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Member of the Financial Accounting Standards Foundation



August 7, 2024

Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	5310
Website:	https://www.toyotanso.co.jp
Representative:	Naotaka Kondo Representative Director, Chairman & President, CEO
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Scheduled date for submission of semi-annual securities report:	August 8, 2024
Scheduled date for dividend payment:	-
Supplementary material for financial summaries:	Yes
Financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the six months ended June 30, 2024

(From January 1, 2024 to June 30, 2024)

(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	
		%		%		%		%
Six months ended June 30, 2024	26,284	10.8	5,808	26.0	6,994	31.0	5,156	24.9
Six months ended June 30, 2023	23,712	16.8	4,610	51.7	5,338	44.1	4,128	61.0

(Note) Comprehensive income:

Six months ended June 30, 2024	7,519 million yen (39.2%)
Six months ended June 30, 2023	5,403 million yen (7.6%)

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended June 30, 2024	245.89	-
Six months ended June 30, 2023	196.85	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2024	104,204	89,736	86.1
As of December 31, 2023	96,612	84,524	87.4
(Reference) Shareholders' equity:			
June 30, 2024		89,678 million yen	
December 31, 2023		84,470 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, 2023	-	0.00	-	110.00	110.00
Year ending December 31, 2024 (Actual)	-	0.00			
Year ending December 31, 2024 (Forecast)			-	120.00	120.00

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

3. Consolidated results forecast for the fiscal year ending December 31, 2024

(From January 1, 2024 to December 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
		%		%		%		%	yen
Fiscal year ending December 31, 2024	54,000	9.6	10,900	17.4	10,500	3.1	7,600	1.2	362.38

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

*** Others**

(1) Significant changes in the scope of consolidation during the period: None

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

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

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

(Note) For details, please refer to “Adoption of specific accounting methods for the preparation of semi-annual consolidated financial statements” on page 9 of the Attached Documents.

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of June 30, 2024 20,992,588 shares

As of December 31, 2023 20,992,588 shares

2) Number of treasury shares at the end of period

As of June 30, 2024 20,217 shares

As of December 31, 2023 20,167 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024 20,972,417 shares

Six months ended June 30, 2023 20,972,490 shares

*** This semi-annual summary report is not subject to review by a certified public accountant or an audit corporation.**

*** Disclaimer regarding appropriate use of forecasts and related points of note**

(We urge you to be cautious in relying on forward-looking statements.)

Forward-looking statements such as the earnings forecasts in this material are based on currently available information and certain assumptions deemed rational, and are not intended as a guarantee that these forecasts will be achieved. Accordingly, actual results may differ significantly from these forecasts due to various factors. For more information on the preconditions of the forecasts and on precautionary notes concerning the usage of these forecasts, please refer to “Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections” on page 3 of the Attached Documents.

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

We are scheduled to hold a financial results briefing for securities analysts and institutional investors on August 20, 2024. The materials distributed at the briefing are scheduled to be disclosed on TDnet and our website on that same day.

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

(1) Explanation Regarding Business Results

During the first half of the consolidated fiscal year under review, the global economy continued to recover, despite little indication of progress in some regions. However, the outlook remained uncertain amid factors such as rising geopolitical risks around the Middle East in addition to concerns over economic trends in Europe and the United States and the impact of export restrictions imposed by the United States and China.

Looking at the business environment surrounding the Group, in electronics applications, performance remained strong, supported by high demand for SiC semiconductor applications. Demand was solid in mobility applications, against the backdrop of steady operations in the automotive industry. Demand remained stable in general industries, supported by customers' steady capital investment.

In this environment, the Group worked to strengthen and develop high value-added products that can keep pace with technological innovations and to improve cost competitiveness through increased productivity, in order to achieve the management targets of the Medium-term Management Plan. Manufacturing, sales, and development departments worked together to accelerate the shift to high value-added products, responding to increasingly sophisticated customer needs and steadily capturing business opportunities. In addition, we advanced initiatives aimed at improving profitability through price pass-throughs and other measures to mitigate the impact of soaring costs for raw fuels and labor.

As a result, in the first half of the consolidated fiscal year under review, net sales were 26,284 million yen (up 10.8% year on year). In terms of profits, due mainly to the exchange rate factor and increased marginal profit through such measures as price pass-ons and sales mix differences, operating profit was 5,808 million yen (up 26.0% year on year), ordinary profit was 6,994 million yen (up 31.0% year on year), and profit attributable to owners of parent of 5,156 million yen (up 24.9% year on year).

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 mainly by strong demand for SiC semiconductor applications and reflecting solid sales of products for industrial furnace applications, EDM electrodes, and other products. As a result, in Japan, net sales were 14,143 million yen (up 14.9% year on year) and operating profit was 5,515 million yen (up 34.4% year on year).

United States

Sales of products for semiconductor applications and products for metallurgical applications including those for continuous casting and industrial furnaces were strong. As a result, in the United States, net sales were 2,524 million yen (up 22.0% year on year) and operating profit was 222 million yen (up 45.7% year on year).

Europe

Sales of mainstay metallurgical applications were strong, while sales of semiconductor applications grew, and sales of carbon brush products exceeded the level of the same period of the previous year. As a result, in Europe, net sales were 2,764 million yen (up 13.9% year on year), and operating loss was 48 million yen (profit of 98 million yen in the previous year), mainly due to labor costs.

Asia

Sales of carbon brush products recovered moderately, mainly for compact motors for home appliances, but sales of metallurgical application products for industrial furnaces were sluggish. As a result, in Asia, net sales were 6,851 million yen (down 0.8% year on year) and operating profit was 604 million yen (up 57.6% year on year).

(2) Explanation Regarding Financial Position

As of June 30, 2024, total assets increased by 7,591 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits decreased by 612 million yen and securities decreased by 500 million yen, there was an increase of 1,136 million yen in notes and accounts receivable – trade, an increase of 2,641 million yen in inventories, an increase of 4,171 million yen in property, plant and equipment, and an increase of 460 million yen in investments and other assets due to factors including an increase in investments in capital of subsidiaries and associates.

Total liabilities increased by 2,379 million yen from the end of the previous consolidated fiscal year. This was primarily because accounts payable – other increased by 407 million yen, income taxes payable increased by 483 million yen, and other current liabilities increased by 1,094 million yen due to factors including an increase in advances received.

Total net assets increased by 5,211 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 2,849 million yen and foreign currency translation adjustment increased by 2,304 million yen.

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

Consolidated forecasts for the year ending December 31, 2024 are unchanged from the figures announced on February 14, 2024.

2. Semi-annual Consolidated Financial Statements and Important Notes

(1) Semi-annual consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2023	As of June 30, 2024
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,132	14,519
Notes and accounts receivable – trade	17,494	18,630
Securities	2,999	2,499
Merchandise and finished goods	9,440	10,726
Work in process	8,145	8,909
Raw materials and supplies	4,220	4,811
Other	726	766
Allowance for doubtful accounts	(61)	(45)
Total current assets	58,099	60,819
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,706	10,871
Machinery, equipment and vehicles, net	11,087	11,442
Land	6,104	7,230
Leased assets, net	1,148	1,798
Construction in progress	3,104	4,877
Other, net	1,091	1,194
Total property, plant and equipment	33,243	37,415
Intangible assets	488	727
Investments and other assets	4,781	5,242
Total non-current assets	38,513	43,384
Total assets	96,612	104,204

(Millions of yen, rounded down)

	As of December 31, 2023	As of June 30, 2024
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,718	2,541
Electronically recorded obligations – operating	831	904
Accounts payable – other	2,523	2,931
Income taxes payable	1,675	2,159
Provision for bonuses	772	701
Provision for bonuses for directors (and other officers)	32	—
Other	2,557	3,651
Total current liabilities	11,111	12,888
Non-current liabilities		
Retirement benefit liability	174	196
Asset retirement obligations	278	635
Other	523	747
Total non-current liabilities	976	1,579
Total liabilities	12,088	14,468
Net assets		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	61,710	64,560
Treasury shares	(61)	(61)
Total shareholders' equity	79,206	82,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	222	270
Foreign currency translation adjustment	5,053	7,357
Remeasurements of defined benefit plans	(11)	(5)
Total accumulated other comprehensive income	5,264	7,622
Non-controlling interests	53	57
Total net assets	84,524	89,736
Total liabilities and net assets	96,612	104,204

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

(Semi-annual consolidated statements of income)

Six months ended June 30, 2023 and 2024

	(Millions of yen, rounded down)	
	Six months ended June 30, 2023 Amount	Six months ended June 30, 2024 Amount
Net sales	23,712	26,284
Cost of sales	15,124	16,073
Gross profit	8,588	10,210
Selling, general and administrative expenses	3,977	4,402
Operating profit	4,610	5,808
Non-operating income		
Interest income	44	42
Dividend income	9	10
Foreign exchange gains	542	910
Share of profit of entities accounted for using equity method	109	169
Other	53	77
Total non-operating income	759	1,210
Non-operating expenses		
Interest expenses	17	8
Depreciation	8	8
Other	5	6
Total non-operating expenses	31	23
Ordinary profit	5,338	6,994
Extraordinary income		
Gain on sales of non-current assets	81	2
Subsidy income	373	432
Total extraordinary income	455	435
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	73	74
Total extraordinary losses	73	75
Profit before income taxes	5,720	7,354
Income taxes	1,591	2,197
Profit	4,128	5,157
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	4,128	5,156

(Semi-annual consolidated statement of comprehensive income)

Six months ended June 30, 2023 and 2024

(Millions of yen, rounded down)

	Six months ended June 30, 2023 Amount	Six months ended June 30, 2024 Amount
Profit	4,128	5,157
Other comprehensive income		
Valuation difference on available-for-sale securities	62	48
Foreign currency translation adjustment	1,113	2,152
Remeasurements of defined benefit plans, net of tax	42	5
Share of other comprehensive income of entities accounted for using equity method	55	155
Total other comprehensive income	1,274	2,362
Comprehensive income	5,403	7,519
Comprehensive income attributable to:		
Owners of parent	5,398	7,515
Non-controlling interests	4	4

(3) Consolidated statements of cash flows

(Millions of yen, rounded down)

	Six months ended June 30, 2023 Amount	Six months ended June 30, 2024 Amount
Cash flows from operating activities		
Profit before income taxes	5,720	7,354
Depreciation	1,644	1,799
Share of loss (profit) of entities accounted for using equity method	(109)	(169)
Increase (decrease) in net defined benefit asset or liability	14	(33)
Increase (decrease) in provision for bonuses	(199)	(98)
Increase (decrease) in provision for bonuses for directors (and other officers)	(113)	(32)
Increase (decrease) in allowance for doubtful accounts	(1)	(21)
Interest and dividend income	(53)	(52)
Interest expenses	17	8
Foreign exchange losses (gains)	(495)	(841)
Loss (gain) on sales of non-current assets	(81)	(0)
Loss on retirement of non-current assets	73	74
Decrease (increase) in trade receivables	595	(328)
Decrease (increase) in inventories	(1,962)	(1,638)
Increase (decrease) in trade payables	(568)	(664)
Other, net	(469)	457
Subtotal	4,007	5,811
Interest and dividends received	67	71
Interest paid	(20)	(17)
Income taxes paid	(1,725)	(1,653)
Net cash provided by (used in) operating activities	2,329	4,210
Cash flows from investing activities		
Payments into time deposits	(3,606)	(2,833)
Proceeds from withdrawal of time deposits	5,883	3,464
Purchase of property, plant and equipment	(2,128)	(3,348)
Proceeds from sales of property, plant and equipment	82	2
Purchase of intangible assets	(96)	(327)
Other, net	(72)	(71)
Net cash provided by (used in) investing activities	60	(3,113)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(284)	–
Repayments of long-term borrowings	(9)	–
Repayments of finance lease obligations	(95)	(107)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,466)	(2,304)
Dividends paid to non-controlling interests	(4)	(0)
Net cash provided by (used in) financing activities	(1,860)	(2,413)
Effect of exchange rate change on cash and cash equivalents	322	556
Net increase (decrease) in cash and cash equivalents	852	(758)
Cash and cash equivalents at beginning of period	11,773	13,601
Cash and cash equivalents at end of period	12,626	12,843

(4) Notes on semi-annual consolidated financial statements

(Adoption of specific accounting methods for the preparation of semi-annual 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 six months of the consolidated fiscal year under review.

(Notes on segment information, etc.)

I. Six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

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 semi-annual consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
Goods transferred at a point in time	12,308	2,068	2,426	6,907	23,712	—	23,712
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	12,308	2,068	2,426	6,907	23,712	—	23,712
Sales to unaffiliated customers	12,308	2,068	2,426	6,907	23,712	—	23,712
Intersegment sales or transfers	4,572	46	—	84	4,704	(4,704)	—
Total	16,881	2,115	2,426	6,992	28,416	(4,704)	23,712
Segment profit	4,105	152	98	383	4,740	(129)	4,610

(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 income recorded in the consolidated semi-annual 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	10,425	2,087	2,677	8,445	6,421	76	23,712
Composition (%)	44.0	8.8	11.3	35.6	27.1	0.3	100.0

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

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

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

II. Six months ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

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

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the semi-annual consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
Goods transferred at a point in time	14,143	2,524	2,764	6,851	26,284	—	26,284
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	14,143	2,524	2,764	6,851	26,284	—	26,284
Sales to unaffiliated customers	14,143	2,524	2,764	6,851	26,284	—	26,284
Intersegment sales or transfers	4,721	60	29	84	4,896	(4,896)	—
Total	18,865	2,585	2,793	6,936	31,180	(4,896)	26,284
Segment profit (loss)	5,515	222	(48)	604	6,294	(485)	5,808

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

2. Segment profit (loss) has been adjusted to reflect the operating income recorded in the semi-annual consolidated 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	11,721	2,661	2,908	8,855	6,269	136	26,284
Composition (%)	44.6	10.1	11.1	33.7	23.9	0.5	100.0

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

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

(1) North America: United States

(2) Europe: France, Germany, Italy

(3) Asia: China, Taiwan, South Korea

(Notes if the amount of shareholders' equity has changed significantly)

Not applicable.

(Notes regarding the premise of a going concern)

Not applicable.

3. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2023						Year ending December 31, 2024		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	5,738	6,244	11,983	5,091	5,451	22,526	5,726	5,148	10,875
Carbon products for general industries* ² (for mechanical applications)	1,064	965	2,030	997	808	3,837	958	1,106	2,065
Carbon products for general industries (for electrical applications)	958	1,206	2,165	1,112	1,221	4,500	1,252	1,377	2,629
Compound materials and other products	3,393	3,848	7,241	3,834	4,063	15,140	4,070	5,245	9,315
Total	11,155	12,266	23,421	11,036	11,545	46,003	12,008	12,877	24,885

(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) in the fiscal year ended December 2023 includes orders that have not been officially confirmed.

ii. Outstanding orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2023				Year ending December 31, 2024	
	1Q	2Q	3Q	4Q	1Q	2Q
Special graphite products	7,197	7,887	7,401	7,084	7,539	6,980
Carbon products for general industries* ² (for mechanical applications)	1,053	1,025	1,016	804	928	994
Carbon products for general industries (for electrical applications)	777	838	775	813	892	976
Compound materials and other products	6,949	7,260	7,908	7,926	8,076	9,014
Total	15,978	17,011	17,102	16,628	17,437	17,966

(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) in the fiscal year ended December 2023 includes orders that have not been officially confirmed.

iii. Sales performance by product category

(Millions of yen, rounded down)

Products	Year ended December 31, 2023						Year ending December 31, 2024		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	5,648	6,048	11,697	6,133	6,221	24,052	5,899	6,284	12,184
[Electronics applications]	2,429	2,510	4,940	2,693	2,951	10,585	2,735	2,905	5,641
[General industries applications]	2,588	2,797	5,386	2,816	2,640	10,843	2,625	2,775	5,400
[Others]	630	740	1,370	623	629	2,624	538	604	1,143
Carbon products for general industries (for mechanical applications)	993	1,023	2,017	1,036	1,062	4,116	865	1,089	1,954
Carbon products for general industries (for electrical applications)	957	1,145	2,102	1,169	1,185	4,457	1,199	1,256	2,456
Compound materials and other products	3,137	3,608	6,745	3,263	4,121	14,129	4,119	4,403	8,523
[3 major products]	2,702	3,100	5,802	2,793	3,620	12,215	3,607	3,920	7,527
[Other products]	435	507	942	469	501	1,913	512	483	995
Related goods	567	581	1,149	685	659	2,494	488	676	1,164
Total	11,304	12,407	23,712	12,288	13,250	49,251	12,573	13,710	26,284

(2) Overview

Special graphite products

In electronics applications, sales of products for single-crystal silicon manufacturing declined slightly but increased by 14.2% year on year, thanks to the substantial increase in sales of products for compound semiconductor manufacturing applications for SiC semiconductors.

In general industries applications, sales of EDM electrodes and products for metallurgical applications including those for continuous casting and industrial furnaces remained solid, resulting in an increase of 0.3% year on year.

Due to these factors, sales of special graphite products overall were up 4.2% over the previous year.

Orders received decreased by 9.2% year on year, affected by the absence of the large-scale orders received in the same period of the previous year.

Carbon products for general industries

In carbon products for mechanical applications, despite a fall-off in sales due to the completion of specific projects in the previous fiscal year, factors such as a strong performance from sealing rings and pantograph sliders kept the overall decline in sales to only 3.1% year on year.

In carbon products for electrical applications, as customer operations gradually returned to normal, sales of products for compact motors for home appliances recovered moderately, resulting in a 16.8% sales increase year on year.

Due to these factors, sales of carbon products for general industries overall rose 7.1% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products increased significantly year on year, mainly due to firm demand for Si (silicon) semiconductors, in addition to considerable growth in sales of SiC (silicon carbide) semiconductors. Sales of C/C composite products increased year on year due to solid sales of products for industrial furnace applications. Sales of graphite sheet products increased year on year due to solid sales of products for automobile applications.

Due to these factors, sales of the three major products rose 29.7% over the previous year, and sales of compound materials and other products increased 26.4% over the previous year.