications, mainly for SiC (silicon carbide) semiconductors, increased, resulting in an increase of 0.6% year on year.

In general industrial applications, sales of products for continuous casting and products for industrial furnaces increased year on year, but sales of products for EDM electrodes declined, with the result of a 4.8% decrease year on year.

Due to these factors, sales of special graphite products overall were down 1.7% over the previous year.

Carbon products for general industries

In carbon products for mechanical applications, although demand for pantograph sliders provided support, demand for bearings and sealing rings declined from spot demand in the first quarter of the previous fiscal year, resulting in a 10.2% decline in sales year on year.

Sales of carbon products for electrical applications increased by 50.5% year on year due to continued robust demand for compact motors for home appliances and electrical power tools from the second half of the previous fiscal year.

Due to these factors, sales of carbon products for general industries overall rose 18.9% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products maintained their sales level of the previous fiscal year. This was because, although sales of products for LED applications were still in the process of recovery and fell year on year, sales of some applications for products for semiconductor applications increased. Sales of C/C composite products increased year on year due to solid demand for products for industrial furnaces and strong demand for products for semiconductor applications. Sales of graphite sheet products increased year on year due to recovery in demand for leading products for automobile applications and steady performance in products for semiconductor applications.

Due to these factors, sales of the three major products rose 4.0% over the previous year, and sales of compound materials and other products increased 6.4% over the previous year.