

February 14, 2023

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]

Listed company name:	<b>Toyo Tanso Co., Ltd.</b>
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	5310
Website:	<a href="https://www.toyotanso.co.jp">https://www.toyotanso.co.jp</a>
Representative:	Naotaka Kondo, Representative Director, Chairman & President, CEO
Contact:	Shigeki Masuda, General Manager, Finance and Accounting Department
TEL:	81-6-6472-5811 (from overseas)
Scheduled date for ordinary general meeting of shareholders:	March 30, 2023
Scheduled date for dividend payment:	March 31, 2023
Scheduled date for submission of securities report:	March 31, 2023
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, 2022

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

#### (1) Operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	%	%	%	%	%	%	%	
Fiscal year ended December 31, 2022	43,774	16.0	6,667	17.7	7,369	17.6	5,181	16.0
Fiscal year ended December 31, 2021	37,734	20.8	5,666	65.6	6,264	61.6	4,465	67.7

Note: Comprehensive income:  
 Fiscal year ended December 31, 2022      6,207 million yen (-7.1%)  
 Fiscal year ended December 31, 2021      6,685 million yen (130.4%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit /total assets	Operating profit /net sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2022	247.08	—	6.9	8.5	15.2
Fiscal year ended December 31, 2021	212.94	—	6.4	7.8	15.0

Reference: Equity in earnings of affiliates  
 December 31, 2022      158 million yen  
 December 31, 2021      83 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, 2022	89,432	77,200	86.3	3,678.50
As of December 31, 2021	83,655	72,256	86.3	3,442.80

Reference: Shareholders' equity

December 31, 2022	77,147 million yen
December 31, 2021	72,204 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, 2022	5,625	(5,253)	(1,388)	11,773
Fiscal year ended December 31, 2021	7,328	(6,252)	(1,261)	12,470

**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, 2021	-	0.00	-	60.00	60.00	1,258	28.2	1.8
Year ended December 31, 2022	-	0.00	-	70.00	70.00	1,468	28.3	2.0
Year ending December 31, 2023 (Forecast)	-	0.00	-	80.00	80.00		30.5	

**3. Consolidated results forecast for the fiscal year ending December 31, 2023**

(From January 1, 2023 to December 31, 2023)

(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, 2023	23,000	13.3	3,800	25.0	3,800	2.6	2,600	1.4		123.97
Fiscal year ending December 31, 2023	47,000	7.4	8,000	20.0	8,000	8.6	5,500	6.1		262.25

**\* 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.: 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 “Changes in accounting policies” on page 15 of the Attached Documents.

**(3) Number of shares outstanding (common shares )**

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

As of December 31, 2022 20,992,588 shares

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

2) Number of treasury shares at the end of period

As of December 31, 2022 20,078 shares

As of December 31, 2021 20,028 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2022 20,972,528 shares

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

**Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS**

**Non-consolidated financial results for the fiscal year ended December 31, 2022**

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

**(1) Operating results**

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
		%		%		%		%
Fiscal year ended December 31, 2022	30,988	16.8	6,157	59.2	7,895	62.4	5,835	65.7
Fiscal year ended December 31, 2021	26,533	17.0	3,867	44.8	4,862	46.5	3,522	47.9

	Basic earnings per share	Diluted e per share
	yen	yen
Fiscal year ended December 31, 2022	278.23	-
Fiscal year ended December 31, 2021	167.96	-

**(2) Financial position**

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2022	69,160	59,804	86.5	2,851.59
As of December 31, 2021	64,502	55,270	85.7	2,635.36

Reference: Shareholders' equity

December 31, 2022

59,804 million yen

December 31, 2021

55,270 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 20 2023. 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, 2022

During the consolidated fiscal year under review, signs of recovery were visible domestically and in overseas economies, mainly in developed countries. However, an uncertain outlook continued due to factors including soaring resource prices and supply chain disruptions caused by the prolonged problems in Ukraine and constrained economic activity in China, with signs of the economic recovery in Europe and the United States stalling due to accelerating inflation.

Looking at the business environment surrounding the Group, in mobility applications, semiconductor shortages and supply constraints are affecting operations in the automobile industry. In electronics applications, demand remained strong in the face-to-face market and demand was also solid for general industrial applications, although it entered a correction phase in some semiconductor applications.

In this environment, to achieve the management targets of the Medium-term Management Plan, 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 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 consolidated fiscal year under review, net sales were 43,774 million yen (up 16.0% year on year). This reflected firm demand of products for semiconductor and metallurgical applications combined with the impact of the yen depreciation, despite declining demand for carbon brush products. On the profit side, despite a profit decline that resulted from a larger-than-anticipated increase in unrealized profit on inventories due to the yen depreciation, operating profit rose 17.7% year on year to 6,667 million yen, ordinary profit rose 17.6% year on year to 7,369 million yen, and profit attributable to owners of parent stood at 5,181 million yen, up 16.0% year on year.

The overall performance of each business segment was as follows. (Please refer to “4. Others” 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 solid. As a result, net sales in Japan were 22,761 million yen (up 17.0% year on year), and operating profit was 6,435 million yen (up 48.9% year on year).

#### United States

Sales of products for semiconductor applications were strong. Sales of products for continuous casting and other products for metallurgical applications and those for EDM electrodes increased significantly. As a result, in the United States, net sales were 3,382 million yen (up 25.2% year on year). Operating profit decreased by 30.6% year on year to 91 million yen, mainly due to increased labor costs.

#### Europe

Although sales of carbon brush products declined year on year due partly to a demand slowdown resulting from economic stagnation, products for metallurgical applications, our mainstay products, saw strong performance, along with an increase in sales of products for semiconductor applications in particular. As a result, in Europe, net sales were 3,708 million yen (up 17.5% year on year). Operating profit decreased by 71.1% year on year to 35 million yen, mainly due to increased labor costs.

#### Asia

Sales of carbon brush products declined from the high level of the same period in the previous year due to slower demand for home appliances and power tools, while sales of products for solar cell applications declined significantly, partly because we pushed forward with the shift to high value-added products through selective order acceptance. On the other hand, products for semiconductor applications grew substantially and those for metallurgical applications remained solid. Although the supply chain disruptions caused by movement restrictions in China had an impact, sales performance as mentioned above led to a 12.0% year-on-year increase in net sales in Asia to 13,922 million yen and a 0.8%

year-on-year increase in operating profit to 1,075 million yen.

## **(2) Overview of Financial Position in the Fiscal Year Ended December 31, 2022**

### **Assets, Liabilities, and Net Assets**

Total assets as of the end of the consolidated fiscal year under review increased by 5,777 million yen from the end of the previous consolidated fiscal year. This was primarily because, notes and accounts receivable – trade increased by 2,408 million yen, inventories increased by 2,392 million yen, and deferred tax assets increased by 512 million yen.

Total liabilities increased by 833 million yen from the end of the previous consolidated fiscal year. This primarily reflected a 103 million yen increase in notes and accounts payable – trade, an 882 million yen increase in income taxes payable, and a 169 million yen increase in provision for bonuses, despite a decrease of 151 million yen in accounts payable – other, a decrease of 215 million yen in other current liabilities due largely to a decrease in notes payable – facilities, and a decrease of 161 million yen in other non-current liabilities due largely to a decrease in long-term lease liabilities.

Total net assets increased by 4,944 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 3,923 million yen and foreign currency translation adjustment increased by 1,111 million yen.

## **(3) Overview of Cash Flows in the Fiscal Year Ended December 31, 2022**

Cash and cash equivalents (hereinafter referred to as “funds”) as of December 31, 2022, decreased by 696 million yen from the end of the previous consolidated fiscal year to 11,773 million yen.

### **(Cash Flows from Operating Activities)**

Funds acquired by operating activities totaled 5,625 million yen, a 23.2% year-on-year decrease. This was primarily because the increase in funds due to profit before income taxes of 7,298 million yen (a 19.0% year-on-year increase), depreciation of 3,153 million yen (a 6.8% year-on-year increase), and an increase of 1,131 million yen (a 47.1% year-on-year increase) in other items attributable partly to an increase in advances received was offset by the decrease in funds due to an increase in trade receivables of 2,021 million yen (a 3.4% year-on-year decrease), an increase in inventories of 1,959 million yen (compared with a decrease of 221 million yen in the previous fiscal year), and income taxes paid of 1,692 million yen (a 69.7% year-on-year increase).

### **(Cash Flows from Investing Activities)**

Funds used in investing activities totaled 5,253 million yen, a 16.0% year-on-year decrease. This was primarily because the increase in funds from proceeds from withdrawals of time deposits of 7,722 million yen (a 32.4% year-on-year increase) was offset by a decrease in funds from payments into time deposits of 8,334 million yen (a 21.5% year-on-year increase) and the purchase of property, plant and equipment of 4,219 million yen (a 16.9% year-on-year decrease).

### **(Cash Flows from Financing Activities)**

Funds used in financing activities amounted to 1,388 million yen, a 10.1% year-on-year increase. This was primarily due to a decrease in funds, including 1,259 million yen in cash dividends paid (a 20.2% year-on-year increase).

## **(4) Forecasts**

The outlook for business conditions in Japan and overseas is expected to remain unclear due to concerns such as surging resource prices, in addition to geopolitical risks and economic stagnation resulting from inflation.

However, in the business environment surrounding the Group, solid demand can be expected, particularly for the electronics, mobility, and energy industries due to the continuation of digital investment and efforts to achieve carbon neutrality. The Group anticipates the continuation of strong demand in the face-to-face market, despite some cooling of demand in the semiconductor market, and also expects solid demand in metallurgical and other applications.

Against this backdrop, based on the Medium-term Management Plan, the Group 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 47,000 million yen (a 7.4% year-on-year increase), 8,000 million yen in operating profit (a 20.0% year-on-year increase), 8,000 million yen in ordinary profit (a 8.6% year-on-year increase), and 5,500 million yen in profit attributable to owners of parent (a 6.1% year-on-year increase) in the fiscal year ending December 31, 2023.

Our earnings forecasts assume exchange rates of 124 yen/US\$, 136 yen/EUR, and 18 yen/CNY.

## **(5) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2022 and the Fiscal Year Ending December 31, 2023**

### **(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, 2022**

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 70 yen per share for the fiscal year ended December 31, 2022.

### **(iii) Dividends for the Fiscal Year Ending December 31, 2023**

For the fiscal year ending December 31, 2023, we plan to increase dividends by 10 yen to pay a dividend of 80 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, 2021	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	15,364	15,437
Notes and accounts receivable - trade	14,198	16,606
Securities	2,999	2,999
Merchandise and finished goods	7,477	8,121
Work in process	5,722	7,127
Raw materials and supplies	2,823	3,167
Other	526	502
Allowance for doubtful accounts	(103)	(101)
Total current assets	49,009	53,861
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,384	24,010
Accumulated depreciation	(12,155)	(12,988)
Buildings and structures, net	11,229	11,022
Machinery, equipment and vehicles	53,108	55,534
Accumulated depreciation	(43,819)	(45,540)
Machinery, equipment and vehicles, net	9,289	9,993
Land	5,891	5,931
Leased assets	1,543	1,592
Accumulated depreciation	(309)	(424)
Leased assets, net	1,233	1,167
Construction in progress	2,181	1,773
Other	5,125	5,489
Accumulated depreciation	(3,904)	(4,240)
Other, net	1,221	1,248
Total property, plant and equipment	31,046	31,138
Intangible assets	283	289
Investments and other assets		
Investment securities	384	350
Deferred tax assets	977	1,490
Retirement benefit asset	618	566
Other	1,476	1,896
Allowance for doubtful accounts	(141)	(160)
Total investments and other assets	3,316	4,143
Total non-current assets	34,645	35,571
<b>Total assets</b>	<b>83,655</b>	<b>89,432</b>

(Millions of yen, rounded down)

	As of December 31, 2021	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,225	2,328
Electronically recorded obligations - operating	968	1,004
Short-term borrowings	191	285
Accounts payable - other	2,041	1,890
Income taxes payable	852	1,734
Provision for bonuses	602	772
Provision for bonuses for directors (and other officers)	29	113
Other	3,233	3,018
<b>Total current liabilities</b>	<b>10,145</b>	<b>11,147</b>
Non-current liabilities		
Long-term borrowings	8	-
Deferred tax liabilities	124	125
Net defined benefit liability	150	147
Asset retirement obligations	269	272
Other	700	538
<b>Total non-current liabilities</b>	<b>1,252</b>	<b>1,084</b>
<b>Total liabilities</b>	<b>11,398</b>	<b>12,231</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	51,748	55,672
Treasury shares	(60)	(60)
<b>Total shareholders' equity</b>	<b>69,245</b>	<b>73,168</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159	117
Foreign currency translation adjustment	2,833	3,944
Remeasurements of defined benefit plans	(33)	(83)
<b>Total accumulated other comprehensive income</b>	<b>2,959</b>	<b>3,978</b>
Non-controlling interests	52	53
<b>Total net assets</b>	<b>72,256</b>	<b>77,200</b>
<b>Total liabilities and net assets</b>	<b>83,655</b>	<b>89,432</b>

**(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, 2021	Fiscal year ended December 31, 2022
Net sales	37,734	43,774
Cost of sales	25,352	29,346
Gross profit	12,382	14,427
Selling, general and administrative expenses	6,716	7,759
Operating profit	5,666	6,667
Non-operating income		
Interest income	79	92
Dividend income	53	67
Foreign exchange gains	248	282
Share of profit of entities accounted for using equity method	83	158
Subsidies for employment adjustment	42	-
Revenue from sales of electric power	41	42
Other	122	127
Total non-operating income	671	770
Non-operating expenses		
Interest expenses	28	33
Depreciation	16	16
Contracted research expenses	18	9
Other	9	8
Total non-operating expenses	72	68
Ordinary profit	6,264	7,369
Extraordinary income		
Gain on sales of non-current assets	4	11
Gain on sale of investment securities	-	1
Subsidy income	14	42
Settlement income	-	73
Total extraordinary income	18	129
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	152	112
Loss on suspension of operations	-	87* <sup>2</sup>
Total extraordinary losses	153	200
Profit before income taxes	6,130	7,298
Income taxes - current	1,278	2,503
Income taxes for prior periods	189* <sup>1</sup>	-
Income taxes - deferred	192	(391)
Total income taxes	1,660	2,112
Profit	4,470	5,186
Profit attributable to non-controlling interests	4	4
Profit attributable to owners of parent	4,465	5,181

**(Consolidated statement of comprehensive income)**

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	4,470	5,186
Other comprehensive income		
Valuation difference on available-for-sale securities	28	(42)
Foreign currency translation adjustment	2,102	1,065
Remeasurements of defined benefit plans, net of tax	(23)	(49)
Share of other comprehensive income of entities accounted for using equity method	108	47
Total other comprehensive income	2,215	1,021
Comprehensive income	6,685	6,207
Comprehensive income attributable to		
Owners of parent	6,675	6,201
Non-controlling interests	10	6

### (3) Consolidated Statement of Changes in Equity

Previous 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)
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)
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

Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(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	51,748	(60)	69,245
Changes of items during period					
Dividends of surplus			(1,258)		(1,258)
Profit attributable to owners of parent			5,181		5,181
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,923	(0)	3,923
Balance at end of period	7,947	9,609	55,672	(60)	73,168

	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	159	2,833	(33)	2,959	52	72,256
Changes of items during period						
Dividends of surplus						(1,258)
Profit attributable to owners of parent						5,181
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(42)	1,111	(49)	1,019	1	1,021
Total changes of items during period	(42)	1,111	(49)	1,019	1	4,944
Balance at end of period	117	3,944	(83)	3,978	53	77,200

#### (4) Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,130	7,298
Depreciation	2,952	3,153
Share of loss (profit) of entities accounted for using equity method	(83)	(158)
Increase (decrease) in retirement benefit asset or liability	(116)	(43)
Increase (decrease) in provision for bonuses	196	152
Increase (decrease) in provision for bonuses for directors (and other officers)	9	83
Increase (decrease) in allowance for doubtful accounts	(63)	(9)
Interest and dividend income	(132)	(159)
Interest expenses	28	33
Foreign exchange losses (gains)	(229)	(324)
Loss (gain) on sale of non-current assets	(4)	(10)
Loss on retirement of non-current assets	152	112
Decrease (increase) in trade receivables	(2,093)	(2,021)
Decrease (increase) in inventories	221	(1,959)
Increase (decrease) in trade payables	465	(127)
Other, net	769	1,131
Subtotal	8,203	7,150
Interest and dividends received	151	201
Interest paid	(28)	(34)
Income taxes refund (paid)	(997)	(1,692)
Net cash provided by (used in) operating activities	7,328	5,625
<b>Cash flows from investing activities</b>		
Payments into time deposits	(6,861)	(8,334)
Proceeds from withdrawal of time deposits	5,832	7,722
Purchase of property, plant and equipment	(5,076)	(4,219)
Proceeds from sales of property, plant and equipment	5	13
Purchase of intangible assets	(101)	(91)
Purchase of shares of subsidiaries and associates	-	(269)
Other, net	(51)	(76)
Net cash provided by (used in) investing activities	(6,252)	(5,253)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(30)	101
Repayments of long-term borrowings	(32)	(34)
Repayments of finance lease liabilities	(146)	(190)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,048)	(1,259)
Dividends paid to non-controlling interests	(2)	(4)
Net cash provided by (used in) financing activities	(1,261)	(1,388)
Effect of exchange rate change on cash and cash equivalents	561	320
Net increase (decrease) in cash and cash equivalents	376	(696)
Cash and cash equivalents at beginning of period	12,093	12,470
Cash and cash equivalents at end of period	12,470	11,773



## **(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 profit (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

Other securities except for shares, etc. without market prices

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)

Shares, etc. without market prices

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 the recognition of significant revenue and expenses

The Group is mainly engaged in the manufacture, processing and sale of carbon products based on isotropic graphite materials in high-performance fields, and assumes performance obligations to deliver products, etc. based on contracts with customers.

The Group considers these performance obligations to be satisfied at the point in time when control of the goods or services promised by the Group is transferred to the customer, and recognizes revenue from the sale of these products, etc. at a selling price based on the contract with the customer. For domestic sales, the Group applies Paragraph 98 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” and recognizes revenue at the time of shipment, as the period of time from shipment of products, etc. to the transfer of control to the customer is considered reasonable given the number of days required for shipment and delivery within Japan. For export sales, the Group considers that its performance obligations are satisfied at the time when risk is transferred to the customer in accordance with terms of trade based on the Incoterms or similar rules, and recognizes revenue at that time.

Consideration for transactions is generally received within one year from the time when the Group satisfies its performance obligations, and transactions do not include any material element of finance.

(6) 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.

(7) 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.

(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 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.

Regarding 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 consolidated fiscal year under review has been added to or subtracted from retained earnings at the beginning of the consolidated fiscal year under review, and the new accounting policy has been applied to the opening balance at the start of this period. There is no impact on the balance at the beginning of the period.

Also, there is no impact on the consolidated financial statements during the consolidated fiscal year under review.

A breakdown of information on revenue is not presented for the previous fiscal year, in accordance with the transitional treatment prescribed under Paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(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; hereinafter “Accounting Standard for Fair Value Measurement” and related guidance from the beginning 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.

(Consolidated statement of income)

\*1. Income taxes for prior periods

Previous consolidated fiscal year (From January 1, 2021 to December 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.

Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

\*2. Losses due to suspension of operations

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

Not applicable.

Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)

At Shanghai Toyo Tanso Co., Ltd. and Shanghai Toyo Tanso Industrial Co., Ltd., in accordance with local government demands related to curbing the spread of the COVID-19 contagion, personnel expenses and depreciation for the period during which operations were suspended at some production bases were recorded as extraordinary losses.

(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 profit basis.

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

As described in the Notes to the Consolidated Financial Statements (Changes in accounting policies), the Group has applied the Accounting Standard for Revenue Recognition from the beginning of the consolidated fiscal year under review. Pursuant to this change in the method used to account for revenue recognition, the Group has similarly changed the method used to calculate the profit or loss of reportable segments.

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

## Previous 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							
Sales to unaffiliated customers	19,446	2,700	3,157	12,429	37,734	-	37,734
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							
Depreciation	2,341	66	144	400	2,952	-	2,952
Increase in property, plant and equipment and intangible 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 profit recorded in the consolidated statement of income.

## Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(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							
Goods transferred at a point in time	22,761	3,382	3,708	13,922	43,774	-	43,774
Goods transferred over time	-	-	-	-	-	-	-
Revenue from contracts with customer:	22,761	3,382	3,708	13,922	43,774	-	43,774
Sales to unaffiliated customers	22,761	3,382	3,708	13,922	43,774	-	43,774
Inter-segment sales or transfers	8,248	39	-	159	8,448	(8,448)	-
Total	31,010	3,422	3,708	14,082	52,222	(8,448)	43,774
Segment profit	6,435	91	35	1,075	7,638	(971)	6,667
Segment assets	73,949	3,768	3,928	22,629	104,276	(14,843)	89,432
Other items							
Depreciation	2,493	81	153	425	3,153	-	3,153
Increases in tangible and intangible fixed assets	2,067	472	198	230	2,968	-	2,968

(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 profit recorded in the consolidated statement of income.

[Related information]

**Previous 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		
Net 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.

**Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)**

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	18,254	3,552	3,911	17,810	13,021	244	43,774
Composition (%)	41.7	8.1	8.9	40.7	29.7	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	
24,483	932	1,420	4,301	3,440	31,138

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, 2021 to December 31, 2021)**

Not applicable.

**Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)**

Not applicable.

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

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

Not applicable.

**Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)**

Not applicable.

[Information on gain on bargain purchase by reportable segment]

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

Not applicable.

**Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)**

Not applicable.

(Per share information)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Net assets per share	3,442.80 yen	3,678.50 yen
Basic earnings per share	212.94 yen	247.08 yen

(Notes) 1. Diluted earnings per share are not noted, as there are no residual shares outstanding.  
2. The basis for calculating Basic earnings per share is outlined below.

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	4,465	5,181
Amount not attributed to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent related to common shares (millions of yen)	4,465	5,181
Average number of common shares during the period (shares)	20,972,660	20,972,528

(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, 2021					Year ended December 31, 2022				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,319	4,630	4,540	4,881	18,371	4,638	5,286	5,098	5,593	20,617
Carbon products for general industries*2 (for mechanical applications)	912	975	834	928	3,651	951	1,044	1,016	1,022	4,034
Carbon products for general industries (for electrical applications)	1,462	1,572	1,231	1,472	5,739	1,083	1,175	1,011	1,002	4,273
Compound materials and other products	2,466	2,618	3,104	3,573	11,762	3,034	3,092	3,852	3,752	13,732
Total	9,160	9,797	9,711	10,856	39,525	9,708	10,599	10,978	11,371	42,657

(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, 2021				Year ended December 31, 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	3,072	3,691	3,906	4,533	5,249	6,215	6,438	6,728
Carbon products for general industries*2 (for mechanical applications)	760	828	779	775	830	979	1,012	964
Carbon products for general industries (for electrical applications)	1,275	1,349	1,174	1,229	993	1,108	848	802
Compound materials and other products	2,284	2,741	3,366	4,400	4,854	5,255	5,940	5,995
Total	7,393	8,611	9,227	10,938	11,927	13,559	14,239	14,490

(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, 2021					Year ended December 31, 2022				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	3,588	4,296	4,627	4,630	17,143	4,340	4,801	5,309	5,778	20,230
[Electronics applications]	1,359	1,741	1,874	1,776	6,751	1,612	1,878	2,114	2,498	8,104
[General industries applications]	1,790	2,088	2,181	2,317	8,377	2,187	2,284	2,575	2,550	9,598
[Others]	438	467	571	536	2,013	540	638	618	729	2,527
Carbon products for general industries (for mechanical applications)	927	945	906	958	3,738	926	933	1,012	1,113	3,985
Carbon products for general industries (for electrical applications)	1,423	1,506	1,407	1,388	5,727	1,371	1,092	1,283	1,075	4,823
Compound materials and other products	2,052	2,186	2,495	2,571	9,306	2,656	2,770	3,228	3,110	11,765
[3 major products]	1,743	1,836	2,073	2,155	7,808	2,241	2,328	2,742	2,632	9,944
[Other products]	308	350	421	416	1,497	414	441	485	478	1,820
Related goods	297	310	476	735	1,819	611	789	901	667	2,969
Total	8,288	9,246	9,913	10,285	37,734	9,906	10,386	11,735	11,746	43,774

**(2) Overview**

**Special graphite products**

In electronics applications, sales of products for solar cell manufacturing applications declined partly because we pushed forward with the shift to high value-added products through selective order acceptance. Despite this, sales of products for single-crystal silicon manufacturing and products for compound semiconductor manufacturing applications, including for SiC (silicon carbide) semiconductors, increased significantly, resulting in an increase of 20.0% 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 14.6% year on year.

Due to these factors, sales of special graphite products overall were up 18.0% 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, and sales increased by 6.6% year on year.

In carbon products for electrical applications, sales declined by 15.8% year on year due to a slowdown of stay-at-home demand and a decrease in demand for compact motors reflecting slower demand for home appliances and power tools.

Due to these factors, sales of carbon products for general industries overall fell 6.9% over the previous fiscal year.

**Compound materials and other products**

Sales of SiC (silicon carbide)-coated graphite products significantly increased year on year due to considerable growth in sales of 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 attributable notably to strong sales of products for semiconductor applications and metallurgical applications, although sales of products for automobile applications declined.

Due to these factors, sales of the three major products rose 27.4% over the previous year, and sales of compound materials and other products increased 26.4% over the previous year.