

Q2 FY2024
Earnings Presentation
2024/8/9



Table of Contents

I	Q2 FY2024 Financial Summary	P	3-13
II	T-2026 Progress Report	P	14-17
	Reference material	P	18-22

I

Q2 FY2024

Financial Summary

- The International Monetary Fund (IMF) kept its global economic growth rate forecast for 2024 unchanged at 3.2% in July, seeing that growth remains at a standstill at 3.3% through 2025 with no significant change. Growth continues in emerging countries, while in developed countries, the U.S. economy hit a soft landing and Europe continues to face a slightly upward but still low growth outlook, demonstrating evident regional differences. Challenges remain in controlling inflation, and interest rate and exchange rate trends remain uncertain.
- Under these circumstances, during the period from January to June 2024, the Company saw solid performance in Carbon Black, and sales of Fine Carbon grew, reflecting a recovery in demand for smartphones and PCs and strong sales for power semiconductors. On the other hand, the performance has deteriorated in Smelting and Lining, which are under the influence of continued decreased demand for relining for aluminum smelting furnaces, and in Graphite Electrodes, which are still affected by bearish steel market conditions and intensifying competition. As for consolidated results, net sales decreased and operating income decreased significantly. EBITDA, a point of focus in measuring cash-based earning capacity, also declined, but EBITDA margin maintained in the upper 10% range.
- Improved working capital supported operating cash flow against decreased earnings, but negative free cash flow (excess outflow) increased YoY due to continued investments. Financial soundness and liquidity remain at a high level, including the net D/E ratio, long-term/short-term debt and direct/indirect debt composition, and liquidity on hand. The Company newly acquired a credit rating from Japan Credit Rating Agency (JCR) during the period under review in addition to R&I rating, and the outlook for both credit ratings is stable (R&I: A / JCR: A+).
- The interim dividend remains unchanged from the forecast announced at the beginning of the fiscal year (15 yen per share).
- The impact of the restructuring of graphite electrode production on the consolidated financial results for the fiscal year ending December 31, 2024 is being assessed.

Summary of Consolidated Results

5

- Consolidated results saw YoY decreases in net sales and operating income
- Net sales ¥170.9 b (-4.2%), operating income ¥8.4 b (-61.2%), ROS 4.9% (-7.3%points)
- EBITDA ¥29.7 b (-24.4%), EBITDA margin 17.4% (-4.6%points)

	(Millions of yen)			
	Jan-Jun 2023	Jan-Jun 2024	YoY Change	%Change
Net sales	178,428	170,922	(7,505)	(4.2)%
Operating income	21,738	8,424	(13,313)	(61.2)%
Ordinary income	24,109	10,520	(13,588)	(56.4)%
Net income attributable to owners of the parent company	15,904	3,661	(12,243)	(77.0)%
EBITDA	39,338	29,724	(9,614)	(24.4)%

Jan. to Jun. Average exchange rates:

- 2023 USD1= ¥134.85 EUR1= ¥145.79
- 2024 USD1= ¥152.25 EUR1= ¥164.60

※EBITDA =Operating income + Depreciation + Goodwill amortization

Net Sales, Operating Income and EBITDA by Segment

6

- Strong performance in Carbon Black and significant increases in net sales and operating income for Fine Carbon
- Significant decreases in net sales and operating income for Smelting and Lining and Graphite Electrodes

(Millions of yen)

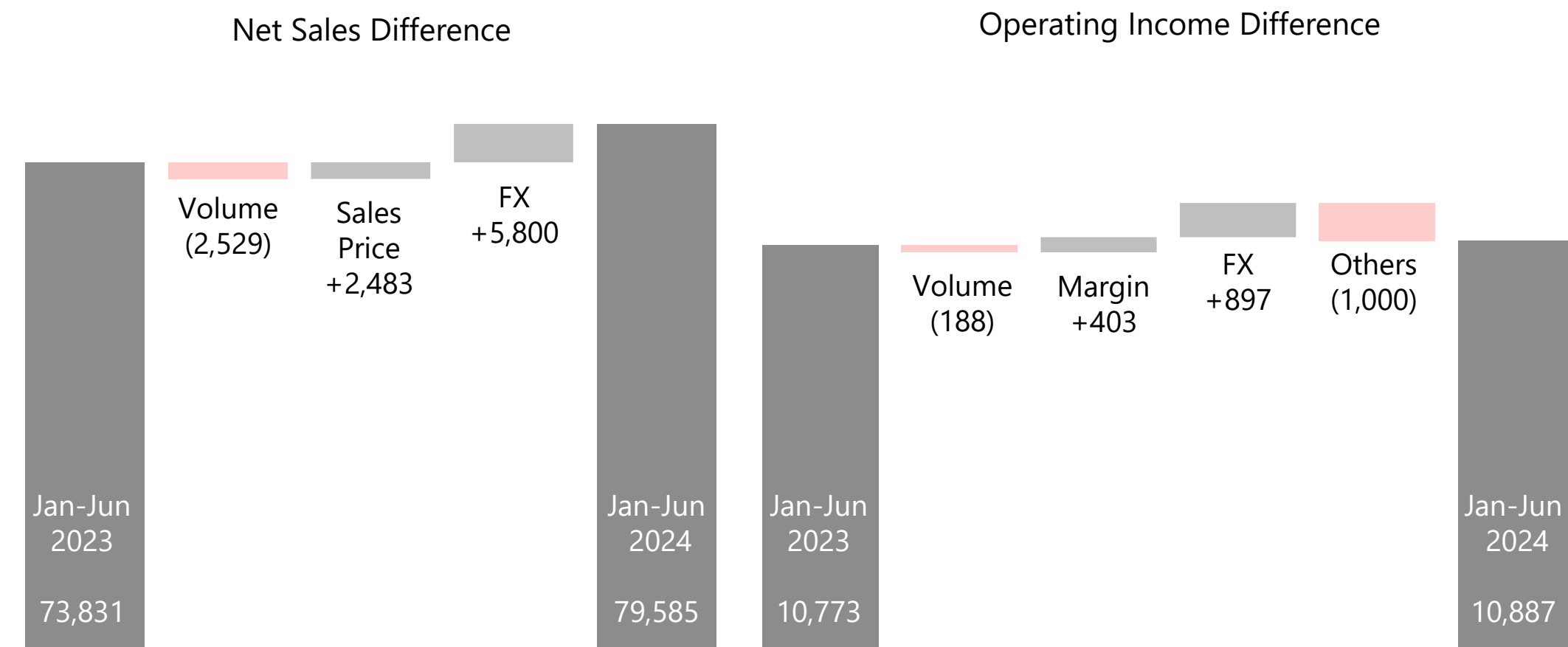
		Net sales			Operating income			EBITDA		
		Jan-Jun 2023	Jan-Jun 2024	YoY Change	Jan-Jun 2023	Jan-Jun 2024	YoY Change	Jan-Jun 2023	Jan-Jun 2024	YoY Change
Carbon Black		73,831	79,585	+5,754	10,773	10,887	+113	14,499	16,334	+1,835
Fine Carbon		21,373	26,459	+5,086	5,041	6,602	+1,560	8,406	10,428	+2,022
Smelting and Lining		41,473	30,030	(11,442)	1,392	(7,555)	(8,948)	8,530	848	(7,681)
Graphite Electrodes		30,407	24,392	(6,015)	3,164	(2,423)	(5,587)	5,897	519	(5,378)
Industrial Furnaces and Related Products		5,707	5,125	(581)	1,263	1,125	(138)	1,431	1,299	(132)
Others	Friction materials	4,859	4,150	(709)	—	—	—	—	—	—
	Anode materials, etc.	775	1,178	+403	—	—	—	—	—	—
	Total	5,635	5,329	(306)	635	439	(196)	865	668	(197)
Inter-segment eliminations		—	—	—	(533)	(650)	(116)	(292)	(375)	(82)
Total		178,428	170,922	(7,505)	21,738	8,424	(13,313)	39,338	29,724	(9,614)
Return on sales		—	—	—	12.2%	4.9%	(7.3)%pt	22.0%	17.4%	(4.6)%pt

※The order of segments has been changed from the current fiscal year

- Sales volumes slightly decreased YoY due to inventory adjustments for replacement tires at tire manufacturers that have been ongoing since the second half of last year, but net sales increased, reflecting foreign exchange inflows and higher sales price.
- Operating income slightly increased mainly due to foreign exchange inflows, despite an increase in depreciation due to environmental investment in North America.

(Millions of yen)

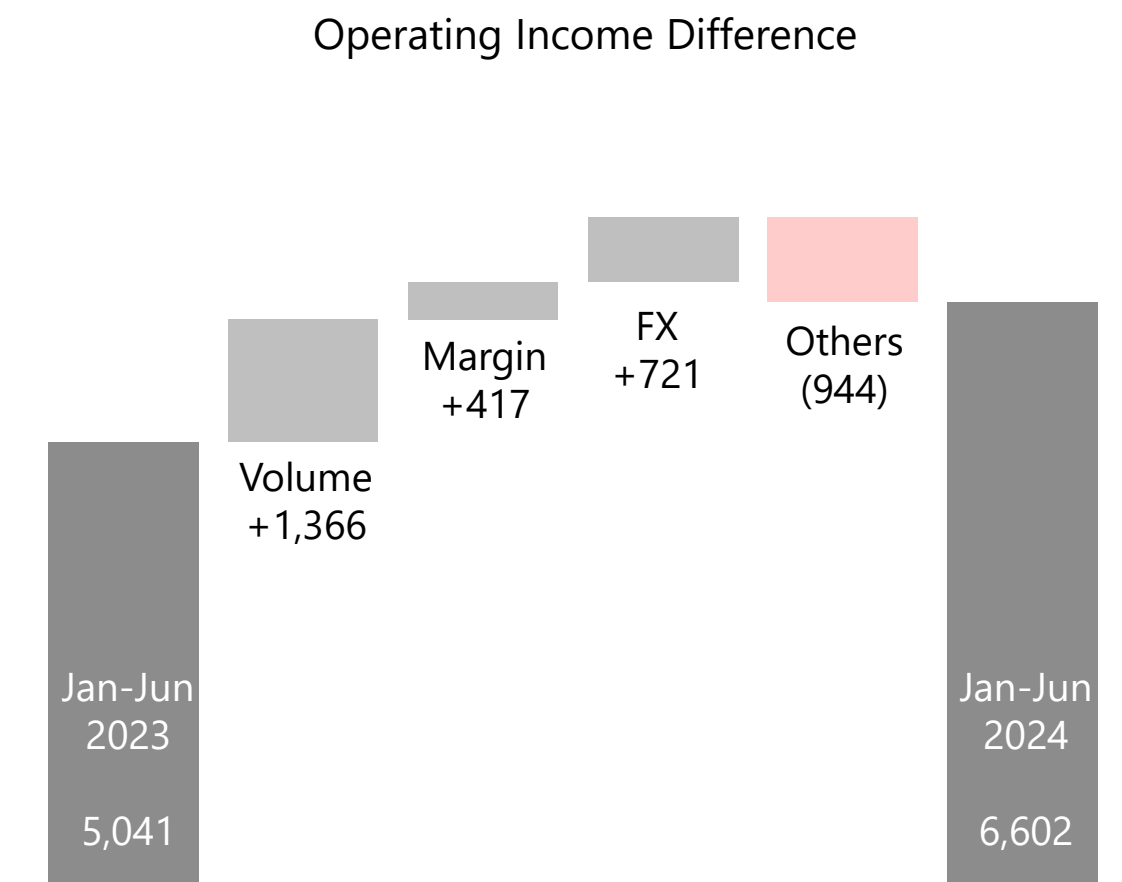
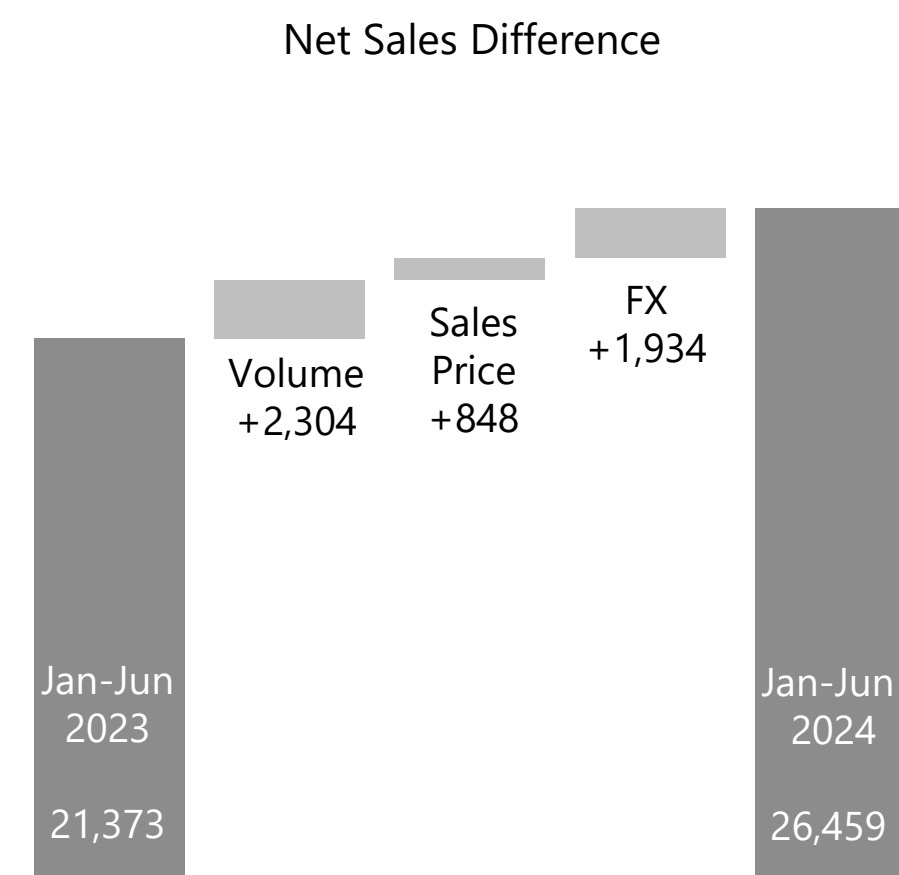
	Jan-Jun 2023	Jan-Jun 2024	YoY Change	% Change
Net sales	73,831	79,585	+5,754	+7.8%
Operating income	10,773	10,887	+113	+1.1%
ROS	14.6%	13.7%		



- Demand for smartphones and PCs turned to recovery. Sales of Solid SiC focus rings, a core product for the memory semiconductor market, increased YoY, while affected by U.S. export restrictions to China.
- Sales for power semiconductors also remained solid, resulting in increases in net sales and operating income.

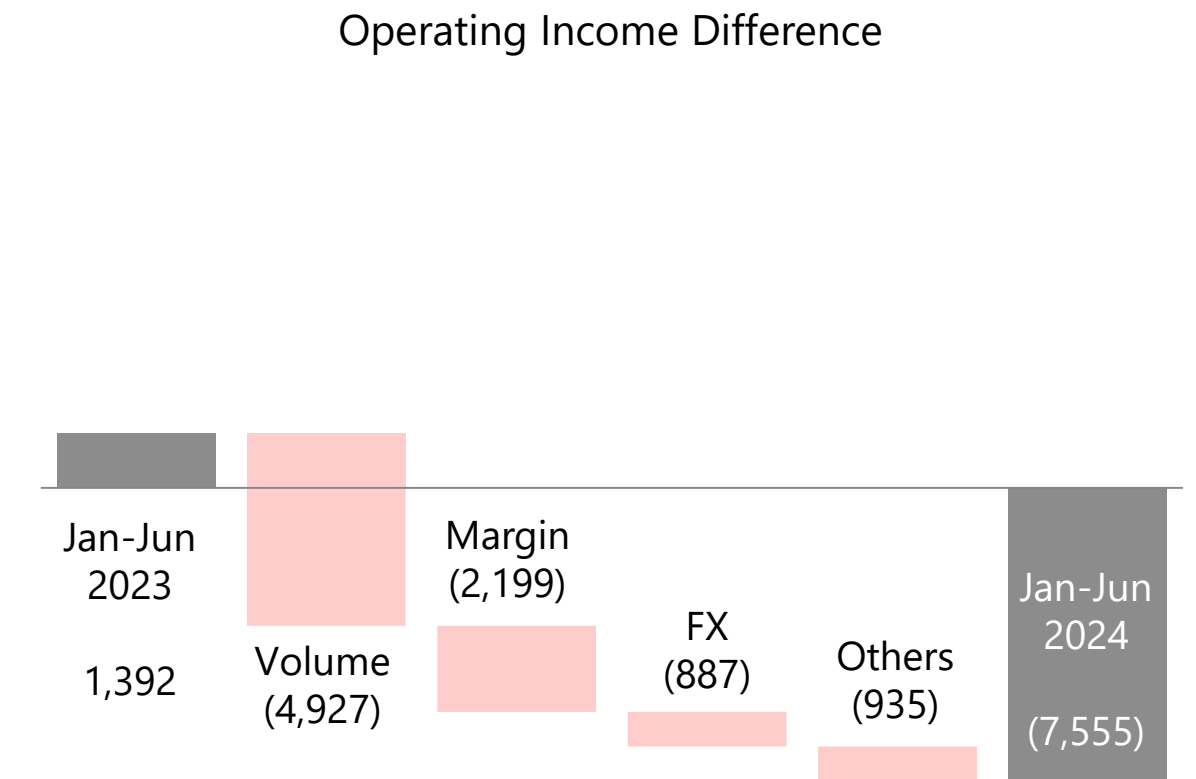
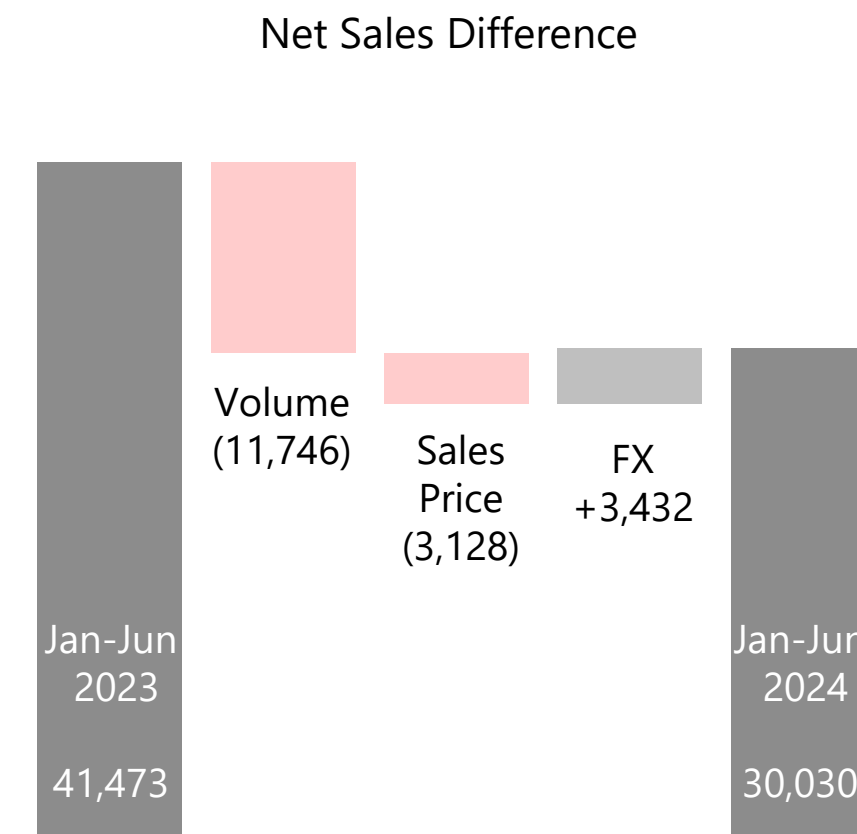
(Millions of yen)

	Jan-Jun 2023	Jan-Jun 2024	YoY Change	% Change
Net sales	21,373	26,459	+5,086	+23.8%
Operating income	5,041	6,602	+1,560	+31.0%
ROS	23.6%	25.0%		

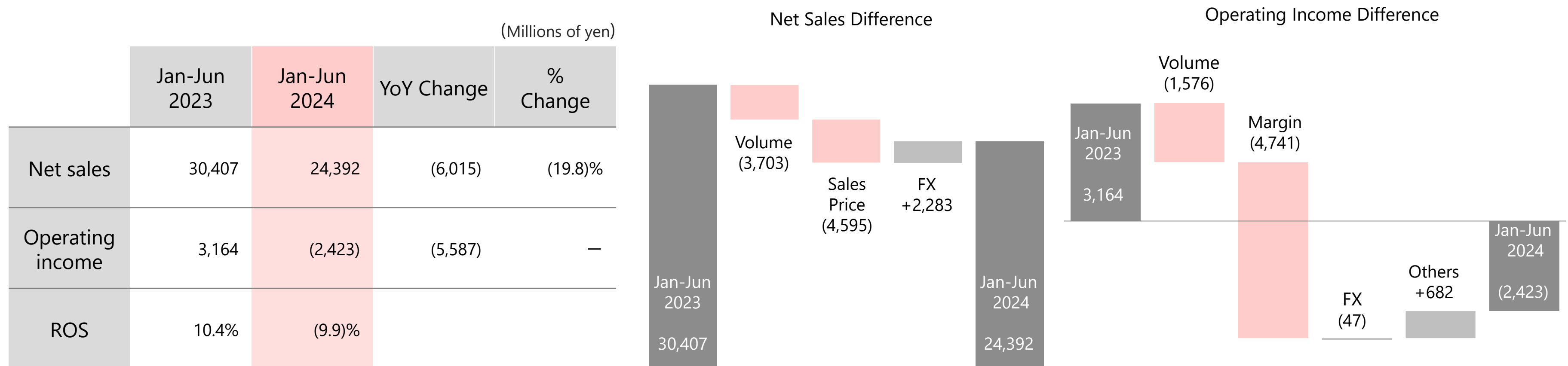


- Both sales volume and sales prices of cathodes declined due to a drop in demand for relining for aluminum smelting furnaces and inventory adjustments by customers.
- Net sales and operating income decreased significantly, partly due to increased fixed costs caused by reduced production volume.

	Jan-Jun 2023	Jan-Jun 2024	YoY Change	% Change
Net sales	41,473	30,030	(11,442)	(27.6)%
Operating income	1,392	(7,555)	(8,948)	—
ROS	3.4%	(25.2)%		



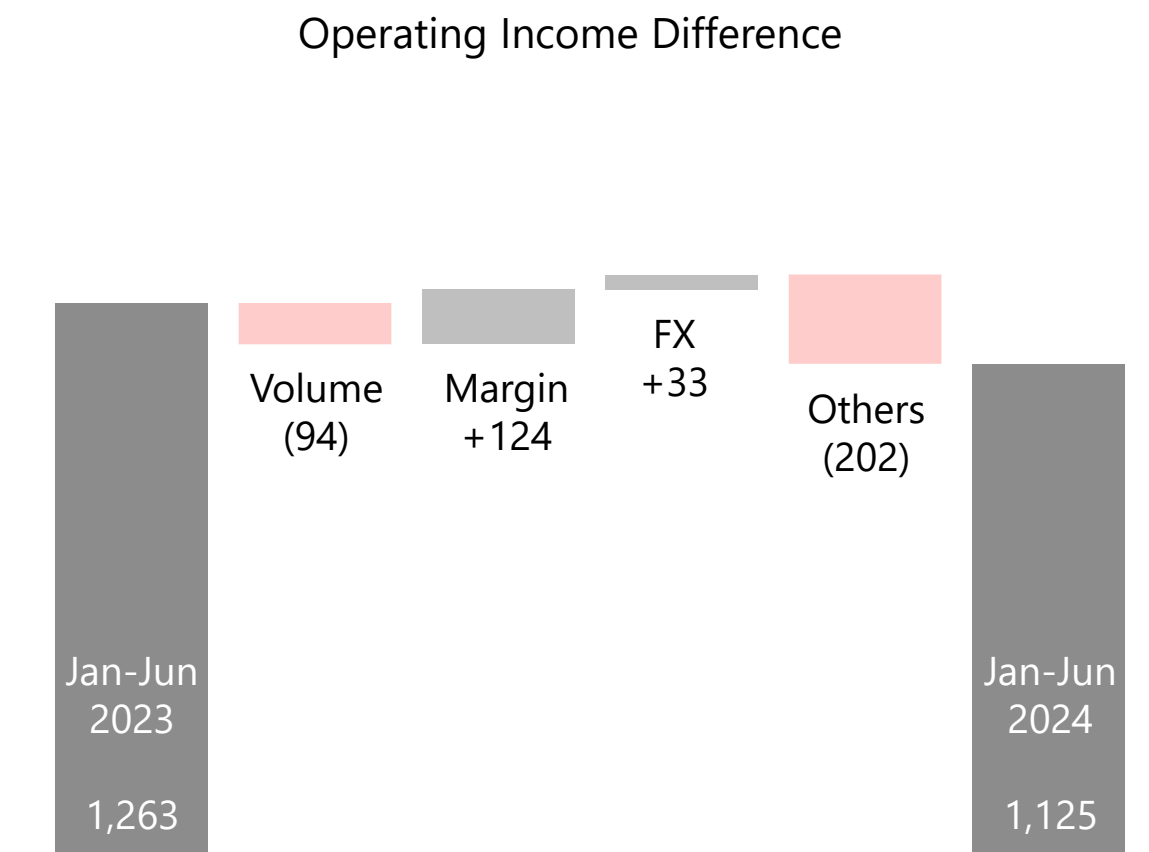
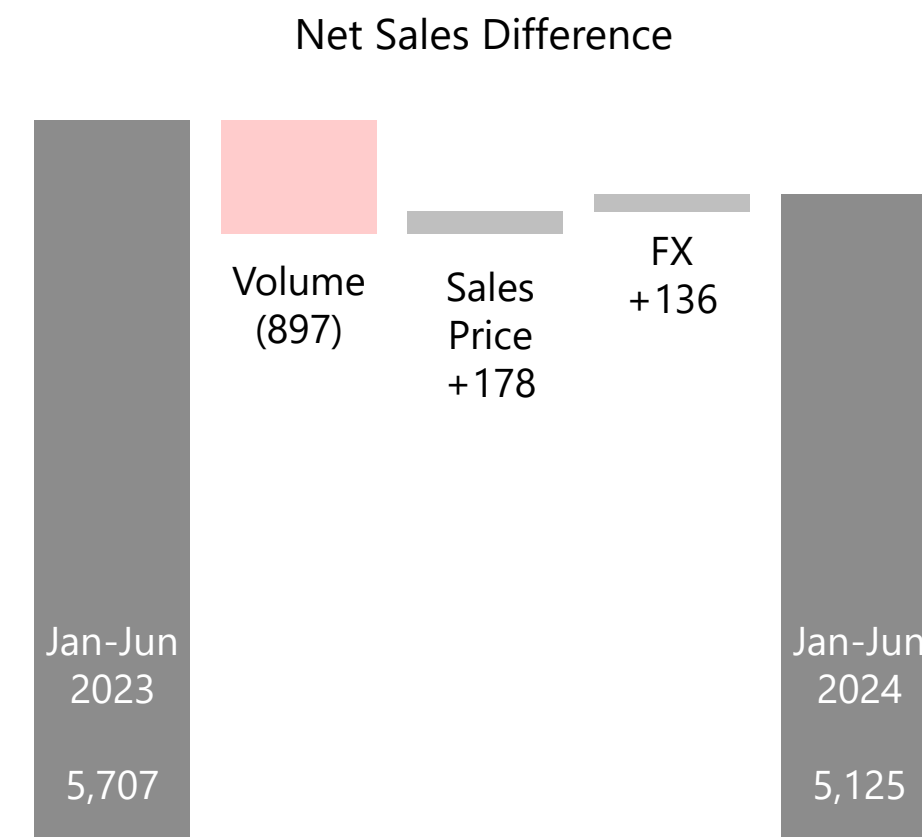
- While global demand for graphite electrodes stagnated, the Company's sales volume and sales prices declined due to an inflow of low-priced products from Chinese and Indian manufacturers.
- Net sales and operating income decreased significantly, partly due to increased fixed costs caused by low occupancy rates.



- Net sales and operating income decreased from the impact of delays in customer projects in the energy-related industry.
- Drop in demand due to inventory adjustments from the electronic device-related industry saw a partial recovery.

	Jan-Jun 2023	Jan-Jun 2024	YoY Change	% Change
Net sales	5,707	5,125	(581)	(10.2)%
Operating income	1,263	1,125	(138)	(10.9)%
ROS	22.1%	21.9%		

(Millions of yen)



Major Cash Flow items

(Millions of yen)

	Jan-Jun 2023	Jan-Jun 2024	Summary
Cash flows from operating activities	17,383	15,519	
Net income (loss) before income taxes	24,287	10,551	
Depreciation and amortization	13,680	16,917	
Amortization on goodwill	3,919	4,381	
Decrease (increase) in trade receivable	3,142	(3,545)	Working capital: (¥8.3) billion (Jan-Jun 2023 -¥14.1 billion)
Decrease (increase) in inventories	(7,904)	1,333	
Increase (decrease) in accounts payable-trade	(9,437)	(6,140)	
Income tax paid	(10,304)	(7,978)	
Cash flows from investing activities	(20,861)	(24,032)	· Free cash flow: (¥8.5) billion (Jan-Jun 2023 -¥3.4 billion)
Purchase of fixed assets	(24,565)	(26,960)	
Cash flows from financing activities	(287)	1,158	
Net increase (decrease) in short-term Loans payable	4,696	1,915	
Corporate bond issuance and redemption	—	10,000	
Acquisition of share of subsidiaries	—	(5,339)	· Additional acquisition of shares of consolidated subsidiary (TCK) (Ratio of voting rights held: 47.4% → 50.4%)
Payment of dividends	(3,197)	(3,837)	
Cash and cash equivalents at end of period	51,251	54,760	

※Working capital = Trade receivables + Inventories – Accounts payable

Balance Sheet

13

Major Balance Sheet Items

(Millions of yen)

	December 31, 2023	June 30, 2024	Summary
Total assets	640,005	695,049	
Net income (loss) before income taxes	262,890	276,334	
Cash and cash equivalents	77,465	77,390	· Cash/monthly sales: 2.7 times (End of FY2023: 2.6 times)
Notes and accounts receivable	65,530	73,624	· Inventory: (+¥6.9 billion from End of FY2023)
Inventory	109,332	116,259	· Tangible fixed assets: (+¥33.6 billion from End of FY2023)
Fixed assets	377,114	418,714	· Intangible fixed assets: (+¥0.3 billion from End of FY2023)
Tangible fixed asset	223,804	257,433	
Intangible fixed assets	117,051	117,391	
Investments and other assets	36,258	43,889	
Total liabilities	279,902	293,742	· Net interest bearing debt: ¥101.2 billion (+¥12.0 billion from End of FY2023)
Current liabilities	136,971	124,122	· Interest bearing debt: ¥178.6 billion (+¥11.9 billion from End of FY2023)
Long term liabilities	142,930	169,620	· Direct funding ratio: 63.5% (End of FY2023: 69.0%), Long term debt ratio: 64.9% (End of FY2023: 57.9%)
			· Short term credit line: ¥66.0 billion (+¥0.0 billion from End of FY2023): ¥6.0 billion executed (-¥1.0 billion from End of FY2023)
			· Liquidation of receivables and CP issuance limit ¥78.0 billion (+¥0.0 billion from End of FY2023): ¥48.5 billion executed (-¥11.5 billion from End of FY2023)
Total net assets	360,103	401,306	
Shareholder's capital	237,220	233,816	· Capital to asset ratio: 52.5% (End of FY2023: 50.7%)
Other accumulated Comprehensive income	87,271	130,938	· Adjusted Capital to asset ratio*: 57.5% (End of FY2023: 56.2%)
Non controlling interests	35,612	36,552	· Net D/E ratio: 0.28 times (End of FY2023: 0.27 times)
			· Adjusted Net D/E ratio*: 0.17 times (End of FY2023: 0.15 times)
Total liabilities and net assets	640,005	695,049	

*The adjusted capital to asset ratio and adjusted net D/E ratio are the capital ratio and net D/E ratio that take into account the capital nature of hybrid finance recognized by rating agencies.

II

Rolling Mid-Term Management Plan (2024-2026)

T-2026 Progress Report

ON TRACK — Strengthen earnings power of core businesses

- ✓ While electric-arc furnace steel production is sluggish, structural issues exist in the form of ongoing high supply rates of Chinese and Indian products.
- ✓ On the other hand, in terms of carbon neutrality, demand for high quality and large diameter graphite electrodes is expected to be created in the medium to long term.
- ✓ We aim to reduce costs through a fundamental review of production, thereby enhancing competitiveness and stabilizing earnings over the medium to long term.

Restructuring of two production sites in Japan and Europe 96,000 tons → 72,000 tons/year



Location in Japan

- Terminate production at the Shiga Plant and integrate domestic production of graphite electrodes into the Hofu Plant
- 26,000 tons → 12,000 tons/year (approx. 50% reduction in production capacity)
- Production at the Shiga Plant scheduled to be terminated at the end of July 2025



Location in Europe

- Reduce production capacity at Tokai Erftcarbon GmbH, a wholly owned subsidiary
- 30,000 tons → 20,000 tons/year (approx. 30% reduction in production capacity)
- Production capacity scheduled to be reduced by July 2025

Location in the U.S.

- Maintain production capacity of 40 thousand tons/year at Tokai Carbon GE LLC, a wholly owned subsidiary

ON TRACK — Enhancing business portfolio management

- ✓ Reduce dependence on Solid SiC focus rings by capturing demand for SiC semiconductors and expanding sales channel
- ✓ Aim to generate 29% of Tokai Carbon Group EBITDA by 2026
- ✓ Target ROS 23%, ROIC 26% and EBITDA margin 37% by 2026



Increase production capacity of isotropic graphite materials at Tanoura Plant

- Mother Plant investment for fine carbon business
- 8,000 tons → 11,000 tons/year
- Completion of construction expected in Q3 FY2024

Consolidate graphite machining companies in the U.S.

- Consolidation of equity method affiliate possessing advanced graphite machining technology
- Expand sales in the U.S. market with a broad industrial base, including power semiconductors and aerospace
- Completion of consolidation expected in Q3 FY2024



Entered into a strategic partnership with Soitec in France for SiC bonded wafers

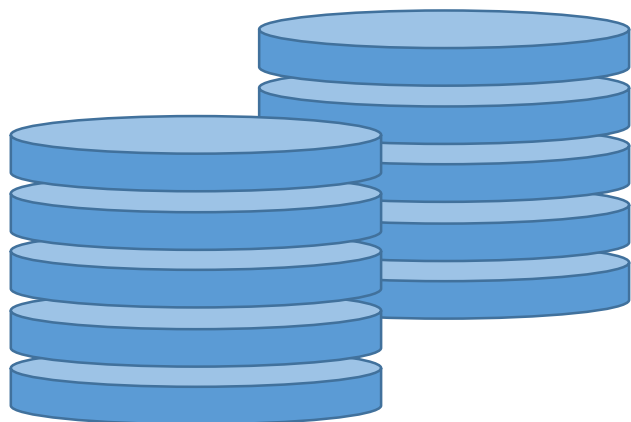
- Invested in a production line for polycrystalline SiC substrates in Chigasaki City, Kanagawa Prefecture
- First foray into the semiconductor wafer materials market
- Completion of construction expected at the end of 2024



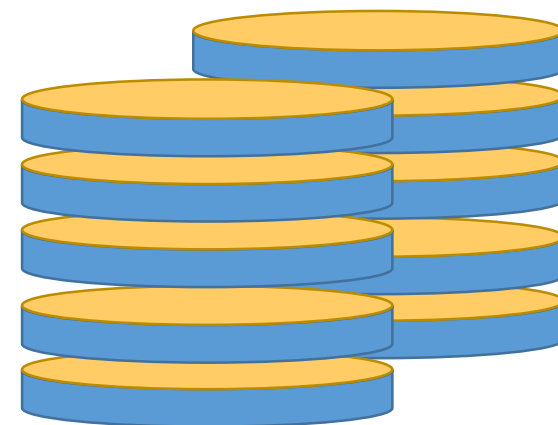
Monocrystalline SiC wafers



**Polycrystalline SiC substrates
supplied by Tokai Carbon**



SiC bonded wafers



Building for new production line in Chigasaki City

Reference Material

Net Sales of Main Subsidiaries

(Millions of yen)

Subsidiary	Jan-Jun 2023	Jan-Jun 2024	YoY Change	Location Business	Note
Thai Tokai Carbon Product	14,203	13,867	(335)	Thailand Carbon Black	
Tokai Carbon CB	34,497	38,769	+4,272	U.S. Carbon Black	
Cancarb	4,882	6,319	+1,437	Canada Carbon Black	
Tokai Carbon Korea	11,583	14,375	+2,791	Korea Fine Carbon	• Increased equity from 47.4% to 50.4% effective April 2024
Tokai COBEX	41,674	30,230	(11,443)	Germany Smelting and Lining	
Tokai Erftcarbon	7,893	6,566	(1,327)	Germany Graphite Electrodes	
Tokai Carbon GE	17,979	14,194	(3,784)	U.S. Graphite Electrodes	

Key Indicators

20

(Millions of yen) f=forecast	2020	2021	2022	2023	2024f
Net sales	201,542	258,874	340,371	363,946	370,000
Operating income	7,858	24,647	40,588	38,728	23,000
ROS (%)	3.9%	9.5%	11.9%	10.6%	6.2%
EBITDA	35,262	54,518	75,572	75,949	65,000
EBITDA margin (%)	17.5%	21.1%	22.2%	20.9%	17.6%
Net income Attributable to Owners of the Parent Company	1,019	16,105	22,418	25,468	15,000
ROE (%)	0.5%	7.5%	9.0%	8.6%	4.8%
Adjusted ROIC (%)	7.4%	12.3%	14.3%	11.5%	7.5%
Capital Investment	28,873	30,347	48,150	53,316	65,000
Depreciation and Amortization	20,890	22,900	27,460	29,065	34,000
R&D Expenses	2,682	2,823	3,171	3,605	5,000
Interest bearing liabilities	158,643	168,249	171,452	166,642	—
Net D/E ratio	0.45	0.39	0.37	0.27	0.38
Adjusted Net D/E ratio	0.24	0.21	0.22	0.15	0.27
Number of Employees	4,178	4,289	4,378	4,427	—
Exchange Rate (JPY/USD)	106.82	109.80	131.43	140.56	135.00

※EBITDA = Operating income + Depreciation + Goodwill amortization

※Adjusted ROIC = Operating Profit after Tax adjusted for Goodwill amortization ÷ Invested Capital (Working Capital + Fixed Assets adjusted for Goodwill)

Quarterly Results by Segment

21

(Millions of yen)

		2023					2024				
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	H2f	Full year	
Net sales		86,530	91,897	89,247	96,271	363,946	82,161	88,760	199,077	370,000	
	Carbon Black	37,406	36,424	37,300	37,292	148,423	39,602	39,983	90,414	170,000	
	Fine Carbon	11,444	9,928	11,040	12,905	45,319	12,537	13,922	31,540	58,000	
	Smelting and Lining	19,218	22,254	18,011	23,336	82,820	14,030	16,000	36,969	67,000	
	Graphite Electrodes	13,486	16,920	15,484	14,343	60,235	10,874	13,518	22,607	47,000	
	Industrial Furnaces and Related Products	2,449	3,258	4,177	5,729	15,614	2,485	2,640	11,874	17,000	
	Others	Friction Materials	2,460	2,398	2,124	2,011	8,995	2,064	2,086	4,849	9,000
		Anode Materials, etc.	62	712	1,108	652	2,536	568	610	821	2,000
	Total	2,523	3,111	3,233	2,664	11,532	2,632	2,696	5,670	11,000	
Operating income		11,493	10,244	8,010	8,979	38,728	3,489	4,934	14,575	23,000	
	Carbon Black	5,757	5,015	5,152	5,377	21,303	5,696	5,190	5,112	16,000	
	Fine Carbon	3,103	1,938	2,462	3,112	10,617	3,078	3,523	4,397	11,000	
	Smelting and Lining	408	984	(257)	1,170	2,305	(3,546)	(4,009)	1,555	(6,000)	
	Graphite Electrodes	1,637	1,526	(423)	(1,988)	752	(2,175)	(248)	1,423	(1,000)	
	Industrial Furnaces and Related Products	534	728	1,290	1,306	3,860	511	613	2,874	4,000	
	Other Operations	301	334	447	216	1,299	224	215	160	600	
	Inter-segment eliminations	(249)	(283)	(660)	(215)	(1,409)	(300)	(349)	(949)	(1,600)	

- Forward-looking statements in this document are based on information obtainable at the time this document was published and assumptions as of the date of publication concerning elements of uncertainty that could affect future earnings.
- Actual results may differ substantially, depending on various future factors. Factors that affect business performance include, but are not limited to, economic conditions, trends in product demand and market prices, and fluctuation in exchange rates.
- The quantitative goals, reference values, investment amounts, and other numerical goals in this document only express the medium-term strategy and vision of the company; they are not performance forecasts. The company is not obligated to update such information.
- Please see the disclosures in the Consolidated Financial Results for the official earnings forecast, based on the rules of Tokyo Stock Exchange, Inc.

IR contact:
General Affairs Department TC-IR.new@tokaicarbon.co.jp



Building a Future of Technology and Trust
TOKAI CARBON CO., LTD.