

Toyo Tanso Co., Ltd.

Results for the Fiscal Year Ended December 31, 2018

February 2019
Toyo Tanso Co., Ltd.

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1. Key Points for the Fiscal Year Ended December 31, 2018

Point 1

Sales involving applications for solar cells slowed entering the second half, partially resulting from effects of a shift in Chinese governmental policy, but respective applications, including those for semiconductors, performed well overall. Net sales reached a record high, in part due to the posting of sales (3.2 billion yen) for China's high-temperature reactor-pebble-bed modules (HTR-PM).

Point 2

Despite some increase in fixed costs, operating income and ordinary income gained significantly in comparison with the previous year, aided by higher marginal profit due to sales growth as well as reinforced sales of high value-added products. The Company achieved a 60% increase in profit in comparison with the previous year, despite having recognized impairment losses at fiscal year-end (0.5 billion yen) with respect to Toyo Tanso Technology Center (Kagawa) and production facilities of its Chinese subsidiaries.

Point 3

In fiscal 2019, despite prevailing uncertainties with respect to the global economy, we forecast revenue growth of 5%, excluding sales for China's high-temperature reactor-pebble-bed modules (HTR-PM), amid solid demand for special graphite products and other mainstay products. On the profit side, we expect to generate double-digit results with respect to the operating income margin and ordinary income margin, despite a scenario of surging fuel prices along with increasing personnel costs and other fixed costs.

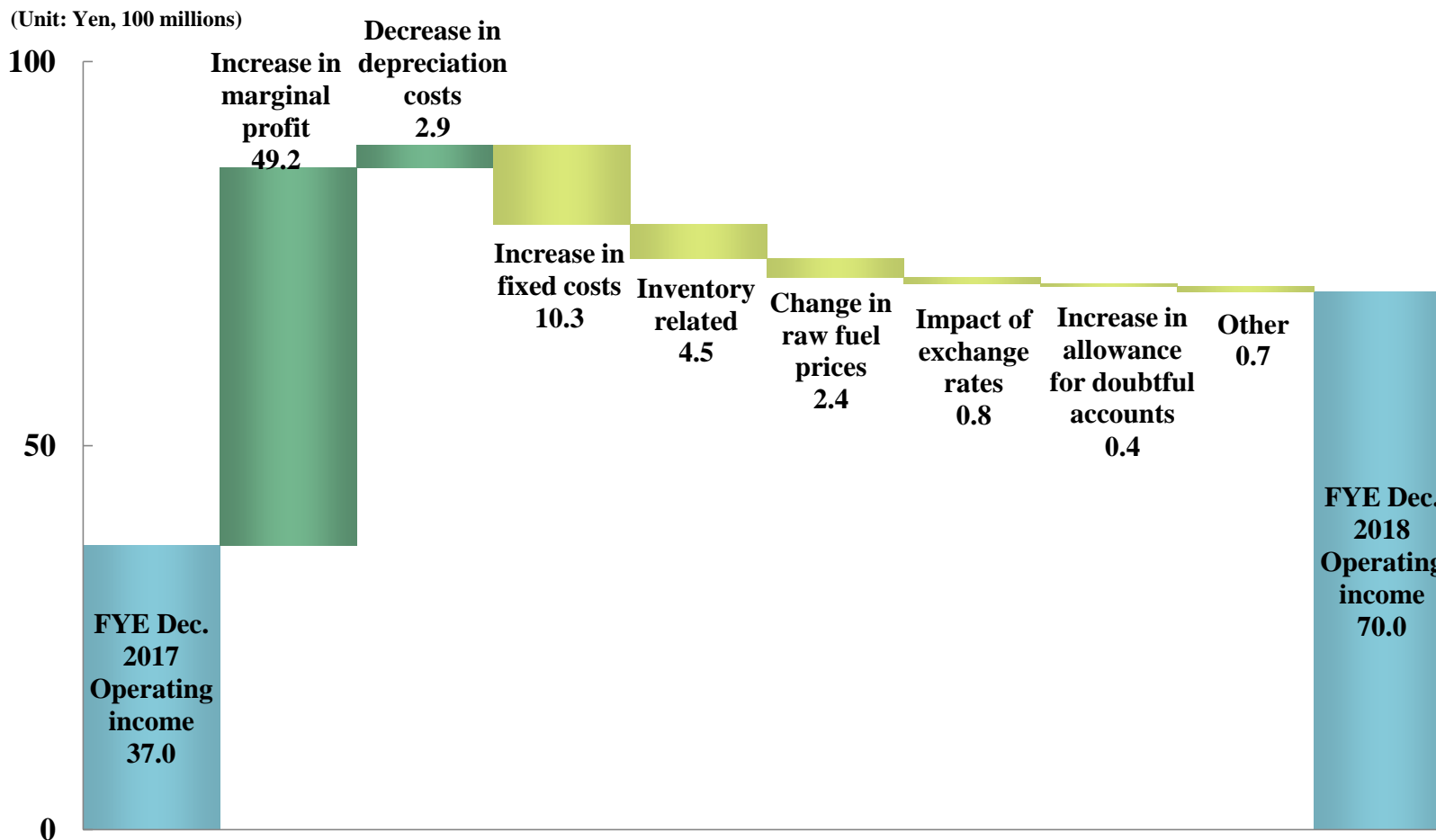
2. Results for the Fiscal Year Ended December 31, 2018 and Forecasts for the Fiscal Year Ending December 31, 2019

	FYE Dec. 2017	FYE Dec. 2018		FYE Dec. 2019 (forecast)		
			Year-on-year change		Breakdown	Year-on-year change
(Unit: Yen, millions)						
Net sales	35,240	41,132	+ 5,891 / + 16.7 %	40,000	H1 result 19,500	(1,132) / (2.8) %
					H2 result 20,500	
Operating income	3,708	7,009	+ 3,300 / + 89.0 %	5,000	H1 result 2,400	(2,009) / (28.7) %
					H2 result 2,600	
(Ratio of operating income to net sales)	10.5%	17.0%		12.5%		
Ordinary income	3,719	7,057	+ 3,337 / + 89.7 %	5,000	H1 result 2,400	(2,057) / (29.2) %
					H2 result 2,600	
(Ratio of ordinary income to net sales)	10.6%	17.2%		12.5%		
Profit attributable to owners of parent	3,020	4,910	+ 1,889 / + 62.5 %	3,500	H1 result 1,700	(1,410) / (28.7) %
					H2 result 1,800	
Profit attributable to owners of parent per share (basic)	145.52 yen	234.52 yen		166.88 yen	H1 result 81.06 yen	
					H2 result 85.82 yen	
Exchange rate	112.2 yen/\$ 126.7 yen/€ 16.6 yen/CNY	110.4 yen/\$ 130.4 yen/€ 16.7 yen/CNY		105 yen/\$ 125 yen/€ 15.5 yen/CNY		

3. Factors Affecting Changes in Operating Income

(Results for the year ended December 31, 2017 vs. results for the year ended December 31, 2018)

- ✓ An increase in sales and improved profitability contributed to higher marginal profit
- ✓ Personnel costs account for approximately 80% of the increase in fixed costs

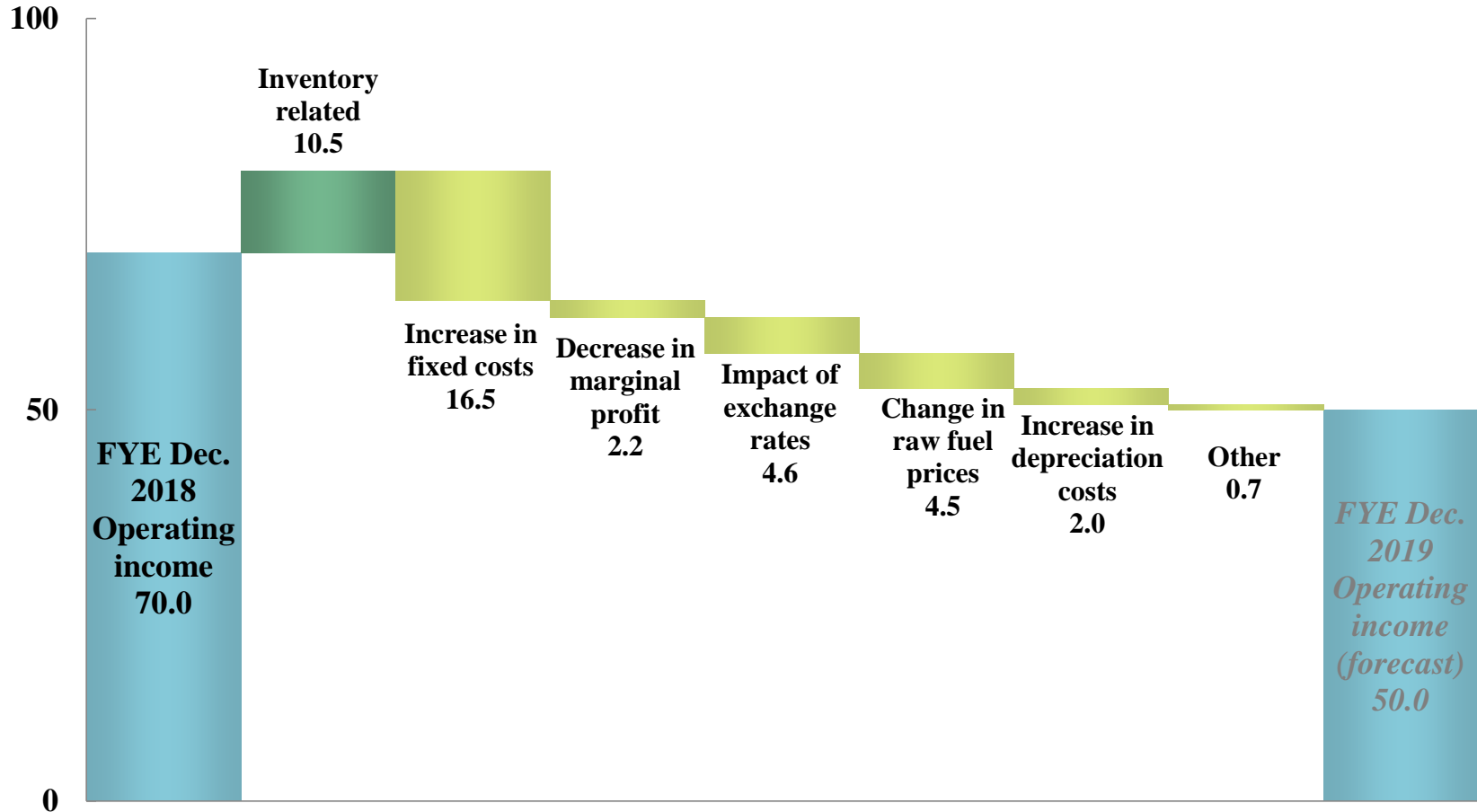


3. Factors Affecting Changes in Operating Income

(Results for the year ended December 31, 2018 vs. forecast of the year ending December 31, 2019)

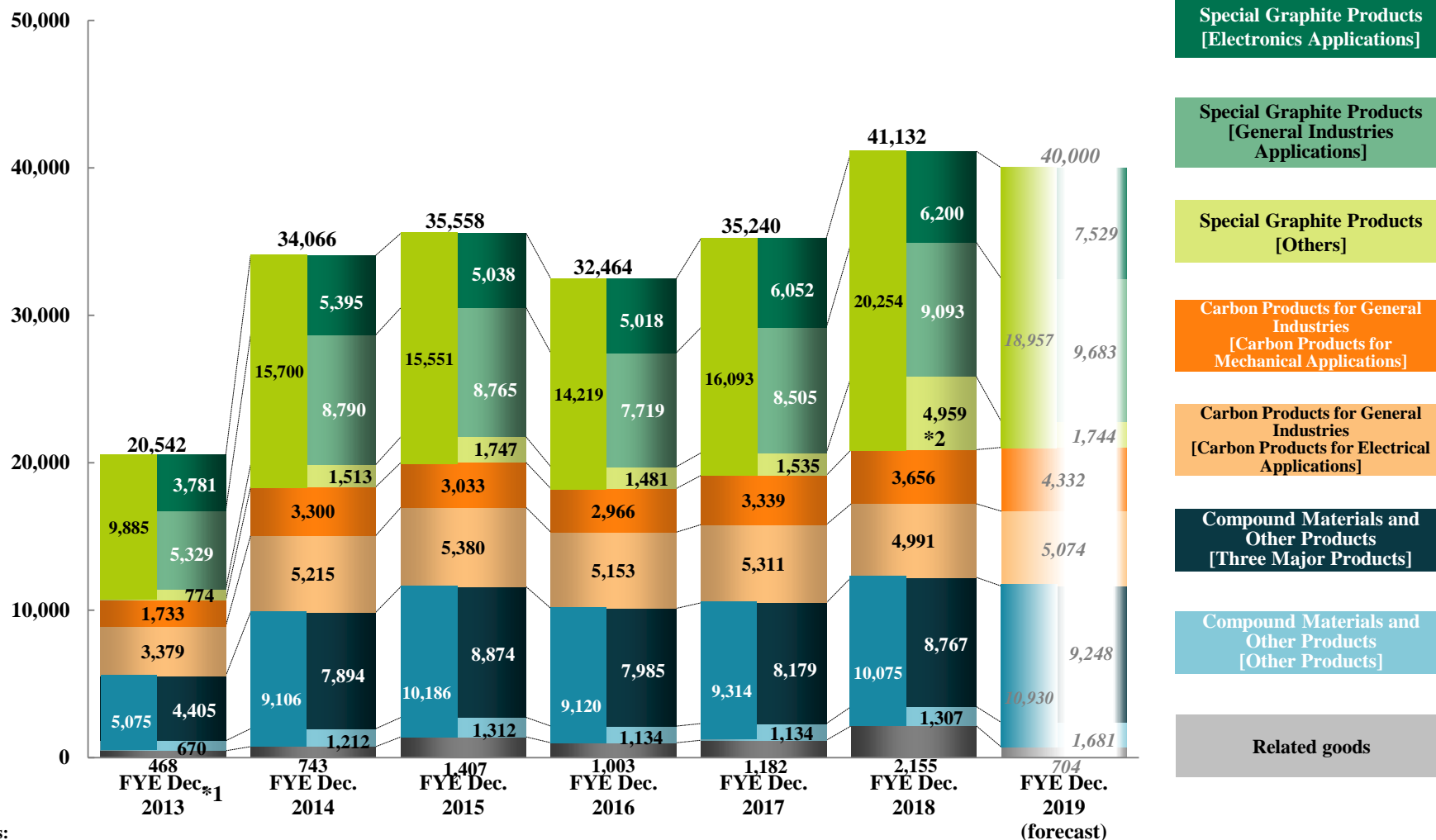
✓ Fixed costs are becoming more of a burden amid a trend of ongoing increases in personnel costs

(Unit: Yen, 100 millions)



4. Net Sales by Product and Segment (full year)

(Unit: Yen, millions)

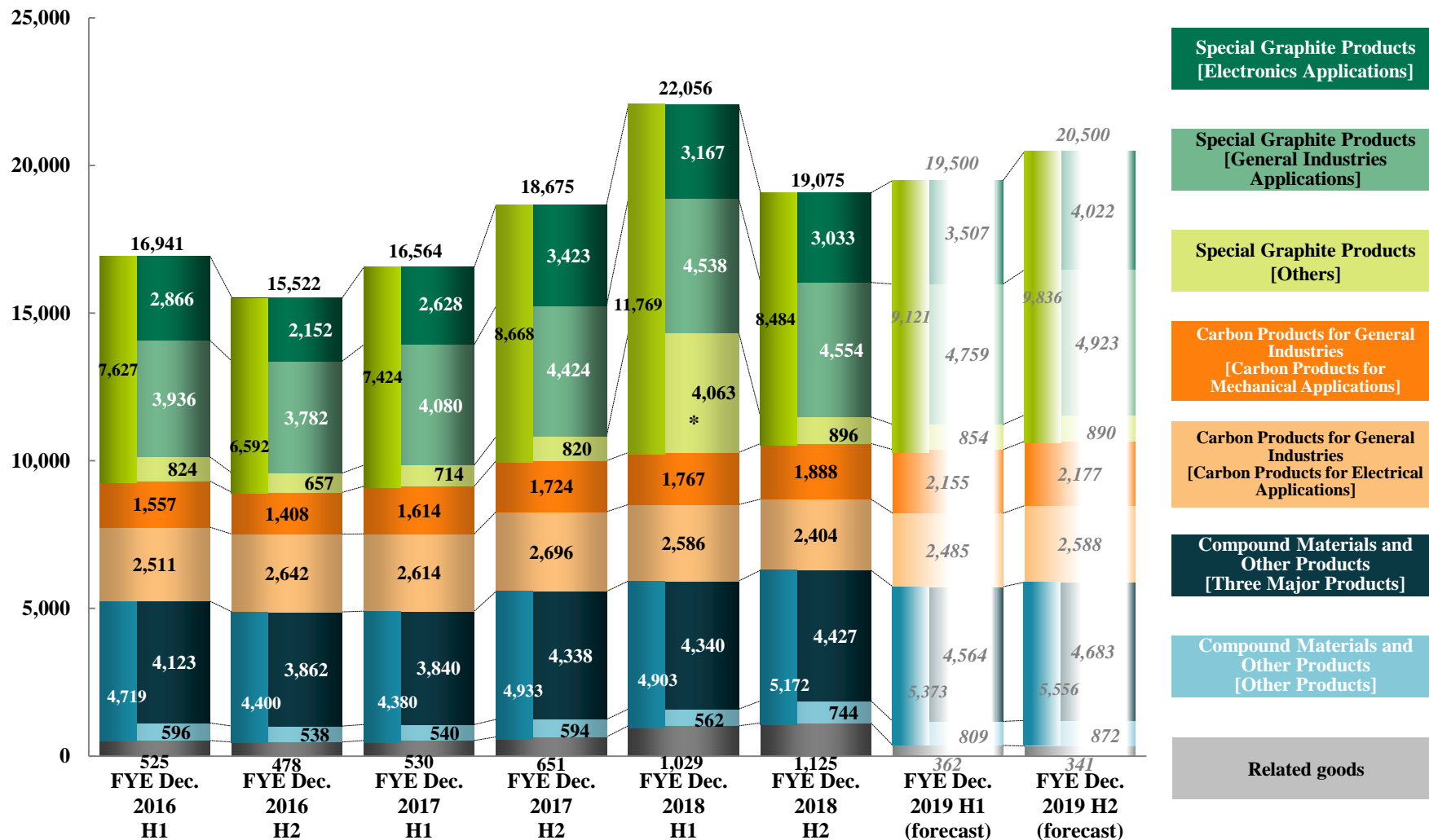


Notes:

- The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013. For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).
- Net sales for special graphite products [others] for the fiscal year ended December 31, 2018, include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).

4. Net Sales by Product and Segment (six-month period)

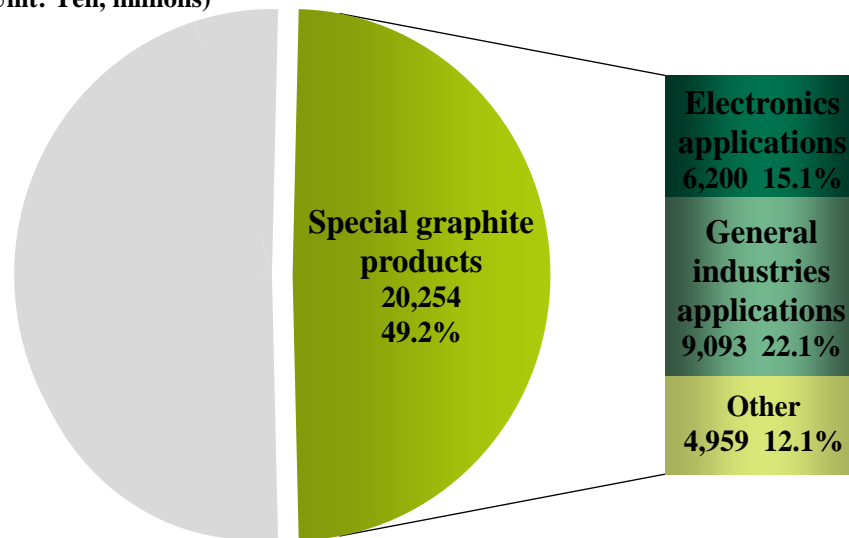
(Unit: Yen, millions)



Note: Net sales for special graphite products [others] for the first half of the fiscal year ended December 31, 2018, include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).

<Special Graphite Products>

(Unit: Yen, millions)



Key point

[Electronics applications]

Applications for single-crystal silicon manufacturing: In 2018, amid a scenario where silicon wafer area shipments centered on 300 mm wafers reached all-time highs, supply of Toyo Tanso's graphite products remained tight, particularly with respect to large materials. Whereas growth in 2019 is expected to be slow in comparison with those achieved in 2017 and 2018, the growth trajectory is poised to continue also in 2019.

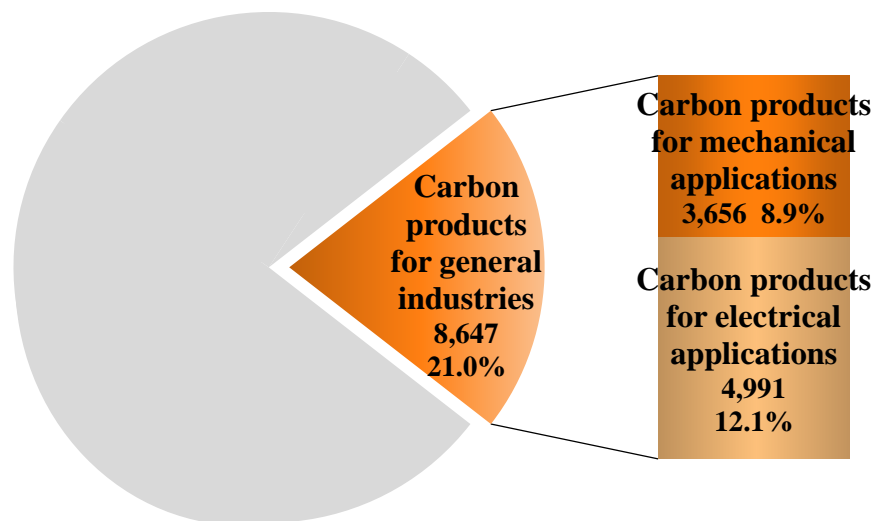
Solar cell applications: A downward trend has emerged, in part due to a shift in Chinese governmental policy beginning in the second half. We also expect a rebound in utilization rates in 2019, but are currently unable to take an optimistic view given numerous uncertainties in terms of when and the extent to which this rebound is likely to occur.

[General industries applications]

Going forward, although sales involving applications for EDM electrodes are likely to be adversely affected by decreasing automobile production volume in China, we anticipate growth ahead in regions such as Southeast Asia and Mexico. Supported by strong demand for semiconductors, sales involving applications for continuous casting have been favorable particularly for integrated circuit lead frames as well as for construction and pipe applications. We will take steps going forward with respect to addressing the challenge of increasing our market share globally.

<Carbon Products for General Industries>

(Unit: Yen, millions)



Key points

[Carbon products for mechanical applications]

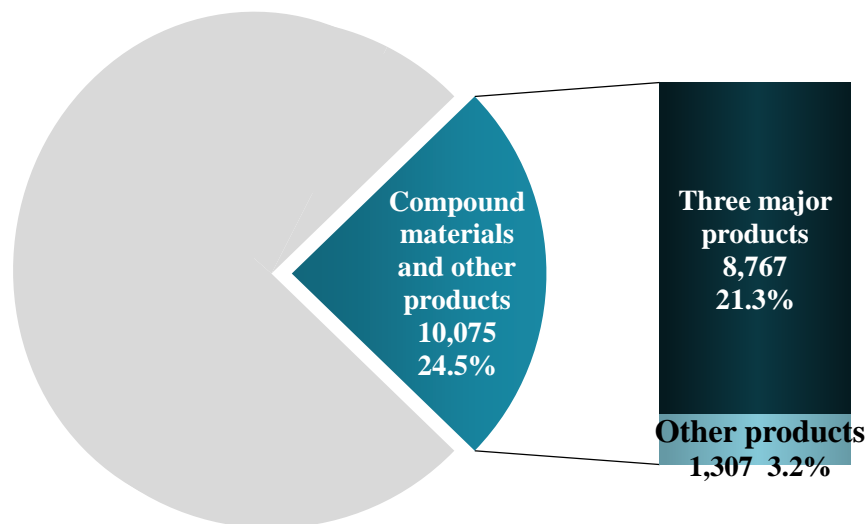
Domestic sales of shaft bearings, sealing rings, and other mainstay products have been strong overall. Sales of pantograph sliders have remained firm, unaffected by the economy, and have been steadily gaining ground particularly amid a rising number of inquiries involving new orders for overseas projects geared to new transportation systems and subways in China. We are in the process of assertively carrying out public relations initiatives targeting Japan's private railway companies. We are also preparing for vigorous demand by updating aging equipment and accordingly augmenting production capacity.

[Carbon products for electrical applications]

In the area of small-motor applications, the Company has been taking action with respect to addressing the trend toward use of brushless motors in both home appliances (vacuum cleaners and washing machines) and power tools, and responding to competition against cheap products from local manufacturers in China. To such ends, we have embarked on initiatives for improving profitability that involve engaging in further cost cutting, optimizing global manufacturing and sales chains in part by consolidating manufacturing bases, and revising prices.

<Compound Materials and Other Products>

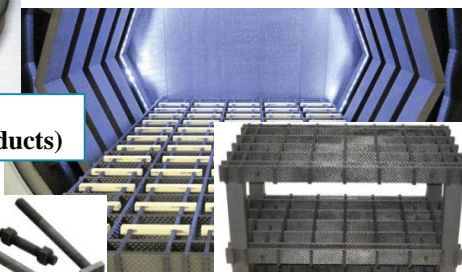
(Unit: Yen, millions)



MOCVD susceptor
(SiC-coated graphite products)



Graphite sheet products



Three-layered trays
(C/C composite products)



Bolts and nuts
(C/C composite products)

Key points

[Three major products]

SiC-coated graphite products: Sales involving SiC-Epi applications have achieved remarkable growth, as have those of our MOCVD (LED and power devices) and Si-Epi mainstay applications. Demand has been materializing for installation of new equipment and replacements, and is expected to increase substantially going forward as well.

C/C composite products: Results have been emerging from initiatives embarked on several years ago in the area of industrial furnaces, as is evident by firm performance being achieved with respect to switching over to C/C composites. Sales involving solar cell applications have been sluggish, but we expect to keep expanding sales with respect to industrial furnace, optical fiber, and semiconductor applications.

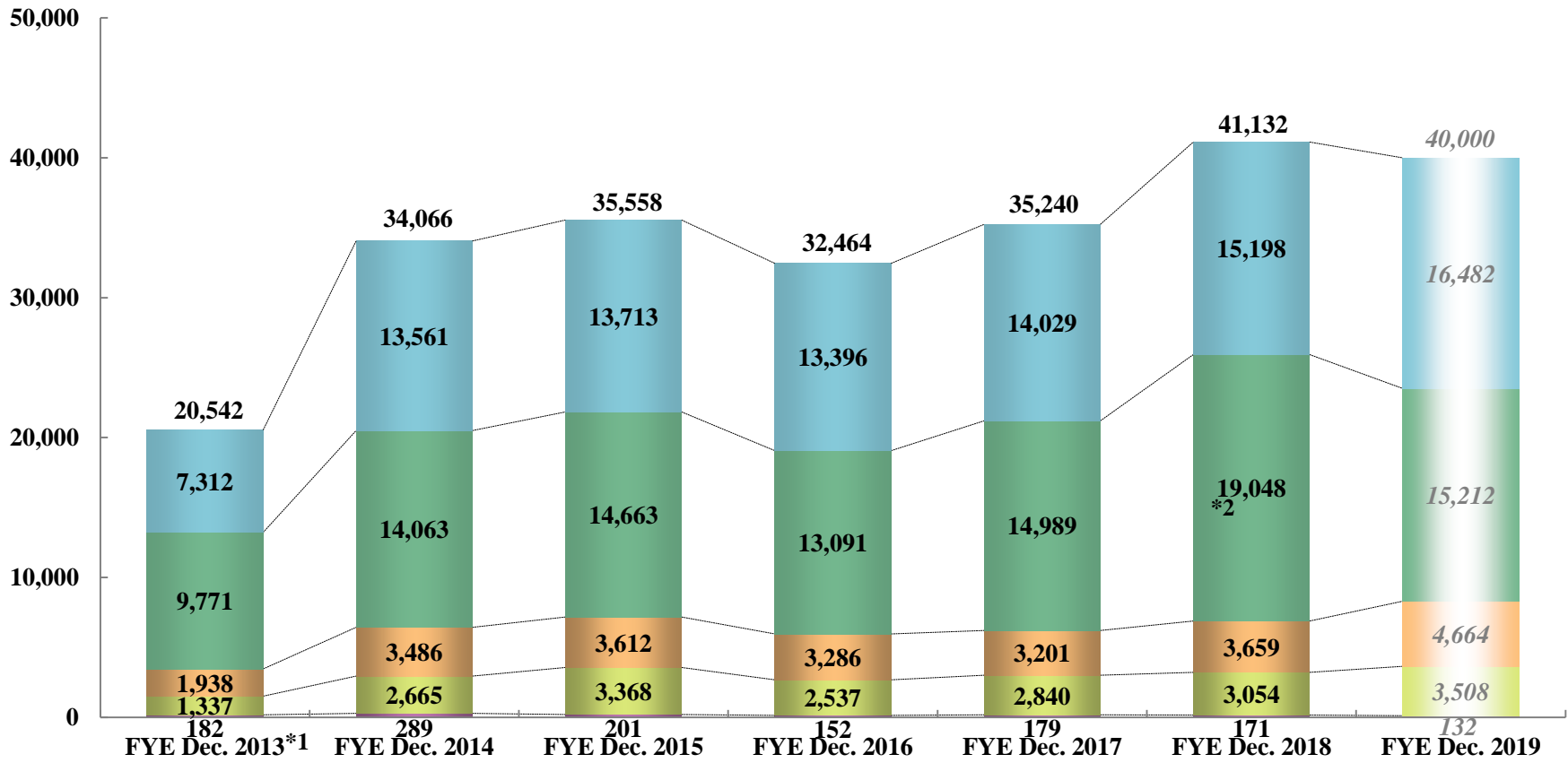
Graphite sheet products: Metallurgical, automotive, and electronics applications remained stable overall. We will also continue to develop new applications.

5. Sales by Region

✓ Sales in Asia increased significantly in FY18 due to the posting of sales for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM).

✓ In FY2019, we will aim increase sales in North America and Europe, which is key to our growth strategy.

(Unit: Yen, millions)



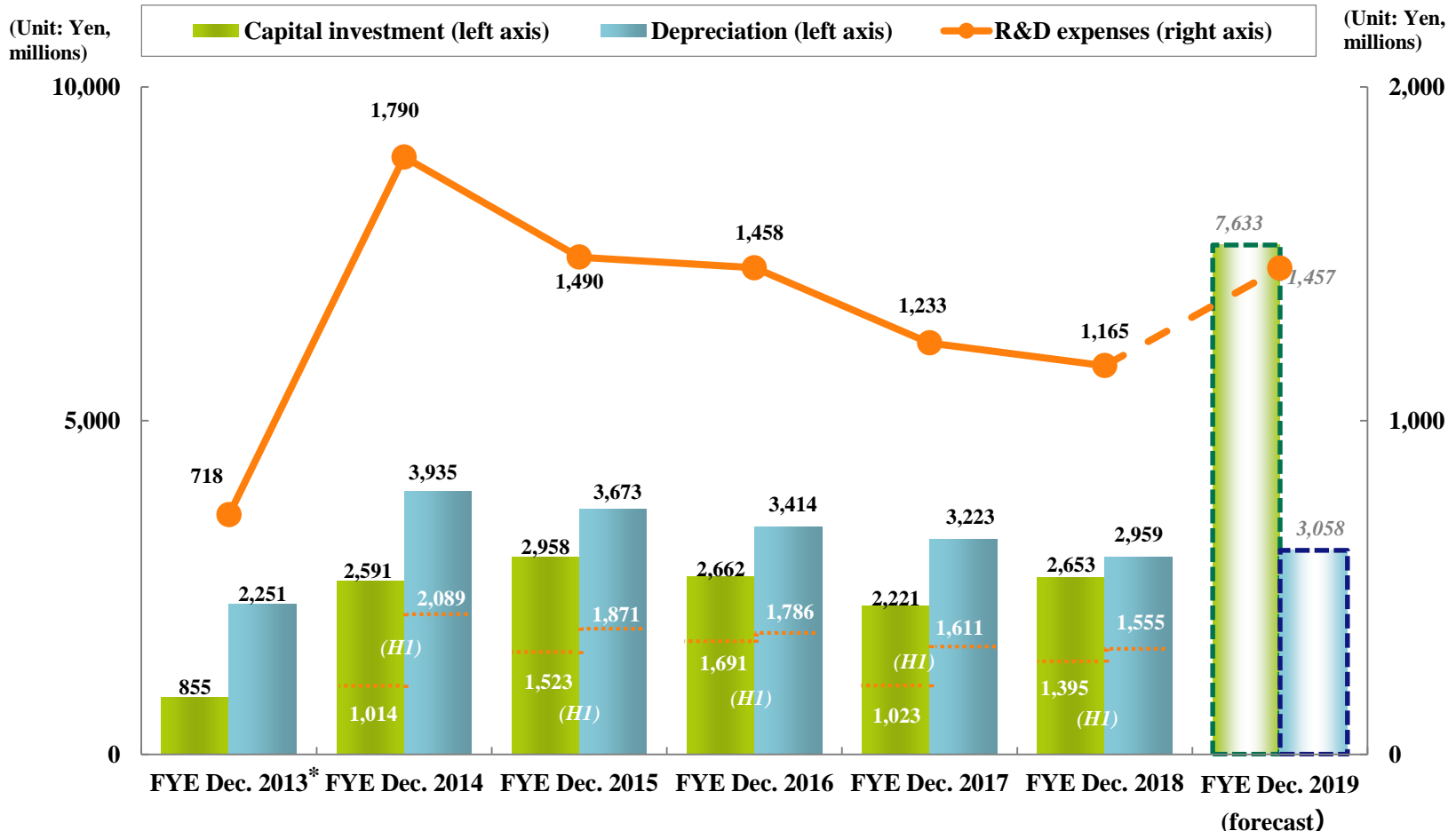
Note: 1. The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

2. Net sales in Asia for the fiscal year ended December 31, 2018, include 3,204 million yen in net sales for China's high-temperature reactor-pebble-bed modules (HTR-PM).

6. Capital Investment, Depreciation, and R&D Expenses

✓ We intend to actively carry out capital investment beginning in FY2019 with the aims of improving production efficiency and shifting to higher value-added products.

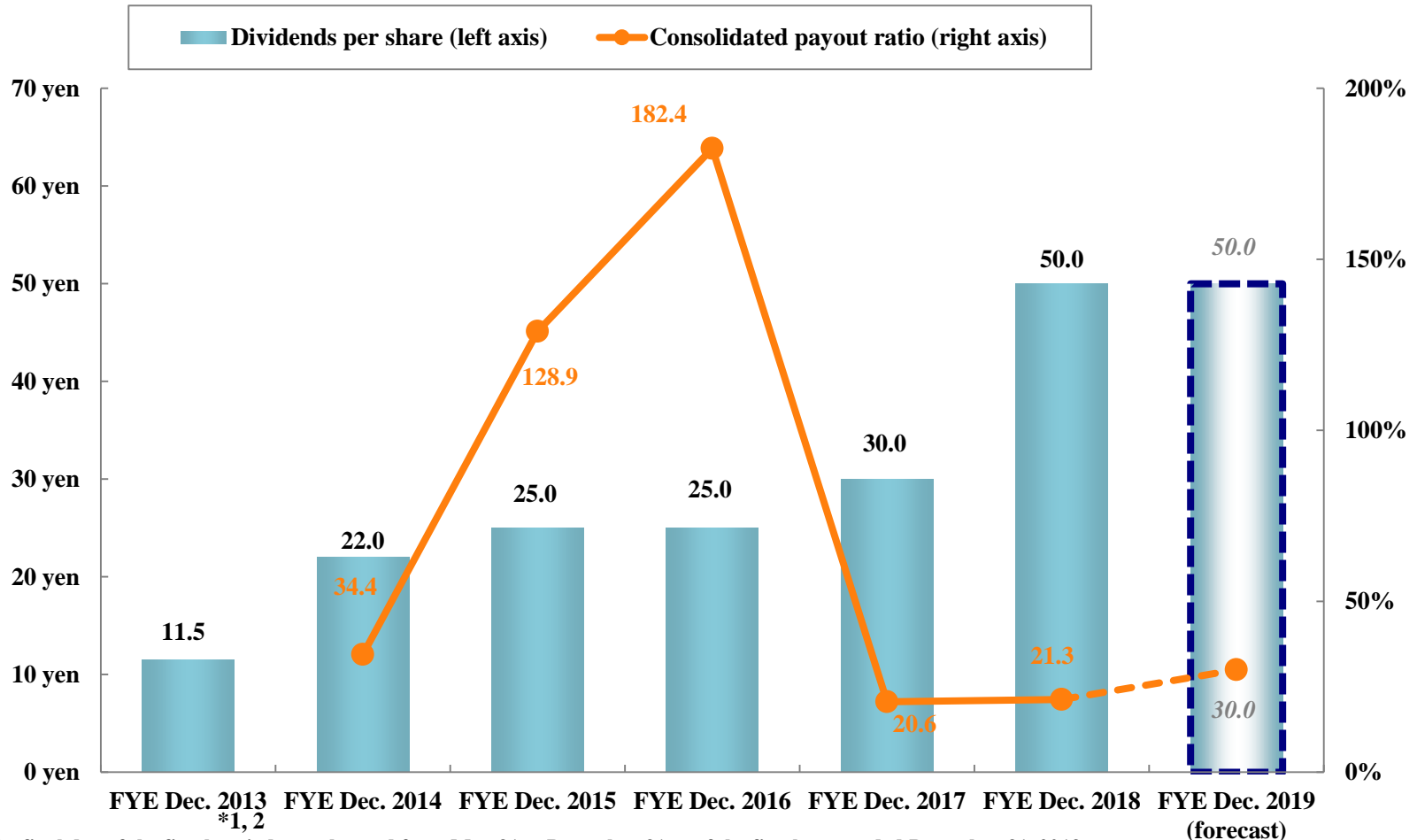


Note: The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

7. Dividend

- ✓ Strengthen returns to shareholders while considering balance with capital efficiency and strategic investment
- ✓ We plan to increase dividends by 20 yen in fiscal 2018



Note: 1. The final day of the fiscal period was changed from May 31 to December 31 as of the fiscal year ended December 31, 2013.

For this reason, the fiscal year ended December 31, 2013 was an irregular seven-month fiscal period (nine months for some subsidiaries).

2. Since profit was negative in the fiscal year ended May 31, 2013 and the fiscal year ended December 31, 2013, information on consolidated payout ratio is excluded here.

8. Consolidated Balance Sheet and Statement of Cash Flows for the Fiscal Year Ended December 31, 2018

Consolidated Balance Sheet	(Unit: Yen, millions)		Consolidated Statement of Cash Flows	(Unit: Yen, millions)	
	December 31, 2017	December 31, 2018		FYE Dec. 2017	FYE Dec. 2018
Total assets	74,223	74,986	Cash and cash equivalents at beginning of period	6,424	6,361
Notes and accounts receivable - trade	14,255	15,274	Net increase (decrease) in cash and cash equivalents	(63)	53
Inventories	15,471	14,686	Cash and cash equivalents at end of period	6,361	6,414
Property, plant and equipment	24,642	23,502	Net cash provided by (used in) operating activities	6,972	5,759
Total liabilities and net assets	74,223	74,986	Net cash provided by (used in) investing activities	(5,951)	(4,318)
Interest-bearing liabilities	1,194	505	Net cash provided by (used in) financing activities	(1,216)	(1,169)
Capital stock	7,810	7,947			
Net assets	60,986	64,096			
Equity ratio	81.0%	84.5%			

TOYO TANSO

Inspiration for Innovation

Note: This presentation contains “forward-looking statements” and forecasts of business results. These statements are not historical facts but instead represent the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond the Company’s control. It is possible that the Company’s actual results may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

IR Contact
E-mail: ir@toyotanso.co.jp