



August 7, 2018

Consolidated Financial Results for the Six Months Ended June 30, 2018 [Japanese GAAP]

Listed company name:	Toyo Tanso Co., Ltd.
Stock exchange listing:	Tokyo Stock Exchange, 1st Section
Stock code:	5310
Location of headquarters:	Osaka, Japan
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Representative:	Naotaka Kondo Representative Director, Chairman & President, CEO
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Scheduled date for submission of quarterly report:	August 8, 2018
Scheduled date for dividend payment:	-
Supplementary materials for quarterly financial summaries:	Yes
Quarterly financial results briefing:	Yes (for securities analysts and institutional investors)

1. Consolidated financial results for the six months ended June 30, 2018

(From January 1, 2018 to June 30, 2018)

(1) Operating results (cumulative total)

(Millions of yen, rounded down)

(Percentages indicate changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Six months ended June 30, 2018	22,056	33.2	4,179	215.1	4,092	262.2	3,055	170.5
Six months ended June 30, 2017	16,564	(2.2)	1,326	158.3	1,130	338.3	1,129	367.5

Note: Comprehensive income:
 Six months ended June 30, 2018 2,374 million yen (265.0%)
 Six months ended June 30, 2017 650 million yen (-%)

	Profit attributable to owners of parent per share (basic)	Profit attributable to owners of parent per share (diluted)
	yen	yen
Six months ended June 30, 2018	146.11	145.87
Six months ended June 30, 2017	54.47	54.43

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2018	73,358	62,835	84.6
As of December 31, 2017	74,223	60,986	81.0

Reference: Shareholders' equity:
 June 30, 2018 62,073 million yen
 December 31, 2017 60,140 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, 2017	-	0.00	-	30.00	30.00
Year ending December 31, 2018 (Actual)	-	0.00			
Year ending December 31, 2018 (Forecast)			-	40.00	40.00

Note: Revisions of projected dividends most recently announced: None

3. Consolidated results forecast for the fiscal year ending December 31, 2018

(From January 1, 2018 to December 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
		%		%		%		%	yen
Fiscal year ending December 31, 2018	41,000	16.3	6,500	75.3	6,400	72.1	4,700	55.6	224.64

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 9 of the Attached Documents.

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

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

As of June 30, 2018 20,954,188 shares

As of December 31, 2017 20,865,488 shares

2) Number of treasury stock at the end of period

As of June 30, 2018 18,669 shares

As of December 31, 2017 17,219 shares

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

Six months ended June 30, 2018 20,909,715 shares

Six months ended June 30, 2017 20,739,054 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.

(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 August 20, 2018. 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. Qualitative Information Regarding Consolidated Results for the Six Months under Review

(1) Explanation Regarding Business Results

During the first half of the consolidated fiscal year under review, the US economy continued to recover on the back of an increase in personal consumption and capital spending, while Europe continued to experience a gradual recovery, despite concerns about the UK's exit from the EU. Even as emerging economies continued to improve, there were concerns that the US-China trade disputes would slow the Chinese economy, which has been a global economic driver. The Japanese economy also made a gradual recovery, with an increase in capital spending and growing personal consumption attributable to improvements in corporate earnings and employment conditions.

In the business environment surrounding the Group, demand for products for wafer manufacturing products increased on the back of a solid semiconductor market, and also in the transportation equipment market, demand was strong for EDM electrodes for cars and pantograph sliders for trains. In addition, in the energy-related market, natural energy-related products for wind power generation and solar cells were solid performers due to higher overseas demand.

In this environment, although competition with other companies remains harsh and conditions are still difficult, the Company is working to achieve its medium-term business plan by reinforcing production and sales of high value-added products, improving productivity, and promoting the development of new products and new businesses.

Inspections of the delivery of graphite materials for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM), ordered in 2008, were completed in the first quarter of the consolidated fiscal year under review. Sales totaling 3,216 million yen were recorded.

As a result, in the first half of the consolidated fiscal year under review, net sales rose 33.2% year on year to 22,056 million yen. On the income side, operating income rose 215.1% to 4,179 million yen, ordinary income rose 262.2% to 4,092 million yen, and profit attributable to owners of parent stood at 3,055 million yen, up 170.5%.

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

Japan

Products for semiconductor applications did well, carbon products for LED, metallurgical, and mechanical applications remained solid overall, and 2,651 million yen was recorded in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM). As a result, a 38.9% increase in net sales to 12,101 million yen, and a 173.8% increase in operating income to 2,580 million yen.

United States

Sales of products for electronic-related applications for semiconductor and LEDs were strong, and the Company endeavored to improve revenue. This resulted in a 9.9 % increase in net sales to 1,369 million yen and operating income was 260 million yen (compared to a 103 million yen operating loss in the same period of the previous fiscal year).

Europe

Sales of products for metallurgical applications and electronics-related applications were strong, which resulted in an 18.6% increase in net sales to 1,726 million yen. However, higher costs resulting from reinforced infrastructure resulted in a 102 million yen operating loss (compared to a 12 million yen operating income in the same period of the previous fiscal year).

Asia

Although sales of carbon brush products were poor, sales for solar cell applications and metallurgical applications were strong. Additionally, 565 million yen was recorded in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM). As a result, net sales rose 33.1% to 6,858 million yen and operating income increased 239.9% to 1,381 million yen.

(2) Explanation Regarding Financial Position

Total assets, as of June 30, 2018, decreased by 865 million yen from the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits increased by 458 million yen and notes and accounts receivable - trade increased by 679 million yen, inventory decreased by 1,507 million yen due to the posting of sales for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM) and property, plant and equipment declined 364 million yen due to the posting of depreciation.

Total liabilities decreased by 2,713 million yen from the end of the previous consolidated fiscal year. This was primarily because, interest-bearing liabilities decreased 549 million yen and other current liabilities decreased by 2,346 million yen due to a decrease in advances received as a result of recording sales for the Chinese high-temperature reactor-pebble-bed modules (HTR-PM).

Total net assets increased by 1,848 million yen from the end of the previous consolidated fiscal year. This was primarily because foreign currency translation adjustment decreased by 633 million yen and retained earnings increased by 2,429 million yen.

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

There has been no change to the consolidated earnings forecasts for the fiscal year ending December 31, 2018, released on May 10, 2018.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2017	As of June 30, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	15,906	16,364
Notes and accounts receivable - trade	14,255	14,934
Merchandise and finished goods	5,423	5,647
Work in process	7,801	5,908
Raw materials and supplies	2,246	2,408
Other	1,340	1,305
Allowance for doubtful accounts	(273)	(287)
Total current assets	46,700	46,280
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,710	8,696
Machinery, equipment and vehicles, net	7,832	6,941
Land	5,850	5,818
Construction in progress	1,422	2,000
Other, net	827	821
Total property, plant and equipment	24,642	24,278
Intangible assets	885	800
Investments and other assets	1,995	1,999
Total non-current assets	27,523	27,078
Total assets	74,223	73,358

(Millions of yen, rounded down)

	As of December 31, 2017	As of June 30, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,113	2,188
Electronically recorded obligations - operating	1,105	1,181
Short-term loans payable	831	318
Accounts payable - other	1,594	1,755
Income taxes payable	926	886
Provision for bonuses	441	430
Provision for directors' bonuses	22	—
Other	4,833	2,486
Total current liabilities	11,869	9,247
Non-current liabilities		
Long-term loans payable	362	326
Net defined benefit liability	141	134
Asset retirement obligations	267	264
Other	594	550
Total non-current liabilities	1,366	1,275
Total liabilities	13,236	10,522
Net assets		
Shareholders' equity		
Capital stock	7,810	7,906
Capital surplus	9,652	9,748
Retained earnings	40,536	42,966
Treasury shares	(59)	(59)
Total shareholders' equity	57,940	60,560
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	233	179
Foreign currency translation adjustment	1,965	1,331
Remeasurements of defined benefit plans	0	0
Total accumulated other comprehensive income	2,199	1,512
Subscription rights to shares	63	28
Non-controlling interests	783	733
Total net assets	60,986	62,835
Total liabilities and net assets	74,223	73,358

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

(Quarterly consolidated statements of income)

Six months ended June 30, 2017 and 2018

(Millions of yen, rounded down)

	Six months ended June 30, 2017 Amount	Six months ended June 30, 2018 Amount
Net sales	16,564	22,056
Cost of sales	12,029	14,510
Gross profit	4,535	7,545
Selling, general and administrative expenses	3,209	3,365
Operating income	1,326	4,179
Non-operating income		
Interest income	27	26
Dividend income	8	9
Gain on currency options	26	21
Share of profit of entities accounted for using equity method	37	46
Other	99	45
Total non-operating income	198	149
Non-operating expenses		
Interest expenses	12	7
Foreign exchange losses	130	199
Loss on misappropriation of funds	228	—
Other	23	30
Total non-operating expenses	394	236
Ordinary income	1,130	4,092
Extraordinary income		
Gain on sales of non-current assets	104	64
Gain on the sale of investments in capital of subsidiaries and associates	87	—
Subsidy income	167	46
Gain on reversal of subscription rights to shares	0	—
Total extraordinary income	359	110
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	110	26
Total extraordinary losses	110	26
Profit before income taxes	1,378	4,177
Income taxes	160	1,078
Profit	1,217	3,098
Profit attributable to non-controlling interests	88	43
Profit attributable to owners of parent	1,129	3,055

(Quarterly consolidated statement of comprehensive income)

Six months ended June 30, 2017 and 2018

(Millions of yen, rounded down)

	Six months ended June 30, 2017 Amount	Six months ended June 30, 2018 Amount
Profit	1,217	3,098
Other comprehensive income		
Valuation difference on available-for-sale securities	27	(54)
Foreign currency translation adjustment	(641)	(646)
Remeasurements of defined benefit plans, net of tax	54	0
Share of other comprehensive income of entities accounted for using equity method	(8)	(24)
Total other comprehensive income	(567)	(724)
Comprehensive income	650	2,374
Comprehensive income attributable to:		
Owners of parent	821	2,367
Non-controlling interests	(170)	6

(3) Consolidated statements of cash flows

(Millions of yen, rounded down)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,378	4,177
Depreciation	1,628	1,555
Share of (profit) loss of entities accounted for using equity method	(41)	(46)
Increase (decrease) in net defined benefit asset or liability	29	(49)
Increase (decrease) in provision for bonuses	81	(4)
Increase (decrease) in provision for directors' bonuses	—	(22)
Increase (decrease) in allowance for doubtful accounts	(31)	22
Interest and dividend income	(35)	(36)
Interest expenses	12	7
Foreign exchange losses (gains)	37	75
Loss (gain) on sales of non-current assets	6	(38)
Decrease (increase) in notes and accounts receivable - trade	(472)	(978)
Decrease (increase) in inventories	346	1,329
Increase (decrease) in notes and accounts payable - trade	206	309
Other	294	(2,569)
Subtotal	3,277	3,730
Interest and dividend income received	34	38
Interest expenses paid	(12)	(4)
Income taxes paid	(63)	(1,012)
Net cash provided by (used in) operating activities	3,236	2,751
Cash flows from investing activities		
Payments into time deposits	(3,776)	(5,109)
Proceeds from withdrawal of time deposits	2,082	3,270
Purchase of property, plant and equipment	(1,193)	(986)
Proceeds from sales of property, plant and equipment	121	4
Purchase of intangible assets	(14)	(11)
Payments for the sale of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	(1,064)	—
Other	47	(15)
Net cash provided by (used in) investing activities	(3,797)	(2,847)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5	422
Repayments of long-term loans payable	(354)	(83)
Repayments of finance lease obligations	(21)	(18)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	—	149
Purchase of treasury shares	—	(0)
Cash dividends paid	(517)	(624)
Dividends paid to non-controlling interests	(37)	(56)
Net cash provided by (used in) financing activities	(925)	(1,057)
Effect of exchange rate change on cash and cash equivalents	(23)	(148)
Net increase (decrease) in cash and cash equivalents	(1,509)	(1,302)
Cash and cash equivalents at beginning of period	6,424	6,361
Cash and cash equivalents at end of period	4,915	5,058

(4) Notes on quarterly consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable.

(Notes if the amount of shareholders' equity has changed significantly)

Not applicable.

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

Tax expense calculations

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

(Segment information)

I. Six months ended June 30, 2017 (From January 1, 2017 to June 30, 2017)

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

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	8,711	1,246	1,455	5,151	16,564	—	16,564
(2) Intersegment sales or transfers	3,023	30	2	47	3,103	(3,103)	—
Total	11,734	1,276	1,458	5,199	19,668	(3,103)	16,564
Segment profit (loss)	942	(103)	12	406	1,256	69	1,326

(Notes) 1. Adjusted segment profit (loss) mainly takes into account the elimination of intersegment transactions and unrealized income.

2. Segment profit (loss) has been adjusted to reflect the operating income recorded in the consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	6,837	1,368	1,606	6,653	4,769	97	16,564
Composition (%)	41.3	8.2	9.7	40.2	28.8	0.6	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. Six months ended June 30, 2018 (From January 1, 2018 to June 30, 2018)

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

(Millions of yen, rounded down)

	Reportable segments					Adjusted amount (Note) 1	Amount recorded in the consolidated quarterly income statement (Note) 2
	Japan	United States	Europe	Asia	Total		
Net sales							
(1) Sales to unaffiliated customers	12,101	1,369	1,726	6,858	22,056	—	22,056
(2) Intersegment sales or transfers	3,529	181	9	179	3,899	(3,899)	—
Total	15,630	1,550	1,735	7,038	25,956	(3,899)	22,056
Segment profit (loss)	2,580	260	(102)	1,381	4,119	60	4,179

(Notes) 1. Adjusted segment profit (loss) mainly takes into account the elimination of intersegment transactions and unrealized income.

2. Segment profit (loss) has been adjusted to reflect the operating income recorded in the consolidated quarterly statement of income.

2. Regional information

(Millions of yen, rounded down)

	Japan	North America	Europe	Asia		Rest of world	Total
				Asia (including China)	China only		
Net sales	7,262	1,434	1,944	11,347	9,097	67	22,056
Composition (%)	32.9	6.5	8.8	51.5	41.3	0.3	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, 2017						Year ending December 31, 2018		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	3,306	3,599	6,905	4,300	4,565	15,772	4,636	4,261	8,898
Carbon products for general industries* ² (for mechanical applications)	1,320	504	1,824	417	912	3,154	911	848	1,760
Carbon products for general industries (for electrical applications)	1,235	1,353	2,588	1,352	1,405	5,345	1,276	1,308	2,584
Compound materials and other products	2,300	2,408	4,708	2,771	2,525	10,004	3,382	2,959	6,342
Total	8,161	7,865	16,027	8,841	9,408	34,277	10,208	9,377	19,585

- (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, 2017				Year ending December 31, 2018	
	1Q	2Q	3Q	4Q	1Q	2Q
Special graphite products* ²	4,937	5,041	5,546	5,994	3,159	3,299
Carbon products for general industries* ³ (for mechanical applications)	1,209	918	551	584	648	622
Carbon products for general industries (for electrical applications)	876	902	911	975	981	977
Compound materials and other products	1,987	2,193	2,503	2,589	3,664	4,057
Total	9,011	9,056	9,513	10,144	8,453	8,957

- (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. Outstanding orders for special graphite products in the year ended December 31, 2017 include orders for the Chinese high-temperature reactor pebble-bed modules (HTR-PM).
3. 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, 2017						Year ending December 31, 2018		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	3,655	3,768	7,424	4,168	4,499	16,093	7,248	4,521	11,769
[Electronics applications]	1,301	1,327	2,628	1,538	1,884	6,052	1,392	1,775	3,167
[General industries applications]	1,996	2,083	4,080	2,246	2,177	8,505	2,232	2,306	4,538
[Others]	357	357	714	383	437	1,535	3,624	439	4,063
Carbon products for general industries (for mechanical applications)	791	822	1,614	815	909	3,339	873	894	1,767
Carbon products for general industries (for electrical applications)	1,293	1,321	2,614	1,348	1,348	5,311	1,292	1,293	2,586
Compound materials and other products	2,171	2,209	4,380	2,476	2,457	9,314	2,384	2,518	4,903
[3 major products]	1,897	1,943	3,840	2,193	2,145	8,179	2,083	2,256	4,340
[Other products]	274	266	540	283	311	1,134	300	262	562
Related goods	202	327	530	319	331	1,182	536	493	1,029
Total	8,115	8,449	16,564	9,128	9,546	35,240	12,335	9,720	22,056

(2) Overview

Special graphite products

In electronics applications, in addition to the strong demand for solar cell applications in China, semiconductor applications went well. As a result, performance substantially surpassed that in the same period in the previous fiscal year.

In general industries applications, although demand for products for EDM electrodes fell short of levels in the same period in the previous fiscal year, demand for products for industrial furnaces was strong due to solid capital spending in the automotive industry.

In addition, with the recording of 3,216 million yen in sales for Chinese high-temperature reactor-pebble-bed modules (HTR-PM), special graphite products overall performed substantially better than in the same period in the previous fiscal year.

Carbon products for general industries

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

Carbon products for electrical applications fell slightly short of their performance in the same period of the previous fiscal year because demand for electrical power tools and cleaner applications was weak.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products exceeded levels in the same period in the previous fiscal year due to an increase in demand for semiconductor applications and LED applications. C/C composite products exceeded their performance in the same period in the previous fiscal year, as demand for semiconductor applications and solar cell applications was strong, and demand for industrial furnace applications was steady. Sales of graphite sheet products were up over the same period of the previous fiscal year due to solid demand for automotive applications and metallurgical applications.

Therefore, compound materials and other products overall performed better than in the same period of the previous fiscal year.