

Toyo Tanso Co., Ltd.

Results for the First Half of the Fiscal Year Ending December 31, 2021

August 2021
Toyo Tanso Co., Ltd.

Summary of Results for the First Half of the Fiscal Year Ending December 31, 2021

1. Results for the First Half of the Fiscal Year Ending December 31, 2021

	FY2020 H1	FY2021 H1			
		(F)*	(A)	Year-on-year change	Versus forecasts
(Unit: Yen, millions)					
Net sales	15,514	16,500	17,535	+ 2,021 / + 13.0 %	+ 1,035 / + 6.3 %
Operating income	2,063	1,800	2,366	+ 302 / + 14.7 %	+ 566 / + 31.5 %
(Ratio of operating income to net sales)	13.3%	10.9%	13.5%		
Ordinary income	2,105	2,100	2,779	+ 673 / + 32.0 %	+ 679 / + 32.4 %
(Ratio of ordinary income to net sales)	13.6%	12.7%	15.9%		
Profit attributable to owners of parent	1,461	1,300	1,824	+ 362 / + 24.8 %	+ 524 / + 40.3 %
Profit attributable to owners of parent per share (basic) (yen)	69.69	61.99	86.98		
Exchange rate	108.3 yen/\$ 119.3 yen/€ 15.4 yen/CNY	105 yen/\$ 125 yen/€ 16 yen/CNY	107.7 yen/\$ 129.8 yen/€ 16.6 yen/CNY		

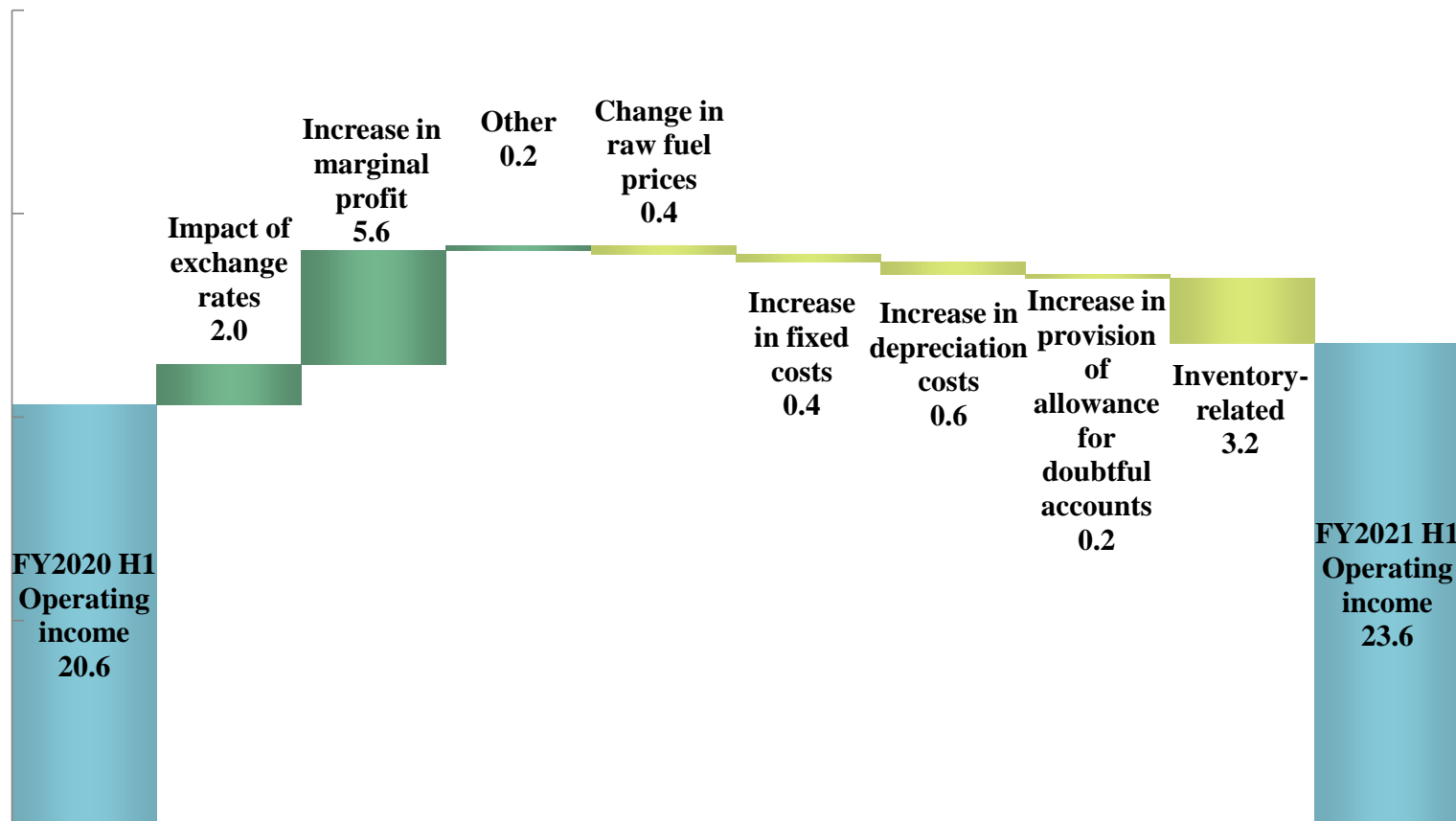
*Announced on May 12, 2021

2. Factors Affecting Changes in Operating Income

(first half of fiscal year ended December 2020 vs. first half of fiscal year ending December 2021)

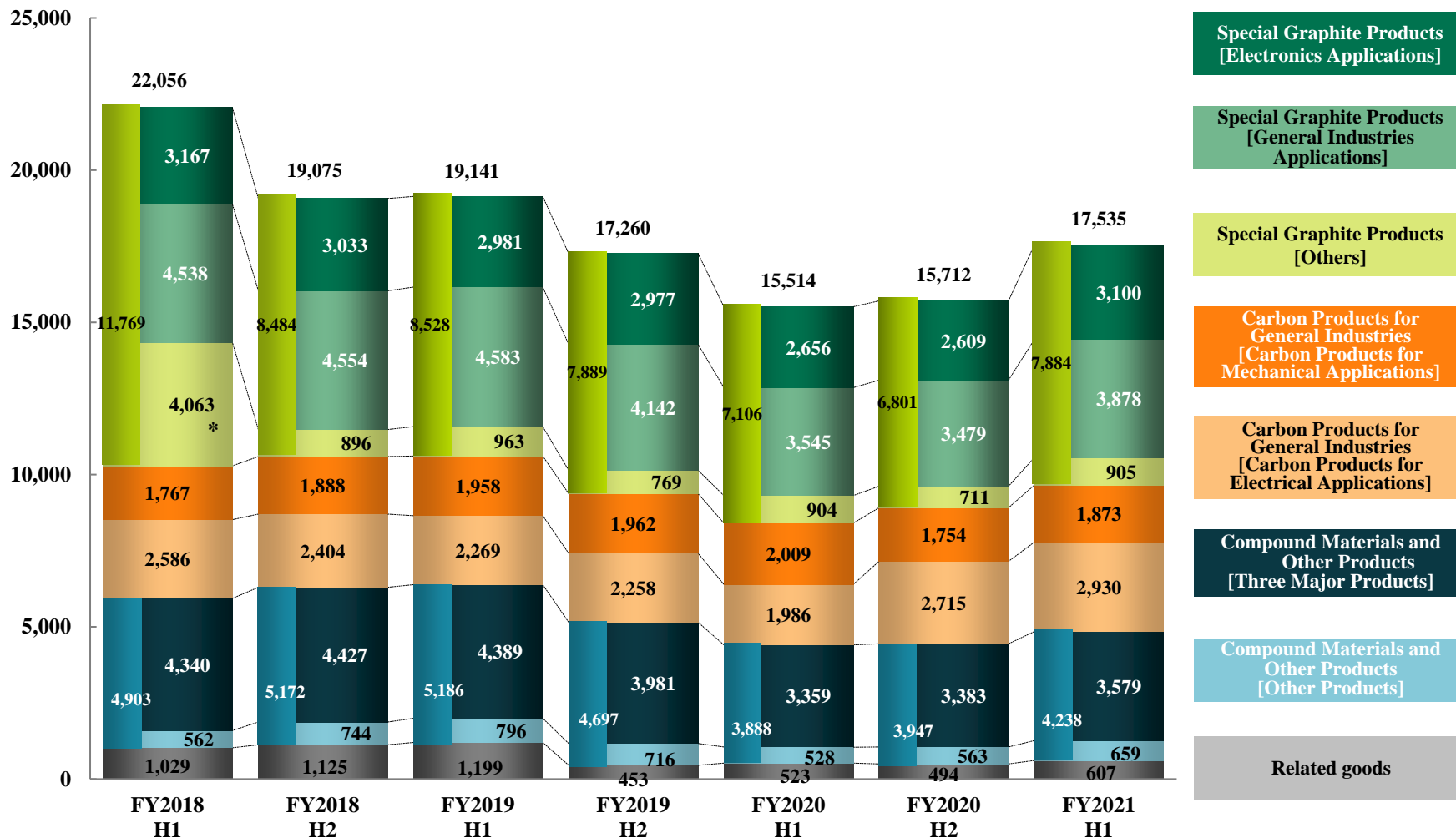
✓ Marginal profit growth on higher sales and yen depreciation drive 14.7% YoY rise

(Unit: Yen, 100 millions)



3. Net Sales by Product and Segment

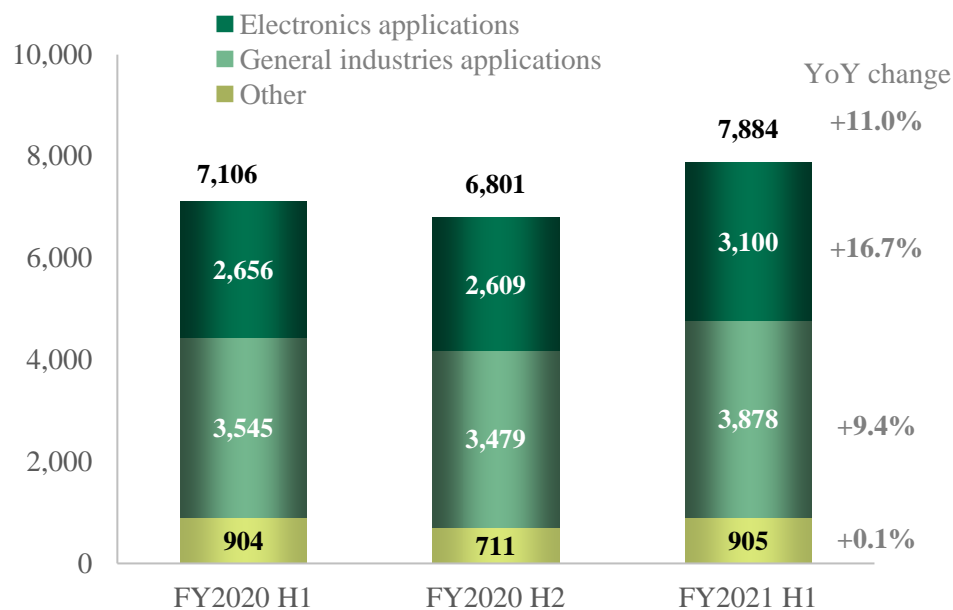
(Unit: Yen, millions)



* 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).

3. Net Sales by Product and Segment — Special Graphite Products

(Unit: Yen, millions)



[Electronics applications]

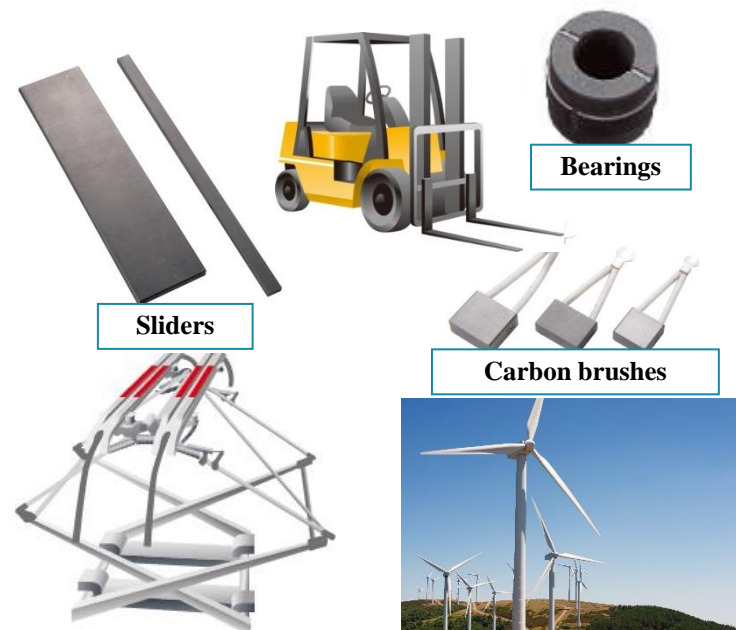
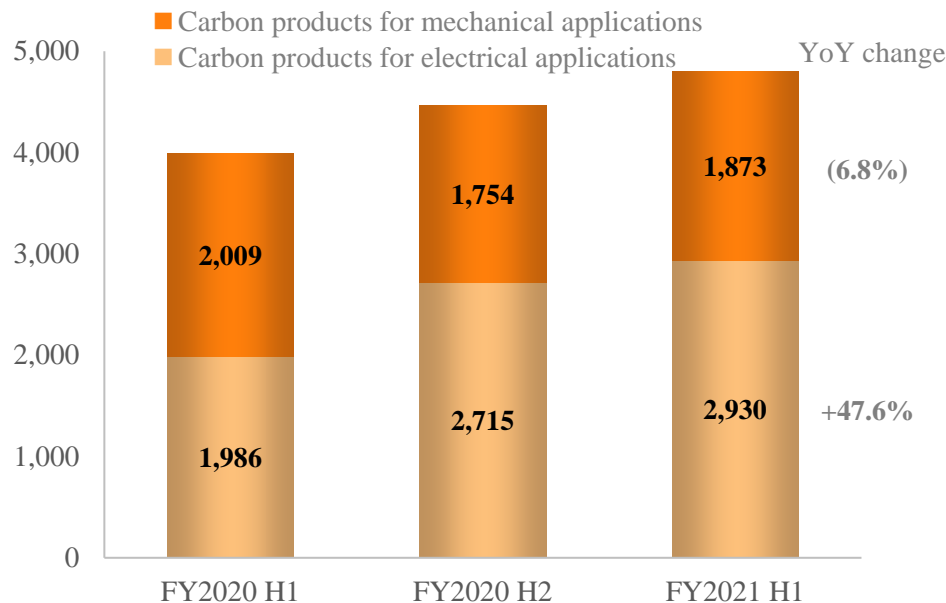
Sales of solar cell manufacturing applications fell YoY as we only accepted orders for profitable projects in light of the competitive environment. Meanwhile, sales of single-crystal silicon manufacturing applications recovered sharply from the slump in the previous fiscal year mainly due to the impact of inventory adjustments at customers, and sales of composite semiconductor applications also rose strongly as the market picked up. As a result, sales of these applications drove earnings.

[General industries applications]

Demand for continuous casting and industrial furnaces rose due to elevated demand for semiconductors and a recovery in operations at automotive and other face-to-face industries.

3. Net Sales by Product and Segment — Carbon Products for General Industries

(Unit: Yen, millions)



[Carbon products for mechanical applications]

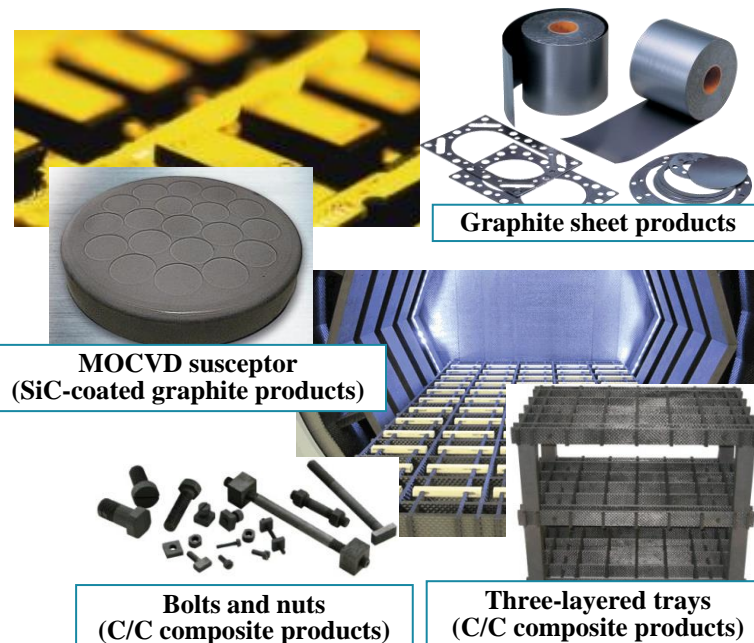
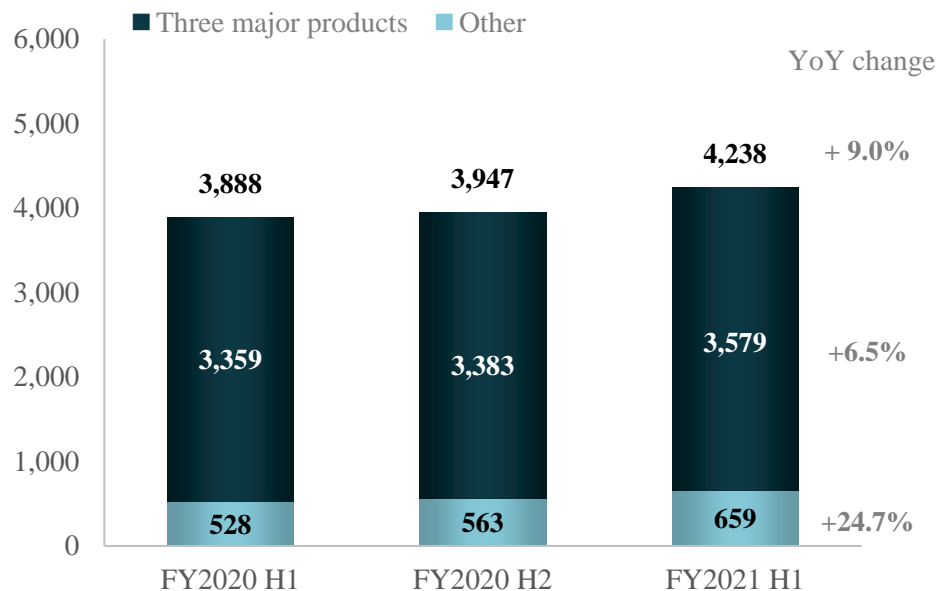
Sales of products such as bearings and sealing rings fell YoY due to a pullback from extraordinary demand in H1 FY2020 but remained at a stable level. Demand for pantograph sliders also remained steady.

[Carbon products for electrical applications]

Demand for small-motor applications driven by stay-at-home demand for home appliances and electrical power tools was initially expected to gradually decline from a peak in H2 FY2020, but demand rose further in H1 FY2021 and sales reached record high for a fiscal half year. This segment along with special graphite products (electronics applications) drove sales.

3. Net Sales by Product and Segment — Compound Materials and Other Products

(Unit: Yen, millions)



[Three major products]

In the area of SiC-coated graphite products, silicon/SiC semiconductor applications and LED applications recovered due to high levels of demand. Sales of SiC semiconductor-related applications saw particularly sharp growth as the market picked up.

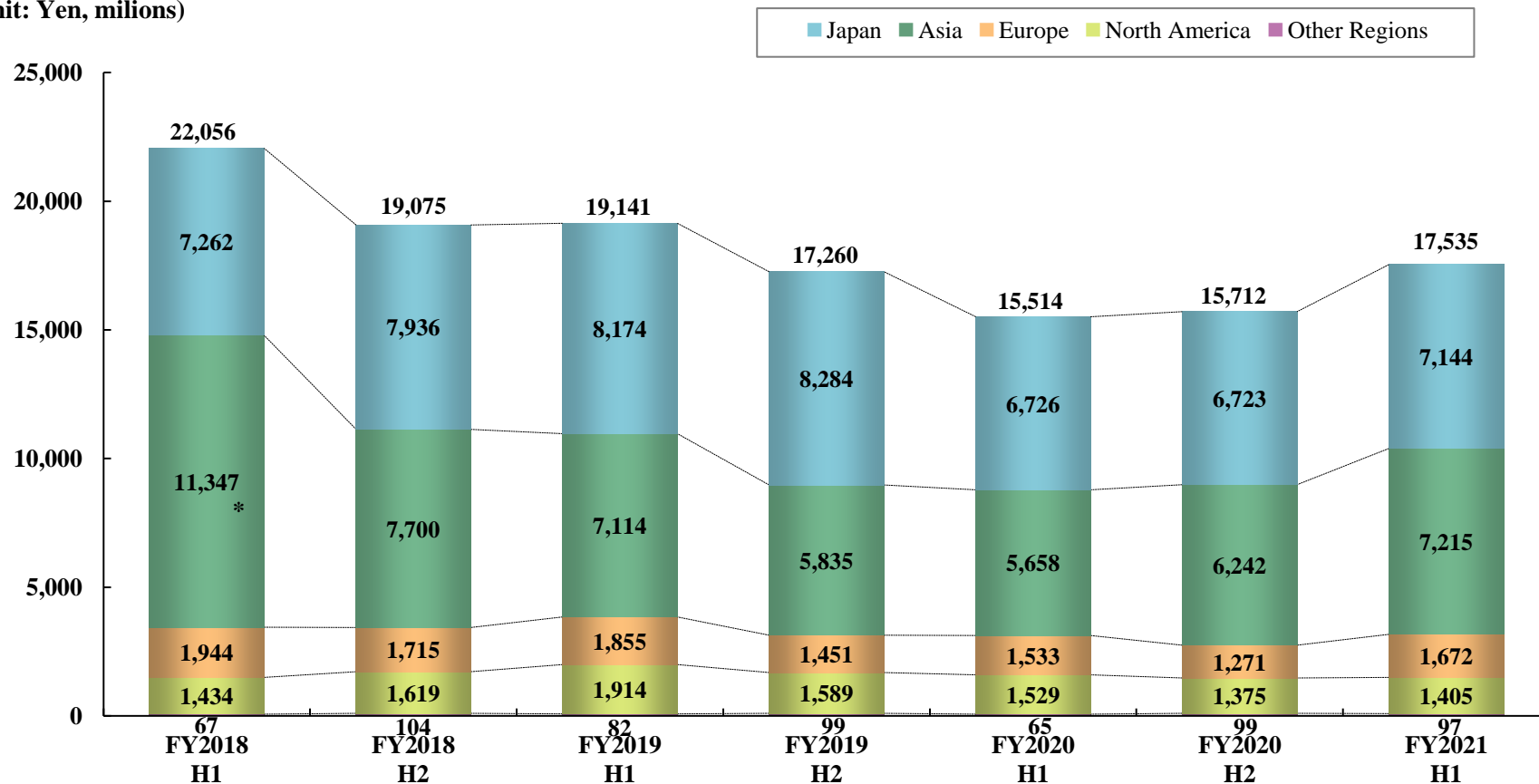
In the area of C/C composite products, semiconductor applications were upbeat. Industrial furnace applications are recovering, albeit gradually, with demand being generated by factors such as the resumption of furnace maintenance at some operators.

In the area of graphite sheet products, demand increased due to a rise in automotive and semiconductor operations. The recovery here was notable even among the three major products.

4. Sales by Region

✓ Sales generally recovered in all regions, with China up a steep 45.3% YoY in Asia

(Unit: Yen, millions)



* Net sales in Asia 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).

5. Consolidated Balance Sheet and Statement of Cash Flows for the First Half of the Fiscal Year Ending December 31, 2021

Consolidated Balance Sheet	(Unit: Yen, millions)			Consolidated Statement of Cash Flows	(Unit: Yen, millions)	
	Jun. 30, 2020	Dec. 31, 2020	Jun. 30, 2021		FY2020 H1	FY2021 H1
Total assets	74,847	76,075	78,917	Cash and cash equivalents at end of period	6,101	12,093
Notes and accounts receivable - trade	11,666	11,389	12,498	Net increase (decrease) in cash and cash equivalents	4,373	(638)
Inventories	15,769	15,675	15,776	Cash and cash equivalents at beginning of period	10,474	11,455
Property, plant and equipment	26,369	28,448	29,853	Net cash provided by operating activities	3,785	3,568
Total liabilities and net assets	74,847	76,075	78,917	Net cash provided by (used in) investing activities	1,778	(3,362)
Interest-bearing liabilities	298	255	209	Net cash provided by (used in) financing activities	(1,116)	(1,174)
Capital stock	7,947	7,947	7,947			
Net assets	65,712	66,622	68,657			
Equity ratio	86.8%	87.5%	86.9%			

Forecasts for the Fiscal Year Ending December 31, 2021

1. Forecasts for the Fiscal Year Ending December 31, 2021

	FY2020			FY2021						
	(Unit: Yen, millions)	Breakdown		Previous forecast (F)*	Current forecast (F)	Breakdown		YoY	Versus forecasts	
Net sales	31,226	H1	15,514	33,600	36,500	H1 (A)	17,535	+ 5,273 / + 16.9 %	+ 2,900 / + 8.6 %	
		H2	15,712			H2 (F)	18,964			
Operating income	3,422	H1	2,063	4,000	5,600	H1 (A)	2,366	+ 2,177 / + 63.6 %	+ 1,600 / + 40.0 %	
		H2	1,358			H2 (F)	3,233			
(Ratio of operating income to net sales)	11.0%			11.9%	15.3%					
Ordinary income	3,877	H1	2,105	4,300	6,000	H1 (A)	2,779	+ 2,122 / + 54.7 %	+ 1,700 / + 39.5 %	
		H2	1,771			H2 (F)	3,220			
(Ratio of ordinary income to net sales)	12.4%			12.8%	16.4%					
Profit attributable to owners of parent	2,662	H1	1,461	2,900	4,200	H1 (A)	1,824	+ 1,537 / + 57.7 %	+ 1,300 / + 44.8 %	
		H2	1,200			H2 (F)	2,375			
Profit attributable to owners of parent per share (basic) (yen)	126.95	H1	69.69	138.27	200.26	H1 (A)	86.98			
		H2	57.26			H2 (F)	113.28			
Exchange rate	106.8 yen/\$ 121.8 yen/€ 15.5 yen/CNY			105 yen/\$ 125 yen/€ 16 yen/CNY		(Exchange rate assumptions for H2) 105 yen/\$ 128 yen/€ 16.5 yen/CNY				

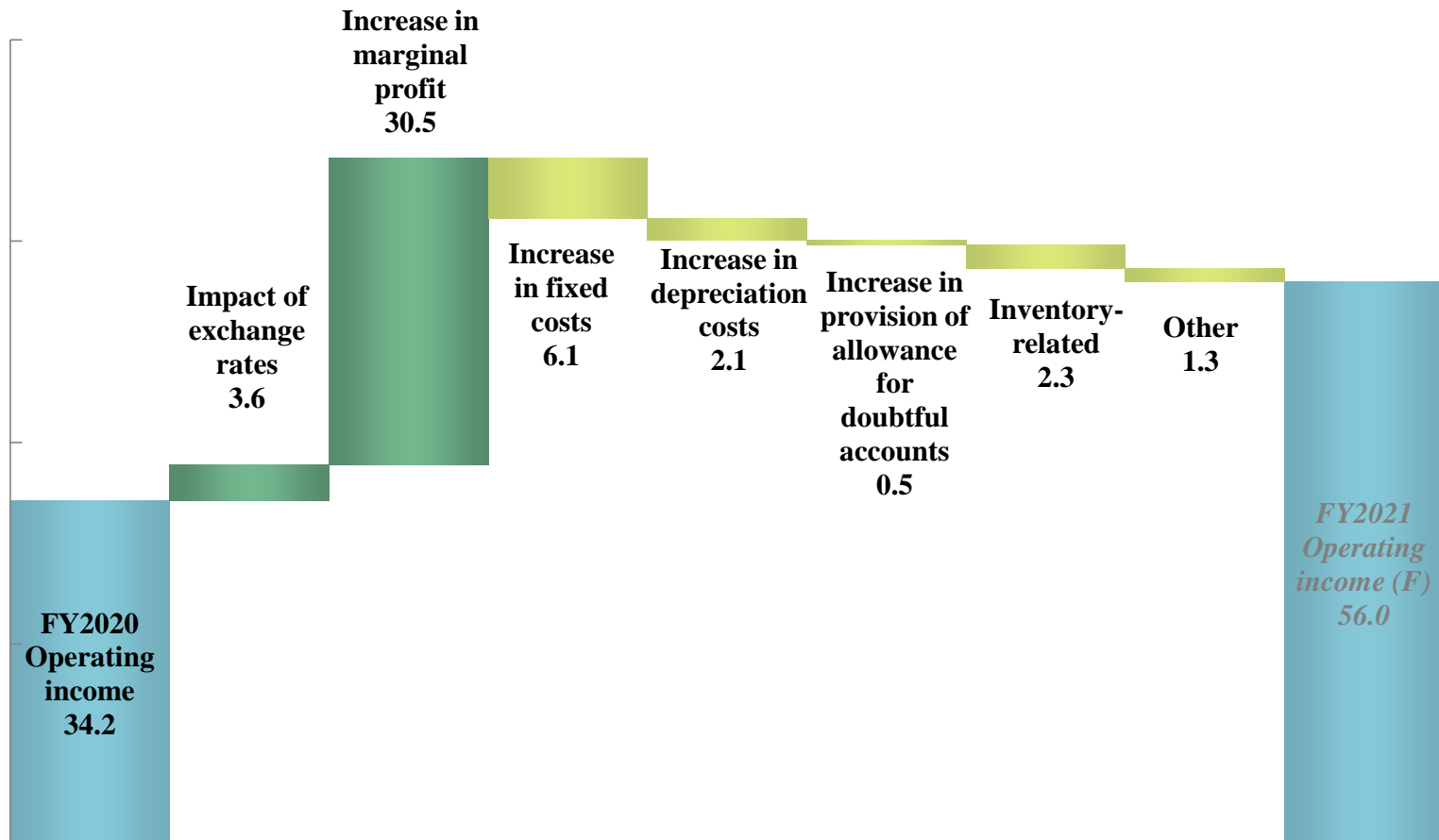
*Announced on May 12, 2021

2. Factors Affecting Changes in Operating Income

(fiscal year ended December 2020 vs. fiscal year ending December 2021)

✓ Expecting operating income to rise 63.6% YoY as higher sales and product mix improvement drive sharp marginal profit growth, despite a rise in fixed costs, such as personnel costs and experiment and research expenses, and depreciation

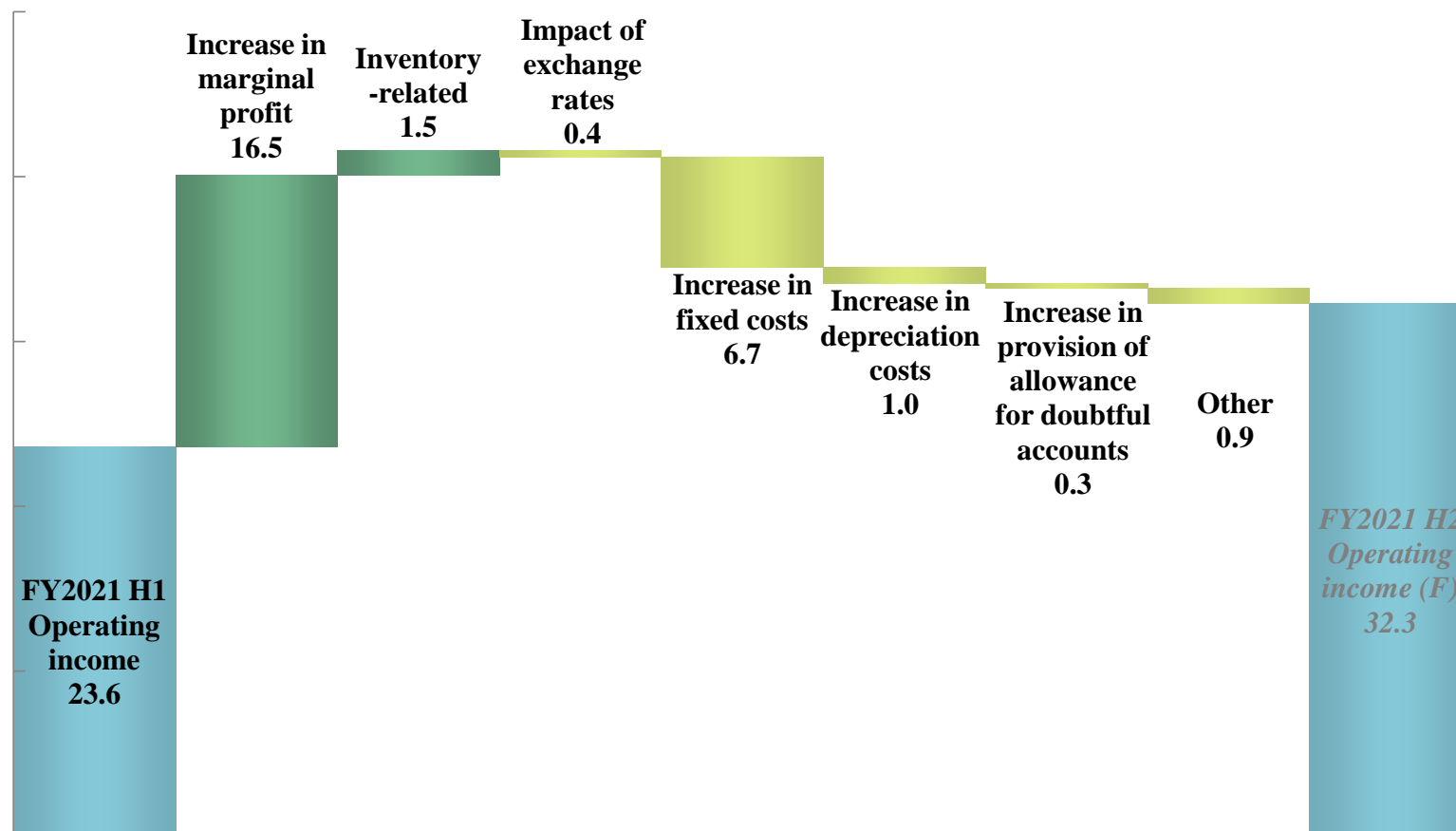
(Unit: Yen, 100 millions)



2. Factors Affecting Changes in Operating Income (first half vs. second half of fiscal year ending December 2021)

✓ Higher marginal profit on improved product mix drives 36.6% growth despite rise in fixed costs led by personnel costs

(Unit: Yen, 100 millions)



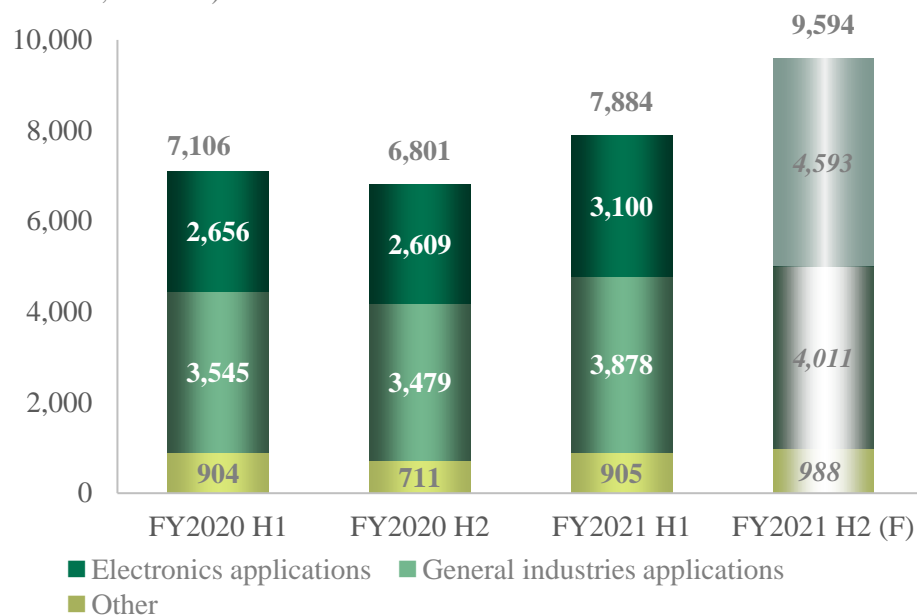
3. Net Sales by Product and Segment

Product and Segment	FY2020			FY2021				Changes indicate YoY increases or decreases	
	H1	H2	Total	H1	Changes (%)	H2 (F)	Changes (%)	Total	Changes (%)
Special Graphite Products	7,106	6,801	13,907	7,884	+11.0	9,594	+41.1	17,479	+20.1
Electronics Applications	2,656	2,609	5,266	3,100	+16.7	4,593	+76.0	7,694	+46.1
General Industries Applications	3,545	3,479	7,024	3,878	+9.4	4,011	+15.3	7,890	+12.3
Others	904	711	1,616	905	+0.1	988	+38.8	1,893	+17.1
Carbon Products for General Industries [Carbon Products for Mechanical Applications]	2,009	1,754	3,763	1,873	(6.8)	1,738	(0.9)	3,611	(4.1)
Carbon Products for General Industries [Carbon Products for Electrical Applications]	1,986	2,715	4,701	2,930	+47.6	2,466	(9.2)	5,397	+14.8
Compound Materials and Other Products	3,888	3,947	7,835	4,238	+9.0	4,570	+15.8	8,808	+12.4
Three Major Products	3,359	3,383	6,743	3,579	+6.5	3,883	+14.8	7,463	+10.7
Other Products	528	563	1,092	659	+24.7	686	+21.7	1,345	+23.1
Related goods	523	494	1,017	607	+16.1	595	+20.4	1,203	+18.2
Total	15,514	15,712	31,226	17,535	+13.0	18,964	+20.7	36,500	+16.9

3. Net Sales by Product and Segment — Special Graphite Products

Product and Segment	FY2020			FY2021				Changes indicate YoY increases or decreases	
	H1	H2	Total	H1	Changes (%)	H2 (F)	Changes (%)	Total	Changes (%)
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Electronics Applications	2,656	2,609	5,266	3,100	+16.7	4,593	+76.0	7,694	+46.1
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Others	904	711	1,616	905	+0.1	988	+38.8	1,893	+17.1

(Unit: Yen, millions)



[Electronics applications]

- Demand for single-crystal silicon manufacturing applications remains strong, with further growth expected in H2.
- Sales of composite semiconductor applications grow to same scale as that of solar cell manufacturing applications.
- In solar cell manufacturing applications, we are focused on acquiring profitable projects and expect a recovery in H2.

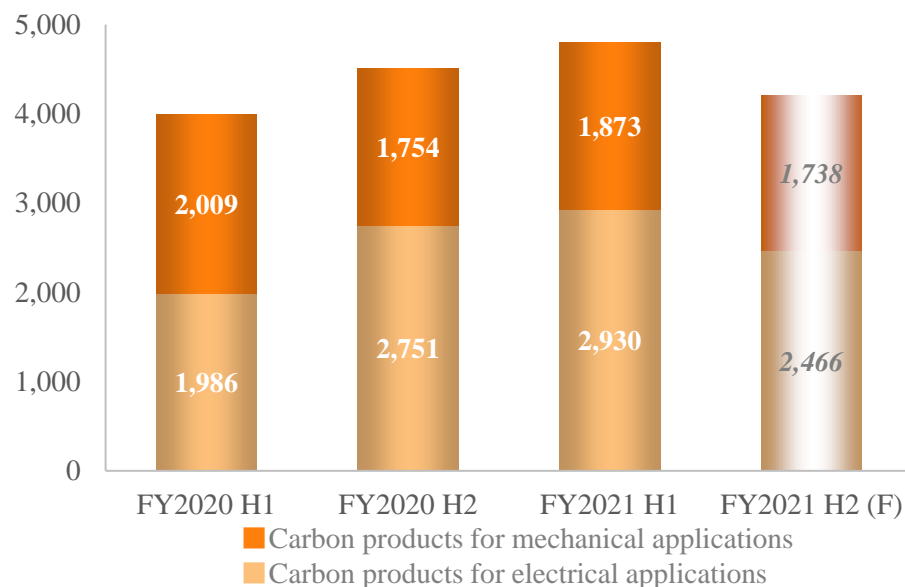
[General industries applications]

- For EDM electrode applications and metallurgical applications such as industrial furnaces and continuous casting applications, we expect sales to remain stable at above the H1 level. We forecast a recovery from the sharp declines last year due to the pandemic.

3. Net Sales by Product and Segment Segment — Carbon Products for General Industries

Product and Segment	FY2020			FY2021				Changes indicate YoY increases or decreases	
	H1	H2	Total	H1	Changes (%)	H2 (F)	Changes (%)	Total	Changes (%)
Carbon Products for General Industries [Carbon Products for Mechanical Applications]	2,009	1,754	3,763	1,873	(6.8)	1,738	(0.9)	3,611	(4.1)
Carbon Products for General Industries [Carbon Products for Electrical Applications]	1,986	2,715	4,701	2,930	+47.6	2,466	(9.2)	5,397	+14.8

(Unit: Yen, millions)



[Carbon products for mechanical applications]

- Sales of bearings, sealing rings, and pantograph sliders to remain stable from H2 onward despite a pullback from special demand in H1 FY2020.

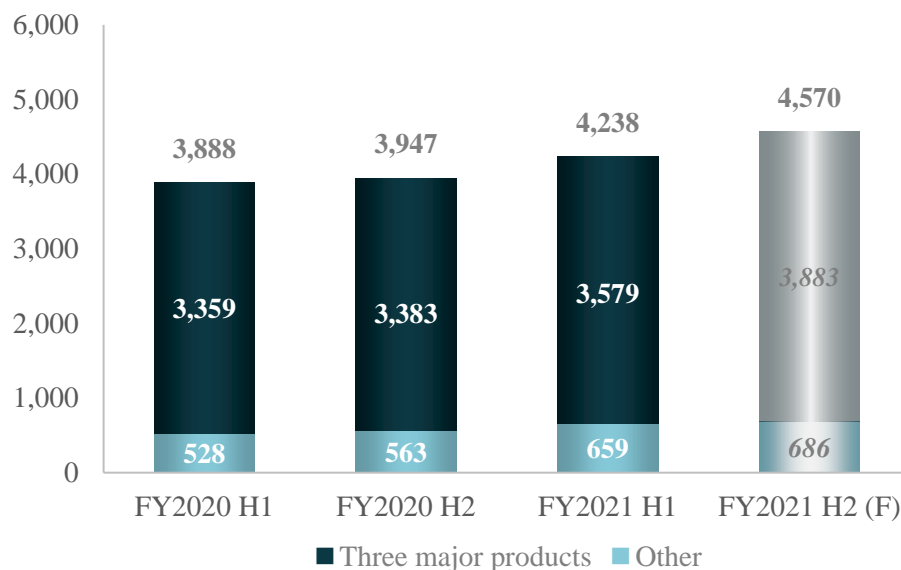
[Carbon products for electrical applications]

- Sales to decline in H2 as demand for small motors for home appliances and electrical power tools driven by stay-at-home demand runs its course, but expect full-year sales to be firm at ¥5 billion due to H1 sales contribution.

3. Net Sales by Product and Segment — Compound Materials and Other Products

Product and Segment	FY2020			FY2021				Changes indicate YoY increases or decreases	
	H1	H2	Total	H1	Changes (%)	H2 (F)	Changes (%)	Total	Changes (%)
Compound materials and other products	3,888	3,947	7,835	4,238	+9.0	4,570	+15.8	8,808	+12.4
Three major products	3,359	3,383	6,743	3,579	+6.5	3,883	+14.8	7,463	+10.7
Other	528	563	1,092	659	+24.7	686	+21.7	1,345	+23.1

(Unit: Yen, millions)



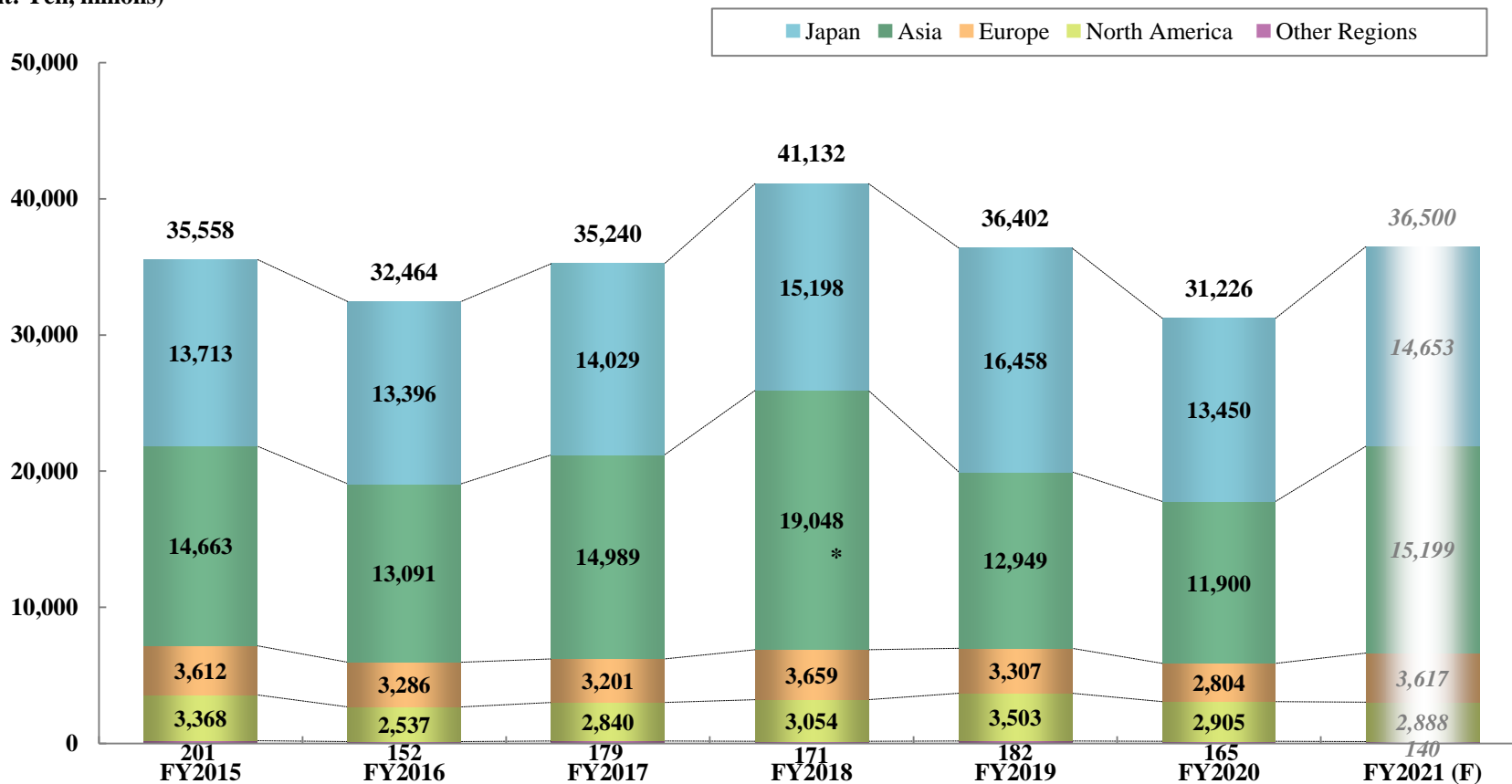
[Three major products]

- In the area of SiC-coated graphite products, we expect supply/demand to tighten due to further growth in demand for semiconductor and LED applications in H2. New facilities to start operations from Q4 will make a full-contribution from next fiscal year.
- Sales of C/C composite products and graphite sheet products to remain firm at H1 levels.

4. Sales by Region

✓ We expect YoY growth mainly in Japan and Asia

(Unit: Yen, millions)



* 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).

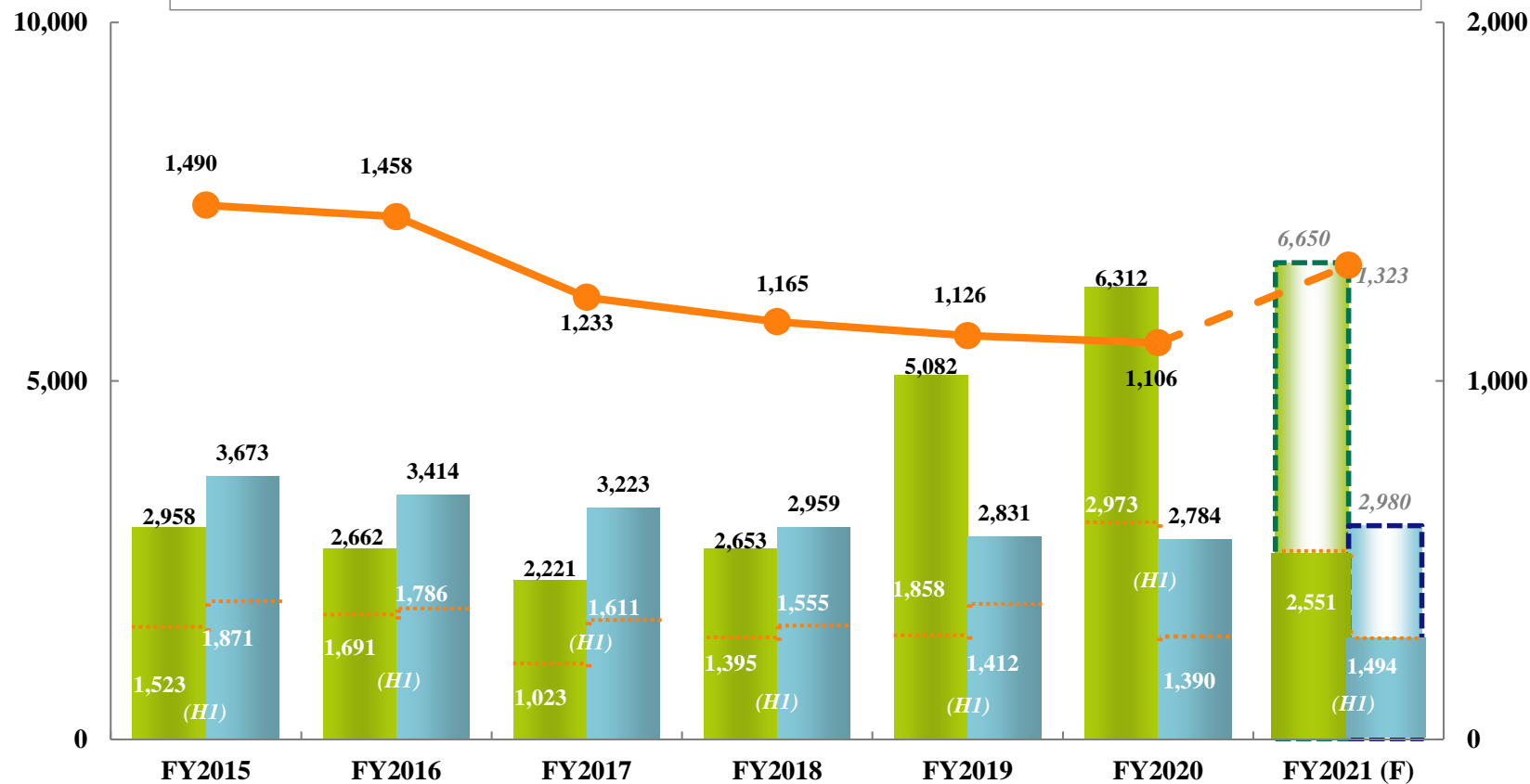
5. Capital Investment, Depreciation, and R&D Expenses

✓ Less capital investment than initially planned due to revisions to timing of investment and other factors, but major investments aimed at increasing added value and improving productivity progressing steadily

(Unit: Yen, millions)

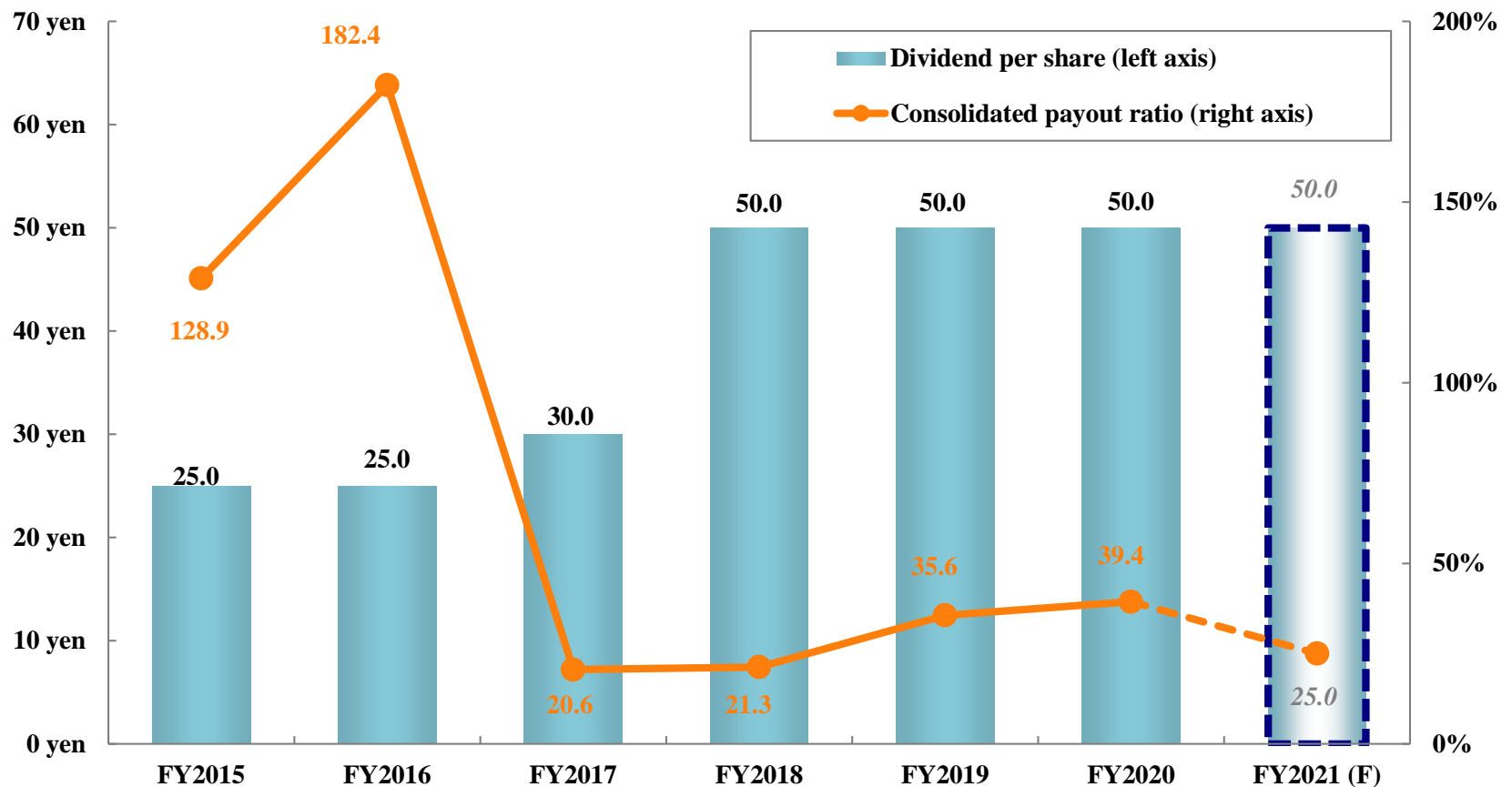


(Unit: Yen, millions)



6. Dividend

✓ Dividends for FY2021 will be decided after assessing income level and funding requirements for investment and other items



Capital Investment Aimed at Increasing Added Value

Anticipating Higher Semiconductor Demand

Capital Investment Aimed at Increasing Added Value Anticipating Higher Semiconductor Demand

Isotropic graphite manufacturing line

total amount about ¥7 billion

*Currently planned total

- New/updated production equipment, utility equipment, etc., for material manufacturing/processing. Increased capacity centered on large materials for semiconductors
Contributes to energy saving by reviewing fuel
- Start operation, as facilities are completed. Aiming for 80% completion at start of FY2022
- Increase total capacity by 30%, aim to boost production volume by 20% by FY2025 (vs FY2019 / about a 40% increase in large materials)

Purification processing equipment (Japan, China)

total amount about ¥2.5 billion

- Capacity expansion in Japan to see a boost of 20%. Start operation from Q4 FY2021
- New facilities in China in anticipation of increased demand. Currently in test operation.
Build global supply system including existing system in US and Germany

SiC-coated graphite production line

total amount about ¥3 billion

- Currently in test operation and obtaining customer certification. Plan to start full operation from Q4 FY2021
- In addition to LED applications, the line is being adapted so it can also be fully used for Si/SiC semiconductor applications, for which demand is currently increasing.

Other production equipment that can add value and increase productivity, such as carbon products for mechanical applications, carbon brushes, and processing equipment of subsidiaries, are also being invested in.

Promotion of Sustainable Management

1. Recognition of the Business Environment Surrounding Sustainability

Example of development

The Company supplies products (parts/manufacturing parts) for renewable energy facilities, automotive applications, and various semiconductor applications.



The growth in renewable energy and shift to electric vehicles in order to achieve carbon neutrality presents an excellent business opportunity.

Promote research and development targeting the five areas of energy, electronics, social infrastructure, mobility, and life science

<Example of development>

Started sales of reagents for precious metal catalyst support CNovel™. Being tested for use as electrodes for fuel cells.

Challenges

Fossil fuels and electric power are used in the manufacturing process, and we recognize that reducing environmental burdens, such as by curbing greenhouse gas emissions, and responding to climate change risks are important issues

Promote initiatives from various angles

- Strive for energy efficiency and conservation in the manufacturing process
- Curb greenhouse gas emissions by reducing waste (reuse and recycle products)

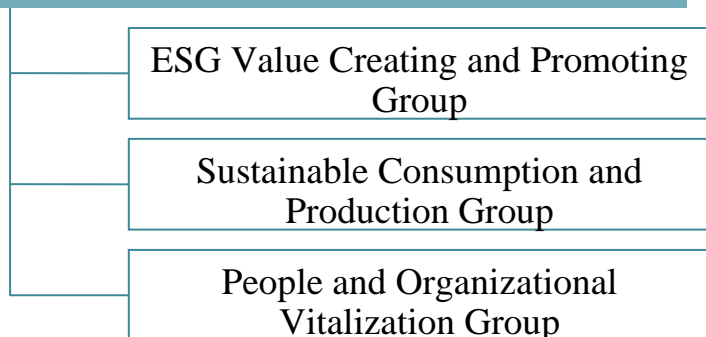
2. Building a Framework to Promote Sustainability

Establishment of Sustainability Committee (June 2021)

- Strategically promote efforts to realize sustainability through Group-wide business activities
- Incorporate into the governance system as a key managerial body

Sustainability Committee

Chairperson: Representative Director, Chairman & President, CEO



Main roles

- Formulate sustainability policies, strategies, and plans
- Decide on index KPIs to be targeted
- Handle various disclosure frameworks
- Disseminate sustainability policy to employees
- Promote sustainability activities throughout the Group
- Monitor overall activity and PDCA management

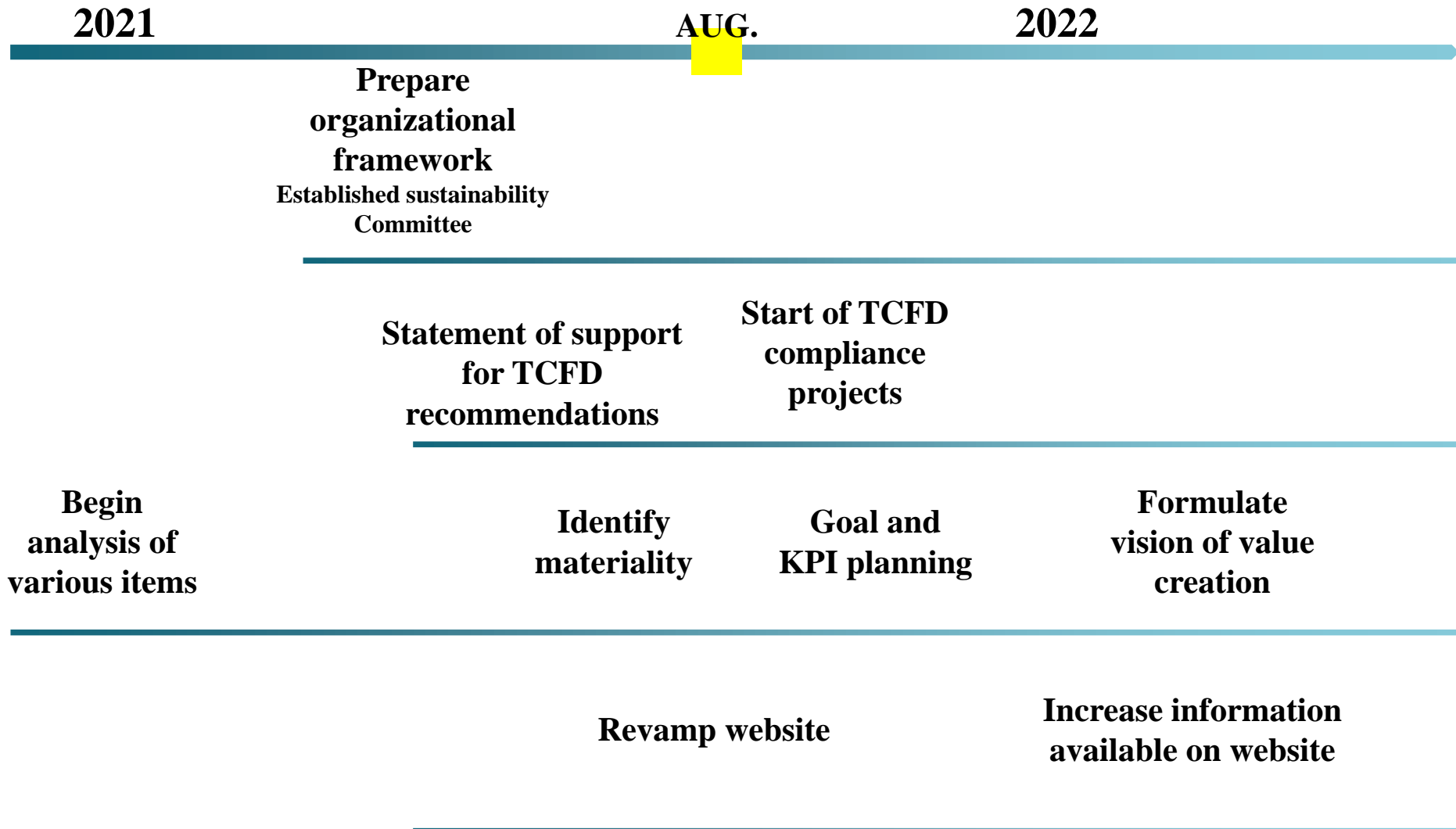
Support for TCFD recommendations (July 2021)

- Preparing for information disclosure in line with the disclosure framework recommended by TCFD (governance, strategy, risk management, metrics and targets for climate-related risks and opportunities)



3. Initiatives to Improve Communication of Sustainability Information

Preparing for the publication of an integrated report in autumn 2022



4. Business Activities for Helping to Achieve a Sustainable Society

Toyo Tanso will help seek solutions to social challenges by developing technologies that are closely aligned with its customers.



SUSTAINABLE DEVELOPMENT GOALS

Toyo Tanso aims to help bring about achievement of the Sustainable Development Goals (SDGs).

Electronics

[Semiconductor]
Components for crystal growth
Components for wafer processing
[Electronic component]
Jigs for electronic component manufacturing



Energy

[Power generation]
Grounding brushes for power generators
Components for solar power generation device manufacturing
Core components for next-generation atomic reactor
[Electronic component]
Catalyst carriers



Mobility

[Trains]
Pantograph sliders
[Aircraft]
Engine parts manufacturing (electrodes for EDM, jigs for heat processing)
[Automotive]
Carbon brushes for fuel pumps
Gaskets



Social infrastructure

[Communications]
Components for optical fiber manufacturing
Components for cable manufacturing
[General industry]
Packing
Sealing ring bearings



Life science

[Medical care]
Target materials for CT devices
Analytical column filler
[Home appliances]
Components for LED manufacturing
Carbon brushes for cleaners
Components for compressors



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.

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