

February 14, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 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 ordinary general meeting of shareholders:	March 28, 2024
Scheduled date for dividend payment:	March 29, 2024
Scheduled date for submission of securities report:	March 29, 2024
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the fiscal year ended December 31, 2023

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

(1) Operating results

(Millions of yen, rounded down)
(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	yen	%	yen	%	yen	%	yen	%
Fiscal year ended December 31, 2023	49,251	12.5	9,283	39.2	10,182	38.2	7,506	44.9
Fiscal year ended December 31, 2022	43,774	16.0	6,667	17.7	7,369	17.6	5,181	16.0

Note:	Comprehensive income:	
	Fiscal year ended December 31, 2023	8,796 million yen (41.7%)
	Fiscal year ended December 31, 2022	6,207 million yen (-7.1%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit /total assets	Operating profit /net sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2023	357.91	—	9.3	10.9	18.8
Fiscal year ended December 31, 2022	247.08	—	6.9	8.5	15.2

Reference:	Equity in earnings of affiliates	
	December 31, 2023	304 million yen
	December 31, 2022	158 million yen

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2023	96,612	84,524	87.4	4,027.70
As of December 31, 2022	89,432	77,200	86.3	3,678.50
Reference: Shareholders' equity				
December 31, 2023		84,470 million yen		
December 31, 2022		77,147 million yen		

(3) Cash flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended December 31, 2023	6,216	(2,693)	(1,970)	13,601
Fiscal year ended December 31, 2022	5,625	(5,253)	(1,388)	11,773

2. Dividends

(Millions of yen, rounded down)

	Dividends per share (yen)				Total dividends (Full year)	Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Year -end				
	yen	yen	yen	yen				
Year ended December 31, 2022	-	0.00	-	70.00	70.00	1,468	28.3	2.0
Year ended December 31, 2023	-	0.00	-	110.00	110.00	2,306	30.7	2.9
Year ending December 31, 2024 (Forecast)	-	0.00	-	120.00	120.00		33.1	

3. Consolidated results forecast for the fiscal year ending December 31, 2024

(From January 1, 2024 to December 31, 2024)

(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, 2024	25,500	7.5	5,100	10.6	4,800	(10.1)	3,500	(15.2)	166.89
Fiscal year ending December 31, 2024	54,000	9.6	10,900	17.4	10,500	3.1	7,600	1.2	362.38

*** 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) 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

(3) Number of shares outstanding (common shares)

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

As of December 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 December 31, 2023 20,167 shares

As of December 31, 2022 20,078 shares

3) Average number of shares during the period

Fiscal year ended December 31, 2023 20,972,467 shares

Fiscal year ended December 31, 2022 20,972,528 shares

Reference: SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial results for the fiscal year ended December 31, 2023

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

(1) Operating results

(Millions of yen, rounded down)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
		%		%		%		%
Fiscal year ended December 31, 2023	35,062	13.1	7,863	27.7	9,771	23.8	6,953	19.2
Fiscal year ended December 31, 2022	30,988	16.8	6,157	59.2	7,895	62.4	5,835	65.7

	Basic earnings per share	Diluted e per share
	yen	yen
Fiscal year ended December 31, 2023	331.54	-
Fiscal year ended December 31, 2022	278.23	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
As of December 31, 2023	75,130	65,394	87.0	3,118.12
As of December 31, 2022	69,160	59,804	86.5	2,851.59

Reference: Shareholders' equity

December 31, 2023

65,394 million yen

December 31, 2022

59,804 million yen

*** The financial results report is not subject to audit procedures 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 “(4) Forecasts” under “1. Overview of Business Results” on page 3 of the Attached Documents.

(How to acquire supplementary materials for financial summaries and information disclosed at our financial results briefing)

We are scheduled to hold a financial results briefing for securities analysts and institutional investors on February 20, 2024. The materials distributed at the briefing are scheduled to be disclosed on TDnet and our website on that same day.

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1. Overview of Business Results

(1) Overview of Business Results in the Fiscal Year Ended December 31, 2023

During the consolidated fiscal year under review, signs of recovery were visible in the global economy, although some regions were showing weakness. However, the outlook remained uncertain amid factors such as concerns over an economic slowdown in Europe and the United States due to monetary tightening and the impact of the export restrictions imposed by the United States and China, 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 strengthening signs of an adjustment from the third quarter onward. However, performance remained steady, supported by high demand 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 consolidated fiscal year under review, net sales were 49,251 million yen (up 12.5% 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. On the profit side, due mainly to increased marginal profit through such measures as price pass-ons and sales mix differences, operating profit rose 39.2% year on year to 9,283 million yen, ordinary profit rose 38.2% year on year to 10,182 million yen, and profit attributable to owners of parent stood at 7,506 million yen, up 44.9% year on year.

The overall performance of each business segment was as follows. (Please refer to "4. Others" 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 25,736 million yen (up 13.1% year on year), and operating profit was 8,238 million yen (up 28.0% 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 4,187 million yen (up 23.8% year on year). Operating profit decreased by 52.4% year on year to 43 million yen, mainly due to increased fixed costs, including labor costs.

Europe

Although sales of carbon brush products were little changed year on year, products for metallurgical applications, our mainstay products, saw strong performance, along with an increase in sales of products for semiconductor applications in particular. As a result, in Europe, net sales were 4,881 million yen (up 31.6% year on year) and operating profit increased by 18.5% year on year to 42 million yen.

Asia

Sales of carbon brush products declined significantly, due partly to customers' production adjustment, but demand for products for metallurgical and semiconductor applications was firm. As a result, net sales were 14,446 million yen (up 3.8% 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 966 million yen (down 10.2% year on year).

(2) Overview of Financial Position in the Fiscal Year Ended December 31, 2023

Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated fiscal year under review increased by 7,180 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits decreased by 305 million yen, notes and accounts receivable – trade increased by 888 million yen, inventories increased by 3,390 million yen, property, plant and equipment increased by 2,104 million yen, and investments and other assets increased by 638 million yen.

Total liabilities decreased by 143 million yen from the end of the previous consolidated fiscal year. This was primarily because, although notes and accounts payable – trade increased by 389 million yen and accounts payable – other increased by 633 million yen, electronically recorded obligations – operating decreased by 172 million yen, short-term borrowings decreased by 285 million yen, other current liabilities decreased by 461 million yen, mainly due to a decrease in advances received, and other non-current liabilities decreased by 144 million yen, mainly due to a decrease in long-term lease liabilities.

Total net assets increased by 7,323 million yen from the end of the previous consolidated fiscal year. This was primarily because retained earnings increased by 6,038 million yen and foreign currency translation adjustment increased by 1,109 million yen.

(3) Overview of Cash Flows in the Fiscal Year Ended December 31, 2023

Cash and cash equivalents (hereinafter referred to as “funds”) as of December 31, 2023, increased by 1,828 million yen from the end of the previous consolidated fiscal year to 13,601 million yen.

(Cash Flows from Operating Activities)

Funds acquired by operating activities totaled 6,216 million yen, a 10.5% year-on-year increase. This was primarily because the increase in funds due to profit before income taxes of 10,317 million yen (a 41.4% year-on-year increase) and depreciation of 3,375 million yen (a 7.0% year-on-year increase) was offset by the decrease in funds due to foreign exchange gains of 385 million yen (an 18.8% year-on-year increase), an increase in trade receivables of 459 million yen (a 77.3% year-on-year decrease), an increase in inventories of 2,883 million yen (a 47.2% year-on-year increase), a decrease in other items of 692 million yen (compared with an increase of 1,131 million yen in the previous fiscal year), attributable mainly to an increase in advances received, and income taxes paid of 2,879 million yen (a 70.1% year-on-year increase).

(Cash Flows from Investing Activities)

Funds used in investing activities totaled 2,693 million yen, a 48.7% year-on-year decrease. This was primarily because the increase in funds from proceeds from withdrawals of time deposits of 8,018 million yen (a 3.8% year-on-year increase) was offset by a decrease in funds from payments into time deposits of 5,722 million yen (a 31.3% year-on-year decrease) and the purchase of property, plant and equipment of 4,698 million yen (an 11.4% year-on-year increase).

(Cash Flows from Financing Activities)

Funds used in financing activities amounted to 1,970 million yen, a 41.9% year-on-year increase. This was primarily due to a decrease in funds, including a net decrease in short-term borrowings of 297 million yen (compared with a net increase of 101 million yen in the previous fiscal year) and 1,467 million yen in cash dividends paid (a 16.5% year-on-year increase).

(4) Forecasts

The outlook for business conditions in Japan and overseas is expected to remain unclear due to factors such as concerns over the impact of geopolitical risks and trade frictions between the United States and China. However, the current upturn is forecast to continue.

In the business environment surrounding the Group, solid demand can be expected, particularly for the electronics, mobility, and energy industries due to the continuation of digital investment and efforts to achieve carbon neutrality. The Group anticipates the continuation of strong demand for SiC semiconductor applications, as well as solid demand for metallurgical and other applications, despite soft demand for silicon semiconductor applications.

Against this backdrop, the Group will provide innovative solutions through the forward-looking development of products and technologies, responding with agility to changes in the external environment and addressing customer needs with sincerity, based on its 2030 Management Vision:

“Creating products with unprecedented potential” – Becoming a leading company through earth-friendly products and technologies.” At the same time, the Group aims to create added value, achieve medium- and long-term business growth, and enhance corporate value by further accelerating its sustainability initiatives, including its contribution to reducing greenhouse gas emissions through its businesses.

Based on the above, we expect net sales of 54,000 million yen (a 9.6% year-on-year increase), 10,900 million yen in operating profit (a 17.4% year-on-year increase), 10,500 million yen in ordinary profit (a 3.1% year-on-year increase), and 7,600 million yen in profit attributable to owners of parent (a 1.2% year-on-year increase) in the fiscal year ending December 31, 2024.

Our earnings forecasts assume exchange rates of 135 yen/US\$, 149 yen/EUR, and 19 yen/CNY.

(5) Basic Policy for Profit Allocation and Dividends for the Fiscal Year Ended December 31, 2023 and the Fiscal Year Ending December 31, 2024

(i) Basic Policy

Our basic policy for profit allocation is to make strategic investments in order to strengthen our competitiveness and enhance our corporate value over the long term and return profits to shareholders in a continuous and stable fashion, maintaining a dividend payout ratio of at least 30%, with due consideration of business results for the fiscal year, funding needs for the future expansion of our business operations, and consolidation of our business foundation. We intend to use internal reserves for capital expenditures for production facilities, development of new products, and investment in research and development.

(ii) Dividends for the Fiscal Year Ended December 31, 2023

Based on the aforementioned policy and our business results in the fiscal year under review, we plan to increase dividends by 40 yen to pay a dividend of 110 yen per share for the fiscal year ended December 31, 2023.

(iii) Dividends for the Fiscal Year Ending December 31, 2024

For the fiscal year ending December 31, 2024, based on the basic policy, we plan to increase dividends by 10 yen to pay a dividend of 120 yen per share in the interest of improving shareholder returns while also taking into account our capital investment plans aimed at future growth.

2. Basic Approach to Selection of Accounting Standards

The Group will prepare its consolidated financial statements in line with Japanese standards for the near term, given that these standards enable comparison of consolidated financial statements across fiscal periods and between companies.

We plan to respond appropriately to the adoption of international accounting standards, taking into account conditions in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	15,437	15,132
Notes and accounts receivable - trade	16,606	17,494
Securities	2,999	2,999
Merchandise and finished goods	8,121	9,440
Work in process	7,127	8,145
Raw materials and supplies	3,167	4,220
Other	502	726
Allowance for doubtful accounts	(101)	(61)
Total current assets	53,861	58,099
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,010	24,553
Accumulated depreciation	(12,988)	(13,846)
Buildings and structures, net	11,022	10,706
Machinery, equipment and vehicles	55,534	58,196
Accumulated depreciation	(45,540)	(47,108)
Machinery, equipment and vehicles, net	9,993	11,087
Land	5,931	6,104
Leased assets	1,592	1,693
Accumulated depreciation	(424)	(544)
Leased assets, net	1,167	1,148
Construction in progress	1,773	3,104
Other	5,489	5,711
Accumulated depreciation	(4,240)	(4,619)
Other, net	1,248	1,091
Total property, plant and equipment	31,138	33,243
Intangible assets	289	488
Investments and other assets		
Investment securities	350	503
Deferred tax assets	1,490	1,491
Retirement benefit asset	566	685
Other	1,896	2,272
Allowance for doubtful accounts	(160)	(171)
Total investments and other assets	4,143	4,781
Total non-current assets	35,571	38,513
Total assets	89,432	96,612

(Millions of yen, rounded down)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,328	2,718
Electronically recorded obligations - operating	1,004	831
Short-term borrowings	285	–
Accounts payable - other	1,890	2,523
Income taxes payable	1,734	1,675
Provision for bonuses	772	772
Provision for bonuses for directors (and other officers)	113	32
Other	3,018	2,557
Total current liabilities	11,147	11,111
Non-current liabilities		
Deferred tax liabilities	125	129
Retirement benefit liability	147	174
Asset retirement obligations	272	278
Other	538	394
Total non-current liabilities	1,084	976
Total liabilities	12,231	12,088
Net assets		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	55,672	61,710
Treasury shares	(60)	(61)
Total shareholders' equity	73,168	79,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	117	222
Foreign currency translation adjustment	3,944	5,053
Remeasurements of defined benefit plans	(83)	(11)
Total accumulated other comprehensive income	3,978	5,264
Non-controlling interests	53	53
Total net assets	77,200	84,524
Total liabilities and net assets	89,432	96,612

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	43,774	49,251
Cost of sales	29,346	31,528
Gross profit	14,427	17,722
Selling, general and administrative expenses	7,759	8,439
Operating profit	6,667	9,283
Non-operating income		
Interest income	92	90
Dividend income	67	69
Foreign exchange gains	282	361
Share of profit of entities accounted for using equity method	158	304
Revenue from sales of electric power	42	38
Other	127	86
Total non-operating income	770	952
Non-operating expenses		
Interest expenses	33	25
Depreciation	16	16
Contracted research expenses	9	–
Other	8	10
Total non-operating expenses	68	52
Ordinary profit	7,369	10,182
Extraordinary income		
Gain on sales of non-current assets	11	87
Gain on sale of investment securities	1	–
Subsidy income	42	382
Settlement income	73	–
Total extraordinary income	129	470
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	112	215
Impairment losses	–	120* ¹
Loss on suspension of operations	87* ²	–
Total extraordinary losses	200	336
Profit before income taxes	7,298	10,317
Income taxes - current	2,503	2,849
Income taxes - deferred	(391)	(40)
Total income taxes	2,112	2,809
Profit	5,186	7,507
Profit attributable to non-controlling interests	4	0
Profit attributable to owners of parent	5,181	7,506

(Consolidated statement of comprehensive income)

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	5,186	7,507
Other comprehensive income		
Valuation difference on available-for-sale securities	(42)	104
Foreign currency translation adjustment	1,065	1,058
Remeasurements of defined benefit plans, net of tax	(49)	71
Share of other comprehensive income of entities accounted for using equity method	47	54
Total other comprehensive income	1,021	1,289
Comprehensive income	6,207	8,796
Comprehensive income attributable to		
Owners of parent	6,201	8,791
Non-controlling interests	6	4

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Millions of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,609	51,748	(60)	69,245
Changes of items during period					
Dividends of surplus			(1,258)		(1,258)
Profit attributable to owners of parent			5,181		5,181
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,923	(0)	3,923
Balance at end of period	7,947	9,609	55,672	(60)	73,168

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	159	2,833	(33)	2,959	52	72,256
Changes of items during period						
Dividends of surplus						(1,258)
Profit attributable to owners of parent						5,181
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(42)	1,111	(49)	1,019	1	1,021
Total changes of items during period	(42)	1,111	(49)	1,019	1	4,944
Balance at end of period	117	3,944	(83)	3,978	53	77,200

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

(Millions of yen, rounded down)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,609	55,672	(60)	73,168
Changes of items during period					
Dividends of surplus			(1,468)		(1,468)
Profit attributable to owners of parent			7,506		7,506
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,038	(0)	6,037
Balance at end of period	7,947	9,609	61,710	(61)	79,206

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	117	3,944	(83)	3,978	53	77,200
Changes of items during period						
Dividends of surplus						(1,468)
Profit attributable to owners of parent						7,506
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	104	1,109	71	1,285	0	1,285
Total changes of items during period	104	1,109	71	1,285	0	7,323
Balance at end of period	222	5,053	(11)	5,264	53	84,524

(4) Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	7,298	10,317
Depreciation	3,153	3,375
Impairment losses	–	120
Share of loss (profit) of entities accounted for using equity method	(158)	(304)
Increase (decrease) in retirement benefit asset or liability	(43)	(0)
Increase (decrease) in provision for bonuses	152	(16)
Increase (decrease) in provision for bonuses for directors (and other officers)	83	(80)
Increase (decrease) in allowance for doubtful accounts	(9)	(45)
Interest and dividend income	(159)	(159)
Interest expenses	33	25
Foreign exchange losses (gains)	(324)	(385)
Loss (gain) on sale of non-current assets	(10)	(86)
Loss on retirement of non-current assets	112	215
Decrease (increase) in trade receivables	(2,021)	(459)
Decrease (increase) in inventories	(1,959)	(2,883)
Increase (decrease) in trade payables	(127)	(65)
Other, net	1,131	(692)
Subtotal	7,150	8,871
Interest and dividends received	201	249
Interest paid	(34)	(24)
Income taxes refund (paid)	(1,692)	(2,879)
Net cash provided by (used in) operating activities	5,625	6,216
Cash flows from investing activities		
Payments into time deposits	(8,334)	(5,722)
Proceeds from withdrawal of time deposits	7,722	8,018
Purchase of property, plant and equipment	(4,219)	(4,698)
Proceeds from sales of property, plant and equipment	13	108
Purchase of intangible assets	(91)	(276)
Purchase of shares of subsidiaries and associates	(269)	–
Other, net	(76)	(123)
Net cash provided by (used in) investing activities	(5,253)	(2,693)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	101	(297)
Repayments of long-term borrowings	(34)	(9)
Repayments of finance lease liabilities	(190)	(191)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,259)	(1,467)
Dividends paid to non-controlling interests	(4)	(4)
Net cash provided by (used in) financing activities	(1,388)	(1,970)
Effect of exchange rate change on cash and cash equivalents	320	276
Net increase (decrease) in cash and cash equivalents	(696)	1,828
Cash and cash equivalents at beginning of period	12,470	11,773
Cash and cash equivalents at end of period	11,773	13,601

(5) Notes to the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

Not applicable.

(Significant items that form the basis of preparations for consolidated financial statements)

1. Items concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries

Totan Kako Co., Ltd.
Ohwada Carbon Industrial Co., Ltd.
Toyo Tanso USA, Inc.
Toyo Tanso Europe S.p.A.
Toyo Tanso France S.A.
GTD Graphit Technologie GmbH
Shanghai Toyo Tanso Co., Ltd.
Shanghai Toyo Tanso Industrial Co., Ltd.
Toyo Tanso (Zhejiang) Co., Ltd.
Chengdu Toyo Tanso Industrial Co., Ltd.
Toyo Tanso Taiwan Co., Ltd.

(2) Names of non-consolidated subsidiaries

Non-consolidated subsidiaries

Toyo Tanso Korea Co., Ltd.
Toyo Tanso (Thailand) Co., Ltd.
Toyo Tanso Singapore Pte. Ltd.
Toyo Tanso Mexico, S.A. de C.V.
PT. Toyo Tanso Indonesia

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiaries were not included in the scope of consolidation because their total assets, net sales, net income (loss; amount corresponding to equity), and retained earnings (amount corresponding to equity) do not have a material impact on the consolidated financial statements.

2. Items concerning the application of the equity method

(1) Number of affiliated companies accounted for using the equity method: 2

Significant affiliated companies accounted for using the equity method

ATN Graphite Technology Co., Ltd.
Shanghai Yongxin Toyo Tanso Co., Ltd.

(2) Because non-consolidated subsidiaries have very little impact on profit (loss; amount corresponding to equity) or retained earnings (amount corresponding to equity) and have no materiality overall, the equity method has not been applied to the investment account for these companies, and they have instead been valued at cost.

There are five non-consolidated subsidiaries to which the equity method has not been applied: Toyo Tanso Korea Co., Ltd., Toyo Tanso (Thailand) Co., Ltd., Toyo Tanso Singapore Pte. Ltd., Toyo Tanso Mexico, S.A. de C.V., and PT. Toyo Tanso Indonesia.

3. Items concerning the business years of subsidiaries

The closing date for all consolidated subsidiaries is in line with the consolidated closing date.

4. Items concerning accounting policies

(1) Valuation standards and method for significant assets

a. Securities

(a) Shares of subsidiaries and affiliates

Stated at cost using the moving average method

(b) Other securities

Other securities except for shares, etc. without market prices

Stated at fair value (valuation differences are treated through the partial direct net asset adjustment method and sales costs are calculated with the moving average method)

Shares, etc. without market prices

Stated at cost using the moving average method

b. Derivatives

Stated at fair value

c. Inventories

(a) Merchandise and raw materials

Mainly stated at cost using the moving average method

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(b) Finished goods, work in process, and semi-finished goods

Mainly stated at individual cost

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(c) Supplies

Mainly stated at cost based on the last purchase price

(The carrying amount on the balance sheet is reduced for decreases in profitability.)

(2) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

The straight-line method is used.

The main useful lives are as follows.

Buildings and structures: 3 to 50 years

Machinery, equipment and vehicles: 4 to 9 years

b. Intangible assets (excluding leased assets)

The straight-line method is used. However, the straight-line method is used for software (in-house use) based on the in-house use period (five years).

c. Leased assets

Leased assets in financial lease transactions with transfer of ownership

We use the same depreciation method for non-current assets owned by the Company.

Leased assets in financial lease transactions without transfer of ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero.

(3) Criteria for posting significant reserves

a. Allowance for doubtful accounts

To make allowance for losses on uncollectible accounts, the expected uncollectible amount is posted based on the loss ratio for general receivables and by individually examining the collectability of specific doubtful accounts.

b. Provision for bonuses

The Toyo Tanso Group posts the liability amount of expected payments for the current consolidated fiscal year to provide for bonuses paid to employees.

c. Provision for bonuses for directors (and other officers)

The Toyo Tanso Group posts the expected payment amount to provide for bonuses paid to directors and other officers.

(4) Accounting policies for retirement benefits

a. Attribution method for projected retirement benefits

The benefit formula method is used to attribute projected retirement benefits to periods until the fiscal year-end.

b. Amortization of actuarial differences and unrecognized prior service costs

Actuarial differences are treated as a lump-sum expense in the following consolidated fiscal year.

c. Adoption of simplified methods for small-scale companies

Some consolidated companies adopt a simplified method in which the amount paid for voluntary termination is posted as retirement benefit obligations when calculating net defined benefit liabilities and retirement benefit expenses.

(5) Standards for the recognition of significant revenue and expenses

The Group is mainly engaged in the manufacture, processing and sale of carbon products based on isotropic graphite materials in high-performance fields, and assumes performance obligations to deliver products, etc. based on contracts with customers.

The Group considers these performance obligations to be satisfied at the point in time when control of the goods or services promised by the Group is transferred to the customer, and recognizes revenue from the sale of these products, etc. at a selling price based on the contract with the customer. For domestic sales, the Group applies Paragraph 98 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” and recognizes revenue at the time of shipment, as the period of time from shipment of products, etc. to the transfer of control to the customer is considered reasonable given the number of days required for shipment and delivery within Japan. For export sales, the Group considers that its performance obligations are satisfied at the time when risk is transferred to the customer in accordance with terms of trade based on the Incoterms or similar rules, and recognizes revenue at that time.

Consideration for transactions is generally received within one year from the time when the Group satisfies its performance obligations, and transactions do not include any material element of finance.

(6) Standards for converting significant foreign currency-denominated assets and liabilities to Japanese yen

Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the consolidated closing date, and revenue and expenses are converted to yen at the average annual exchange rate. Translation differences are then posted as part of non-controlling interests and foreign currency translation adjustment in net assets.

(7) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short-term investments with high liquidity that can easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

(Consolidated statement of income)

*1. Impairment losses

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

The Group posted impairment losses on the following assets in the current consolidated fiscal year.

(i) Assets for which impairment losses were recognized

(Millions of yen, rounded down)

Use	Type	Name of Company	Location	Impairment losses
Idle assets	Machinery, equipment and vehicles	Toyo Tanso Co., Ltd.	Hagiwara Plant (Kanonji, Kagawa)	71
Business-use assets	Machinery, equipment and vehicles Construction in progress Property, plant and equipment (other)	GTD Graphit Technologie GmbH	Langgöns, Germany	48

(ii) Reasons for recognition of impairment losses

Some of the equipment at the Toyo Tanso Co., Ltd. Hagiwara Plant has become idle due to changes in

the market environment. Impairment losses have been recognized for this equipment as its recoverable amount has fallen below book value.

Impairment losses have been recognized for GTD Graphit Technologie GmbH as its recoverable amount has fallen below book value due to changes in the market environment.

(iii) Impairment loss amounts and amounts by type of primary non-current assets

Machinery, equipment and vehicles:	79 million yen
Construction in progress:	36 million yen
Property, plant and equipment (other):	4 million yen

(iv) Grouping method

Toyo Tanso Co., Ltd. groups its assets into the smallest unit that generates cash flow independently and for which income and expenditure can be continuously ascertained. Idle assets are grouped by individual assets.

For GTD Graphit Technologie GmbH, assets are grouped by the smallest units that generate largely independent cash flows.

(v) Method for calculating recoverable amount

The recoverable amount of business assets of Toyo Tanso Co., Ltd. and GTD Graphit Technologie GmbH is generally calculated using the value in use. However, as the value in use is negative based on future cash flows, the recoverable amount is calculated as zero.

*2. Losses due to suspension of operations

Previous consolidated fiscal year (From January 1, 2022 to December 31, 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.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

Not applicable.

(Segment information)

1. Reportable Segments

The reportable segments of the Toyo Tanso Group are business components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to decide on the allocation of management resources and evaluate performance.

The Company primarily engages in the manufacture and sale of carbon products, in Japan through Toyo Tanso and domestic subsidiaries, and abroad through overseas subsidiaries based in the United States, Europe, and Asia. All overseas subsidiaries are independently managed companies. They conduct business by formulating their own comprehensive regional strategies for the products they handle.

For this reason, our business is composed of segments that are based on region-based production and sales frameworks, and is categorized into the four reportable segments of Japan, United States, Europe, and Asia.

2. Calculation methods of net sales, profits, losses, assets, and other items by reportable segment

The accounting methods of reportable segments are by and large the same as those described in “Significant items that form the basis of preparations for consolidated financial statements.”

Profits of reportable segments are recorded on an operating profit basis.

Inter-segment sales are based on prices in arms-length transactions.

3. Information on net sales, profits, losses, assets, and other items by reportable segment
Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
Goods transferred at a point in time	22,761	3,382	3,708	13,922	43,774	-	43,774
Goods transferred over time	-	-	-	-	-	-	-
Revenue from contracts with customer:	22,761	3,382	3,708	13,922	43,774	-	43,774
Sales to unaffiliated customers	22,761	3,382	3,708	13,922	43,774	-	43,774
Inter-segment sales or transfers	8,248	39	-	159	8,448	(8,448)	-
Total	31,010	3,422	3,708	14,082	52,222	(8,448)	43,774
Segment profit	6,435	91	35	1,075	7,638	(971)	6,667
Segment assets	73,949	3,768	3,928	22,629	104,276	(14,843)	89,432
Other items							
Depreciation	2,493	81	153	425	3,153	-	3,153
Increases in tangible and intangible fixed assets	2,067	472	198	230	2,968	-	2,968

(Notes) 1. The adjusted amounts are as follows:

- (1) Adjusted segment profit mainly takes into account the elimination of inter-segment transactions and unrealized income.
 - (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
2. Segment profit has been adjusted to reflect the operating profit recorded in the consolidated statement of income.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
Goods transferred at a point in time	25,736	4,187	4,881	14,446	49,251	-	49,251
Goods transferred over time	-	-	-	-	-	-	-
Revenue from contracts with customer:	25,736	4,187	4,881	14,446	49,251	-	49,251
Sales to unaffiliated customers	25,736	4,187	4,881	14,446	49,251	-	49,251
Inter-segment sales or transfers	9,339	87	-	176	9,603	(9,603)	-
Total	35,076	4,274	4,881	14,623	58,855	(9,603)	49,251
Segment profit	8,238	43	42	966	9,290	(7)	9,283
Segment assets	80,562	5,532	5,402	23,142	114,640	(18,027)	96,612
Other items							
Depreciation	2,590	152	180	452	3,375	-	3,375
Increases in tangible and intangible fixed assets	2,807	1,363	770	614	5,555	-	5,555

(Notes) 1. The adjusted amounts are as follows:

- (1) Adjusted segment profit mainly takes into account the elimination of inter-segment transactions and unrealized income.
 - (2) Adjusted segment assets mainly take into account the elimination of inter-segment transactions and unrealized income.
2. Segment profit has been adjusted to reflect the operating profit recorded in the consolidated statement of income.

[Related information]

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

1. Information by product and service

This information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product-related business.

2. Information by region

(1) Net sales

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	18,254	3,552	3,911	17,810	13,021	244	43,774
Composition (%)	41.7	8.1	8.9	40.7	29.7	0.6	100.0

- (Notes)
- Net sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.
 - The major countries or regions included in each geographic segment are listed below.
 - North America: United States
 - Europe: France, Germany, Italy
 - Asia: China, Taiwan, South Korea

(2) Property, plant and equipment

(Millions of yen, rounded down)

	Japan	United States	Europe	Asia		Total
				Asia (including China)	China only	
	24,483	932	1,420	4,301	3,440	31,138

3. Information by major customer

This information has been omitted because we do not have any unaffiliated customers that have accounted for more than 10% of sales in the consolidated statement of income.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

1. Information by product and service

This information has been omitted because the entire business of the Company and its subsidiaries falls under the single business category of carbon product-related business.

2. Information by region

(1) Net sales

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Sales	21,523	4,332	5,268	17,921	13,355	205	49,251
Composition (%)	43.7	8.8	10.7	36.4	27.1	0.4	100.0

- (Notes)
- Net sales are based on the locations of our customers, and are categorized into the relevant country or region segment according to geographical proximity.
 - The major countries or regions included in each geographic segment are listed below.
 - North America: United States
 - Europe: France, Germany, Italy
 - Asia: China, Taiwan, South Korea

(2) Property, plant and equipment

(Millions of yen, rounded down)

Japan	United States	Europe	Asia		Total
			Asia (including China)	China only	
24,280	2,216	2,122	4,624	3,683	33,243

3. Information by major customer

This information has been omitted because we do not have any unaffiliated customers that have accounted for more than 10% of sales in the consolidated statement of income.

[Information on impairment loss for non-current assets by reportable segment]

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Millions of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment losses	–	–	–	–	–

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

(Millions of yen, rounded down)

	Japan	United States	Europe	Asia	Total
Impairment losses	71	–	48	–	120

[Information on the amortization of goodwill and unamortized balance by reportable segment]

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

Not applicable.

(Per share information)

	From January 1, 2022 to December 31, 2022	From January 1, 2023 to December 31, 2023
Net assets per share	3,678.50 yen	4,027.70 yen
Basic earnings per share	247.08 yen	357.91 yen

(Notes) 1. Diluted earnings per share are not noted, as there are no residual shares outstanding.

2. The basis for calculating Basic earnings per share is outlined below.

	From January 1, 2022 to December 31, 2022	From January 1, 2023 to December 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	5,181	7,506
Amount not attributed to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common shares (millions of yen)	5,181	7,506
Average number of common shares during the period (shares)	20,972,528	20,972,467

(Significant subsequent events)

Not applicable.

4. Others

(1) Orders and Sales by Product Category

i. Orders

(Unit: millions of yen)

Products	Year ended December 31, 2022					Year ended December 31, 2023				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,638	5,286	5,098	5,593	20,617	5,738	6,244	5,091	5,451	22,526
Carbon products for general industries*2 (for mechanical applications)	951	1,044	1,016	1,022	4,034	1,064	965	997	808	3,837
Carbon products for general industries (for electrical applications)	1,083	1,175	1,011	1,002	4,273	958	1,206	1,112	1,221	4,500
Compound materials and other products	3,034	3,092	3,852	3,752	13,732	3,393	3,848	3,834	4,063	15,140
Total	9,708	10,599	10,978	11,371	42,657	11,155	12,266	11,036	11,545	46,003

(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

(Unit: millions of yen)

Products	Year ended December 31, 2022				Year ended December 31, 2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Special graphite products	5,249	6,215	6,438	6,728	7,197	7,887	7,401	7,084
Carbon products for general industries*2 (for mechanical applications)	830	979	1,012	964	1,053	1,025	1,016	804
Carbon products for general industries (for electrical applications)	993	1,108	848	802	777	838	775	813
Compound materials and other products	4,854	5,255	5,940	5,995	6,949	7,260	7,908	7,926
Total	11,927	13,559	14,239	14,490	15,978	17,011	17,102	16,628

(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

(Unit: millions of yen)

Products	Year ended December 31, 2022					Year ended December 31, 2023				
	1Q	2Q	3Q	4Q	Fiscal year total	1Q	2Q	3Q	4Q	Fiscal year total
Special graphite products	4,340	4,801	5,309	5,778	20,230	5,648	6,048	6,133	6,221	24,052
[Electronics applications]	1,612	1,878	2,114	2,498	8,104	2,429	2,510	2,693	2,951	10,585
[General industries applications]	2,187	2,284	2,575	2,550	9,598	2,588	2,797	2,816	2,640	10,843
[Others]	540	638	618	729	2,527	630	740	623	629	2,624
Carbon products for general industries (for mechanical applications)	926	933	1,012	1,113	3,985	993	1,023	1,036	1,062	4,116
Carbon products for general industries (for electrical applications)	1,371	1,092	1,283	1,075	4,823	957	1,145	1,169	1,185	4,457
Compound materials and other products	2,656	2,770	3,228	3,110	11,765	3,137	3,608	3,263	4,121	14,129
[3 major products]	2,241	2,328	2,742	2,632	9,944	2,702	3,100	2,793	3,620	12,215
[Other products]	414	441	485	478	1,820	435	507	469	501	1,913
Related goods	611	789	901	667	2,969	567	581	685	659	2,494
Total	9,906	10,386	11,735	11,746	43,774	11,304	12,407	12,288	13,250	49,251

(2) Overview

Special graphite products

In electronics applications, sales of products for single-crystal silicon manufacturing declined slightly during the second half but increased year on year, thanks to the substantial increase in sales during the first half. Sales of products for compound semiconductor manufacturing applications for SiC (silicon carbide) semiconductors grew strongly. With selective order acceptance focusing on high-value-added products for solar cell manufacturing applications, net sales in this field increased by 30.6% year on year, supported by steady demand.

In general industrial 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 significantly, resulting in an increase of 13.0% year on year.

Due to these factors, sales of special graphite products overall were up 18.9 % 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 3.3% year on year.

In carbon products for electrical applications, sales declined by 7.6% year on year as a result notably of a decrease in demand for compact motors for home appliances and power tools, which reflected customers' production adjustment.

Due to these factors, sales of carbon products for general industries overall fell 2.7% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products increased significantly year on year, mainly due to firm demand for Si (silicon) semiconductors, in addition to considerable growth in sales of 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 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 22.8% over the previous year, and sales of compound materials and other products increased 20.1% over the previous year.