



May 14, 2015

Consolidated Financial Results for the Three Months Ended March 31, 2015 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
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Scheduled date for submission of quarterly report:	May 15, 2015
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, 2015

(From January 1, 2015 to March 31, 2015)

(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		Recurring profit		Net income	
		%		%		%		%
Three months ended March 31, 2015	8,446	0.7	255	75.2	228	93.8	78	(62.6)
Three months ended March 31, 2014	8,391	-	146	-	118	-	211	-

Note: Comprehensive income:
 Three months ended March 31, 2015 (150) million yen (-%)
 Three months ended March 31, 2014 (532) million yen (-%)

	Net income per share	Diluted net income per share
	yen	yen
Three months ended March 31, 2015	3.81	3.80
Three months ended March 31, 2014	10.18	10.18

Toyo Tanso changed its fiscal year (the last day of its business year) from May 31 to December 31 in the year before the previous fiscal year (the fiscal year ended on December 31, 2013). Accordingly, year-on-year percentage changes under "Three months ended March 31, 2014" are not provided since the first quarter (January 1 to March 31, 2014) differs from the previous first quarter (June 1 to August 31, 2013).

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Equity	Equity ratio
			%
As of March 31, 2015	73,745	60,273	79.3
As of December 31, 2014	75,831	60,918	78.0

Reference: Shareholders' equity
 March 31, 2015 58,471 million yen
 December 31, 2014 59,111 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, 2014	-	0.00	-	22.00	22.00
Year ending December 31, 2015 (Actual)	-				
Year ending December 31, 2015 (Forecast)		0.00	-	25.00	25.00

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

3. Consolidated results forecast for the fiscal year ending December 31, 2015

(From January 1, 2015 to December 31, 2015)

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
		%		%		%		%	yen
Six months ending June 30, 2015	18,000	5.4	1,200	104.9	1,200	126.0	900	(1.6)	43.41
Fiscal year ending December 31, 2015	37,000	8.6	2,900	154.3	2,900	93.1	2,100	58.2	101.28

(Note) Revisions of consolidated forecasts most recently announced: Yes

The consolidated forecasts have been revised on May 14, 2015. For details, please refer to the "Notification of Earnings Forecasts Revisions" issued on May 14, 2015.

*** Others**

(1) Changes in significant subsidiaries during the quarter 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 3 (attached materials).

(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

(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, 2015 20,750,688 shares

As of December 31, 2014 20,750,688 shares

2) Number of treasury stock at the end of period

As of March 31, 2015 17,065 shares

As of December 31, 2014 17,015 shares

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

First quarter ended March 31, 2015 20,733,631 shares

First quarter ended March 31, 2014 20,733,937 shares

*** Implementation status of quarterly review procedures**

This quarterly financial results report is not subject to the quarterly review procedures stipulated by the Financial Instruments and Exchange Act. The review of quarterly consolidated financial statements has been completed at the time of release of this report.

*** 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. 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 Quarter under Review

(1) Explanation Regarding Operating Results

During the first quarter of the fiscal year under review, growth slowed in some emerging economies in Asia, but the US economy was solid, while the economy continued to recover in Europe. On the back of a fall in crude oil prices and the effect of various policies, the Japanese economy remained in a recovery trajectory, marked by improved corporate earnings and a recovery in capital spending.

The Toyo Tanso Group's business environment expanded, albeit modestly, as the carbon brush-related market and LED market grew. At the same time, although the solar cell market and semiconductor market recovered, demand remained sluggish. Moreover, general industries applications were poor performers partly because, although industrial furnace applications were solid, demand declined for some applications.

In this environment, earnings growth was weak overall, but the Group continued promoting sales promotion activities, pursuing new product and business development and thoroughly cutting operating costs to achieve its medium-term management plan.

As a result, during the first quarter under review, net sales rose 0.7% year on year to 8,446 million yen, operating profit increased 75.2% to 255 million yen, and recurring profit grew 93.8% to 228 million yen. Net income decreased 62.6% year on year to 78 million yen.

The overall performance of each business segment was as follows. (Please refer to "4. Supplementary Information" for an overview of each product category.)

Japan

As a result of the economic recovery and progress with sales promotions, sales of applications were solid, particularly products for metallurgical applications and LED applications. As a result, net sales in Japan were 4,485 million yen and operating profit was 388 million yen.

United States

While sales of electronics-related products for LED applications and others were solid, sales of products for metallurgical applications, such as continuous casting applications, were sluggish. As a result, net sales in the United States were 741 million yen and operating loss was 152 million yen.

Europe

Although demand for applications for industrial furnaces was weak, sales of carbon brush-related products were solid, so that overall performance was firm. As a result, net sales in Europe were 792 million yen and operating profit was 23 million yen.

Asia

Although sales of carbon brush-related products were solid, solar cell applications remained weak as did demand for metallurgical applications, so that overall earnings were low. As a result, net sales in Asia were 2,427 million yen and operating profit was 71 million yen.

(2) Explanation Regarding Financial Position

Total assets as of March 31, 2015 decreased by 2,085 million yen from the end of the previous consolidated fiscal year. This was primarily because cash on hand and in banks decreased 1,590 million yen partly due to loan repayments and capital spending, and tangible fixed assets decreased 493 million yen due to depreciation posted.

Total liabilities decreased by 1,440 million yen from the end of the previous consolidated fiscal year. This was primarily due to decreases of 755 million yen in interest-bearing debt and 322 million yen in income taxes payable. Total equity decreased by 645 million yen from the end of the previous consolidated fiscal year. This was primarily due to decreases of 403 million yen in retained earnings and 249 million yen in foreign currency translation adjustments.

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

The Toyo Tanso Group's market environment is currently recovering overall, but sales fell short of forecasts in the first quarter (January 1 to March 31, 2015) mainly due to lower-than-expected demand in the solar cell sector. In addition, revenue undercut forecasts in the first quarter partly as a result of an increase in some manufacturing costs and a reduction in inventory valuation. We expect results to be slightly below initial plans during and subsequent to the second quarter in accordance with market trends and other factors, although orders are on the rise on the back of recovering demand in the semiconductor market and the expansion of the LED market, and higher sales in general industries applications, the effect of cuts in operating costs and improved business results of overseas subsidiaries are expected to restore revenue.

In these conditions, and given that earnings in the first quarter undercut forecasts, the Group has revised the consolidated results forecasts for the first half of the fiscal year ending December 31, 2015 and the consolidated results forecasts for the full year, released on February 13, 2015.

2. Items Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the quarter under review

None

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

Tax expense calculation

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.

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

Application of accounting standards, etc. related to retirement benefits

From the first quarter of the fiscal year under review, Toyo Tanso adopted Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter, "Accounting Standard for Retirement Benefits") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012; hereinafter, "Guidance on Accounting Standard for Retirement Benefits") in accordance with the provisions of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. We revised the calculation methods for retirement benefit obligations and service costs, adopted the method to attribute expected retirement benefits to the periods of services based on the benefit formula instead of on the straight-line basis, and changed the method of determining discount rates from the method in which the discount rate is based on the number of years that approximates the average working term of the employee to a method in which a single weighted average discount rate is used that reflects the estimated payment period for each benefit payment and the amount of benefit payments for each estimated payment period.

At the application of the Accounting Standard for Retirement Benefits, we recognized the effect of changes of calculation methods for retirement benefit obligations and service costs in retained earnings at the beginning of the first quarter under review in accordance with transitional treatments set forth in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net defined benefit asset at the beginning of the first quarter under review decreased 41 million yen, and retained earnings decreased 26 million yen. The changes have little impact on operating profit, recurring profit and profit before income taxes.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Thousands of yen, rounded down)

	As of December 31, 2014	As of March 31, 2015
	Amount	Amount
Assets		
Current assets		
Cash on hand and in banks	11,665,862	10,075,086
Trade notes and accounts receivable	13,660,986	13,358,208
Merchandise and finished goods	8,785,680	8,318,729
Work in process	7,232,537	7,698,273
Raw materials and stores	2,191,164	2,109,931
Other	1,214,724	1,156,560
Allowance for doubtful accounts	(541,365)	(512,077)
Total current assets	44,209,589	42,204,712
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net)	8,936,741	8,758,126
Machinery, equipment, and vehicles (Net)	12,538,572	12,073,128
Land	5,893,797	5,889,146
Construction in progress	756,040	957,292
Other (Net)	724,975	679,277
Total tangible fixed assets	28,850,126	28,356,971
Intangible fixed assets	1,285,433	1,398,826
Investments and other assets	1,486,421	1,785,369
Total fixed assets	31,621,980	31,541,168
Total assets	75,831,570	73,745,880

(Thousands of yen, rounded down)

	As of December 31, 2014	As of March 31, 2015
	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,533,655	2,324,574
Electronically recorded obligations	—	451,762
Short-term borrowings	2,988,821	2,463,197
Accrued amount payable	2,853,857	1,902,706
Income taxes payable	532,540	210,503
Reserve for employees' bonuses	396,251	567,494
Other	2,641,948	2,847,174
Total current liabilities	11,947,076	10,767,414
Long-term liabilities		
Long-term borrowings	2,003,985	1,774,109
Net defined benefit liability	167,349	158,517
Asset retirement obligations	257,681	258,617
Other	537,104	513,852
Total long-term liabilities	2,966,120	2,705,096
Total liabilities	14,913,196	13,472,510
Equity		
Shareholders' equity		
Common stock	7,692,575	7,692,575
Capital surplus	9,534,686	9,534,686
Retained earnings	38,013,139	37,609,457
Treasury stock - at cost	(59,279)	(59,375)
Total shareholders' equity	55,181,122	54,777,344
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	95,073	99,463
Foreign currency translation adjustments	3,878,723	3,628,998
Remeasurements of defined benefit plans	(43,712)	(34,029)
Total accumulated other comprehensive income	3,930,083	3,694,432
Share warrants	68,396	81,221
Minority interests	1,738,770	1,720,372
Total equity	60,918,373	60,273,369
Total liabilities and equity	75,831,570	73,745,880

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2015

(Thousands of yen, rounded down)

	Three months ended March 31, 2014 Amount	Three months ended March 31, 2015 Amount
Net sales	8,391,470	8,446,134
Cost of goods sold	6,300,310	6,405,547
Gross profit	2,091,160	2,040,586
Selling, general and administrative expenses	1,945,056	1,784,604
Operating profit	146,104	255,982
Non-operating income		
Interest income	17,264	25,267
Dividends earned	1	4
Gain on foreign currency option	42,104	26,720
Other	18,056	20,932
Total non-operating income	77,426	72,925
Non-operating expenses		
Interest expenses	16,779	12,782
Foreign exchange losses	85,757	76,870
Other	2,933	10,425
Total non-operating expenses	105,471	100,078
Recurring profit	118,059	228,829
Extraordinary profit		
Gain on sale of fixed assets	12,437	83
Subsidy income	259,992	41,491
Total extraordinary profit	272,430	41,575
Extraordinary losses		
Loss on sale of fixed assets	3	—
Loss on disposal of fixed assets	8,464	4,580
Total extraordinary losses	8,467	4,580
Profit before income taxes	382,022	265,824
Income taxes	166,930	192,611
Income before minority interests	215,092	73,212
Minority interest in income (loss)	3,996	(5,778)
Net income	211,095	78,991

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2015

(Thousands of yen, rounded down)

	Three months ended March 31, 2014 Amount	Three months ended March 31, 2015 Amount
Income before minority interests	215,092	73,212
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(17,782)	4,390
Foreign currency translation adjustments	(716,267)	(237,373)
Remeasurements of defined benefit plans	(13,100)	9,510
Total other comprehensive income	(747,150)	(223,473)
Comprehensive income	(532,057)	(150,260)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(460,452)	(156,659)
Comprehensive income attributable to minority interests	(71,605)	6,399

(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.

(Segment information)

I. Three months ended March 31, 2014 (From January 1, 2014 to March 31, 2014)

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

(Thousands 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		
Sales							
(1) Sales to unaffiliated customers	4,160,799	633,692	819,748	2,777,229	8,391,470	-	8,391,470
(2) Intersegment sales or transfers	1,488,098	17,627	8,971	18,997	1,533,694	(1,533,694)	-
Total	5,648,898	651,319	828,719	2,796,227	9,925,165	(1,533,694)	8,391,470
Segment profit (loss)	143,443	(132,806)	43,012	208,068	261,717	(115,613)	146,104

(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 profit recorded in the consolidated quarterly statement of income.

2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	3,187,643	598,375	887,468	3,661,336	2,604,321	56,646	8,391,470
Composition (%)	38.0	7.1	10.6	43.6	31.0	0.7	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. First quarter under review (from January 1, 2015 to March 31, 2015)

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

(Thousands 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		
Sales							
(1) Sales to unaffiliated customers	4,485,056	741,411	792,059	2,427,607	8,446,134	-	8,446,134
(2) Intersegment sales or transfers	1,453,151	13,393	16,141	20,946	1,503,632	(1,503,632)	-
Total	5,938,207	754,804	808,201	2,448,553	9,949,767	(1,503,632)	8,446,134
Segment profit (loss)	388,638	(152,731)	23,796	71,125	330,829	(74,846)	255,982

(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 profit recorded in the consolidated quarterly statement of income.

2. Regional information

(Thousands of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	3,506,908	741,756	841,810	3,299,444	2,043,287	56,214	8,446,134
Composition (%)	41.5	8.8	10.0	39.0	24.2	0.7	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

(Additional information)

Effects of Changes in Corporate Tax Rates

The “Law for Partial Revision of Income Tax Law” (Article 9, 2015) and the “Law for Partial Revision of Local Tax Law” (Article 2, 2015) were promulgated on March 31, 2015, resulting in a reduction in the corporate tax rates from fiscal years beginning on or after April 1, 2015.

As a result of this change, income tax payable increased 22,031 million yen in the first quarter of the fiscal year under review, and corporate taxes increased by the same amount. Any other impact was negligible.

4. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Unit: millions of yen)

Products	Year ended December 31, 2014					Year ending December 31, 2015
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	3,634	6,529 *2	3,118	3,662	16,944	4,009
Carbon products for general industries (for mechanical applications)	799	806	630	690	2,926	745
Carbon products for general industries (for electrical applications)	1,052	1,347	1,239	1,379	5,019	1,333
Compound materials and other products	2,224	2,414	1,931	2,206	8,776	2,615
Total	7,711	11,097	6,920	7,937	33,666	8,703

*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 Orders for special graphite products in the second quarter of the fiscal year ended on December 31, 2014 include 3,173 million yen in orders for the Chinese high-temperature reactor—pebble-bed modules (HTR-PM).

ii. Outstanding orders

(Unit: millions of yen)

Products	Year ended December 31, 2014				Year ending December 31, 2015
	1Q	2Q	3Q	4Q	1Q
Special graphite products	1,968	4,942 *2	4,820 *2	5,084 *2	5,767 *2
Carbon products for general industries (for mechanical applications)	497	476	393	422	428
Carbon products for general industries (for electrical applications)	820	898	896	992	1,133
Compound materials and other products	1,660	1,766	1,599	1,604	2,072
Total	4,947	8,084	7,708	8,104	9,402

*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 Outstanding orders for special graphite products from the second quarter of the fiscal year ended on December 31, 2014 include orders for the Chinese high-temperature reactor—pebble-bed modules (HTR-PM).

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended December 31, 2014					Year ending December 31, 2015
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,048	3,907	3,727	4,017	15,700	3,699
[Electronics applications]	1,612	1,334	1,141	1,306	5,395	1,241
[General industries applications]	2,109	2,192	2,151	2,337	8,790	2,021
[Others]	326	380	434	372	1,513	436
Carbon products for general industries (for mechanical applications)	807	863	793	836	3,300	818
Carbon products for general industries (for electrical applications)	1,178	1,310	1,314	1,410	5,215	1,283
Compound materials and other products	2,174	2,416	2,176	2,339	9,106	2,295
[3 major products]	1,849	2,119	1,888	2,037	7,894	1,992
[Other products]	324	297	288	302	1,212	302
Related goods	182	180	193	186	743	350
Total	8,391	8,679	8,205	8,790	34,066	8,446

(2) Overview

Special graphite products

In electronics applications, orders of products for the manufacture of single-crystal silicon rose, but conditions remained weak overall for solar cell applications, despite demand resulting from facility upgrades. As a result, the recovery was weak overall.

General industries applications were also weak overall. Despite a strong performance by products for industrial furnaces, growth for products for EDM electrodes was lackluster, partly due to market conditions. In addition, demand for continuous casting applications declined overseas.

Carbon products for general industries

Sales of carbon products for mechanical applications were solid since, although demand for bearings and other products declined for some customers, sales of pantograph sliders remained solid.

Carbon products for electrical applications were firm overall, as sales of electric power tools, particular in China, remained strong, despite weak demand for automotive applications.

Compound materials and other products

SiC (silicon carbide)-coated graphite products made a clear recovery, as demand for semiconductor applications for smartphones and tablets as well as automobiles picked up, and orders for LED products increased as the market expanded. Despite progress in promoting sales of products for industrial furnaces and strong sales for semiconductor applications, C/C composite products lacked strength overall partly due to weak sales of solar cell applications. Moreover, graphite sheet products were strong performers on the back of solid demand for mainstay automotive applications, and electronics-related products also remained firm.