

Q3 FY2024
Earnings Presentation
2024/11/7



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I

Q3 FY2024

Financial Summary

- In its outlook revised in October, the International Monetary Fund (IMF) kept the global economic growth rate forecast for 2024 unchanged at 3.2%, but revised the rates for Japan and Europe downward while making upward revision for the United States, seeing differences among countries and regions. It revised the rate for 2025 downward slightly to 3.2% due to sluggishness in Europe, seeing that global growth was generally stable yet underwhelming. It suggested downside risks due to geopolitical risks and other factors, while maintaining a soft landing amid controlling inflation.
- Under these circumstances, during the period from January to September 2024, the Company saw steady performance in Carbon Black, and the performance of Fine Carbon grew significantly, reflecting a recovery in sales for memory semiconductors, resulting in increases in net sales and operating income for these two segments. On the other hand, in Smelting and Lining, which still see decreased demand for relining of aluminum smelting furnaces and inventory adjustments by customers, and in Graphite Electrodes, which are still affected by sluggish steel production and intensifying competition with the Asian companies, net sales and operating income declined significantly. As for consolidated results, net sales and operating income declined. EBITDA, a point of focus in measuring cash-based earning capacity, also declined, but EBITDA margin maintained in the upper 10% range.
- Amidst decreased earnings, operating cash flow increased YoY due to improved working capital. Free cash flow was slightly negative (excess outflow) 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 credit ratings are R&I: A / JCR: A+ (the outlook for both credit ratings is stable), and the Company retains investment capacity and financial durability.
- The restructuring of graphite electrode production is ongoing and its impact on the consolidated financial results for the fiscal year ending December 31, 2024 are still being assessed, and will be reflected onto the full-year forecast for the fiscal year ending December 31, 2024 upon finalization of the estimates.

Summary of Consolidated Results

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- Consolidated results saw YoY decreases in net sales and operating income
- Net sales ¥258.6 b (-3.4%), operating income ¥15.2 b (-48.9%), ROS 5.9% (-5.2%points)
- EBITDA ¥46.7 b (-17.8%), EBITDA margin 18.1% (-3.2%points)

(Millions of yen)

	Jan-Sep 2023	Jan-Sep 2024	YoY Change	%Change
Net sales	267,675	258,659	(9,015)	(3.4)%
Operating income	29,749	15,211	(14,538)	(48.9)%
Ordinary income	33,034	16,097	(16,937)	(51.3)%
Net income attributable to owners of the parent company	21,375	5,584	(15,790)	(73.9)%
EBITDA	56,893	46,769	(10,123)	(17.8)%

Jan. to Sep. Average exchange rates:

- 2023 USD1= ¥138.11 EUR1= ¥149.62
- 2024 USD1= ¥151.29 EUR1= ¥164.40

※EBITDA =Operating income + Depreciation + Goodwill amortization

Net Sales, Operating Income and EBITDA by Segment

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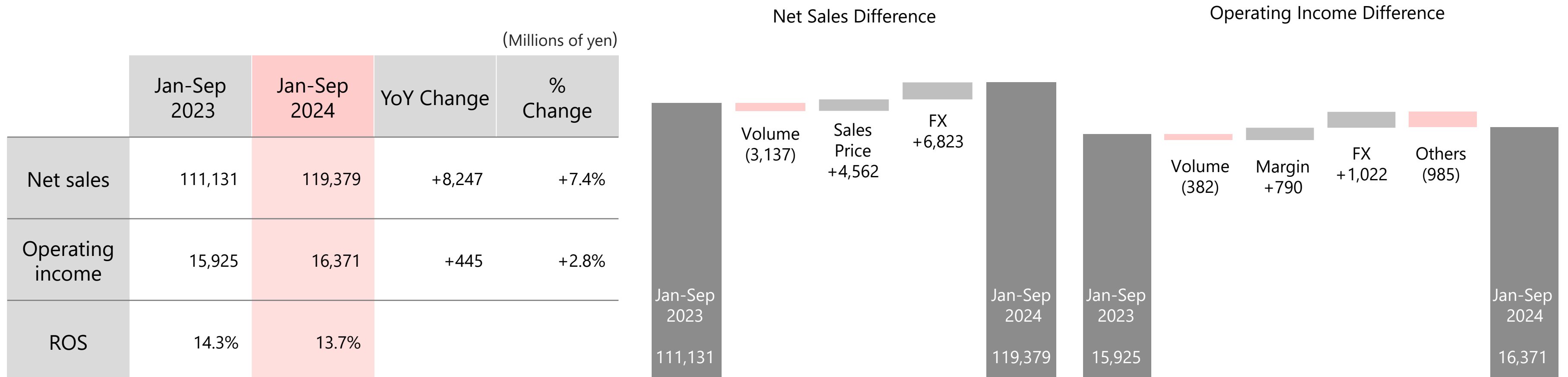
- Steady performance in Carbon Black and significant increases in net sales and operating income for Fine Carbon
- Significant decreases in net sales and operating income for Smelting and Lining and Graphite Electrodes

(Millions of yen)

		Net sales			Operating income			EBITDA		
		Jan-Sep 2023	Jan-Sep 2024	YoY Change	Jan-Sep 2023	Jan-Sep 2024	YoY Change	Jan-Sep 2023	Jan-Sep 2024	YoY Change
Carbon Black		111,131	119,379	+8,247	15,925	16,371	+445	21,685	23,974	+2,289
Fine Carbon		32,413	40,590	+8,177	7,504	10,417	+2,913	12,690	16,238	+3,548
Smelting and Lining		59,484	46,133	(13,351)	1,135	(10,351)	(11,486)	12,160	2,258	(9,901)
Graphite Electrodes		45,891	36,896	(8,995)	2,740	(2,336)	(5,077)	6,935	2,140	(4,794)
Industrial Furnaces and Related Products		9,885	8,163	(1,721)	2,553	1,794	(759)	2,812	2,058	(753)
Others	Friction materials	6,984	5,968	(1,015)	—	—	—	—	—	—
	Anode materials, etc.	1,884	1,526	(358)	—	—	—	—	—	—
	Total	8,868	7,495	(1,373)	1,083	535	(547)	1,434	889	(544)
Inter-segment eliminations		—	—	—	(1,194)	(1,219)	(25)	(824)	(790)	+34
Total		267,675	258,659	(9,015)	29,749	15,211	(14,538)	56,893	46,769	(10,123)
Return on sales		—	—	—	11.1%	5.9%	(5.2)%pt	21.3%	18.1%	(3.2)%pt

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

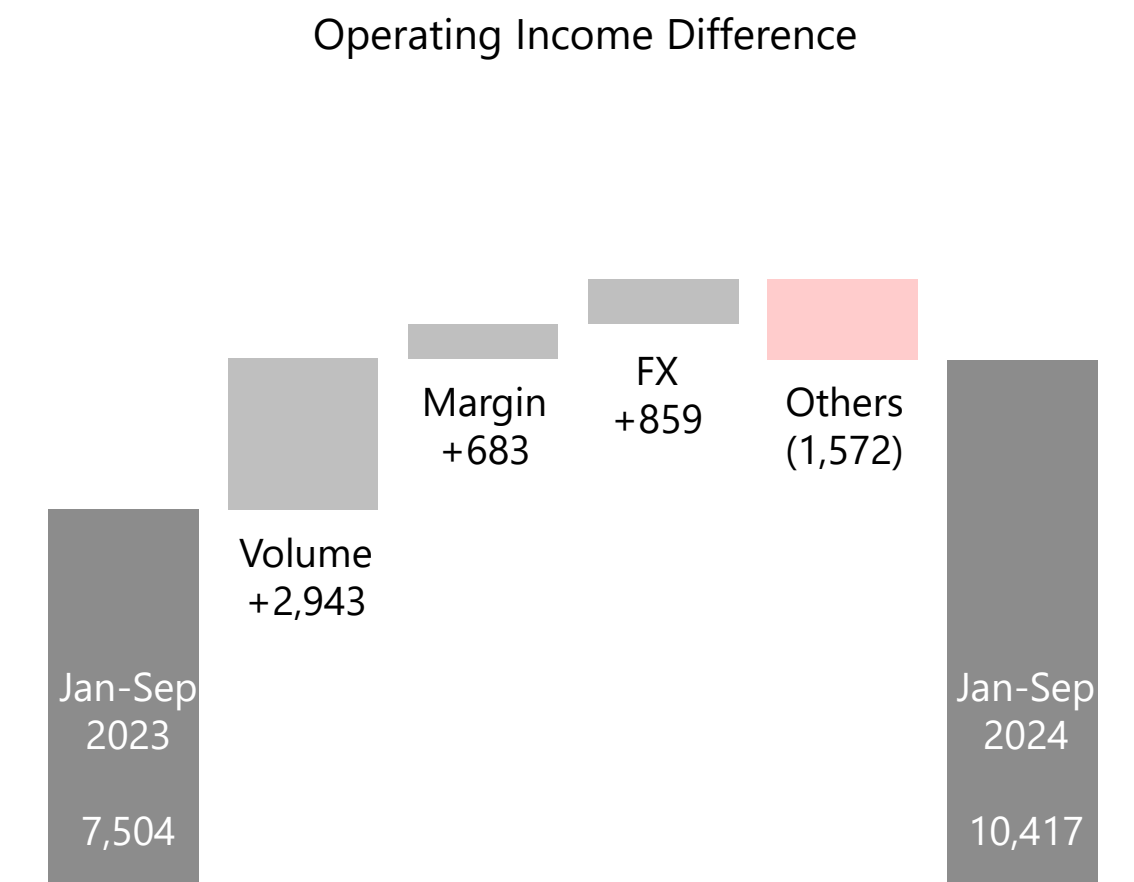
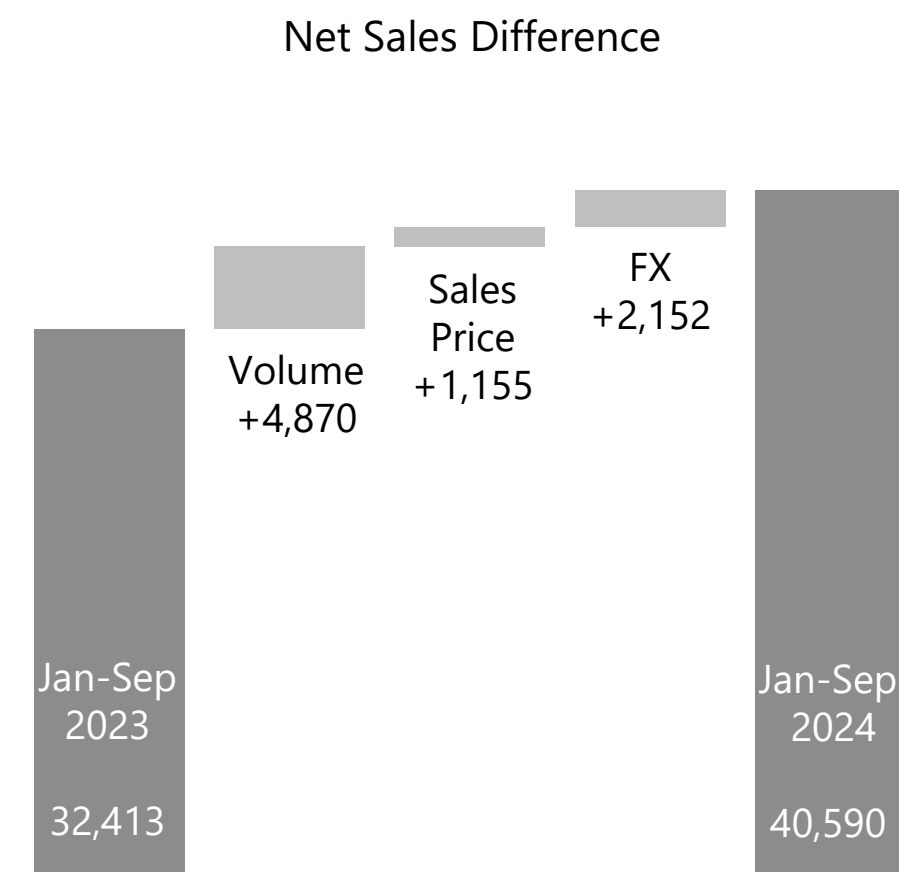
- Sales volumes decreased YoY due to production adjustments at tire manufacturers and other factors, but net sales and operating income increased due to passing part of the cost increases onto selling prices, and the impact of exchange rates and other factors.



- Sales for power semiconductors began to be affected by slower growth of the EV market, but sales of Solid SiC focus rings, a core product, increased due to the recovery of demand for memory semiconductors, resulting in significant YoY increases in net sales and operating income.

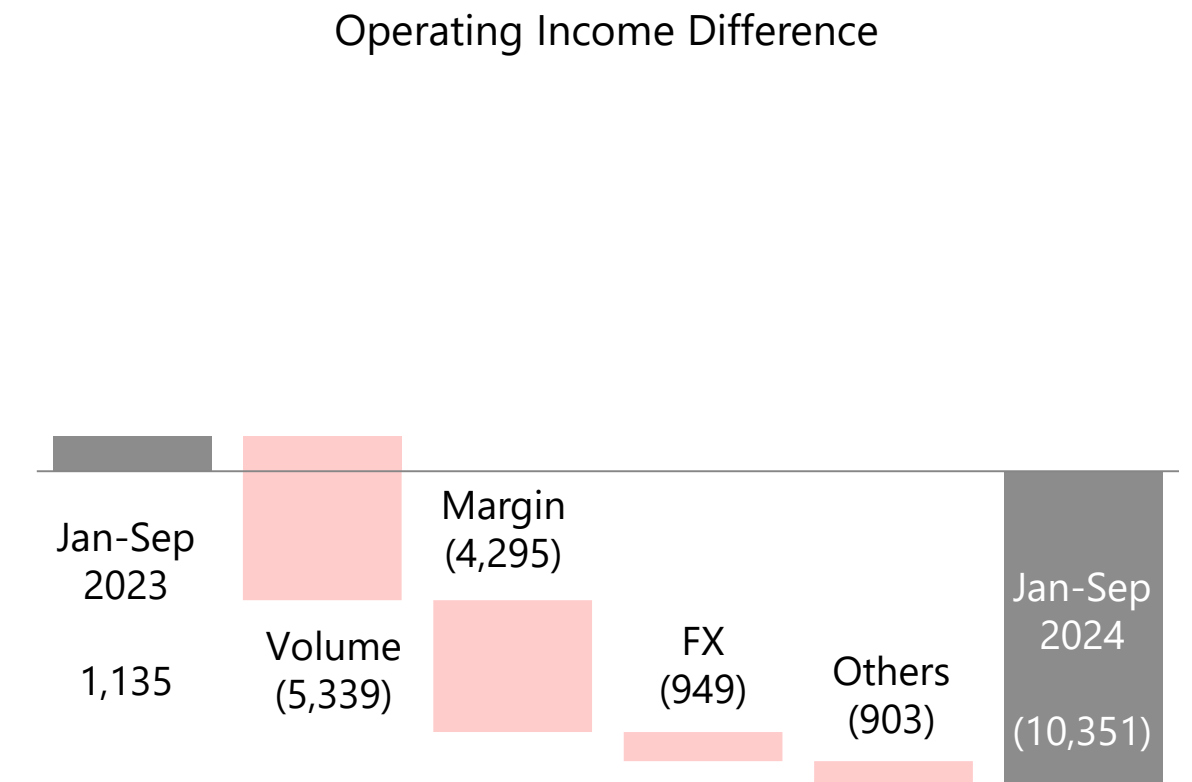
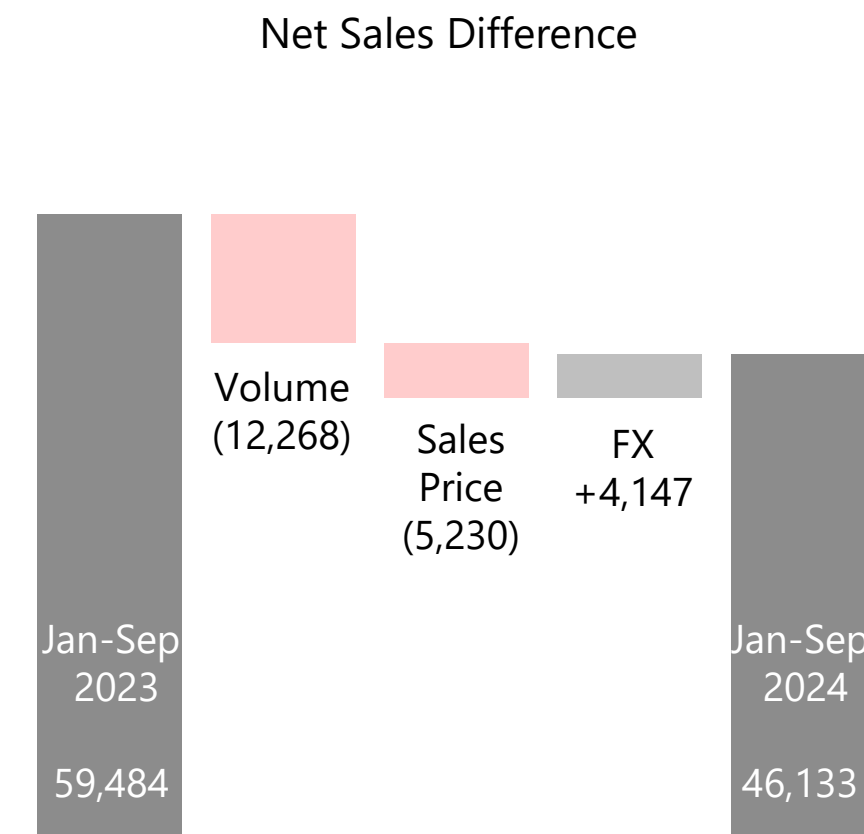
(Millions of yen)

	Jan-Sep 2023	Jan-Sep 2024	YoY Change	% Change
Net sales	32,413	40,590	+8,177	+25.2%
Operating income	7,504	10,417	+2,913	+38.8%
ROS	23.2%	25.7%		

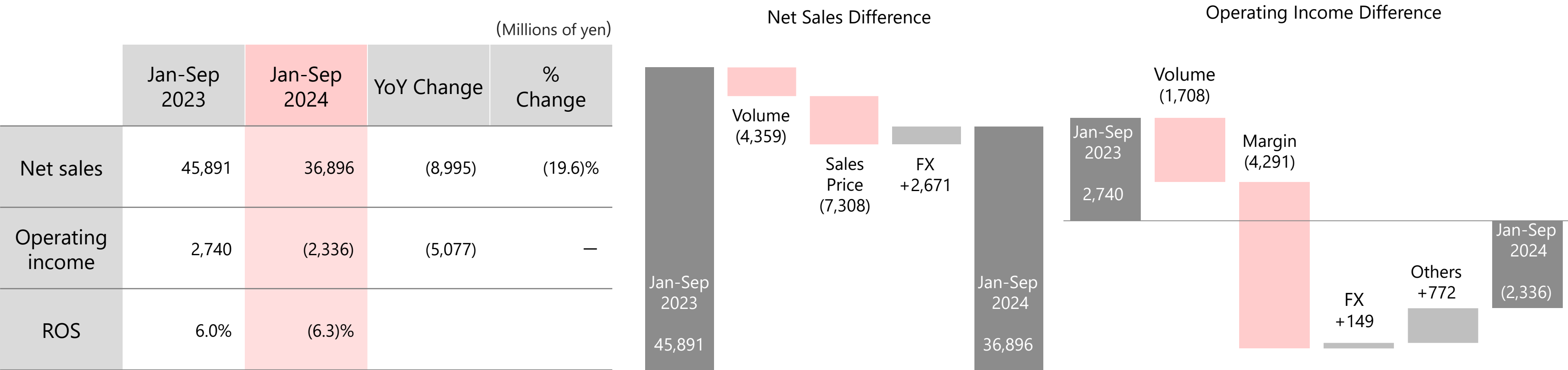


- Both sales volume and sales prices of cathodes decreased due to a drop in demand for relining of aluminum smelting furnaces and inventory adjustments by customers.
- Net sales and operating income decreased significantly, partly due to increased fixed costs caused by reduced production volume.

	Jan-Sep 2023	Jan-Sep 2024	YoY Change	% Change
Net sales	59,484	46,133	(13,351)	(22.4)%
Operating income	1,135	(10,351)	(11,486)	—
ROS	1.9%	(22.4)%		

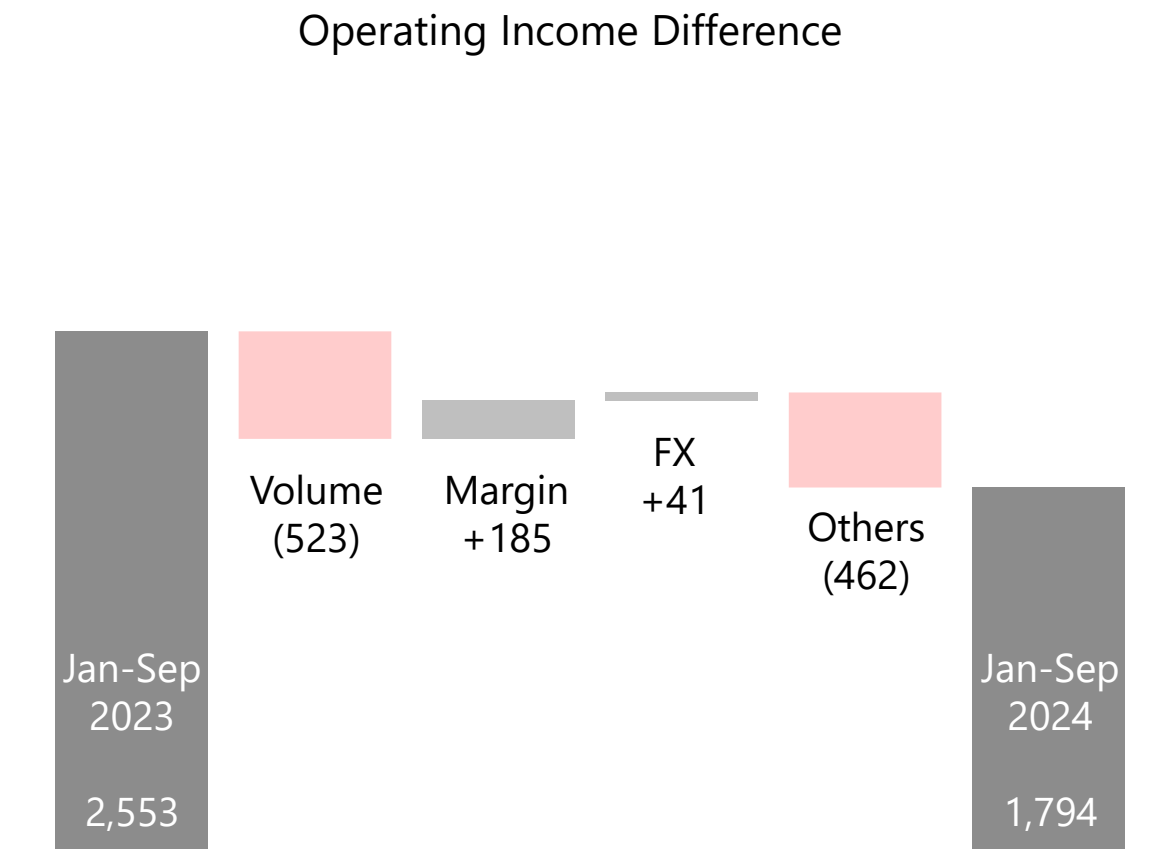
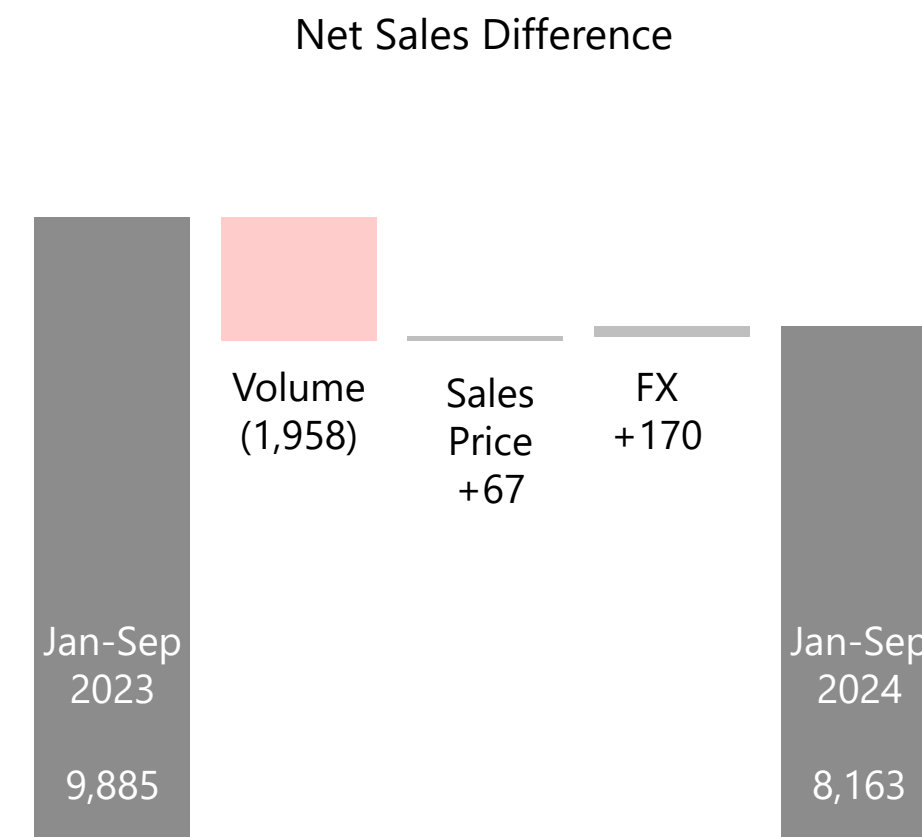


- Although there were regional differences, overall steel production remained sluggish seeing a decline in demand for graphite electrodes. The Company’s sales volume and sales prices declined due to an inflow of low-priced products from Chinese and Indian manufacturers.
- Net sales and operating income decreased significantly, partly due to increased fixed costs caused by reduced production volume.



- Net sales and operating income decreased as the delivery of industrial furnaces was postponed due to the impact of delays in customer projects in the energy-related industry.
- The electronic device-related industry saw a gradual recovery in demand for heating elements.

	Jan-Sep 2023	Jan-Sep 2024	YoY Change	% Change
Net sales	9,885	8,163	(1,721)	(17.4)%
Operating income	2,553	1,794	(759)	(29.7)%
ROS	25.8%	22.0%		



Major Cash Flow items

(Millions of yen)

	Jan-Sep 2023	Jan-Sep 2024	Summary
Cash flows from operating activities	37,035	38,521	
Net income (loss) before income taxes	33,109	16,151	
Depreciation and amortization	21,120	25,009	
Amortization on goodwill	6,023	6,549	
Decrease (increase) in trade receivable	597	472	Working capital: (¥1.6) billion (Jan-Sep 2023 -¥13.2 billion)
Decrease (increase) in inventories	(5,367)	5,696	
Increase (decrease) in accounts payable-trade	(8,514)	(7,809)	
Income tax paid	(9,932)	(7,548)	
Cash flows from investing activities	(32,901)	(40,938)	· Free cash flow: (¥2.4) billion (Jan-Sep 2023 +¥4.1 billion)
Purchase of fixed assets	(36,567)	(41,221)	
Cash flows from financing activities	(9,249)	(1,362)	
Net increase (decrease) in short-term Loans payable (including CP)	(84)	(21,856)	
Corporate bond issuance and redemption	—	34,744	
Acquisition of share of subsidiaries	—	(5,574)	· Additional acquisition of shares of consolidated subsidiary (TCK) (Ratio of voting rights held: 47.4% → 50.4%)
Payment of dividends	(7,035)	(7,036)	
Cash and cash equivalents at end of period	49,432	54,358	

※Working capital = Trade receivables + Inventories – Accounts payable

Balance Sheet

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Major Balance Sheet Items

(Millions of yen)

	December 31, 2023	September 30, 2024	Summary
Total assets	640,005	651,124	
Current assets	262,890	257,449	
Cash and cash equivalents	77,465	78,251	
Notes and accounts receivable	65,530	66,001	· Cash/monthly sales: 2.7 times (End of FY2023: 2.6 times)
Inventory	109,332	105,067	· Inventory: (-¥4.2 billion from End of FY2023)
Fixed assets	377,114	393,675	· Tangible fixed assets: (+¥25.5 billion from End of FY2023)
Tangible fixed asset	223,804	249,313	· Intangible fixed assets: (-¥12.1 billion from End of FY2023)
Intangible fixed assets	117,051	104,918	
Investments and other assets	36,258	39,443	
Total liabilities	279,902	288,687	· Net interest bearing debt: ¥101.5 billion (+¥12.3 billion from End of FY2023)
Current liabilities	136,971	95,837	· Interest bearing debt: ¥179.7 billion (+¥13.1 billion from End of FY2023)
Long term liabilities	142,930	192,849	· Direct funding ratio: 62.6% (End of FY2023: 69.0%), Long term debt ratio: 79.6% (End of FY2023: 57.9%)
Total net assets	360,103	362,437	· 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)
Shareholder's capital	237,220	232,790	· Liquidation of receivables and CP issuance limit ¥78.0 billion (+¥0.0 billion from End of FY2023): ¥22.5 billion executed (-¥37.5 billion from End of FY2023)
Other accumulated Comprehensive income	87,271	94,629	
Non controlling interests	35,612	35,016	· Capital to asset ratio: 50.3% (End of FY2023: 50.7%)
Total liabilities and net assets	640,005	651,124	· Adjusted Capital to asset ratio*: 55.7% (End of FY2023: 56.2%)
			· Net D/E ratio: 0.31 times (End of FY2023: 0.27 times)
			· Adjusted Net D/E ratio*: 0.18 times (End of FY2023: 0.15 times)

※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.

Reference Material

Net Sales of Main Subsidiaries

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(Millions of yen)

Subsidiary	Jan-Sep 2023	Jan-Sep 2024	YoY Change	Location Business	Note
Thai Tokai Carbon Product	20,999	21,353	+353	Thailand Carbon Black	
Tokai Carbon CB	52,249	56,838	+4,588	U.S. Carbon Black	
Cancarb	7,599	9,321	+1,722	Canada Carbon Black	
Tokai Carbon Korea	17,514	22,730	+5,215	Korea Fine Carbon	• Increased equity from 47.4% to 50.4% effective April 2024
Tokai COBEX	59,848	46,391	(13,456)	Germany Smelting and Lining	
Tokai Erftcarbon	12,189	9,405	(2,783)	Germany Graphite Electrodes	
Tokai Carbon GE	26,769	22,130	(4,639)	U.S. Graphite Electrodes	

Key Indicators

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(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

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(Millions of yen)

		2023					2024					
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4 ^{※2}	Full Year ^{※1}	
Net sales		86,530	91,897	89,247	96,271	363,946	82,161	88,760	87,736	111,340	370,000	
	Carbon Black	37,406	36,424	37,300	37,292	148,423	39,602	39,983	39,793	50,620	170,000	
	Fine Carbon	11,444	9,928	11,040	12,905	45,319	12,537	13,922	14,131	17,409	58,000	
	Smelting and Lining	19,218	22,254	18,011	23,336	82,820	14,030	16,000	16,102	20,866	67,000	
	Graphite Electrodes	13,486	16,920	15,484	14,343	60,235	10,874	13,518	12,504	10,103	47,000	
	Industrial Furnaces and Related Products	2,449	3,258	4,177	5,729	15,614	2,485	2,640	3,037	8,836	17,000	
	Others	Friction Materials	2,460	2,398	2,124	2,011	8,995	2,064	2,086	1,818	3,031	9,000
		Anode Materials, etc.	62	712	1,108	652	2,536	568	610	347	473	2,000
	Total	2,523	3,111	3,233	2,664	11,532	2,632	2,696	2,165	3,504	11,000	
Operating income		11,493	10,244	8,010	8,979	38,728	3,489	4,934	6,786	7,788	23,000	
	Carbon Black	5,757	5,015	5,152	5,377	21,303	5,696	5,190	5,484	(371)	16,000	
	Fine Carbon	3,103	1,938	2,462	3,112	10,617	3,078	3,523	3,815	582	11,000	
	Smelting and Lining	408	984	(257)	1,170	2,305	(3,546)	(4,009)	(2,795)	4,351	(6,000)	
	Graphite Electrodes	1,637	1,526	(423)	(1,988)	752	(2,175)	(248)	86	1,336	(1,000)	
	Industrial Furnaces and Related Products	534	728	1,290	1,306	3,860	511	613	669	2,205	4,000	
	Other Operations	301	334	447	216	1,299	224	215	95	64	600	
	Inter-segment eliminations	(249)	(283)	(660)	(215)	(1,409)	(300)	(349)	(569)	(380)	(1,600)	

※1 Announced on February 13, 2024.

※2 The figures are the forecast stated in *1 minus the Q3 accumulation.

- 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, raw material prices, 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.

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