

August 7, 2020

Consolidated Financial Results for the Six Months Ended June 30, 2020 [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
Website:	http://www.toyotanso.co.jp
Representative:	Naotaka Kondo Representative Director, Chairman & President, CEO
Contact:	Shigeeki Masuda, General Manager, Finance and Accounting Department
TEL:	81-6-6472-5811 (from overseas)
Scheduled date for submission of quarterly report:	August 11, 2020
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, 2020

(From January 1, 2020 to June 30, 2020)

(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, 2020	15,514	(19.0)	2,063	(34.7)	2,105	(31.3)	1,461	(36.5)
Six months ended June 30, 2019	19,141	(13.2)	3,158	(24.4)	3,066	(25.1)	2,303	(24.6)

Note: Comprehensive income:
 Six months ended June 30, 2020 1,097 million yen (-42.2%)
 Six months ended June 30, 2019 1,899 million yen (-20.0%)

	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, 2020	69.69	-
Six months ended June 30, 2019	109.83	-

(2) Financial position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2020	74,847	65,712	86.8
As of December 31, 2019	76,082	65,706	85.4

Reference: Shareholders' equity:
 June 30, 2020 64,973 million yen
 December 31, 2019 64,952 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, 2019	-	0.00	-	50.00	50.00
Year ending December 31, 2020 (Actual)	-	0.00			
Year ending December 31, 2020 (Forecast)			-	50.00	50.00

Note: Revisions of projected dividends most recently announced: Yes

For details, please refer to "Announcement Concerning Consolidated Earnings Forecasts and Dividend Forecasts" issued on August 7, 2020.

3. Consolidated results forecast for the fiscal year ending December 31, 2020

(From January 1, 2020 to December 31, 2020)

(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, 2020	30,000	(17.6)	3,200	(38.2)	3,200	(38.6)	2,200	(25.3)	104.90

Note: Revisions of consolidated forecasts most recently announced: Yes

For details, please refer to "Announcement Concerning Consolidated Earnings Forecasts and Dividend Forecasts" issued on August 7, 2020.

*** 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, 2020 20,992,588 shares

As of December 31, 2019 20,992,588 shares

2) Number of treasury stock at the end of period

As of June 30, 2020 19,848 shares

As of December 31, 2019 19,815 shares

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

Six months ended June 30, 2020 20,972,764 shares

Six months ended June 30, 2019 20,972,816 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 18, 2020. 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 economy slowed rapidly due to the spread of COVID-19. The business environment surrounding the Group was extremely difficult as demand in the transportation equipment market including automobiles and aircraft, the semiconductor market, and the energy-related market fell substantially.

In this environment, the Group devised a wide range of measures to minimize the impact of the stalled economy, while always prioritizing the safety of its employees, customers, and the local community as its first objective. In addition, the Group looked ahead to medium- and long-term growth after COVID-19 has abated, and moved ahead with initiatives to reinforce high value-added products, improve productivity, and develop new products and new businesses.

At present, the Group, including consolidated subsidiaries, has continued its business activity at all sites, with employees working from home at some sites in line with the directives and requests of governments and local governments. Manufacturing activity is being carried out generally in line with plans both in Japan and overseas.

As a result, in the first half of the consolidated fiscal year under review, net sales were 15,514 million yen (down 19.0% year on year). On the income side, operating income fell 34.7% to 2,063 million yen, ordinary income fell 31.3% to 2,105 million yen, and profit attributable to owners of parent stood at 1,461 million yen, down 36.5%.

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

Japan

Sales of carbon products for mechanical applications declined only slightly, partly due to solid demand for pantograph sliders, but sales of products for semiconductor, LED, and metallurgical applications (mainly products for continuous casting and industrial furnaces) fell sharply. As a result, in Japan, net sales were 8,472 million yen (down 18.2% year on year), and operating income was 1,756 million yen (down 26.9% year on year).

United States

Sales of products for semiconductor applications fell sharply, and sales of products for EDM electrodes and industrial furnaces also declined. As a result, in the United States, net sales were 1,319 million yen (down 23.4% year on year), and operating income was 9 million yen (down 97.6% year on year).

Europe

Sales of products for metallurgical applications, carbon brush products, and semiconductor applications were weak. As a result, in Europe, net sales were 1,615 million yen (down 8.4% year on year), and there was an operating income of 36 million yen (versus an operating loss of 67 million yen in the same period of the previous consolidated fiscal year).

Asia

In addition to a decline in sales of products for LED and solar cell applications, sales declined across the board for mainstay applications such as optical fiber, EDM electrodes, and other metallurgical applications, and carbon brush products. As a result, in Asia, net sales were 4,106 million yen (down 22.5% year on year), and operating income was 296 million yen (down 41.0% year on year).

(2) Explanation Regarding Financial Position

Total assets, as of June 30, 2020, decreased by 1,235 million yen from the end of the previous consolidated fiscal year. This was primarily because, although property, plant and equipment increased by 1,495 million yen, cash and deposits fell by 3,872 million yen due to 2,999 million yen in securities purchases and other factors, and notes and accounts receivable - trade decreased by 2,529 million yen.

Total liabilities decreased by 1,240 million yen from the end of the previous consolidated fiscal year. This was primarily because, notes and accounts payable - trade decreased by 179 million yen, electronically recorded obligations - operating decreased by 195 million yen, accounts payable - other decreased by 562 million yen, and other current liabilities decreased by 224 million yen due to a decrease in advances received.

Total net assets increased by 5 million yen from the end of the previous consolidated fiscal year. This was primarily because total accumulated other comprehensive income decreased by 392 million yen and non-controlling interests decreased by 14 million yen although retained earnings increased by 412 million yen.

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

With regard to earnings forecasts for the fiscal year ending December 31, 2020, the impact of the spread of COVID-19 made a reasonable calculation of earnings forecasts difficult, and thus we had left them undetermined; however, we have since decided to announce consolidated earnings forecasts based on currently available information.

For details, please refer to “Announcement Concerning Consolidated Earnings Forecasts and Dividend Forecasts” issued on August 7, 2020.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Millions of yen, rounded down)

	As of December 31, 2019	As of June 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	18,099	14,227
Notes and accounts receivable - trade	14,195	11,666
Securities	—	2,999
Merchandise and finished goods	6,875	7,757
Work in process	5,505	5,391
Raw materials and supplies	3,036	2,619
Other	449	492
Allowance for doubtful accounts	(217)	(165)
Total current assets	47,943	44,989
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,685	8,780
Machinery, equipment and vehicles, net	6,992	6,805
Land	5,814	5,814
Construction in progress	2,007	3,527
Other, net	1,373	1,441
Total property, plant and equipment	24,874	26,369
Intangible assets	224	232
Investments and other assets	3,039	3,255
Total non-current assets	28,138	29,857
Total assets	76,082	74,847

(Millions of yen, rounded down)

	As of December 31, 2019	As of June 30, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,685	1,505
Electronically recorded obligations - operating	1,056	860
Short-term loans payable	227	245
Accounts payable - other	1,986	1,423
Income taxes payable	614	582
Provision for bonuses	398	329
Provision for directors' bonuses	31	—
Other	3,558	3,333
Total current liabilities	9,558	8,281
Non-current liabilities		
Long-term loans payable	68	52
Net defined benefit liability	138	141
Asset retirement obligations	262	264
Other	347	394
Total non-current liabilities	817	853
Total liabilities	10,375	9,134
Net assets		
Shareholders' equity		
Capital stock	7,947	7,947
Capital surplus	9,789	9,789
Retained earnings	46,717	47,130
Treasury shares	(60)	(60)
Total shareholders' equity	64,394	64,807
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	114	112
Foreign currency translation adjustment	442	52
Remeasurements of defined benefit plans	1	0
Total accumulated other comprehensive income	558	165
Non-controlling interests	753	739
Total net assets	65,706	65,712
Total liabilities and net assets	76,082	74,847

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

(Quarterly consolidated statements of income)

Six months ended June 30, 2019 and 2020

(Millions of yen, rounded down)

	Six months ended June 30, 2019 Amount	Six months ended June 30, 2020 Amount
Net sales	19,141	15,514
Cost of sales	12,509	10,515
Gross profit	6,632	4,998
Selling, general and administrative expenses	3,474	2,934
Operating income	3,158	2,063
Non-operating income		
Interest income	35	34
Dividend income	8	60
Share of profit of entities accounted for using equity method	26	29
Other	95	44
Total non-operating income	165	168
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	217	109
Other	37	15
Total non-operating expenses	257	126
Ordinary income	3,066	2,105
Extraordinary income		
Gain on sales of non-current assets	3	20
Subsidy income	8	9
Total extraordinary income	11	29
Extraordinary losses		
Loss on sales of non-current assets	5	0
Loss on retirement of non-current assets	128	73
Total extraordinary losses	133	73
Profit before income taxes	2,944	2,062
Income taxes	609	576
Profit	2,335	1,486
Profit attributable to non-controlling interests	31	24
Profit attributable to owners of parent	2,303	1,461

(Quarterly consolidated statement of comprehensive income)

Six months ended June 30, 2019 and 2020

(Millions of yen, rounded down)

	Six months ended June 30, 2019 Amount	Six months ended June 30, 2020 Amount
Profit	2,335	1,486
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(2)
Foreign currency translation adjustment	(496)	(366)
Remeasurements of defined benefit plans, net of tax	75	(0)
Share of other comprehensive income of entities accounted for using equity method	(20)	(20)
Total other comprehensive income	(435)	(389)
Comprehensive income	1,899	1,097
Comprehensive income attributable to:		
Owners of parent	1,895	1,069
Non-controlling interests	4	28

(3) Consolidated statements of cash flows

(Millions of yen, rounded down)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,944	2,062
Depreciation	1,418	1,390
Share of (profit) loss of entities accounted for using equity method	(26)	(29)
Increase (decrease) in net defined benefit asset or liability	75	(49)
Increase (decrease) in provision for bonuses	(118)	(66)
Increase (decrease) in provision for directors' bonuses	(33)	(31)
Increase (decrease) in allowance for doubtful accounts	(88)	(46)
Interest and dividend income	(43)	(94)
Interest expenses	2	1
Foreign exchange losses (gains)	49	36
Loss (gain) on sales of non-current assets	130	53
Decrease (increase) in notes and accounts receivable - trade	1,285	2,363
Decrease (increase) in inventories	(563)	(458)
Increase (decrease) in notes and accounts payable - trade	(455)	(243)
Other	(277)	(613)
Subtotal	4,299	4,274
Interest and dividend income received	53	102
Interest expenses paid	(1)	(4)
Income taxes paid	(1,117)	(587)
Net cash provided by (used in) operating activities	3,233	3,785
Cash flows from investing activities		
Payments into time deposits	(5,253)	(2,654)
Proceeds from withdrawal of time deposits	5,564	7,866
Purchase of property, plant and equipment	(1,439)	(3,173)
Proceeds from sales of property, plant and equipment	4	28
Purchase of intangible assets	(57)	(58)
Other	(38)	(229)
Net cash provided by (used in) investing activities	(1,219)	1,778
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	25	20
Repayments of long-term loans payable	(29)	(15)
Repayments of finance lease obligations	(27)	(31)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,046)	(1,047)
Dividends paid to non-controlling interests	(70)	(42)
Net cash provided by (used in) financing activities	(1,148)	(1,116)
Effect of exchange rate change on cash and cash equivalents	(93)	(73)
Net increase (decrease) in cash and cash equivalents	771	4,373
Cash and cash equivalents at beginning of period	6,414	6,101
Cash and cash equivalents at end of period	7,186	10,474

(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, and 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.

(Additional information)

(Accounting estimates resulting from the spread of COVID-19)

Countries around the world have declared states of emergency, closed their borders, implemented lockdowns, and taken other measures to stem the spread of COVID-19. In Japan, the government announced a state of emergency and this had a significant impact on the Group's business activities.

We expect these conditions will continue to impact the Group's earnings, but it is currently uncertain how long the virus will continue to spread or when it will be contained.

Although it is difficult to determine when the virus will be brought under control, we assume that earnings will gradually improve toward the end of the fiscal year ending December 31, 2020 from regions where economic activity resumes, and make estimates for the impairment of fixed assets and the possibility of recovering deferred tax assets based on this.

Our accounting estimates and judgments are based on currently available information, but the numerous uncertainties associated with the spread of COVID-19 and its impact mean that the Group's financial position and operating results could be impacted depending on how the situation evolves.

(Segment information)

I. Six months ended June 30, 2019 (From January 1, 2019 to June 30, 2019)

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	10,355	1,722	1,763	5,300	19,141	—	19,141
(2) Intersegment sales or transfers	3,278	162	1	104	3,547	(3,547)	—
Total	13,634	1,885	1,764	5,405	22,689	(3,547)	19,141
Segment profit (loss)	2,401	397	(67)	502	3,233	(75)	3,158

(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	8,174	1,914	1,855	7,114	5,010	82	19,141
Composition (%)	42.7	10.0	9.7	37.2	26.2	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

II. Six months ended June 30, 2020 (From January 1, 2020 to June 30, 2020)

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	8,472	1,319	1,615	4,106	15,514	—	15,514
(2) Intersegment sales or transfers	3,096	14	—	64	3,176	(3,176)	—
Total	11,569	1,334	1,615	4,171	18,690	(3,176)	15,514
Segment profit (loss)	1,756	9	36	296	2,099	(35)	2,063

(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	6,726	1,529	1,533	5,658	3,763	65	15,514
Composition (%)	43.4	9.9	9.9	36.5	24.3	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, 2019						Year ending December 31, 2020		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	3,671	3,505	7,177	3,200	3,305	13,683	3,458	2,838	6,296
Carbon products for general industries* ² (for mechanical applications)	976	1,023	2,000	928	928	3,857	1,129	834	1,964
Carbon products for general industries (for electrical applications)	1,126	1,130	2,257	1,053	1,186	4,496	1,076	852	1,929
Compound materials and other products	2,487	1,994	4,481	1,680	1,919	8,082	1,769	1,544	3,313
Total	8,262	7,654	15,917	6,863	7,339	30,120	7,433	6,070	13,503

(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, 2019				Year ending December 31, 2020	
	1Q	2Q	3Q	4Q	1Q	2Q
Special graphite products	3,177	2,859	2,510	2,279	2,437	2,115
Carbon products for general industries* ² (for mechanical applications)	770	823	829	781	905	789
Carbon products for general industries (for electrical applications)	848	827	741	780	900	707
Compound materials and other products	4,029	3,540	2,829	2,442	2,284	1,884
Total	8,826	8,050	6,910	6,283	6,527	5,496

(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, 2019						Year ending December 31, 2020		
	1Q	2Q	1H	3Q	4Q	Fiscal year total	1Q	2Q	1H
Special graphite products	4,227	4,300	8,528	3,993	3,895	16,417	3,650	3,455	7,106
[Electronics applications]	1,440	1,540	2,981	1,502	1,474	5,958	1,351	1,305	2,656
[General industries applications]	2,308	2,275	4,583	2,090	2,052	8,726	1,880	1,664	3,545
[Others]	478	484	963	400	368	1,732	418	485	904
Carbon products for general industries (for mechanical applications)	960	998	1,958	952	1,009	3,921	1,032	977	2,009
Carbon products for general industries (for electrical applications)	1,128	1,141	2,269	1,121	1,136	4,527	945	1,040	1,986
Compound materials and other products	2,756	2,429	5,186	2,384	2,312	9,883	1,929	1,959	3,888
[3 major products]	2,347	2,041	4,389	1,973	2,007	8,370	1,675	1,684	3,359
[Other products]	408	387	796	411	305	1,513	253	274	528
Related goods	614	584	1,199	273	179	1,652	338	184	523
Total	9,686	9,455	19,141	8,726	8,533	36,402	7,897	7,616	15,514

(2) Overview

Special graphite products

In electronics applications, sales of products for single-crystal silicon manufacturing applications were sluggish, but the decline was relatively modest. However, sales of products for composite semiconductor solar cell applications were low, and as a result, sales fell 10.9% over the previous fiscal year.

In general industries applications, demand for products for EDM electrodes and industrial furnaces was low due to the impact of the decrease in automobile and aircraft production, and demand for optical fiber products in China fell sharply. As a result, sales were down 22.7% over the previous fiscal year.

Due to these factors, sales of special graphite products overall were down 16.7% over the previous fiscal year.

Carbon products for general industries

Sales of carbon products for mechanical applications increased 2.6% over the previous fiscal year, due to the solid performance of pantograph sliders and mainstay products such as bearings and seal materials.

Sales of carbon products for electrical applications fell 12.5% over the previous fiscal year due to low demand for products for home appliances.

Due to these factors, sales of carbon products for general industries overall fell 5.5% over the previous fiscal year.

Compound materials and other products

Sales of SiC (silicon carbide)-coated graphite products fell sharply year on year due to soft demand for LED applications, although demand for semiconductor applications was solid. Sales of products for solar cell applications, semiconductor applications and for industrial furnace applications fell, and as a result, sales of C/C composite products were far lower than the level recorded in the same period of the previous fiscal year. Sales of graphite sheet products were down over the same period of the previous fiscal year due to lower demand for semiconductor and metallurgical applications, and a decline in demand for automotive applications.

Due to these factors, sales of the three mainstay products fell 23.5% over the previous fiscal year, and sales of compound materials and other products declined 25.0% over the previous fiscal year.