

February 14, 2022

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Website:	https://www.toyotanso.co.jp
Representative:	Naotaka Kondo, Representative Director, Chairman & President, CEO
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Scheduled date for ordinary general meeting of shareholders:	March 29, 2022
Scheduled date for dividend payment:	March 30, 2022
Scheduled date for submission of securities report:	March 30, 2022
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the fiscal year ended December 31, 2021

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

(1) Operating results

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Fiscal year ended December 31, 2021	37,734	20.8	5,666	65.6	6,264	61.6	4,465	67.7
Fiscal year ended December 31, 2020	31,226	(14.2)	3,422	(33.9)	3,877	(25.5)	2,662	(9.6)

Note: Comprehensive income:
 Fiscal year ended December 31, 2021 6,685 million yen (130.4%)
 Fiscal year ended December 31, 2020 2,901 million yen (6.4%)

	Profit attributable to owners of parent per share (basic)	Profit attributable to owners of parent per share (diluted)	Return on Equity	Ordinary income/total assets	Operating income/net sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2021	212.94	—	6.4	7.8	15.0
Fiscal year ended December 31, 2020	126.95	—	4.0	5.1	11.0

Reference: Equity in earnings of affiliates
 December 31, 2021 83 million yen
 December 31, 2020 65 million yen

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2021	83,655	72,256	86.3	3,442.80
As of December 31, 2020	76,075	66,622	87.5	3,174.52
Reference: Shareholders' equity				
December 31, 2021		72,204 million yen		
December 31, 2020		66,578 million yen		

(3) Cash flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended December 31, 2021	7,328	(6,252)	(1,261)	12,470
Fiscal year ended December 31, 2020	7,020	1,011	(2,099)	12,093

2. Dividends

(Millions of yen, rounded down)

	Dividends per share (yen)				Total dividends (Full year)	Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Year -end				
	yen	yen	yen	yen				
Year ended December 31, 2020	-	0.00	-	50.00	50.00	1,048	39.4	1.6
Year ended December 31, 2021	-	0.00	-	60.00	60.00	1,258	28.2	1.8
Year ending December 31, 2022 (Forecast)	-	0.00	-	70.00	70.00		29.4	

3. Consolidated results forecast for the fiscal year ending December 31, 2022

(From January 1, 2022 to December 31, 2022)

(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, 2022	20,000	14.1	2,800	18.3	2,700	(2.9)	2,000	9.6	95.36
Fiscal year ending December 31, 2022	42,000	11.3	7,000	23.5	6,900	10.1	5,000	12.0	238.41

*** 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) 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

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

As of December 31, 2021 20,992,588 shares

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

2) Number of treasury shares at the end of period

As of December 31, 2021 20,028 shares

As of December 31, 2020 19,848 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2021 20,972,660 shares

Fiscal year ended December 31, 2020 20,972,752 shares

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial results for the fiscal year ended December 31, 2021

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

(1) Operating results

(Millions of yen, rounded down)
(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended December 31, 2021	26,533	17.0	3,867	44.8	4,862	46.5	3,522	47.9
Fiscal year ended December 31, 2020	22,687	(14.8)	2,670	(35.5)	3,318	(32.4)	2,381	(29.1)

	Profit per share	Diluted profit per share
	yen	yen
Fiscal year ended December 31, 2021	167.96	-
Fiscal year ended December 31, 2020	113.55	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2021	64,502	55,270	85.7	2,635.36
As of December 31, 2020	60,604	52,768	87.1	2,516.07

Reference: Shareholders' equity

December 31, 2021 55,270 million yen

December 31, 2020 52,768 million yen

*** The financial results report is not subject to audit procedures 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 “(4) Forecasts” under “1. Overview of Business Results” 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 February 21, 2022. 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. Overview of Business Results

(1) Overview of Business Results in the Fiscal Year Ended December 31, 2021

During 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 stagnation in production activities in some regions affected by a resurgence of COVID-19.

Looking at the business environment surrounding the Group, there were causes for concern, including a decline in operations in the automotive industry due to semiconductor shortages and greater competition in the solar cell market, in addition to the surge in resource prices in the latter half of the fiscal year. Nonetheless, 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 consolidated fiscal year under review, net sales were 37,734 million yen (up 20.8% year on year). On the income side, operating income rose by 65.6% to 5,666 million yen, ordinary income rose by 61.6% to 6,264 million yen, and profit attributable to owners of parent rose by 67.7% to 4,465 million yen.

The overall performance of each business segment was as follows. (Please refer to “4. Others” for an overview of each product category.)

Japan

In addition to strong demand for semiconductor applications that drove overall performance, metallurgical applications such as products for continuous casting and industrial furnaces showed steady recovery while sales of carbon products for mechanical applications remained solid. As a result, net sales in Japan were 19,446 million yen (up 15.2% year on year), and operating income was 4,321 million yen (up 49.6% 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 2,700 million yen (up 8.6% year on year), and operating income was 132 million yen (up 830.9% year on year).

Europe

Sales of carbon brush products and products for metallurgical applications remained strong. As a result, in Europe, net sales were 3,157 million yen (up 7.9% year on year), and operating income was 124 million yen (an 87 million yen operating loss in the previous fiscal year).

Asia

Sales of products for solar cell applications decreased, whereas sales of value-added products made progress and products for semiconductor applications, EDM electrodes and other products for metallurgical applications, as well as carbon brush products all performed well in terms of sales. As a result, net sales in Asia were 12,429 million yen (up 39.1% year on year), and operating income was 1,067 million yen (up 143.2% year on year).

(2) Overview of Financial Position in the Fiscal Year Ended December 31, 2021

Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated fiscal year under review increased by 7,579 million yen from the end of the previous consolidated fiscal year. This was primarily because cash and deposits rose by 1,732 million yen, notes and accounts receivable – trade rose by 2,808 million yen, and property, plant and equipment increased by 2,597 million yen.

Total liabilities increased by 1,945 million yen from the end of the previous consolidated fiscal year. This was primarily because notes and accounts payable – trade rose by 637 million yen, income taxes payable rose by 486 million yen, and other non-current liabilities rose by 270 million yen due to an increase in long-term lease obligations.

Total net assets increased by 5,634 million yen from the end of the previous consolidated fiscal year. This was primarily because, retained earnings increased by 3,417 million yen and foreign currency translation adjustment increased by 2,204 million yen.

(3) Overview of Cash Flows in the Fiscal Year Ended December 31, 2021

Cash and cash equivalents (hereinafter referred to as “funds”) as of December 31, 2021, increased by 376 million yen from the end of the previous consolidated fiscal year to 12,470 million yen.

(Cash Flows from Operating Activities)

Funds acquired by operating activities totaled 7,328 million yen, a 4.4% year-on-year increase.

This was primarily because the decrease in funds due to an increase in notes and accounts receivable – trade of 2,093 million yen (compared with a 2,844 million yen decrease in the previous fiscal year) and income taxes paid of 997 million yen (a 12.7% year-on-year decrease) was offset by the increase in funds due to profit before income taxes of 6,130 million yen (a 64.5% year-on-year increase), a depreciation of 2,952 million yen (a 6.0% year-on-year increase), an increase in notes and accounts payable – trade of 465 million yen (compared with a decrease of 328 million yen in the previous fiscal year), and an increase of 769 million yen (compared with a decrease of 515 million yen in the previous fiscal year) in other items attributable partly to an increase in accrued consumption taxes.

(Cash Flows from Investing Activities)

Funds used in investing activities totaled 6,252 million yen (compared with 1,011 million yen in funds acquired in the previous fiscal year). This was primarily because the increase in funds from proceeds from withdrawals of time deposits of 5,832 million yen (a 59.4% decrease) was offset by a decrease in funds from payments into time deposits of 6,861 million yen (a 0.0% year-on-year decrease) and the purchase of property, plant and equipment of 5,076 million yen (an 18.0% decrease).

(Cash Flows from Financing Activities)

Funds used in financing activities amounted to 1,261 million yen, a 39.9% year-on-year decrease. This was primarily due to a decrease in funds, including 1,048 million yen in cash dividends paid (a 0.0% year-on-year increase) and 146 million yen in repayments of finance lease obligations (a 126.6% increase).

(4) Forecasts

The outlook for business conditions in Japan and overseas remains unclear due to concerns such as resurgence of COVID-19 cases, rising geopolitical risks, and surging resource prices. However, the global economy is expected to continue its gradual recovery driven in part by government economic support in many countries.

In the business environment surrounding the Group, solid demand particularly for the electronics, automotive and energy industries can be expected from further acceleration in digital investment and moves toward realization of carbon neutrality. The Group anticipates that, while demand for home appliances and power tool applications will moderate from the high level of the previous fiscal year, there will be robust demand for semiconductor applications and firm demand also for metallurgical applications.

Against this backdrop, the Group announced in February 2022 its new Medium-term Management Plan that runs to fiscal 2026, based on which it will push forward with business development that responds with agility to changes in the external environment, and will embark on various initiatives including enhancement of cost competitiveness through improved productivity, development, and reinforcement of new products and high value-added products that can keep up with technological innovation. The Group will strive to ensure that business opportunities are captured by addressing customer needs with sincerity.

Based on the above, we expect net sales of 42,000 million yen, 7,000 million yen in operating income, 6,900 million yen in ordinary income, and 5,000 million yen in profit attributable to owners of parent in the fiscal year ending December 31, 2022.

Our earnings forecasts assume exchange rates of 112 yen/US\$, 126yen/EUR, and 17.5 yen/CNY.

(5) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2021 and the Fiscal Year Ending December 31, 2022

(i) Basic Policy

Our basic policy for profit allocation is to make strategic investments in order to strengthen our competitiveness and enhance our value over the long term and return profits to shareholders in a continuous and stable fashion with due consideration of business results for the fiscal year, funding needs for the future expansion of our business operations, and consolidation of our business foundation. We intend to use internal reserves for capital expenditures for production facilities, development of new products, and investment in research and development.

(ii) Dividends for the Fiscal Year Ended December 31, 2021

Based on the aforementioned policy and our business results in the fiscal year under review, we plan to increase dividends by 10 yen to pay a dividend of 60 yen per share for the fiscal year ended December 31, 2021.

(iii) Dividends for the Fiscal Year Ending December 31, 2022

For the fiscal year ending December 31, 2022, we plan to increase dividends by 10 yen to pay a dividend of 70 yen per share in the interest of improving shareholder returns while also taking into account our capital investment plans aimed at future growth.

2. Basic Approach to Selection of Accounting Standards

The Group will prepare its consolidated financial statements in line with Japanese standards for the near term, given that these standards enable comparison of consolidated financial statements across fiscal periods and between companies.

We plan to respond appropriately to the adoption of international accounting standards, taking into account conditions in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	13,632	15,364
Notes and accounts receivable - trade	11,389	14,198
Securities	2,999	2,999
Merchandise and finished goods	7,495	7,477
Work in process	5,454	5,722
Raw materials and supplies	2,725	2,823
Other	707	526
Allowance for doubtful accounts	(150)	(103)
Total current assets	44,253	49,009
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,505	23,384
Accumulated depreciation	(11,325)	(12,155)
Buildings and structures, net	10,180	11,229
Machinery, equipment and vehicles	49,846	53,108
Accumulated depreciation	(42,558)	(43,819)
Machinery, equipment and vehicles, net	7,287	9,289
Land	5,821	5,891
Leased assets	1,024	1,543
Accumulated depreciation	(237)	(309)
Leased assets, net	786	1,233
Construction in progress	3,414	2,181
Other	4,648	5,125
Accumulated depreciation	(3,690)	(3,904)
Other, net	958	1,221
Total property, plant and equipment	28,448	31,046
Intangible assets	198	283
Investments and other assets		
Investment securities	342	384
Deferred tax assets	1,114	977
Net defined benefit asset	531	618
Other	1,313	1,476
Allowance for doubtful accounts	(127)	(141)
Total investments and other assets	3,174	3,316
Total non-current assets	31,821	34,645
Total assets	76,075	83,655

(Millions of yen, rounded down)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,587	2,225
Electronically recorded obligations - operating	788	968
Short-term loans payable	215	191
Accounts payable - other	1,831	2,041
Income taxes payable	365	852
Provision for bonuses	379	602
Provision for directors' bonuses	20	29
Other	3,260	3,233
Total current liabilities	8,450	10,145
Non-current liabilities		
Long-term loans payable	39	8
Deferred tax liabilities	126	124
Net defined benefit liability	140	150
Asset retirement obligations	265	269
Other	430	700
Total non-current liabilities	1,003	1,252
Total liabilities	9,453	11,398
Net assets		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	48,331	51,748
Treasury shares	(60)	(60)
Total shareholders' equity	65,828	69,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131	159
Foreign currency translation adjustment	628	2,833
Remeasurements of defined benefit plans	(9)	(33)
Total accumulated other comprehensive income	749	2,959
Non-controlling interests	43	52
Total net assets	66,622	72,256
Total liabilities and net assets	76,075	83,655

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	31,226	37,734
Cost of sales	21,705	25,352
Gross profit	9,521	12,382
Selling, general and administrative expenses	6,098	6,716
Operating income	3,422	5,666
Non-operating income		
Interest income	68	79
Dividend income	67	53
Foreign exchange gains	—	248
Share of profit of entities accounted for using equity method	65	83
Subsidies for employment adjustment	226	42
Revenue from sales of electric power	41	41
Other	111	122
Total non-operating income	585	671
Non-operating expenses		
Interest expenses	11	28
Foreign exchange losses	81	—
Depreciation	16	16
Contracted research expenses	—	18
Other	20	9
Total non-operating expenses	130	72
Ordinary income	3,877	6,264
Extraordinary income		
Gain on sales of non-current assets	23	4
Subsidy income	24	14
Total extraordinary income	48	18
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	169	152
Loss on valuation of shares of subsidiaries and associates	14	—
Loss on liquidation of subsidiaries and associates	15	—
Total extraordinary losses	198	153
Profit before income taxes	3,726	6,130
Income taxes - current	895	1,278
Income taxes for prior periods	—	*189
Income taxes - deferred	128	192
Total income taxes	1,024	1,660
Profit	2,702	4,470
Profit attributable to non-controlling interests	39	4
Profit attributable to owners of parent	2,662	4,465

(Consolidated statement of comprehensive income)

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	2,702	4,470
Other comprehensive income		
Valuation difference on available-for-sale securities	17	28
Foreign currency translation adjustment	182	2,102
Remeasurements of defined benefit plans, net of tax	(10)	(23)
Share of other comprehensive income of entities accounted for using equity method	10	108
Total other comprehensive income	199	2,215
Comprehensive income	2,901	6,685
Comprehensive income attributable to		
Owners of parent	2,854	6,675
Non-controlling interests	47	10

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

(Millions of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,789	46,717	(60)	64,394
Changes of items during period					
Dividends of surplus			(1,048)		(1,048)
Profit attributable to owners of parent			2,662		2,662
Purchase of treasury shares				(0)	(0)
Additional purchase of shares of subsidiaries		(179)			(179)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(179)	1,613	(0)	1,433
Balance at end of period	7,947	9,609	48,331	(60)	65,828

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	114	442	1	558	753	65,706
Changes of items during period						
Dividends of surplus						(1,048)
Profit attributable to owners of parent						2,662
Purchase of treasury shares						(0)
Additional purchase of shares of subsidiaries						(179)
Net changes of items other than shareholders' equity	17	185	(10)	191	(709)	(518)
Total changes of items during period	17	185	(10)	191	(709)	915
Balance at end of period	131	628	(9)	749	43	66,622

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

(Millions of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,609	48,331	(60)	65,828
Changes of items during period					
Dividends of surplus			(1,048)		(1,048)
Profit attributable to owners of parent			4,465		4,465
Purchase of treasury shares				(0)	(0)
Additional purchase of shares of subsidiaries		—			—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,417	(0)	3,416
Balance at end of period	7,947	9,609	51,748	(60)	69,245

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	131	628	(9)	749	43	66,622
Changes of items during period						
Dividends of surplus						(1,048)
Profit attributable to owners of parent						4,465
Purchase of treasury shares						(0)
Additional purchase of shares of subsidiaries						—
Net changes of items other than shareholders' equity	28	2,204	(23)	2,209	8	2,217
Total changes of items during period	28	2,204	(23)	2,209	8	5,634
Balance at end of period	159	2,833	(33)	2,959	52	72,256

(4) Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	3,726	6,130
Depreciation	2,784	2,952
Share of (profit) loss of entities accounted for using equity method	(65)	(83)
Increase (decrease) in net defined benefit asset or liability	(131)	(116)
Increase (decrease) in provision for bonuses	(20)	196
Increase (decrease) in provision for directors' bonuses	(11)	9
Increase (decrease) in allowance for doubtful accounts	(67)	(63)
Interest and dividend income	(136)	(132)
Interest expenses	11	28
Foreign exchange losses (gains)	12	(229)
Loss (gain) on sale of non-current assets	(23)	(4)
Loss on retirement of non-current assets	169	152
Decrease (increase) in notes and accounts receivable - trade	2,844	(2,093)
Decrease (increase) in inventories	(229)	221
Increase (decrease) in notes and accounts payable - trade	(328)	465
Other, net	(515)	769
Subtotal	8,019	8,203
Interest and dividend income received	155	151
Interest expenses paid	(11)	(28)
Income taxes (paid) refund	(1,142)	(997)
Net cash provided by (used in) operating activities	7,020	7,328
Cash flows from investing activities		
Payments into time deposits	(6,864)	(6,861)
Proceeds from withdrawal of time deposits	14,356	5,832
Purchase of property, plant and equipment	(6,190)	(5,076)
Proceeds from sales of property, plant and equipment	44	5
Purchase of intangible assets	(86)	(101)
Other, net	(248)	(51)
Net cash provided by (used in) investing activities	1,011	(6,252)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(18)	(30)
Repayments of long-term loans payable	(30)	(32)
Repayments of finance lease obligations	(64)	(146)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,048)	(1,048)
Dividends paid to non-controlling interests	(42)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(894)	—
Net cash provided by (used in) financing activities	(2,099)	(1,261)
Effect of exchange rate change on cash and cash equivalents	59	561
Net increase (decrease) in cash and cash equivalents	5,992	376
Cash and cash equivalents at beginning of period	6,101	12,093
Cash and cash equivalents at end of period	12,093	12,470

(5) Notes to the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

Not applicable.

(Significant items that form the basis of preparations for consolidated financial statements)

1. Items concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries

Totan Kako Co., Ltd.
Ohwada Carbon Industrial Co., Ltd.
Toyo Tanso USA, Inc.
Toyo Tanso Europe S.p.A.
Toyo Tanso France S.A.
GTD Graphit Technologie GmbH
Shanghai Toyo Tanso Co., Ltd.
Shanghai Toyo Tanso Industrial Co., Ltd.
Toyo Tanso (Zhejiang) Co., Ltd.
Chengdu Toyo Tanso Industrial Co., Ltd.
Toyo Tanso Taiwan Co., Ltd.

(2) Names of non-consolidated subsidiaries

Non-consolidated subsidiaries

Toyo Tanso Korea Co., Ltd.
Toyo Tanso (Thailand) Co., Ltd.
Toyo Tanso Singapore Pte. Ltd.
Toyo Tanso Mexico, S.A. de C.V.
PT. Toyo Tanso Indonesia

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiaries were not included in the scope of consolidation because their total assets, net sales, net income (loss; amount corresponding to equity), and retained earnings (amount corresponding to equity) do not have a material impact on the consolidated financial statements.

2. Items concerning the application of the equity method

(1) Number of affiliated companies accounted for using the equity method: 2

Significant affiliated companies accounted for using the equity method

ATN Graphite Technology Co., Ltd.
Shanghai Yongxin Toyo Tanso Co., Ltd.

(2) Because non-consolidated subsidiaries have very little impact on net income (loss; amount corresponding to equity) or retained earnings (amount corresponding to equity) and have no materiality overall, the equity method has not been applied to the investment account for these companies, and they have instead been valued at cost.

There are five non-consolidated subsidiaries to which the equity method has not been applied: Toyo Tanso Korea Co., Ltd., Toyo Tanso (Thailand) Co., Ltd., Toyo Tanso Singapore Pte. Ltd., Toyo Tanso Mexico, S.A. de C.V., and PT. Toyo Tanso Indonesia.

3. Items concerning the business years of subsidiaries

The closing date for all consolidated subsidiaries is in line with the consolidated closing date.

4. Items concerning accounting policies

(1) Valuation standards and method for significant assets

a. Securities

(a) Shares of subsidiaries and affiliates

Stated at cost using the moving average method

(b) Other securities

Securities with a readily determinable fair value

Stated at fair value based on market price on the consolidated closing date (valuation differences are treated through the partial direct net asset adjustment method and sales costs are calculated with the moving average method)

Securities without a readily determinable fair value

Stated at cost using the moving average method

b. Derivatives

Stated at fair value

c. Inventories

(a) Merchandise and raw materials

Mainly stated at cost using the moving average method

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(b) Finished goods, work in process, and semi-finished goods

Mainly stated at individual cost

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(c) Supplies

Mainly stated at cost based on the last purchase price

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(2) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

The straight-line method is used.

The main useful lives are as follows.

Buildings and structures: 3 to 50 years

Machinery, equipment and vehicles: 4 to 9 years

b. Intangible assets (excluding leased assets)

The straight-line method is used. However, the straight-line method is used for software (in-house use) based on the in-house use period (five years).

c. Leased assets

Leased assets in financial lease transactions with transfer of ownership

We use the same depreciation method for non-current assets owned by the Company.

Leased assets in financial lease transactions without transfer of ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero.

(3) Criteria for posting significant reserves

a. Allowance for doubtful accounts

To make allowance for losses on uncollectible accounts, the expected uncollectible amount is posted based on the loss ratio for general receivables and by individually examining the collectability of specific doubtful accounts.

b. Provision for bonuses

The Toyo Tanso Group posts the liability amount of expected payments for the current consolidated fiscal year to provide for bonuses paid to employees.

c. Provision for directors' bonuses

The Toyo Tanso Group posts the expected payment amount to provide for bonuses paid to directors.

(4) Accounting policies for retirement benefits

a. Attribution method for projected retirement benefits

The benefit formula method is used to attribute projected retirement benefits to periods until the fiscal year-end.

b. Amortization of actuarial differences and unrecognized prior service costs

Actuarial differences are treated as a lump-sum expense in the following consolidated fiscal year.

c. Adoption of simplified methods for small-scale companies

Some consolidated companies adopt a simplified method in which the amount paid for voluntary termination is posted as retirement benefit obligations when calculating net defined benefit liabilities and retirement benefit expenses.

(5) Standards for converting significant foreign currency-denominated assets and liabilities to Japanese yen
Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the consolidated closing date, and revenue and expenses are converted to yen at the average annual exchange rate. Translation differences are then posted as part of non-controlling interests and foreign currency translation adjustment in net assets.

(6) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short-term investments with high liquidity that can easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

(7) Other material items relating to the preparation of the consolidated financial statements

Accounting treatment for consumption taxes

The tax-excluded method is used.

(Additional information)

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

It is difficult to reasonably estimate the impact of COVID-19 at this point in time because it is uncertain how the virus will spread or when it will be brought under control.

In these conditions, based on the information available when the consolidated financial statements were created, the Group has assumed that the impact of the spread of COVID-19 will continue for a certain period of time and, based on this, has made estimates for recovering deferred tax assets and the impairment of fixed assets. As a result, the Group has concluded that there will be no significant impact on accounting estimates at the end of the current fiscal year.

However, it is highly uncertain how a further spread or prolongation of the pandemic would impact economic activity, meaning that it could impact the Group's financial status, business results, and cash flow in the future.

(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)

1. Reportable Segments

The reportable segments of the Toyo Tanso Group are business components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide on the allocation of management resources and evaluate performance.

The Company primarily engages in the manufacture and sale of carbon products, in Japan through Toyo Tanso and domestic subsidiaries, and abroad through overseas subsidiaries based in the United States, Europe, and Asia. All overseas subsidiaries are independently managed companies. They conduct business by formulating their own comprehensive regional strategies for the products they handle.

For this reason, our business is composed of segments that are based on region-based production and sales frameworks, and is categorized into the four reportable segments of Japan, United States, Europe, and Asia.

2. Calculation methods of net sales, profits, losses, assets, and other items by reportable segment

The accounting methods of reportable segments are by and large the same as those described in “Significant items that form the basis of preparations for consolidated financial statements.”

Profits of reportable segments are recorded on an operating income basis.

Inter-segment sales are based on prices in arms-length transactions.

3. Information on net sales, profits, losses, assets, and other items by reportable segment

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	16,875	2,486	2,927	8,937	31,226	—	31,226
(2) Inter-segment sales or transfers	5,843	72	—	128	6,043	(6,043)	—
Total	22,718	2,558	2,927	9,066	37,270	(6,043)	31,226
Segment profit (loss)	2,888	14	(87)	438	3,254	168	3,422
Segment assets	65,657	2,191	3,061	17,333	88,243	(12,167)	76,075
Other items							
(1) Depreciation	2,260	72	130	321	2,784	—	2,784
(2) Increase in property, plant and equipment and intangible assets	5,620	97	116	541	6,375	—	6,375

(Notes) 1. The adjusted amounts are as follows:

(1) Adjusted segment profit (loss) mainly takes into account the elimination of inter-segment transactions and unrealized income.

(2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.

2. Segment profit (loss) has been adjusted to reflect the operating income recorded in the consolidated statement of income.

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	19,446	2,700	3,157	12,429	37,734	—	37,734
(2) Inter-segment sales or transfers	7,113	38	0	348	7,500	(7,500)	—
Total	26,560	2,739	3,157	12,777	45,234	(7,500)	37,734
Segment profit	4,321	132	124	1,067	5,644	21	5,666
Segment assets	69,405	2,700	3,316	20,869	96,291	(12,636)	83,655
Other items							
(1) Depreciation	2,341	66	144	400	2,952	—	2,952
(2) Increases in tangible and intangible fixed assets	4,721	117	137	174	5,150	—	5,150

(Notes) 1. The adjusted amounts are as follows:

- (1) Adjusted segment profit mainly takes into account the elimination of inter-segment transactions and unrealized income.
 - (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
2. Segment profit has been adjusted to reflect the operating income recorded in the consolidated statement of income.

[Related information]

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

1. Information by product and service

This information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product-related business.

2. Information by region

(1) Net sales

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	13,450	2,905	2,804	11,900	8,304	165	31,226
Composition (%)	43.1	9.3	9.0	38.1	26.6	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 are listed below.

- (1) North America: United States
- (2) Europe: France, Germany, Italy
- (3) Asia: China, Taiwan, South Korea

(2) Property, plant and equipment

(Millions of yen, rounded down)

	Japan	United States	Europe	Asia		Total
				Asia (including China)	China only	
	22,852	377	1,252	3,965	3,244	28,448

3. Information by major customer

This information has been omitted because we do not have any unaffiliated customers that have accounted for more than 10% of sales in the consolidated statement of income.

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

1. Information by product and service

This information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product-related business.

2. Information by region

(1) Net sales

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	15,464	2,993	3,458	15,584	11,707	233	37,734
Composition (%)	41.0	7.9	9.2	41.3	31.0	0.6	100.0

- (Notes)
- Net sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.
 - The major countries or regions included in each geographic segment are listed below.
 - North America: United States
 - Europe: France, Germany, Italy
 - Asia: China, Taiwan, South Korea

(2) Property, plant and equipment

(Millions of yen, rounded down)

	Japan	United States	Europe	Asia		Total
				Asia (including China)	China only	
	25,019	469	1,272	4,284	3,473	31,046

3. Information by major customer

This information has been omitted because we do not have any unaffiliated customers that have accounted for more than 10% of sales in the consolidated statement of income.

[Information on impairment loss for non-current assets by reportable segment]

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

Not applicable.

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

Not applicable.

[Information on the amortization of goodwill and unamortized balance by reportable segment]

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

Not applicable.

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

Not applicable.

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

Not applicable.

(Per share information)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Net assets per share	3,174.52 yen	3,442.80 yen
Profit attributable to owners of parent per share (basic)	126.95 yen	212.94 yen

- (Notes) 1. Profit attributable to owners of parent per share (diluted) is not noted, as there are no residual shares outstanding.
2. The basis for calculating profit attributable to owners of parent per share (basic) and profit attributable to owners of parent per share (diluted) is outlined below.

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Profit attributable to owners of parent per share (basic)		
Profit attributable to owners of parent (millions of yen)	2,662	4,465
Amount not attributed to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	2,662	4,465
Average number of common shares during the period (shares)	20,972,752	20,972,660

(Significant subsequent events)

Not applicable.

4. Others

(1) Orders and Sales by Product Category

i. Orders

(Unit: millions of yen)

Products	Year ended December 31, 2020					Year ended December 31, 2021				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	3,458	2,838	2,819	3,352	12,468	4,319	4,630	4,540	4,881	18,371
Carbon products for general industries*2 (for mechanical applications)	1,129	834	760	884	3,609	912	975	834	928	3,651
Carbon products for general industries (for electrical applications)	1,076	852	1,501	1,674	5,105	1,462	1,572	1,231	1,472	5,739
Compound materials and other products	1,769	1,544	1,818	2,060	7,191	2,466	2,618	3,104	3,573	11,762
Total	7,433	6,070	6,900	7,972	28,376	9,160	9,797	9,711	10,856	39,525

(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

(Unit: millions of yen)

Products	Year ended December 31, 2020				Year ended December 31, 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	2,437	2,115	1,904	2,134	3,072	3,691	3,906	4,533
Carbon products for general industries*2 (for mechanical applications)	905	789	701	745	760	828	779	775
Carbon products for general industries (for electrical applications)	900	707	932	1,188	1,275	1,349	1,174	1,229
Compound materials and other products	2,284	1,884	1,854	1,841	2,284	2,741	3,366	4,400
Total	6,527	5,496	5,393	5,909	7,393	8,611	9,227	10,938

(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

(Unit: millions of yen)

Products	Year ended December 31, 2020					Year ended December 31, 2021				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	3,650	3,455	3,348	3,452	13,907	3,588	4,296	4,627	4,630	17,143
[Electronics applications]	1,351	1,305	1,281	1,328	5,266	1,359	1,741	1,874	1,776	6,751
[General industries applications]	1,880	1,664	1,654	1,824	7,024	1,790	2,088	2,181	2,317	8,377
[Others]	418	485	412	299	1,616	438	467	571	536	2,013
Carbon products for general industries (for mechanical applications)	1,032	977	875	879	3,763	927	945	906	958	3,738
Carbon products for general industries (for electrical applications)	945	1,040	1,256	1,459	4,701	1,423	1,506	1,407	1,388	5,727
Compound materials and other products	1,929	1,959	1,862	2,084	7,835	2,052	2,186	2,495	2,571	9,306
[3 major products]	1,675	1,684	1,615	1,768	6,743	1,743	1,836	2,073	2,155	7,808
[Other products]	253	274	247	316	1,092	308	350	421	416	1,497
Related goods	338	184	262	232	1,017	297	310	476	735	1,819
Total	7,897	7,616	7,605	8,107	31,226	8,288	9,246	9,913	10,285	37,734

(2) Overview

Special graphite products

In electronics applications, sales of products for single-crystal silicon manufacturing and products for compound semiconductor applications such as SiC (silicon carbide) semiconductors increased significantly, which, combined with demand for products for solar cell manufacturing applications in China as well as inquiries received in certain other regions of Asia, resulted in a small increase year on year. As a result, sales rose 28.2% over the previous fiscal year.

In general industries applications, sales of metallurgical applications such as products for continuous casting and industrial furnaces significantly increased, and sales of products for EDM electrodes remained solid, resulting in a 19.3% increase year on year.

Due to these factors, sales of special graphite products overall were up 23.3% year on year.

Carbon products for general industries

Sales of carbon products for mechanical applications were at around the same level as the previous fiscal year, with a decline of 0.7%, reflecting steady performance of bearings and sealing rings despite the absence of one-off demand observed in the first half, and solid result also of pantograph sliders.

Sales of carbon products for electrical applications increased by 21.8% year on year due to continued robust demand for compact motors for home appliances and electrical power tools.

Due to these factors, sales of carbon products for general industries overall rose 11.8% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products increased year on year, driven by a significant increase in sales of products for SiC semiconductor applications as well as expanded demand for products for Si (silicon) semiconductor and LED applications. 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 15.8% over the previous fiscal year, and sales of compound materials and other products increased 18.8% over the previous fiscal year.