

May 16, 2022

Consolidated Financial Results for the Three Months Ended March 31, 2022 [Japanese GAAP]

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Stock code:	5310
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Scheduled date for submission of quarterly report:	May 16, 2022
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, 2022

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

(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 profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Three months ended March 31, 2022	9,906	19.5	1,502	49.8	1,783	41.2	1,203	73.5
Three months ended March 31, 2021	8,288	5.0	1,002	10.8	1,263	51.8	693	22.0

Note: Comprehensive income:

Three months ended March 31, 2022	2,374 million yen (40.3%)
Three months ended March 31, 2021	1,692 million yen (774.9%)

	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, 2022	57.37	-
Three months ended March 31, 2021	33.06	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets		Net assets		Equity ratio	
						%
As of March 31, 2022	84,190		73,372			87.1
As of December 31, 2021	83,655		72,256			86.3
Reference: Shareholders' equity						
March 31, 2022			73,318 million yen			
December 31, 2021			72,204 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, 2021	–	0.00	–	60.00	60.00
Year ending December 31, 2022 (Actual)	–				
Year ending December 31, 2022 (Forecast)		0.00	–	70.00	70.00

(Note) Revisions of projected dividends most recently announced: None

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 profit		Ordinary profit		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

(Note) Revisions of consolidated forecasts most recently announced: None

*** Others**

(1) Changes in significant subsidiaries during the period under review:

(Changes in specified subsidiaries accompanying changes in scope of consolidation): None

New subsidiaries: ___ (name of company(ies))

Excluded subsidiaries: ___ (name of company(ies))

(2) Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to “Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements” on page 8 of the Attached Documents.

(3) Changes in accounting policies and accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(Note) For details, please refer to “Change in accounting policies” on page 8 of the Attached Documents.

(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, 2022 20,992,588 shares

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

2) Number of treasury stock at the end of period

As of March 31, 2022 20,028 shares

As of December 31, 2021 20,028 shares

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

Three months ended March 31, 2022 20,972,560 shares

Three months ended March 31, 2021 20,972,740 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 recovery were visible domestically and in overseas economies, mainly in developed countries. However, the resurgence of the COVID-19 pandemic and the increasingly tense situation in Ukraine triggered rising prices for resources and raw fuels along with supply chain disruptions, leaving an uncertain outlook.

Looking at the business environment surrounding the Group, in mobility applications, semiconductor shortages and supply chain holdups are affecting operations in the automobile industry. In energy applications, operations in the Chinese solar cell market trended downward due to factors including soaring raw material prices. In electronics applications, however, the semiconductor market remained robust against the backdrop of strong demand.

In this environment, to achieve the management targets of the new Medium-term Management Plan that we announced in February 2022, the Group advanced business development that agilely captured change in the external environment. While improving cost competitiveness through productivity enhancements, undertaking development and reinforcement of new and high value-added products that are able to keep pace with technological innovations, and while otherwise solidly addressing customer needs, we advanced business in a way that steadily captured business opportunities. In addition, we advanced initiatives aimed at securing and maintaining profitability in order to mitigate the effects of soaring raw fuel prices.

As a result, in the first quarter of the consolidated fiscal year under review, net sales rose 19.5% year on year to 9,906 million yen, and on the profit side, operating profit rose 49.8% to 1,502 million yen, ordinary profit rose 41.2% to 1,783 million yen, and profit attributable to owners of parent rose 73.5% year on year to 1,203 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 increased considerably year on year, supported by strong demand. Sales of products for industrial furnace applications and products for metallurgical applications overall, including products for EDM electrodes, remained strong. Sales of carbon products for mechanical applications also remained robust. As a result, net sales in Japan were 5,226 million yen (up 24.3% year on year), and operating profit was 1,259 million yen (up 40.9% year on year).

United States

Sales of products for semiconductor applications were strong. Sales of products for industrial furnace applications, products for continuous casting, and other products for metallurgical applications increased significantly. As a result, in the United States, net sales were 782 million yen (up 29.9% year on year), and operating profit was 54 million yen (up 12,935.2 % year on year).

Europe

Sales of products for metallurgical applications remained strong, and sales of carbon brush products and other applications were solid. This resulted in net sales of 930 million yen (up 13.0% year on year) and operating profit of 61 million yen (up 7.6% year on year) in Europe.

Asia

Sales of carbon brush products declined from the high level of the same period in the previous year, and sales of products for solar cell applications declined. Despite this, sales of products for semiconductor applications, industrial furnace applications, and other metallurgical applications remained strong. As a result, net sales in Asia were 2,966 million yen (up 11.7% year on year), and operating profit was 279 million yen (up 121.8% year on year).

(2) Explanation Regarding Financial Position

As of March 31, 2022, total assets increased by 535 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits decreased by 1,192 million yen, notes and accounts receivable - trade increased by 240 million yen, inventories increased by 714 million yen, property, plant and equipment increased by 472 million yen, and investments and other assets increased by 346 million yen.

Total liabilities decreased by 580 million yen from the end of the previous consolidated fiscal year. This was primarily because, although provision for bonuses increased by 346 million yen, income taxes payable decreased by 372 million yen, and other current liabilities decreased by 515 million yen due to factors including a decrease in notes payable - facilities.

Total net assets increased by 1,116 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustment increased by 1,210 million yen.

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

In response to the lockdown implemented in Shanghai, China, to curb COVID-19 contagion, the Group temporarily suspended operations at two consolidated subsidiaries (Shanghai Toyo Tanso Co., Ltd. and Shanghai Toyo Tanso Industrial Co., Ltd.). Operations have been resumed at both companies. Current order status, including in China, is high. To absorb the effects of the suspensions of operations, the Group intends to enhance productivity and to work as a group to address the orders. Accordingly, there is no change to the consolidated forecast for the fiscal year ending December 2022 from the forecast issued on February 14, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2021	As of March 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,364	14,172
Notes and accounts receivable - trade	14,198	14,438
Securities	2,999	2,999
Merchandise and finished goods	7,477	7,508
Work in process	5,722	6,373
Raw materials and supplies	2,823	2,856
Other	526	482
Allowance for doubtful accounts	(103)	(105)
Total current assets	49,009	48,725
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,229	11,253
Machinery, equipment and vehicles, net	9,289	9,999
Land	5,891	5,916
Leased assets, net	1,233	1,246
Construction in progress	2,181	1,742
Other, net	1,221	1,359
Total property, plant and equipment	31,046	31,518
Intangible assets	283	283
Investments and other assets	3,316	3,662
Total non-current assets	34,645	35,464
Total assets	83,655	84,190

(Millions of yen, rounded down)

	As of December 31, 2021	As of March 31, 2022
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,225	2,133
Electronically recorded obligations - operating	968	1,002
Short-term borrowings	191	297
Accounts payable - other	2,041	2,015
Income taxes payable	852	480
Provision for bonuses	602	948
Provision for directors' bonuses	29	—
Other	3,233	2,718
Total current liabilities	10,145	9,596
Non-current liabilities		
Long-term borrowings	8	—
Net defined benefit liability	150	159
Asset retirement obligations	269	270
Other	825	791
Total non-current liabilities	1,252	1,221
Total liabilities	11,398	10,817
Net assets		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	51,748	51,693
Treasury shares	(60)	(60)
Total shareholders' equity	69,245	69,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159	110
Foreign currency translation adjustment	2,833	4,043
Remeasurements of defined benefit plans	(33)	(25)
Total accumulated other comprehensive income	2,959	4,128
Non-controlling interests	52	54
Total net assets	72,256	73,372
Total liabilities and net assets	83,655	84,190

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2021 and 2022

(Millions of yen, rounded down)

	Three months ended March 31, 2021 Amount	Three months ended March 31, 2022 Amount
Net sales	8,288	9,906
Cost of sales	5,731	6,752
Gross profit	2,557	3,153
Selling, general and administrative expenses	1,554	1,651
Operating profit	1,002	1,502
Non-operating income		
Interest income	17	19
Dividend income	0	0
Foreign exchange gains	176	206
Share of profit of entities accounted for using equity method	21	12
Subsidies for employment adjustment	38	—
Other	18	59
Total non-operating income	272	298
Non-operating expenses		
Interest expenses	7	9
Depreciation	3	4
Other	0	3
Total non-operating expenses	12	17
Ordinary profit	1,263	1,783
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sale of investment securities	—	1
Subsidy income	7	5
Total extraordinary income	7	8
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	52	37
Total extraordinary losses	52	37
Profit before income taxes	1,217	1,755
Income taxes	334	551
Income taxes for prior periods	189*	—
Total income taxes	523	551
Profit	694	1,203
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	693	1,203

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2021 and 2022

(Millions of yen, rounded down)

	Three months ended March 31, 2021 Amount	Three months ended March 31, 2022 Amount
Profit	694	1,203
Other comprehensive income		
Valuation difference on available-for-sale securities	25	(49)
Foreign currency translation adjustment	923	1,150
Remeasurements of defined benefit plans, net of tax	2	8
Share of other comprehensive income of entities accounted for using equity method	46	61
Total other comprehensive income	998	1,170
Comprehensive income	1,692	2,374
Comprehensive income attributable to:		
Owners of parent	1,689	2,372
Non-controlling interests	3	2

(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.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition and related guidance)

The Group began applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the consolidated fiscal year under review. Accordingly, revenue is recognized at a point in time when control of promised goods or services is transferred to customers, at the amount that is expected to be received in exchange for the goods or services.

Through the application of this, while revenue for some export sales has been recognized on a shipping basis, the Group has changed to the method of recognizing revenue at the time that risk exposure is transferred to the customer, based on terms of trade prescribed by Incoterms, etc.

With regard to the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the consolidated fiscal year under review has been added to or subtracted from retained earnings at the beginning of the first quarter of the consolidated fiscal year under review, and the new accounting policy has been applied to the opening balance at the start of this three-month period. There is no impact on balance at the beginning of the period.

As a result, the impact on quarterly consolidated financial statements during the first quarter of the consolidated fiscal year under review is negligible.

Furthermore, as permitted by the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), disaggregated information on revenue from contracts with customers during the first quarter of the previous consolidated fiscal year has not been disclosed.

(Application of accounting standard for fair value measurement and related guidance)

The Group began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter "Accounting Standard for Fair Value Measurement") and related guidance from the beginning of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement and related guidance will be applied into the future. This will have no impact on the quarterly consolidated financial statements.

(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

Three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

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.

Three months under review (from January 1, 2022 to March 31, 2022)

Not applicable.

(Segment information)

I. Three months ended March 31, 2021 (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							
Sales to unaffiliated customers	4,206	601	823	2,657	8,288	—	8,288
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	894	0	56	125	1,077	(74)	1,002

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

2. Segment profit has been adjusted to reflect the operating profit 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

II. Three months under review (from January 1, 2022 to March 31, 2022)

1. Information on net sales and the amount of profits (losses) by reportable segment and disaggregated information on revenue

(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							
Goods transferred at a point in time	5,226	782	930	2,966	9,906	—	9,906
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	5,226	782	930	2,966	9,906	—	9,906
Sales to unaffiliated customers	5,226	782	930	2,966	9,906	—	9,906
Intersegment sales or transfers	1,541	3	—	30	1,576	(1,576)	—
Total	6,768	785	930	2,997	11,482	(1,576)	9,906
Segment profit	1,259	54	61	279	1,654	(152)	1,502

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

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

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	4,263	861	999	3,736	2,785	45	9,906
Composition (%)	43.0	8.7	10.1	37.7	28.1	0.5	100.0

(Notes) 1. Net sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.

2. The major countries or regions included in each geographic segment (except Japan) are listed below.

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

3. Matters concerning changes in reportable segments, etc.

As described in “Notes (Changes in accounting policies),” the “Accounting Standard for Revenue Recognition” was applied from the first quarter of the consolidated fiscal year under review. As the accounting method for recognition of revenue has changed, methods for the calculation of profit or loss in business segments has similarly changed.

3. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2021					Year ending December 31, 2022
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,319	4,630	4,540	4,881	18,371	4,638
Carbon products for general industries* ² (for mechanical applications)	912	975	834	928	3,651	951
Carbon products for general industries (for electrical applications)	1,462	1,572	1,231	1,472	5,739	1,083
Compound materials and other products	2,466	2,618	3,104	3,573	11,762	3,034
Total	9,160	9,797	9,711	10,856	39,525	9,708

(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, 2021				Year ending December 31, 2022
	1Q	2Q	3Q	4Q	1Q
Special graphite products	3,072	3,691	3,906	4,533	5,249
Carbon products for general industries* ² (for mechanical applications)	760	828	779	775	830
Carbon products for general industries (for electrical applications)	1,275	1,349	1,174	1,229	993
Compound materials and other products	2,284	2,741	3,366	4,400	4,854
Total	7,393	8,611	9,227	10,938	11,927

(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, 2021					Year ending December 31, 2022
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,588	4,296	4,627	4,630	17,143	4,340
[Electronics applications]	1,359	1,741	1,874	1,776	6,751	1,612
[General industries applications]	1,790	2,088	2,181	2,317	8,377	2,187
[Others]	438	467	571	536	2,013	540
Carbon products for general industries (for mechanical applications)	927	945	906	958	3,738	926
Carbon products for general industries (for electrical applications)	1,423	1,506	1,407	1,388	5,727	1,371
Compound materials and other products	2,052	2,186	2,495	2,571	9,306	2,656
[3 major products]	1,743	1,836	2,073	2,155	7,808	2,241
[Other products]	308	350	421	416	1,497	414
Related goods	297	310	476	735	1,819	611
Total	8,288	9,246	9,913	10,285	37,734	9,906

(2) Overview

Special graphite products

In electronics applications, sales of products for solar cell manufacturing applications declined due to factors including operational decline in the market. Despite this, sales of products for single-crystal silicon manufacturing and products for compound semiconductor applications, including for SiC (silicon carbide) semiconductors, increased significantly, resulting in an increase of 18.6% year on year.

In general industrial applications, sales of products for continuous casting, products for industrial furnaces, and other products for metallurgical applications, as well as products for EDM electrodes, increased significantly, resulting in an increase of 22.2% year on year.

Due to these factors, sales of special graphite products overall were up 21.0% over the previous year.

Carbon products for general industries

In carbon products for mechanical applications, demand for our mainstay bearings, sealing rings, etc. remained solid, as did demand for pantograph sliders. Sales maintained the level of the previous year, declining by 0.1% year on year.

Sales of carbon products for electrical applications declined by 3.7% year on year due to factors including a slight decline in demand for compact motors for home appliances and power tools from the high level of the previous fiscal year.

Due to these factors, sales of carbon products for general industries overall fell 2.3% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products increased year on year due to significant growth in sales for Si (silicon) and SiC (silicon carbide) semiconductors. Sales of C/C composite products increased year on year due to factors including strong demand for products for industrial furnace applications and semiconductor applications. Sales of graphite sheet products increased year on year due to continued strong sales for semiconductor applications and metallurgical applications.

Due to these factors, sales of the three major products rose 28.6% over the previous year, and sales of compound materials and other products increased 29.4% over the previous year.