

Consolidated Financial Results

for the Third Quarter of the Fiscal Year Ending December 31, 2024

[Japanese GAAP]

November 6, 2024

Company name: Tokai Carbon Co., Ltd. Listing: Tokyo Stock Exchange Prime Market
 Securities code: 5301 URL: <https://www.tokaicarbon.co.jp/en/>
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (Conference call for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2024 (January 1 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income Attributable to Owners of the Parent Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	258,659	(3.4)	15,211	(48.9)	16,097	(51.3)	5,584	(73.9)
Nine months ended September 30, 2023	267,675	8.7	29,749	6.2	33,034	2.8	21,375	32.6

Note: Comprehensive income: Nine months ended September 30, 2024: 15,505 million yen (-77.4%)
 Nine months ended September 30, 2023: 68,677 million yen (26.5%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Nine months ended September 30, 2024	26.18	-
Nine months ended September 30, 2023	100.26	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	651,124	362,437	50.3
As of December 31, 2023	640,005	360,103	50.7

For reference: Shareholders' capital: As of September 30, 2024: 327,420 million yen
 As of December 31, 2023: 324,491 million yen

2. Dividends

	Annual Dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	18.00	-	18.00	36.00
Fiscal year ending December 31, 2024	-	15.00	-		
Fiscal year ending December 31, 2024 (Forecast)				15.00	30.00

Note: Amendment to most recently disclosed dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2024
(January 1 to December 31, 2024)

(Percentages represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	370,000	1.7	23,000	(40.6)	23,000	(44.7)	15,000	(41.1)	70.35

Note: Amendment to most recently disclosed consolidated earnings forecast: None

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy and changes and restatements of accounting estimates

(a) Changes in accounting policy accompanying the revision of accounting standards: None

(b) Changes in accounting policy other than those listed in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

As of September 30, 2024	224,943,104 shares	As of December 31, 2023	224,943,104 shares
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(b) Number of treasury stock at the end of the period

As of September 30, 2024	11,469,987 shares	As of December 31, 2023	11,727,642 shares
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(c) Average number of shares during the period

Nine months ended September 30, 2024	213,301,608 shares	Nine months ended September 30, 2023	213,207,708 shares
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* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Appropriate use of earnings forecasts and other pertinent information

(Cautionary statement on forward-looking statements)

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation as well as certain reasonable assumptions. Actual results may differ materially from those expressed or implied by forward-looking statements due to a range of factors.

(How to obtain the supplemental material on quarterly financial results)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Thursday, November 7, 2024. The materials for this briefing will be posted on the corporate website on that day.

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1. Qualitative Information on the Quarterly Financial Results

(1) Operating Results for the Third Quarter of the Fiscal Year Ending December 31, 2024

During the first nine months of 2024 (from January 1, 2024 to September 30, 2024), expectations for a soft landing of the U.S. economy heightened as the U.S. cut interest rates for the first time in four and a half years. On the other hand, as the European and Chinese economies continued to be sluggish, the outlook for the global economy remained uncertain due to factors such as the situation in Ukraine with no end in sight, the escalating situation in the Middle East, and the U.S. presidential election.

Under these circumstances, in February this year, Tokai Carbon Group disclosed the rolling medium-term management plan “T-2026”, for the three-year period from 2024 to 2026. Based on the three basic policies of “Strengthening the earnings power of core businesses,” “Enhancing business portfolio management,” and “Pursuing sustainability management,” we aim to achieve quantitative targets of 458 billion yen in net sales, 53 billion yen in operating income, 12% in ROS, and 104 billion yen in EBITDA by 2026. We aim to increase our corporate value and promptly improve our PBR by reviewing our production system in Graphite Electrodes, actively investing in the growing businesses of Fine Carbon and Industrial Furnaces and focusing on various sustainability measures.

As a result, net sales for the first nine months of 2024 decreased 3.4% year on year to 258,659 million yen. Operating income decreased 48.9% year on year to 15,211 million yen. Ordinary income decreased 51.3% year on year to 16,097 million yen. Quarterly net income attributable to owners of the parent company decreased 73.9% year on year to 5,584 million yen.

Results by business segment were as follows:

Carbon Black

Sales volume decreased year on year due to factors such as the impact of production adjustments by tire manufacturers. However, both net sales and profit increased year on year due to passing part of the cost increases on to selling prices and the impact of exchange rates and other factors.

As a result, net sales for the Carbon Black business increased 7.4% year on year to 119,379 million yen, while operating income increased 2.8% year on year to 16,371 million yen.

Fine Carbon

Sales for power semiconductors have begun to be affected by the slowdown of EV market growth. However, demand for memory semiconductors started to recover, and sales volume of the Solid SiC focus ring, a key product, increased year on year.

As a result, net sales for the Fine Carbon business increased 25.2% year on year to 40,590 million yen, while operating income increased 38.8% year on year to 10,417 million yen.

Smelting & Lining

Sales volume of cathodes for aluminum electrolysis decreased year on year and selling prices also declined due to reduced demand for relining of aluminum smelting furnaces and inventory adjustments at some customers. A decline in production volume also resulted in an increase in fixed costs, putting pressure on earnings.

As a result, net sales for the Smelting and Lining business decreased 22.4% year on year to 46,133 million yen, while operating loss was 10,351 million yen (compared with operating income of 1,135 million yen in the same period of the previous fiscal year).

Graphite Electrodes

Crude steel production increased in some countries and regions. However, on a global level it remained sluggish, and graphite electrode demand declined. In addition, the inflow of low-priced products from China and India resulted in weaker selling prices and lower sales volume.

As a result, net sales for the Graphite Electrodes business decreased 19.6% year on year to 36,896 million yen, and operating loss was 2,336 million yen (compared with operating income of 2,740 million yen in the same period of the previous fiscal year).

Industrial Furnaces and Related Products

Demand for heating elements in electronic component-related industries showed a gradual recovery. However both net sales and profit decreased year on year due to the impact of continued delays in customer projects in energy-related industries which is causing delays in industrial furnace deliveries.

As a result, net sales for the Industrial Furnaces and Related Products business decreased 17.4% year on year to 8,163 million yen, while operating income decreased 29.7% year on year to 1,794 million yen.

Other Operations

Friction Materials

Net sales for the construction machinery and electromagnetic equipment market decreased year on year due to a continued decline in demand from China. Net sales in the motorcycle market also declined year on year as a corrective response to the heightened demand in recent years.

As a result, net sales of friction materials decreased 14.5% year on year to 5,968 million yen.

Anode Materials

Sales of ESS (Energy Storage System) products using the Company's materials slightly decreased, and demand for secondary lithium-ion batteries for EVs also declined. As a result, sales volume decreased, and net sales decreased year on year.

As a result, net sales of anode materials decreased 19.9% year on year to 1,429 million yen.

Others

Net sales from real estate leasing and other business decreased 2.3% year on year to 97 million yen.

As a result, net sales in Other Operations decreased 15.5% year on year to 7,495 million yen, while operating income decreased 50.6% year on year to 535 million yen.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	First nine months of the fiscal year under review (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	77,465	78,251
Notes and accounts receivable	65,530	66,001
Merchandise and finished goods	28,886	26,962
Work in progress	47,431	47,288
Raw materials and supplies	33,014	30,816
Other	11,463	9,045
Allowance for doubtful accounts	(900)	(917)
Total current assets	262,890	257,449
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	37,895	41,628
Machinery, equipment and vehicles, net	107,187	121,975
Land	12,291	12,483
Construction in progress	58,187	64,171
Other, net	8,242	9,054
Total tangible fixed assets	223,804	249,313
Intangible assets		
Goodwill	49,212	43,172
Customer-related assets	52,880	47,243
Other	14,958	14,501
Total intangible assets	117,051	104,918
Investments and other assets		
Investment securities	30,980	33,517
Net defined benefit asset	3,811	3,756
Deferred tax assets	492	989
Other	997	1,202
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	36,258	39,443
Total fixed assets	377,114	393,675
Total assets	640,005	651,124

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	First nine months of the fiscal year under review (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	25,663	18,522
Electronically recorded obligations	3,806	3,670
Short-term loans payable	7,000	6,000
Commercial papers	60,000	22,500
Current portion of long-term loans payable	3,218	8,219
Income taxes payable	3,983	2,561
Contract liability	2,550	5,270
Provision for bonuses	4,432	3,353
Other	26,315	25,740
Total current liabilities	136,971	95,837
Long-term liabilities		
Bonds payable	55,000	90,000
Long-term loans payable	41,424	53,076
Deferred tax liabilities	30,251	32,279
Retirement benefit liability	7,720	7,964
Provision for retirement benefits for directors	101	97
Provision for executive officers' retirement benefits	53	43
Provision for environment and safety measures	461	457
Other	7,918	8,930
Total long-term liabilities	142,930	192,849
Total liabilities	279,902	288,687
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	13,825	10,690
Retained earnings	210,183	208,731
Treasury stock	(7,225)	(7,067)
Total shareholders' equity	237,220	232,790
Accumulated other comprehensive income		
Valuation difference on other securities	15,106	16,544
Deferred gains or losses on hedges	268	16
Foreign currency translation adjustments	69,302	75,715
Cumulative remeasurements of defined benefit plans	2,593	2,353
Total accumulated other comprehensive income	87,271	94,629
Non-controlling interests	35,612	35,016
Total net assets	360,103	362,437
Total liabilities and net assets	640,005	651,124

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

First Nine-month Period

(Millions of yen)

	First nine months of the previous fiscal year (January 1 to September 30, 2023)	First nine months of the fiscal year under review (January 1 to September 30, 2024)
Net sales	267,675	258,659
Cost of sales	194,123	197,551
Gross profit	73,551	61,107
Selling, general and administrative expenses	43,802	45,896
Operating income	29,749	15,211
Non-operating income		
Interest income	940	1,079
Dividend income	528	641
Share of profit of entities accounted for using equity method	279	496
Foreign exchange gains	2,925	559
Other	766	632
Total non-operating income	5,441	3,410
Non-operating expenses		
Interest expenses	1,100	1,303
Other	1,055	1,220
Total non-operating expenses	2,156	2,523
Ordinary income	33,034	16,097
Extraordinary income		
Gain on sale of investment securities	24	39
Gain on sales of fixed assets	177	29
Total extraordinary income	201	68
Extraordinary losses		
Loss on retirement of fixed assets	91	13
Loss on sale of fixed assets	0	0
Loss on sales of investment securities	34	-
Total extraordinary losses	126	14
Quarterly net income before income taxes	33,109	16,151
Income taxes - current	7,350	6,761
Income taxes - deferred	1,743	955
Total income taxes	9,093	7,716
Quarterly net income	24,015	8,435
Quarterly net income attributable to non-controlling interests	2,640	2,850
Quarterly net income attributable to owners of the parent company	21,375	5,584

Quarterly Consolidated Statements of Comprehensive Income

First Nine-month Period

(Millions of yen)

	First nine months of the previous fiscal year (January 1 to September 30, 2023)	First nine months of the fiscal year under review (January 1 to September 30, 2024)
Quarterly net income	24,015	8,435
Other comprehensive income		
Valuation difference on other securities	5,628	1,441
Deferred gains or losses on hedges	(220)	(251)
Foreign currency translation adjustments	38,864	6,138
Remeasurements of defined benefit plans	59	(240)
Share of other comprehensive income of associates accounted for using equity method	328	(18)
Total other comprehensive income	44,661	7,069
Quarterly comprehensive income	68,677	15,505
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	64,298	12,943
Quarterly comprehensive income attributable to non- controlling interests	4,378	2,561

(3) Notes to Quarterly Consolidated Financial Statements

(Segment Information)

I First nine months of the previous fiscal year (January 1 to September 30, 2023)

1. Information on net sales and amount of income (loss) by reportable segment

(Millions of yen)

	Reportable segment						Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Subtotal				
Net sales										
External sales	111,131	32,413	59,484	45,891	9,885	258,806	8,868	267,675	-	267,675
Intersegment sales/transfers	19	80	363	332	171	967	-	967	(967)	-
Total	111,151	32,494	59,848	46,223	10,056	259,774	8,868	268,643	(967)	267,675
Segment income (loss)	15,925	7,504	1,135	2,740	2,553	29,860	1,083	30,943	(1,194)	29,749

- Notes: 1. The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the Friction Materials business, Anode Materials business, real estate leasing business, and other businesses.
2. The 1,194-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 1,240 million yen that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to the reportable segments.
3. Segment income (loss) is reconciled to the operating income reported in the Quarterly Consolidated Statements of Income.

II First nine months of the fiscal year under review (January 1 to September 30, 2024)

Information on net sales and amount of income (loss) by reportable segment

(Millions of yen)

	Reportable segment						Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnace and Related Products	Subtotal				
Net sales										
External sales	119,379	40,590	46,133	36,896	8,163	251,164	7,495	258,659	—	258,659
Intersegment sales/transfers	21	163	217	171	259	832	—	832	(832)	—
Total	119,400	40,754	46,350	37,068	8,423	251,997	7,495	259,492	(832)	258,659
Segment income (loss)	16,371	10,417	(10,351)	(2,336)	1,794	15,895	535	16,430	(1,219)	15,211

- Notes: 1. The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the Friction Materials business, Anode Materials business, real estate leasing business, and other businesses.
2. The 1,219-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 1,346 million yen that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to the reportable segments.
3. Segment income (loss) is reconciled to the operating income reported in the Quarterly Consolidated Statements of Income.

(Notes on Significant Changes in Shareholders' Equity Amount)

The Company acquired additional shares of consolidated subsidiary TOKAI CARBON KOREA CO., LTD. on April 23, 2024. As a result, capital surplus decreased by 3,270 million yen in the first nine months of the fiscal year under review, and capital surplus was 10,690 million yen at the end of the first nine months of the fiscal year under review.

(Notes on the Going-concern Assumption)

Not Applicable

(Notes on Statements of Cash Flows)

No quarterly consolidated statements of cash flows have been prepared for the first nine months of the fiscal year under review. The depreciation (including the depreciation of the intangible assets excluding goodwill) and amortization of goodwill in the first nine months of the fiscal year under review are as follows:

	First nine months of the previous fiscal year (January 1 to September 30, 2023)	First nine months of the fiscal year under review (January 1 to September 30, 2024)
Depreciation	21,120 million yen	25,009 million yen
Amortization of goodwill	6,023 million yen	6,549 million yen