



May 10, 2023

Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	5310
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Scheduled date for submission of quarterly report:	May 11, 2023
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, 2023

(From January 1, 2023 to March 31, 2023)

(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	
		%		%		%		%
Three months ended March 31, 2023	11,304	14.1	2,137	42.3	2,266	27.1	1,833	52.4
Three months ended March 31, 2022	9,906	19.5	1,502	49.8	1,783	41.2	1,203	73.5

Note: Comprehensive income:

Three months ended March 31, 2023	2,283 million yen (-3.8%)
Three months ended March 31, 2022	2,374 million yen (40.3%)

	Basic earnings per share (basic)	Basic earnings per share (diluted)
	yen	yen
Three months ended March 31, 2023	87.44	-
Three months ended March 31, 2022	57.37	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of March 31, 2023	89,522	78,016	87.1
As of December 31, 2022	89,432	77,200	86.3
Reference: Shareholders' equity			
March 31, 2023		77,962 million yen	
December 31, 2022		77,147 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, 2022	–	0.00	–	70.00	70.00
Year ending December 31, 2023 (Actual)	–				
Year ending December 31, 2023 (Forecast)		0.00	–	80.00	80.00

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

3. Consolidated results forecast for the fiscal year ending December 31, 2023

(From January 1, 2023 to December 31, 2023)

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Profit attributable to owners of parent per share	
		%		%		%	%	yen	
Six months ending June 30, 2023	23,000	13.3	3,800	25.0	3,800	2.6	2,600	1.4	123.97
Fiscal year ending December 31, 2023	47,000	7.4	8,000	20.0	8,000	8.6	5,500	6.1	262.25

(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 shares)

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

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

As of December 31, 2022 20,992,588 shares

2) Number of treasury shares at the end of period

As of March 31, 2023 20,078 shares

As of December 31, 2022 20,078 shares

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

Three months ended March 31, 2023 20,972,510 shares

Three months ended March 31, 2022 20,972,560 shares

*** The quarterly financial results report is not subject to quarterly review conducted by a certified public accountant or an audit firm.**

*** 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. 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 Three Months under Review

(1) Explanation Regarding Business Results

During the first three months of the consolidated fiscal year under review, signs of a modest recovery were visible in the global economy although some regions were showing weakness. Yet, the outlook remained uncertain amid factors such as monetary tightening causing concern over economic slowdown in Europe and the United States, in addition to resource prices staying at high levels.

Looking at the business environment surrounding the Group, in electronics applications, demand remained strong in the face-to-face market including SiC wafer production for semiconductors, although it entered a correction phase in the semiconductor industry. In mobility applications, operations in the automobile industry have recovered, and in general industries, demand remained solid against the backdrop of customers' steady capital investment.

In this environment, to achieve the management targets of the new Medium-term Management Plan, the Group advanced business development that agilely captured changes in the external environment. While improving cost competitiveness through productivity enhancements, undertaking development and reinforcement of new and high value-added products that are able to keep pace with technological innovations, and while otherwise solidly addressing customer needs, we advanced business in a way that steadily captured business opportunities. In addition, we advanced initiatives aimed at securing and maintaining profitability in order to mitigate the effects of soaring raw fuel prices.

As a result, in the first three months of the consolidated fiscal year under review, net sales were 11,304 million yen (up 14.1% year on year). This reflected firm demand for products for semiconductor and metallurgical applications combined with the impact of the yen depreciation, despite declining demand for carbon brush products. In terms of profits, which partly reflected the posting of one-off sales of high-value-added products, operating profit was 2,137 million yen (up 42.3% year on year), ordinary profit was 2,266 million yen (up 27.1% year on year), and profit attributable to owners of parent was 1,833 million yen (up 52.4% 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 by strong demand. Reflecting also continued strong sales of carbon products for mechanical applications, as well as products for industrial furnace applications and those for metallurgical applications including products for continuous casting, net sales in Japan were 5,926 million yen (up 13.4% year on year). Operating profit was 1,973 million yen (up 56.7% year on year), attributable in part to the posting of one-off sale of high-value-added products.

United States

Sales of products for semiconductor applications were strong. Sales of products for continuous casting and other products for metallurgical applications and those for EDM electrodes increased significantly. As a result, in the United States, net sales were 915 million yen (up 17.1% year on year). Operating profit decreased by 76.5% year on year to 12 million yen, mainly due to increased labor costs.

Europe

Although sales of carbon brush products declined year on year, products for metallurgical applications, our mainstay products, saw strong performance, along with a significant increase in sales of products for semiconductor applications. As a result, in Europe, net sales were 1,263 million yen (up 35.8% year on year), and operating profit increased by 44.9% year on year to 88 million yen.

Asia

Sales of carbon brush products declined significantly due partly to customers' production adjustment, and sales of products for solar cell applications also decreased as a result of selective order acceptance. On the other hand, sales of products for semiconductor applications recorded year-on-year growth, while products for metallurgical and other applications also maintained solid sales. As a result, net sales were 3,199 million yen (up 7.8% year on year). Operating profit, which was impacted by declining demand in some regions, came to 165 million yen (down 40.7%).

(2) Explanation Regarding Financial Position

As of March 31, 2023, total assets increased by 89 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits decreased by 2,117 million yen, there was an increase of 105 million yen in notes and accounts receivable – trade, an increase of 1,341 million yen in inventories, an increase of 362 million yen in other current assets attributable partly to increase in accounts receivable – other due to subsidy income, an increase of 222 million yen in property, plant and equipment, and an increase of 114 million yen in investments and other assets.

Total liabilities decreased by 725 million yen from the end of the previous consolidated fiscal year. This was primarily because, although provision for bonuses increased by 471 million yen and other current liabilities increased by 302 million yen due to factors including an increase in electronically recorded obligations – non-operating, short-term borrowings decreased by 284 million yen, accounts payable – other decreased by 277 million yen, and income taxes payable decreased by 854 million yen.

Total net assets increased by 815 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 365 million yen and foreign currency translation adjustment increased by 415 million yen.

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

There are no changes to the consolidated earnings forecasts for the fiscal year ending December 31, 2023, released on February 14, 2023.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2022	As of March 31, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,437	13,320
Notes and accounts receivable – trade	16,606	16,711
Securities	2,999	2,999
Merchandise and finished goods	8,121	8,548
Work in process	7,127	7,849
Raw materials and supplies	3,167	3,360
Other	502	864
Allowance for doubtful accounts	(101)	(101)
Total current assets	53,861	53,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,022	10,913
Machinery, equipment and vehicles, net	9,993	10,197
Land	5,931	6,000
Leased assets, net	1,167	1,146
Construction in progress	1,773	1,842
Other, net	1,248	1,261
Total property, plant and equipment	31,138	31,360
Intangible assets	289	350
Investments and other assets	4,143	4,258
Total non-current assets	35,571	35,969
Total assets	89,432	89,522

(Millions of yen, rounded down)

	As of December 31, 2022	As of March 31, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,328	2,440
Electronically recorded obligations – operating	1,004	877
Short-term borrowings	285	0
Accounts payable - other	1,890	1,612
Income taxes payable	1,734	879
Provision for bonuses	772	1,243
Provision for bonuses for directors (and other officers)	113	88
Other	3,018	3,321
Total current liabilities	11,147	10,464
Non-current liabilities		
Retirement benefit liability	147	152
Asset retirement obligations	272	273
Other	664	615
Total non-current liabilities	1,084	1,041
Total liabilities	12,231	11,506
Net assets		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	55,672	56,037
Treasury shares	(60)	(60)
Total shareholders' equity	73,168	73,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	117	129
Foreign currency translation adjustment	3,944	4,360
Remeasurements of defined benefit plans	(83)	(62)
Total accumulated other comprehensive income	3,978	4,428
Non-controlling interests	53	53
Total net assets	77,200	78,016
Total liabilities and net assets	89,432	89,522

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

(Quarterly consolidated statements of income)

Three months ended March 31, 2022 and 2023

(Millions of yen, rounded down)

	Three months ended March 31, 2022 Amount	Three months ended March 31, 2023 Amount
Net sales	9,906	11,304
Cost of sales	6,752	7,275
Gross profit	3,153	4,029
Selling, general and administrative expenses	1,651	1,891
Operating profit	1,502	2,137
Non-operating income		
Interest income	19	21
Dividend income	0	0
Foreign exchange gains	206	64
Share of profit of entities accounted for using equity method	12	40
Other	59	18
Total non-operating income	298	144
Non-operating expenses		
Interest expenses	9	9
Depreciation	4	4
Other	3	2
Total non-operating expenses	17	16
Ordinary profit	1,783	2,266
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sale of investment securities	1	—
Subsidy income	5	368
Total extraordinary income	8	368
Extraordinary losses		
Loss on retirement of non-current assets	37	9
Total extraordinary losses	37	9
Profit before income taxes	1,755	2,625
Income taxes	551	791
Profit	1,203	1,833
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	1,203	1,833

(Quarterly consolidated statement of comprehensive income)

Three months ended March 31, 2022 and 2023

(Millions of yen, rounded down)

	Three months ended March 31, 2022 Amount	Three months ended March 31, 2023 Amount
Profit	1,203	1,833
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	12
Foreign currency translation adjustment	1,150	393
Remeasurements of defined benefit plans, net of tax	8	21
Share of other comprehensive income of entities accounted for using equity method	61	22
Total other comprehensive income	1,170	449
Comprehensive income	2,374	2,283
Comprehensive income attributable to:		
Owners of parent	2,372	2,282
Non-controlling interests	2	0

(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 is reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year, including the first quarter under review.

(Segment information)

I. Three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

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

(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							
Goods transferred at a point in time	5,226	782	930	2,966	9,906	—	9,906
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	5,226	782	930	2,966	9,906	—	9,906
Sales to unaffiliated customers	5,226	782	930	2,966	9,906	—	9,906
Intersegment sales or transfers	1,541	3	—	30	1,576	(1,576)	—
Total	6,768	785	930	2,997	11,482	(1,576)	9,906
Segment profit	1,259	54	61	279	1,654	(152)	1,502

(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 profit 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	4,263	861	999	3,736	2,785	45	9,906
Composition (%)	43.0	8.7	10.1	37.7	28.1	0.5	100.0

(Notes) 1. Net 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. Three months under review (from January 1, 2023 to March 31, 2023)

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

(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							
Goods transferred at a point in time	5,926	915	1,263	3,199	11,304	—	11,304
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	5,926	915	1,263	3,199	11,304	—	11,304
Sales to unaffiliated customers	5,926	915	1,263	3,199	11,304	—	11,304
Intersegment sales or transfers	2,090	23	—	50	2,163	(2,163)	—
Total	8,016	938	1,263	3,250	13,468	(2,163)	11,304
Segment profit	1,973	12	88	165	2,240	(102)	2,137

(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 profit 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	5,041	944	1,323	3,962	2,999	31	11,304
Composition (%)	44.6	8.4	11.7	35.0	26.5	0.3	100.0

(Notes) 1. Net 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, 2022					Year ending December 31, 2023
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,638	5,286	5,098	5,593	20,617	5,738
Carbon products for general industries* ² (for mechanical applications)	951	1,044	1,016	1,022	4,034	1,064
Carbon products for general industries (for electrical applications)	1,083	1,175	1,011	1,002	4,273	958
Compound materials and other products	3,034	3,092	3,852	3,752	13,732	3,393
Total	9,708	10,599	10,978	11,371	42,657	11,155

(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) includes orders that have not been officially confirmed.

ii. Outstanding orders

(Millions of yen, rounded down)

Products	Year ended December 31, 2022				Year ending December 31, 2023
	1Q	2Q	3Q	4Q	1Q
Special graphite products	5,249	6,215	6,438	6,728	7,197
Carbon products for general industries* ² (for mechanical applications)	830	979	1,012	964	1,053
Carbon products for general industries (for electrical applications)	993	1,108	848	802	777
Compound materials and other products	4,854	5,255	5,940	5,995	6,949
Total	11,927	13,559	14,239	14,490	15,978

(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) includes orders that have not been officially confirmed.

iii. Sales performance by product category

(Unit: millions of yen)

Products	Year ended December 31, 2022					Year ending December 31, 2023
	1Q	2Q	3Q	4Q	Fiscal year total	1Q
Special graphite products	4,340	4,801	5,309	5,778	20,230	5,648
[Electronics applications]	1,612	1,878	2,114	2,498	8,104	2,429
[General industries applications]	2,187	2,284	2,575	2,550	9,598	2,588
[Others]	540	638	618	729	2,527	630
Carbon products for general industries (for mechanical applications)	926	933	1,012	1,113	3,985	993
Carbon products for general industries (for electrical applications)	1,371	1,092	1,283	1,075	4,823	957
Compound materials and other products	2,656	2,770	3,228	3,110	11,765	3,137
[3 major products]	2,241	2,328	2,742	2,632	9,944	2,702
[Other products]	414	441	485	478	1,820	435
Related goods	611	789	901	667	2,969	567
Total	9,906	10,386	11,735	11,746	43,774	11,304

(2) Overview

Special graphite products

In electronics applications, sales of products for solar cell manufacturing applications significantly declined due to selective order acceptance. Despite this, sales of products for single-crystal silicon manufacturing and products for SiC semiconductors in the compound semiconductor applications, increased significantly, resulting in an increase of 50.6% year on year.

In general industries applications, sales of products for continuous casting, products for industrial furnaces, and other products for metallurgical applications, as well as products for EDM electrodes, increased, resulting in an increase of 18.3% year on year.

Due to these factors, sales of special graphite products overall were up 30.1% over the previous year.

Carbon products for general industries

In carbon products for mechanical applications, demand for our mainstay bearings, sealing rings, etc. remained solid, and sales increased by 7.3% year on year.

In carbon products for electrical applications, sales declined by 30.2% year on year as a result notably of a substantial decrease in demand for compact motors which partly reflected customers' production adjustment.

Due to these factors, sales of carbon products for general industries overall fell 15.1% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products significantly increased year on year due to considerable growth in sales of Si (silicon) and SiC (silicon carbide) semiconductors. Sales of C/C composite products increased year on year due to factors including strong demand for products for industrial furnace applications. Sales of graphite sheet products increased year on year attributable notably to solid sales of products for semiconductor applications and metallurgical applications, although sales of products for automobile applications declined.

Due to these factors, sales of the three major products rose 20.6% over the previous year, and sales of compound materials and other products increased 18.1% over the previous year.