

August 10, 2021

Consolidated Financial Results for the Six Months Ended June 30, 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
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Scheduled date for submission of quarterly report:	August 11, 2021
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	Yes
Quarterly financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the six months ended June 30, 2021

(From January 1, 2021 to June 30, 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	
		%		%		%		%
Six months ended June 30, 2021	17,535	13.0	2,366	14.7	2,779	32.0	1,824	24.8
Six months ended June 30, 2020	15,514	(19.0)	2,063	(34.7)	2,105	(31.3)	1,461	(36.5)

Note:	Comprehensive income:	
	Six months ended June 30, 2021	3,087 million yen (181.3%)
	Six months ended June 30, 2020	1,097 million yen (-42.2%)

	Profit attributable to owners of parent per share (basic)	Profit attributable to owners of parent per share (diluted)
	yen	yen
Six months ended June 30, 2021	86.98	-
Six months ended June 30, 2020	69.69	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2021	78,917	68,657	86.9
As of December 31, 2020	76,075	66,622	87.5

Reference: Shareholders' equity:
 June 30, 2021 68,610 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)	-	0.00			
Year ending December 31, 2021 (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, 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
Fiscal year ending December 31, 2021	36,500	16.9	5,600	63.6	6,000	54.7	4,200	57.7	200.26

Note: Revisions of consolidated forecasts most recently announced: Yes

For details, please refer to "Notification of Differences between Consolidated Earnings Forecasts for First Half of Fiscal Year and Actual Results, and Revisions to Consolidated Earnings Forecasts for Fiscal Year" issued on August 10, 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 9 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 June 30, 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 June 30, 2021 19,898 shares

As of December 31, 2020 19,848 shares

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

Six months ended June 30, 2021 20,972,725 shares

Six months ended June 30, 2020 20,972,764 shares

*** This summary report is 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.

(How to acquire supplementary materials for financial summaries and information disclosed at our financial results briefing.)

We are scheduled to hold a financial results briefing for securities analysts and institutional investors on August 18, 2021. The materials distributed at the briefing are scheduled to be disclosed on TDnet and our website on that same day.

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1. Qualitative Information Regarding Consolidated Results for the Six Months under Review

(1) Explanation Regarding Business Results

During the first half 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. At the same time, an uncertain outlook continued due to concerns over the renewed spread of COVID-19 infections and impacts of trade friction between the US and China.

Looking at the business environment surrounding the Group, the transportation equipment-related market and the energy-related market faced concerns such as a decline in operations in the automobile industry due to semiconductor shortages and greater competition in the solar cell market. However, sales remained strong supported by upbeat demand in the semiconductor market.

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 half of the consolidated fiscal year under review, net sales were 17,535 million yen (up 13.0% year on year). On the income side, operating income rose 14.7% to 2,366 million yen, ordinary income rose 32.0% to 2,779 million yen, and profit attributable to owners of parent was 1,824 million yen, up 24.8%.

The overall performance of each business segment was as follows. (Please refer to “3. Supplementary Information” for an overview of each product category.)

Japan

In carbon products for mechanical applications, demand for bearings and sealing rings declined from spot demand in the first half of the previous fiscal year. However, upbeat demand for semiconductor applications supported strong sales, and metallurgical applications, such as products for continuous casting and industrial furnaces, also made a solid recovery. As a result, in Japan, net sales were 8,816 million yen (up 4.1% year on year), and operating income was 1,929 million yen (up 9.9% year on year).

United States

Products for semiconductor, metallurgical, and other applications performed well overall, but sales of products for some applications were soft due to the impact of trade friction between the United States and China. As a result, in the United States, net sales were 1,250 million yen (down 5.2% year on year), and operating income was 9 million yen (up 1.5% year on year).

Europe

Sales of carbon brush products remained strong and sales of products for metallurgical applications were also solid. As a result, in Europe, net sales were 1,665 million yen (up 3.1% year on year), and there was an operating income of 89 million yen (up 144.3% year on year).

Asia

Despite a decrease in sales of products for solar cell applications, products for semiconductor and EDM electrodes and other products for metallurgical applications, as well as carbon brush products, performed well. As a result, in Asia, net sales were 5,802 million yen (up 41.3% year on year), and operating income was 416 million yen (up 40.3% year on year).

(2) Explanation Regarding Financial Position

Total assets, as of June 30, 2021, increased by 2,841 million yen from the end of the previous consolidated fiscal year. This was primarily because notes and accounts receivable - trade increased by 1,108 million yen and property, plant and equipment increased 1,404 million yen.

Total liabilities increased by 806 million yen from the end of the previous consolidated fiscal year. This was primarily because, although accounts payable - other decreasing by 207 million yen, notes and accounts payable - trade increased by 403 million yen, income taxes payable increased by 326 million yen, other current liabilities increased by 147 million yen owing to an increase in advances received, and other non-current liabilities increased by 127 million yen owing to an increase in long-term lease obligations

Total net assets increased by 2,035 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 775 million yen and foreign currency translation adjustment increased by 1,241 million yen.

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

Based on the results of the first half of the consolidated fiscal year under review, the Group has revised its consolidated full year forecasts for the fiscal year ending in December 2021, released on May 12, 2021.

For details, please refer to “Notification of Differences between Consolidated Earnings Forecasts for First Half of Fiscal Year and Actual Results, and Revisions to Consolidated Earnings Forecasts for Fiscal Year” issued on August 10, 2021.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2020	As of June 30, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	13,632	13,791
Notes and accounts receivable - trade	11,389	12,498
Securities	2,999	2,999
Merchandise and finished goods	7,495	7,514
Work in process	5,454	5,796
Raw materials and supplies	2,725	2,465
Other	707	530
Allowance for doubtful accounts	(150)	(128)
Total current assets	44,253	45,468
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,180	11,034
Machinery, equipment and vehicles, net	7,287	7,427
Land	5,821	5,864
Leased assets, net	786	988
Construction in progress	3,414	3,541
Other, net	958	996
Total property, plant and equipment	28,448	29,853
Intangible assets	198	229
Investments and other assets	3,174	3,367
Total non-current assets	31,821	33,449
Total assets	76,075	78,917

(Millions of yen, rounded down)

	As of December 31, 2020	As of June 30, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,587	1,990
Electronically recorded obligations - operating	788	866
Short-term borrowings	215	184
Accounts payable - other	1,831	1,623
Income taxes payable	365	691
Provision for bonuses	379	366
Provision for directors' bonuses	20	—
Other	3,260	3,407
Total current liabilities	8,450	9,131
Non-current liabilities		
Long-term borrowings	39	24
Net defined benefit liability	140	151
Asset retirement obligations	265	267
Other	556	683
Total non-current liabilities	1,003	1,127
Total liabilities	9,453	10,259
Net assets		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	48,331	49,106
Treasury shares	(60)	(60)
Total shareholders' equity	65,828	66,603
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131	142
Foreign currency translation adjustment	628	1,869
Remeasurements of defined benefit plans	(9)	(4)
Total accumulated other comprehensive income	749	2,007
Non-controlling interests	43	47
Total net assets	66,622	68,657
Total liabilities and net assets	76,075	78,917

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

(Quarterly consolidated statements of income)

Six months ended June 30, 2020 and 2021

(Millions of yen, rounded down)

	Six months ended June 30, 2020 Amount	Six months ended June 30, 2021 Amount
Net sales	15,514	17,535
Cost of sales	10,515	11,987
Gross profit	4,998	5,548
Selling, general and administrative expenses	2,934	3,181
Operating income	2,063	2,366
Non-operating income		
Interest income	34	39
Dividend income	60	6
Foreign exchange gains	—	220
Share of profit of entities accounted for using equity method	29	51
Subsidies for employment adjustment	—	42
Other	44	92
Total non-operating income	168	452
Non-operating expenses		
Interest expenses	1	14
Foreign exchange losses	109	—
Depreciation	8	8
Contracted research expenses	—	8
Other	7	9
Total non-operating expenses	126	40
Ordinary income	2,105	2,779
Extraordinary income		
Gain on sales of non-current assets	20	2
Subsidy income	9	10
Total extraordinary income	29	12
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	73	61
Total extraordinary losses	73	61
Profit before income taxes	2,062	2,730
Income taxes	576	714
Income taxes for prior periods	—	*189
Total income taxes	576	903
Profit	1,486	1,826
Profit attributable to non-controlling interests	24	2
Profit attributable to owners of parent	1,461	1,824

(Quarterly consolidated statement of comprehensive income)

Six months ended June 30, 2020 and 2021

(Millions of yen, rounded down)

	Six months ended June 30, 2020 Amount	Six months ended June 30, 2021 Amount
Profit	1,486	1,826
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	11
Foreign currency translation adjustment	(366)	1,184
Remeasurements of defined benefit plans, net of tax	(0)	4
Share of other comprehensive income of entities accounted for using equity method	(20)	59
Total other comprehensive income	(389)	1,260
Comprehensive income	1,097	3,087
Comprehensive income attributable to:		
Owners of parent	1,069	3,081
Non-controlling interests	28	5

(3) Consolidated statements of cash flows

(Millions of yen, rounded down)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,062	2,730
Depreciation	1,390	1,494
Share of (profit) loss of entities accounted for using equity method	(29)	(51)
Increase (decrease) in net defined benefit asset or liability	(49)	(39)
Increase (decrease) in provision for bonuses	(66)	(22)
Increase (decrease) in provision for directors' bonuses	(31)	(20)
Increase (decrease) in allowance for doubtful accounts	(46)	(32)
Interest and dividend income	(94)	(45)
Interest expenses	1	14
Foreign exchange losses (gains)	36	(169)
Loss (gain) on sales of non-current assets	53	59
Decrease (increase) in notes and accounts receivable - trade	2,363	(702)
Decrease (increase) in inventories	(458)	230
Increase (decrease) in notes and accounts payable - trade	(243)	267
Other	(613)	411
Subtotal	4,274	4,122
Interest and dividend income received	102	45
Interest expenses paid	(4)	(13)
Income taxes paid	(587)	(585)
Net cash provided by (used in) operating activities	3,785	3,568
Cash flows from investing activities		
Payments into time deposits	(2,654)	(3,707)
Proceeds from withdrawal of time deposits	7,866	3,084
Purchase of property, plant and equipment	(3,173)	(2,651)
Proceeds from sales of property, plant and equipment	28	2
Purchase of intangible assets	(58)	(42)
Other	(229)	(48)
Net cash provided by (used in) investing activities	1,778	(3,362)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20	(39)
Repayments of long-term borrowings	(15)	(16)
Repayments of finance lease obligations	(31)	(68)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,047)	(1,047)
Dividends paid to non-controlling interests	(42)	(2)
Net cash provided by (used in) financing activities	(1,116)	(1,174)
Effect of exchange rate change on cash and cash equivalents	(73)	330
Net increase (decrease) in cash and cash equivalents	4,373	(638)
Cash and cash equivalents at beginning of period	6,101	12,093
Cash and cash equivalents at end of period	10,474	11,455

(4) 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, and are reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the consolidated fiscal year, including the second quarter of the consolidated fiscal year 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. Six months ended June 30, 2020 (From January 1, 2020 to June 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	8,472	1,319	1,615	4,106	15,514	—	15,514
(2) Intersegment sales or transfers	3,096	14	—	64	3,176	(3,176)	—
Total	11,569	1,334	1,615	4,171	18,690	(3,176)	15,514
Segment profit (loss)	1,756	9	36	296	2,099	(35)	2,063

(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	6,726	1,529	1,533	5,658	3,763	65	15,514
Composition (%)	43.4	9.9	9.9	36.5	24.3	0.3	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. Six months ended June 30, 2021 (From January 1, 2021 to June 30, 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	8,816	1,250	1,665	5,802	17,535	—	17,535
(2) Intersegment sales or transfers	3,600	31	0	65	3,697	(3,697)	—
Total	12,417	1,281	1,665	5,868	21,233	(3,697)	17,535
Segment profit (loss)	1,929	9	89	416	2,444	(77)	2,366

(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	7,144	1,405	1,672	7,215	5,467	97	17,535
Composition (%)	40.7	8.0	9.5	41.2	31.2	0.6	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, 2020						Year ending December 31, 2021		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	3,458	2,838	6,296	2,819	3,352	12,468	4,319	4,630	8,949
Carbon products for general industries* ² (for mechanical applications)	1,129	834	1,964	760	884	3,609	912	975	1,888
Carbon products for general industries (for electrical applications)	1,076	852	1,929	1,501	1,674	5,105	1,462	1,572	3,035
Compound materials and other products	1,769	1,544	3,313	1,818	2,060	7,191	2,466	2,618	5,084
Total	7,433	6,070	13,503	6,900	7,972	28,376	9,160	9,797	18,957

(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, 2020				Year ending December 31, 2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Special graphite products	2,437	2,115	1,904	2,134	3,072	3,691
Carbon products for general industries* ² (for mechanical applications)	905	789	701	745	760	828
Carbon products for general industries (for electrical applications)	900	707	932	1,188	1,275	1,349
Compound materials and other products	2,284	1,884	1,854	1,841	2,284	2,741
Total	6,527	5,496	5,393	5,909	7,393	8,611

(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.

iii. Sales performance by product category

(Millions of yen, rounded down)

Products	Year ended December 31, 2020						Year ending December 31, 2021		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	3,650	3,455	7,106	3,348	3,452	13,907	3,588	4,296	7,884
[Electronics applications]	1,351	1,305	2,656	1,281	1,328	5,266	1,359	1,741	3,100
[General industries applications]	1,880	1,664	3,545	1,654	1,824	7,024	1,790	2,088	3,878
[Others]	418	485	904	412	299	1,616	438	467	905
Carbon products for general industries (for mechanical applications)	1,032	977	2,009	875	879	3,763	927	945	1,873
Carbon products for general industries (for electrical applications)	945	1,040	1,986	1,256	1,459	4,701	1,423	1,506	2,930
Compound materials and other products	1,929	1,959	3,888	1,862	2,084	7,835	2,052	2,186	4,238
[3 major products]	1,675	1,684	3,359	1,615	1,768	6,743	1,743	1,836	3,579
[Other products]	253	274	528	247	316	1,092	308	350	659
Related goods	338	184	523	262	232	1,017	297	310	607
Total	7,897	7,616	15,514	7,605	8,107	31,226	8,288	9,246	17,535

(2) Overview

Special graphite products

In electronics applications, sales of products for solar cell manufacturing applications in China declined. However, sales of products for single-crystal silicon manufacturing and products for composite semiconductor applications, mainly for SiC (silicon carbide) semiconductors, increased significantly, resulting in an increase of 16.7% year on year.

In general industrial applications, sales of products for continuous casting and products for industrial furnaces remained strong, and sales of products for EDM electrodes were solid, resulting in a 9.4% increase year on year.

Due to these factors, sales of special graphite products overall were up 11.0% over the previous fiscal 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 half of the previous fiscal year, resulting in a 6.8% decline in sales year on year.

Sales of carbon products for electrical applications increased by 47.6% 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 20.2% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products maintained the previous-fiscal-year-level. This was because, sales of products for LED applications entered full-fledged recovery and sales of some applications for products for semiconductor applications increased. Sales of C/C composite products increased year on year owing 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 owing to strong sales of products for automobile and semiconductor applications.

Due to these factors, sales of the three major products rose 6.5% over the previous year, and sales of compound materials and other products increased 9.0% over the previous year.