

November 7, 2023

Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	5310
Website:	https://www.toyotanso.co.jp
Representative:	Naotaka Kondo Representative Director, Chairman & President, CEO
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Scheduled date for submission of quarterly report:	November 8, 2023
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	None
Quarterly financial results briefing:	None

1. Consolidated financial results for the nine months ended September 30, 2023

(From January 1, 2023 to September 30, 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	
		%		%		%		%
Nine months ended September 30, 2023	36,001	12.4	6,690	34.7	7,700	29.8	5,810	39.9
Nine months ended September 30, 2022	32,028	16.7	4,965	19.7	5,932	28.3	4,152	31.1

(Note) Comprehensive income:

Nine months ended September 30, 2023	7,638 million yen (15.3%)
Nine months ended September 30, 2022	6,626 million yen (43.0%)

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended September 30, 2023	277.05	—
Nine months ended September 30, 2022	198.02	—

(2) Financial position

(Millions of yen, rounded down)

	Total assets		Net assets		Equity ratio	
						%
As of September 30, 2023		95,330		83,367		87.4
As of December 31, 2022		89,432		77,200		86.3
(Reference) Shareholders' equity:						
September 30, 2023		83,313 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)	–	0.00	–		
Year ending December 31, 2023 (Forecast)				90.00	90.00

(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
Fiscal year ending December 31, 2023	48,500	10.8	8,500	27.5	9,300	26.2	7,000	35.1		333.77

(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 September 30, 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 September 30, 2023 20,128 shares

As of December 31, 2022 20,078 shares

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

Nine months ended September 30, 2023 20,972,480 shares

Nine months ended September 30, 2022 20,972,534 shares

*** This summary report is 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.

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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, signs of a recovery were visible in the global economy although some regions were showing weakness. However, the outlook remained uncertain amid factors such as monetary tightening causing concern over an 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 for products for silicon semiconductor applications, which had been strong during the first half of the fiscal year, began to show indications of a slowdown from the third quarter due to the effect of production adjustments in the semiconductor industry. However, demand remained high for SiC semiconductor applications. Demand was also solid in mobility applications, against the backdrop of a recovery in operations in the automobile industry, and in general industries, against the backdrop of customers' steady capital investment.

In this environment, to achieve the management targets of the 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 quarters of the consolidated fiscal year under review, net sales were 36,001 million yen (up 12.4% year on year). This reflected the impact of the yen depreciation combined with firm demand for products for semiconductor and metallurgical applications, despite declining demand for carbon brush products. In terms of profits, we succeeded in raising marginal profit through such measures as price pass-ons and sales mix differences, which resulted in operating profit of 6,690 million yen (up 34.7% year on year), ordinary profit of 7,700 million yen (up 29.8% year on year), and profit attributable to owners of parent of 5,810 million yen (up 39.9% 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 solid sales of carbon products for mechanical applications, products for industrial furnace applications, and those for metallurgical applications including products for continuous casting, net sales in Japan were 18,571 million yen (up 12.9% year on year). Operating profit was 5,992 million yen (up 26.4% year on year).

United States

In addition to strong sales of products for semiconductor applications, sales of metallurgical application products mainly for industrial furnaces and EDM electrodes were solid. As a result, in the United States, net sales were 3,100 million yen (up 24.6% year on year). Operating profit was 114 million yen (up 19.8% year on year).

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 3,678 million yen (up 30.7% year on year), and operating profit was 136 million yen (up 22.1% year on year).

Asia

Sales of carbon brush products declined significantly, due partly to customers' production adjustment, but sales of products for metallurgical applications increased substantially year on year and demand for products for semiconductor applications was firm. As a result, net sales were 10,650 million yen (up 3.6% year on year). Operating profit, which was impacted by lower marginal profit due to the decline in sales of carbon brush products, as well as declining demand in some regions, came to 559 million yen (down 33.1% year on year).

(2) Explanation Regarding Financial Position

As of September 30, 2023, total assets increased by 5,897 million yen from the end of the previous consolidated fiscal year. This was primarily because, although notes and accounts receivable – trade decreased by 398 million yen, inventories increased by 3,022 million yen, property, plant and equipment increased by 1,987 million yen, and investments and other assets increased by 691 million yen.

Total liabilities decreased by 268 million yen from the end of the previous consolidated fiscal year. This was primarily because, although accounts payable – other increased by 341 million yen and provision for bonuses increased by 638 million yen, notes and accounts payable – trade decreased by 161 million yen, electronically recorded obligations – operating decreased by 114 million yen, short-term borrowings decreased by 285 million yen, income taxes payable decreased by 604 million yen, and provision for bonuses for directors (and other officers) decreased by 113 million yen.

Total net assets increased by 6,166 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 4,342 million yen and foreign currency translation adjustment increased by 1,652 million yen.

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

Consolidated forecasts for the year ending December 31, 2023 are unchanged from the figures announced on August 9, 2023.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2022	As of September 30, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,437	15,498
Notes and accounts receivable – trade	16,606	16,207
Securities	2,999	2,999
Merchandise and finished goods	8,121	9,774
Work in process	7,127	7,878
Raw materials and supplies	3,167	3,785
Other	502	865
Allowance for doubtful accounts	(101)	(51)
Total current assets	53,861	56,959
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,022	10,864
Machinery, equipment and vehicles, net	9,993	10,996
Land	5,931	6,109
Leased assets, net	1,167	1,201
Construction in progress	1,773	2,775
Other, net	1,248	1,178
Total property, plant and equipment	31,138	33,125
Intangible assets	289	410
Investments and other assets	4,143	4,834
Total non-current assets	35,571	38,371
Total assets	89,432	95,330

(Millions of yen, rounded down)

	As of December 31, 2022	As of September 30, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,328	2,167
Electronically recorded obligations – operating	1,004	890
Short-term borrowings	285	0
Accounts payable – other	1,890	2,232
Income taxes payable	1,734	1,129
Provision for bonuses	772	1,410
Provision for bonuses for directors (and other officers)	113	–
Other	3,018	3,101
Total current liabilities	11,147	10,931
Non-current liabilities		
Retirement benefit liability	147	169
Asset retirement obligations	272	277
Other	664	584
Total non-current liabilities	1,084	1,031
Total liabilities	12,231	11,963
Net assets		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	55,672	60,014
Treasury shares	(60)	(60)
Total shareholders' equity	73,168	77,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	117	225
Foreign currency translation adjustment	3,944	5,597
Remeasurements of defined benefit plans	(83)	(20)
Total accumulated other comprehensive income	3,978	5,802
Non-controlling interests	53	53
Total net assets	77,200	83,367
Total liabilities and net assets	89,432	95,330

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

(Quarterly consolidated statements of income)

Nine months ended September 30, 2022 and 2023

	(Millions of yen, rounded down)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Amount	Amount
Net sales	32,028	36,001
Cost of sales	21,604	23,261
Gross profit	10,423	12,739
Selling, general and administrative expenses	5,458	6,049
Operating profit	4,965	6,690
Non-operating income		
Interest income	68	66
Dividend income	60	62
Foreign exchange gains	681	676
Share of profit of entities accounted for using equity method	86	156
Other	125	87
Total non-operating income	1,022	1,048
Non-operating expenses		
Interest expenses	27	18
Depreciation	12	12
Contracted research expenses	9	-
Other	6	7
Total non-operating expenses	56	38
Ordinary profit	5,932	7,700
Extraordinary income		
Gain on sales of non-current assets	5	81
Gain on sale of investment securities	1	-
Subsidy income	21	377
Total extraordinary income	28	458
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	87	176
Loss on suspension of operations	86*	-
Total extraordinary losses	175	176
Profit before income taxes	5,784	7,983
Income taxes	1,628	2,172
Profit	4,156	5,810
Profit attributable to non-controlling interests	3	0
Profit attributable to owners of parent	4,152	5,810

(Quarterly consolidated statement of comprehensive income)

Nine months ended September 30, 2022 and 2023

(Millions of yen, rounded down)

	Nine months ended September 30, 2022 Amount	Nine months ended September 30, 2023 Amount
Profit	4,156	5,810
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	108
Foreign currency translation adjustment	2,385	1,569
Remeasurements of defined benefit plans, net of tax	24	62
Share of other comprehensive income of entities accounted for using equity method	121	87
Total other comprehensive income	2,470	1,827
Comprehensive income	6,626	7,638
Comprehensive income attributable to:		
Owners of parent	6,617	7,634
Non-controlling interests	8	4

(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 third quarter of the consolidated fiscal year under review.

(Consolidated statement of income)

* Losses due to suspension of operations

Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

At Shanghai Toyo Tanso Co., Ltd. and Shanghai Toyo Tanso Industrial Co., Ltd., in accordance with local government demands related to curbing the spread of the COVID-19 contagion, personnel expenses and depreciation for the period during which operations were suspended at some production bases were recorded as extraordinary losses.

Nine months under review (from January 1, 2023 to September 30, 2023)

Not applicable.

(Segment information)

I. Nine months ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

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							
Goods transferred at a point in time	16,450	2,487	2,813	10,276	32,028	—	32,028
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	16,450	2,487	2,813	10,276	32,028	—	32,028
Sales to unaffiliated customers	16,450	2,487	2,813	10,276	32,028	—	32,028
Intersegment sales or transfers	5,956	28	—	104	6,090	(6,090)	—
Total	22,406	2,516	2,813	10,381	38,118	(6,090)	32,028
Segment profit	4,739	95	111	836	5,782	(816)	4,965

(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	13,234	2,645	2,917	13,056	9,627	173	32,028
Composition (%)	41.3	8.3	9.1	40.8	30.1	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

II. Nine months ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

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

(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	18,571	3,100	3,678	10,650	36,001	—	36,001
Goods transferred over time	—	—	—	—	—	—	—
Revenue from contracts with customers	18,571	3,100	3,678	10,650	36,001	—	36,001
Sales to unaffiliated customers	18,571	3,100	3,678	10,650	36,001	—	36,001
Intersegment sales or transfers	6,845	56	—	147	7,049	(7,049)	—
Total	25,416	3,157	3,678	10,797	43,050	(7,049)	36,001
Segment profit	5,992	114	136	559	6,802	(111)	6,690

(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	15,652	3,213	3,976	13,013	9,909	145	36,001
Composition (%)	43.5	8.9	11.0	36.2	27.5	0.4	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, 2022						Year ending December 31, 2023			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	4,638	5,286	5,098	15,023	5,593	20,617	5,738	6,244	5,091	17,075
Carbon products for general industries* ² (for mechanical applications)	951	1,044	1,016	3,011	1,022	4,034	1,064	965	997	3,028
Carbon products for general industries (for electrical applications)	1,083	1,175	1,011	3,270	1,002	4,273	958	1,206	1,112	3,278
Compound materials and other products	3,034	3,092	3,852	9,979	3,752	13,732	3,393	3,848	3,834	11,076
Total	9,708	10,599	10,978	31,285	11,371	42,657	11,155	12,266	11,036	34,458

(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, 2022				Year ending December 31, 2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Special graphite products	5,249	6,215	6,438	6,728	7,197	7,887	7,401
Carbon products for general industries* ² (for mechanical applications)	830	979	1,012	964	1,053	1,025	1,016
Carbon products for general industries (for electrical applications)	993	1,108	848	802	777	838	775
Compound materials and other products	4,854	5,255	5,940	5,995	6,949	7,260	7,908
Total	11,927	13,559	14,239	14,490	15,978	17,011	17,102

(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.

iii. Sales performance by product category

(Millions of yen, rounded down)

Products	Year ended December 31, 2022						Year ending December 31, 2023			
	1Q	2Q	3Q	1Q-3Q	4Q	Fiscal year total	1Q	2Q	3Q	1Q-3Q
Special graphite products	4,340	4,801	5,309	14,452	5,778	20,230	5,648	6,048	6,133	17,830
[Electronics applications]	1,612	1,878	2,114	5,605	2,498	8,104	2,429	2,510	2,693	7,633
[General industries applications]	2,187	2,284	2,575	7,048	2,550	9,598	2,588	2,797	2,816	8,202
[Others]	540	638	618	1,798	729	2,527	630	740	623	1,994
Carbon products for general industries (for mechanical applications)	926	933	1,012	2,872	1,113	3,985	993	1,023	1,036	3,054
Carbon products for general industries (for electrical applications)	1,371	1,092	1,283	3,747	1,075	4,823	957	1,145	1,169	3,272
Compound materials and other products	2,656	2,770	3,228	8,654	3,110	11,765	3,137	3,608	3,263	10,008
[3 major products]	2,241	2,328	2,742	7,312	2,632	9,944	2,702	3,100	2,793	8,595
[Other products]	414	441	485	1,342	478	1,820	435	507	469	1,412
Related goods	611	789	901	2,301	667	2,969	567	581	685	1,835
Total	9,906	10,386	11,735	32,028	11,746	43,774	11,304	12,407	12,288	36,001

(2) Overview

Special graphite products

In electronics applications, 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 36.2% year on year.

In general industries applications, sales of products for continuous casting, products for industrial furnaces, and other products for metallurgical application increased significantly, and EDM electrodes performed well, resulting in an increase of 16.4% year on year.

Due to these factors, sales of special graphite products overall were up 23.4% 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 6.3% year on year.

In carbon products for electrical applications, sales declined by 12.7% 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 4.4% 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 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 increased demand for industrial furnace applications and semiconductor applications. Sales of graphite sheet products were little changed year on year, mainly due to solid sales of mainstay automobile applications, as well as semiconductor and metallurgical applications.

Due to these factors, sales of the three major products rose 17.5% over the previous year, and sales of compound materials and other products increased 15.6% over the previous year.