

November 7, 2019

Consolidated Financial Results for the Nine Months Ended September 30, 2019 [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:	November 8, 2019
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	No
Quarterly financial results briefing:	No

1. Consolidated financial results for the nine months ended September 30, 2019

(From January 1, 2019 to September 30, 2019)

(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 income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Nine months ended September 30, 2019	27,868	(12.3)	4,394	(26.6)	4,303	(28.6)	3,143	(28.6)
Nine months ended September 30, 2018	31,763	23.6	5,983	140.5	6,030	148.8	4,404	122.5

(Note): Comprehensive income:
 Nine months ended September 30, 2019 2,251 million yen; (-39.1%)
 Nine months ended September 30, 2018 3,696 million yen; (83.7%)

	Profit attributable to owners of parent per share (basic)	Profit attributable to owners of parent per share (diluted)
	yen	yen
Nine months ended September 30, 2019	149.87	-
Nine months ended September 30, 2018	210.47	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of September 30, 2019	74,701	65,229	86.4
As of December 31, 2018	74,951	64,096	84.5
(Reference): Shareholders' equity			
September 30, 2019		64,515 million yen	
December 31, 2018		63,326 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, 2018	–	0.00	–	50.00	50.00
Year ending December 31, 2019 (Actual)	–	0.00	–		
Year ending December 31, 2019 (Forecast)				50.00	50.00

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

3. Consolidated results forecast for the fiscal year ending December 31, 2019

(From January 1, 2019 to December 31, 2019)

(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, 2019	37,000	(10.0)	5,800	(17.3)	5,800	(17.8)	4,000	(18.5)	190.72

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

*** Others**

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

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

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

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

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

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

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

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

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

As of September 30, 2019 20,992,588 shares

As of December 31, 2018 20,992,588 shares

2) Number of treasury stock at the end of period

As of September 30, 2019 19,815 shares

As of December 31, 2018 19,769 shares

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

Nine months ended September 30, 2019 20,972,801 shares

Nine months ended September 30, 2018 20,925,010 shares

*** The quarterly financial results are not subject to quarterly 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.

○Attached Documents

1. Qualitative Information Regarding Consolidated Results for the Nine Months under Review	2
(1) Explanation Regarding Business Results	2
(2) Explanation Regarding Financial Position	2
(3) Explanation of Information Regarding Consolidated Earnings Forecasts and Other Projections	3
2. Quarterly Consolidated Financial Statements and Important Notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(Quarterly consolidated statement of income)	6
(Quarterly consolidated statement of comprehensive income)	7
(3) Notes on quarterly consolidated financial statements	8
(Notes regarding the premise of a going concern)	8
(Notes if the amount of shareholders' equity has changed significantly)	8
(Adoption of specific accounting methods for the preparation of quarterly consolidated financial statements)	8
(Additional information)	8
(Segment information)	9
3. Supplementary Information	11
(1) Orders and sales by product category	11
(2) Overview	12

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

(1) Explanation Regarding Business Results

During the first three quarters of the consolidated fiscal year under review, factors such as the prolongation of trade friction between the US and China, the issue of the departure of the United Kingdom from the EU, and the slowing of regional economies in parts of Asia, including China, resulted in a situation of continued uncertainty. In the Japanese economy, personal consumption remained on a recovery path, but some weakness was seen in exports and production.

With regard to the business environment in which the Group operates, there were movements to cut back capital spending in the semiconductor market but demand, primarily wafer-related, was solid, and the transportation equipment market saw growth in demand for pantograph sliders used in trains both in Japan and overseas. Elsewhere, in the energy-related market, solar cell-related demand remained sluggish.

In this environment, the Group focused on medium-term demand, working to reinforce infrastructure for high value-added products and improve productivity by means of capital spending, and develop new products and businesses.

As a result, in the nine months of the consolidated fiscal year under review, although the 3,204 million yen in sales recorded in the first quarter of the previous fiscal year for Chinese high-temperature reactor-pebble-bed modules (HTR-PM) was removed, net sales were 27,868 million yen (down 12.3% year on year [down 2.4% year on year excluding those of Chinese HTR-PM]). On the income side, due to an increase in fixed costs such as personnel expenses, operating income fell 26.6% to 4,394 million yen, ordinary income fell 28.6% to 4,303 million yen, and profit attributable to owners of parent stood at 3,143 million yen, down 28.6%.

The overall performance of each business segment was as follows. (Please refer to “3. Supplementary Information” for an overview of each product category.)

Japan

Products for semiconductor, LED and metallurgical applications were strong, while carbon products for mechanical applications remained solid. However, the disappearance this fiscal year of 2,651 million yen in sales of products used in Chinese high-temperature reactor-pebble-bed modules (HTR-PM) recorded in the first quarter of the previous fiscal year led to a 9.4% year-on-year decline in net sales, to 15,493 million yen, and operating income of 3,505 million yen (down 8.7% year on year).

United States

Due to strength in products for electronics and metallurgical applications, net sales came to 2,405 million yen (up 12.6% year on year) but increases in fixed costs caused a 17.1% year-on-year decline in operating income, to 378 million yen.

Europe

Although products used in electronics were strong and demand for metallurgical applications remained solid, weakness in carbon brush products resulted in net sales of 2,524 million yen (up 0.4% year on year), with an operating loss of 158 million yen, compared to an operating loss of 179 million yen in the same period of the previous fiscal year.

Asia

In addition to solar cell, metallurgical, and carbon brush products all showing weakness, the disappearance this fiscal year of 553 million yen in sales of products used in Chinese high-temperature reactor-pebble-bed modules (HTR-PM) recorded in the first quarter of the previous fiscal year led to net sales of 7,444 million yen (down 25.7% year on year) and operating income of 605 million yen (down 69.0% year on year).

(2) Explanation Regarding Financial Position

Total assets as of September 30, 2019 decreased by 250 million yen from the end of the previous consolidated fiscal year. This was primarily because although inventory rose by 589 million yen and property, plant and equipment increased by 1,033 million yen, notes and accounts receivable - trade fell by 1,875 million yen.

Total liabilities decreased by 1,383 million yen from the end of the previous consolidated fiscal year. This was chiefly because although provision for bonuses increased by 558 million yen, notes and accounts payable - trade declined by 468 million yen, electronically recorded obligations - operating fell by 272 million yen, income taxes

payable decreased by 666 million yen, and declines in deposits received for social insurance, etc. resulted in the “other” item of current liabilities falling by 554 million yen.

Total net assets increased by 1,133 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 2,094 million yen, despite a decrease of 1,008 million yen in foreign currency translation adjustment.

Please note that, from the beginning of the consolidated first quarter, the Group has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 February 16, 2018). In regard to its financial position, it makes a comparison with the accounting figures from the end of the previous consolidated fiscal year after retrospectively applying the necessary treatment.

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

Consolidated forecasts for the year ending December 31, 2019 are unchanged from the figures announced on August 7, 2019.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2018	As of September 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	17,885	18,306
Notes and accounts receivable – trade	15,274	13,399
Merchandise and finished goods	6,420	6,505
Work in process	5,619	5,911
Raw materials and supplies	2,646	2,859
Other	557	437
Allowance for doubtful accounts	(245)	(182)
Total current assets	48,159	47,236
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,566	8,651
Machinery, equipment and vehicles, net	6,946	6,947
Land	5,816	5,789
Construction in progress	1,315	1,708
Other, net	857	1,439
Total property, plant and equipment	23,502	24,536
Intangible assets	729	225
Investments and other assets	2,558	2,702
Total non-current assets	26,791	27,464
Total assets	74,951	74,701

(Millions of yen, rounded down)

	As of December 31, 2018	As of September 30, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,275	1,807
Electronically recorded obligations – operating	1,325	1,053
Short-term loans payable	402	414
Accounts payable–other	1,923	2,033
Income taxes payable	1,028	361
Provision for bonuses	560	1,118
Provision for directors’ bonuses	33	—
Other	2,436	1,881
Total current liabilities	9,985	8,670
Non-current liabilities		
Long-term loans payable	103	73
Net defined benefit liability	131	133
Asset retirement obligations	264	261
Other	368	331
Total non-current liabilities	868	800
Total liabilities	10,854	9,471
Net assets		
Shareholders’ equity		
Capital stock	7,947	7,947
Capital surplus	9,789	9,789
Retained earnings	44,821	46,916
Treasury shares	(59)	(60)
Total shareholders’ equity	62,498	64,593
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	89
Foreign currency translation adjustment	886	(121)
Remeasurements of defined benefit plans	(162)	(46)
Total accumulated other comprehensive income	828	(77)
Non-controlling interests	770	714
Total net assets	64,096	65,229
Total liabilities and net assets	74,951	74,701

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

(Quarterly consolidated statement of income)

Nine months ended September 30, 2018 and 2019

(Millions of yen, rounded down)

	Nine months ended September 30, 2018 Amount	Nine months ended September 30, 2019 Amount
Net sales	31,763	27,868
Cost of sales	20,803	18,342
Gross profit	10,959	9,526
Selling, general and administrative expenses	4,976	5,131
Operating income	5,983	4,394
Non-operating income		
Interest income	39	49
Dividend income	9	8
Share of profit of entities accounted for using equity method	64	53
Other	157	135
Total non-operating income	270	246
Non-operating expenses		
Interest expenses	9	5
Foreign exchange losses	84	262
Other	128	69
Total non-operating expenses	223	337
Ordinary income	6,030	4,303
Extraordinary income		
Gain on sales of non-current assets	69	4
Subsidy income	51	8
Gain on reversal of subscription rights to shares	13	-
Total extraordinary income	133	12
Extraordinary losses		
Loss on sales of non-current assets	2	4
Loss on retirement of non-current assets	50	205
Total extraordinary losses	52	210
Profit before income taxes	6,111	4,105
Income taxes	1,642	920
Profit	4,468	3,185
Profit attributable to non-controlling interests	64	41
Profit attributable to owners of parent	4,404	3,143

(Quarterly consolidated statement of comprehensive income)

Nine months ended September 30, 2018 and 2019

(Millions of yen, rounded down)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
	Amount	Amount
Profit	4,468	3,185
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(14)
Foreign currency translation adjustment	(669)	(991)
Remeasurements of defined benefit plans, net of tax	1	116
Share of other comprehensive income of entities accounted for using equity method	(31)	(44)
Total other comprehensive income	(772)	(933)
Comprehensive income	3,696	2,251
Comprehensive income attributable to:		
Owners of parent	3,645	2,237
Non-controlling interests	51	14

(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.

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

(Tax expense calculations)

Tax expenses are calculated by multiplying profit before income taxes by an effective tax rate, which are reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the consolidated fiscal year, including the third quarter of the consolidated fiscal year under review.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 February 16, 2018) was adopted from the beginning of the consolidated first quarter. Deferred tax assets are stated under "investments and other assets" and deferred tax liabilities are stated under "non-current liabilities."

(Segment information)

I. Nine months ended September 30, 2018 (From January 1, 2018 to September 30, 2018)

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

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	17,097	2,135	2,513	10,015	31,763	—	31,763
(2) Intersegment sales or transfers	5,453	277	0	237	5,968	(5,968)	—
Total	22,551	2,413	2,513	10,253	37,731	(5,968)	31,763
Segment profit (loss)	3,841	456	(179)	1,951	6,069	(86)	5,983

(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 consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	11,189	2,197	2,801	15,431	12,060	143	31,763
Composition (%)	35.2	6.9	8.8	48.6	38.0	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

II. Nine months ended September 30, 2019 (From January 1, 2019 to September 30, 2019)

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

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	15,493	2,405	2,524	7,444	27,868	—	27,868
(2) Intersegment sales or transfers	4,625	197	1	168	4,994	(4,994)	—
Total	20,119	2,603	2,526	7,613	32,862	(4,994)	27,868
Segment profit (loss)	3,505	378	(158)	605	4,330	64	4,394

(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 consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	12,272	2,737	2,608	10,126	7,004	123	27,868
Composition (%)	44.0	9.8	9.4	36.3	25.1	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

3. Supplementary Information

(1) Orders and sales by product category

i. Orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2018						Year ending December 31, 2019			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	4,636	4,261	3,777	12,676	3,825	16,502	3,671	3,505	3,200	10,378
Carbon products for general industries*2 (for mechanical applications)	911	848	970	2,730	968	3,698	976	1,023	928	2,928
Carbon products for general industries (for electrical applications)	1,276	1,308	1,141	3,725	1,059	4,785	1,126	1,130	1,053	3,310
Compound materials and other products	3,382	2,959	2,755	9,098	2,543	11,641	2,487	1,994	1,680	6,162
Total	10,208	9,377	8,645	28,231	8,396	36,627	8,262	7,654	6,863	22,780

(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

(Millions of yen, rounded down)

Products	Year ended December 31, 2018				Year ending December 31, 2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Special graphite products	3,159	3,299	2,984	3,381	3,177	2,859	2,510
Carbon products for general industries*2 (for mechanical applications)	648	622	729	733	770	823	829
Carbon products for general industries (for electrical applications)	981	977	894	849	848	827	741
Compound materials and other products	3,664	4,057	4,229	4,234	4,029	3,540	2,829
Total	8,453	8,957	8,836	9,198	8,826	8,050	6,910

(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 outstanding orders placed in this quarter.

*2. Data for general carbon products for general industries (mechanical applications) includes orders that have not been officially confirmed.

iii. Sales performance by product category

(Millions of yen, rounded down)

Products	Year ended December 31, 2018						Year ending December 31, 2019			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	7,248	4,521	4,464	16,234	4,019	20,254	4,227	4,300	3,993	12,521
[Electronics applications]	1,392	1,775	1,587	4,754	1,445	6,200	1,440	1,540	1,502	4,483
[General industries applications]	2,232	2,306	2,394	6,932	2,160	9,093	2,308	2,275	2,090	6,674
[Others]	3,624	439	483	4,546	413	4,959	478	484	400	1,364
Carbon products for general industries (for mechanical applications)	873	894	883	2,651	1,005	3,656	960	998	952	2,911
Carbon products for general industries (for electrical applications)	1,292	1,293	1,214	3,801	1,189	4,991	1,128	1,141	1,121	3,391
Compound materials and other products	2,384	2,518	2,592	7,495	2,579	10,075	2,756	2,429	2,384	7,571
[3 major products]	2,083	2,256	2,206	6,547	2,220	8,767	2,347	2,041	1,973	6,363
[Other products]	300	262	385	948	359	1,307	408	387	411	1,208
Related goods	536	493	551	1,580	574	2,155	614	584	273	1,472
Total	12,335	9,720	9,707	31,763	9,368	41,132	9,686	9,455	8,726	27,868

(2) Overview

Special graphite products

In electronics applications, products for single-crystal silicon manufacturing were supported by steady demand and performed well, but demand for solar cell applications remained weak, leading to year-on-year declines in sales.

In general industries applications, demand for products for continuous casting, EDM electrodes and industrial furnaces was solid, but sales recorded a year-on-year decline, mostly as a result of significant declines in demand for products used in optical fiber applications in China.

In others, the disappearance this fiscal year of 3,204 million yen in sales of products used in Chinese high-temperature reactor-pebble-bed modules (HTR-PM) recorded in the first quarter of the previous fiscal year led to sales falling year on year.

The result of these changes was that sales of special graphite products as a whole fell below the level recorded in the same period of the previous fiscal year.

Carbon products for general industries

Sales of carbon products for mechanical applications surpassed the same period of the previous fiscal year with strong ongoing demand for mainstay products such as bearings, seal materials and pantograph sliders.

Carbon products for electrical applications failed to match their sales performance in the same period of the

previous fiscal year due to weak demand for products used in electrical power tools and home appliances.

The result of these changes was that overall sales of carbon products for general industries undershot the level recorded in the same period of the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products performed well due to strong demand for semiconductor applications, but the sense of a slowdown in LED applications, which began in the second quarter, strengthened and led to sales remaining at the level of the same period in the previous fiscal year. In C/C composite products, sales of semiconductor and industrial furnace applications remained solid, but due to falling sales of solar cell applications, a year-on-year decline was recorded. In graphite sheet products, generally sluggish demand for automotive, electronics, and metallurgical applications resulted in a year-on-year declines in sales.

The result of these changes was that sales of compound materials and other products as a whole were flat year on year.