

FY Jan-Dec 2024 Earnings Presentation

2025/2/13



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FY Jan – Dec 2024

Financial Summary

- During FY2024, Fine Carbon's performance grew, reflecting a recovery in demand for memory semiconductors, and the Company also saw continued steady performance in Carbon Black, resulting in increases in net sales and operating income for these two segments. On the other hand, Smelting and Lining continued to see decreased demand for relining of aluminum smelting furnaces, customer inventory adjustments, and price decrease due to intensifying competition. Similarly, Graphite Electrodes continue to be affected by sluggish steel production and intensifying competition with the Asian rivals. Consequently, net sales and operating income declined significantly for both segments, resulting in an operating loss. As a result, consolidated net sales and operating income declined, with operating income falling below the announced forecast. EBITDA, a key measure of cash-based earning capacity, declined, but EBITDA margin maintained in the upper 10% range.
- Due to ongoing business structural reforms in Graphite Electrodes and Smelting and Lining, impairment losses, etc. on goodwill and fixed assets were recorded as extraordinary losses for 2024, resulting in a net loss.
- In Fine Carbon, additional shares were acquired in its subsidiary, Tokai Carbon Korea, and its equity method affiliate, MWI, became a wholly-owned subsidiary.
- While the net D/E ratio slightly increased due to a decrease in equity capital, financial soundness and liquidity remained strong.
- The year-end dividend is 15 yen per share, as previously announced, maintaining the annual dividend at 30 yen, including the interim dividend.
- For the fiscal year ending December 31, 2025, operating income is projected to increase owing to reductions in depreciation and amortization due to impairment losses in 2024, as well as the fixed cost saving effects. Extraordinary losses have already peaked, and the dividend for 2025 is projected to be maintained at 30 yen.

Summary of Consolidated Results

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- Consolidated results saw YoY decreases in net sales and operating income
- Net sales ¥350.1 b (-3.8%), operating income ¥19.3 b (-49.9%), ROS 5.5% (-5.1%points)
- EBITDA ¥61.1 b (-19.5%), EBITDA margin 17.5% (-3.4%points)
- Recorded a net loss of ¥56.7 b due to ¥76.8 b in extraordinary losses related to structural reforms, etc. (including ¥61.2 b in impairment loss on goodwill, etc. in Smelting and Lining, and ¥14.9 b in structural reform related losses for Graphite Electrodes)

(Millions of yen)

	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Change
Net sales	363,946	350,114	(13,832)	(3.8)%
Operating income	38,728	19,386	(19,341)	(49.9)%
Ordinary income	41,607	22,579	(19,027)	(45.7)%
Net income attributable to owners of the parent company	25,468	(56,736)	(82,205)	—%
EBITDA	75,949	61,120	(14,828)	(19.5)%

※EBITDA =Operating income + Depreciation + Goodwill amortization

Jan. to Dec. Average exchange rates:

- 2023 USD1= ¥140.56 EUR1= ¥152.00
- 2024 USD1= ¥151.58 EUR1= ¥163.95

Net Sales, Operating Income and EBITDA by Segment

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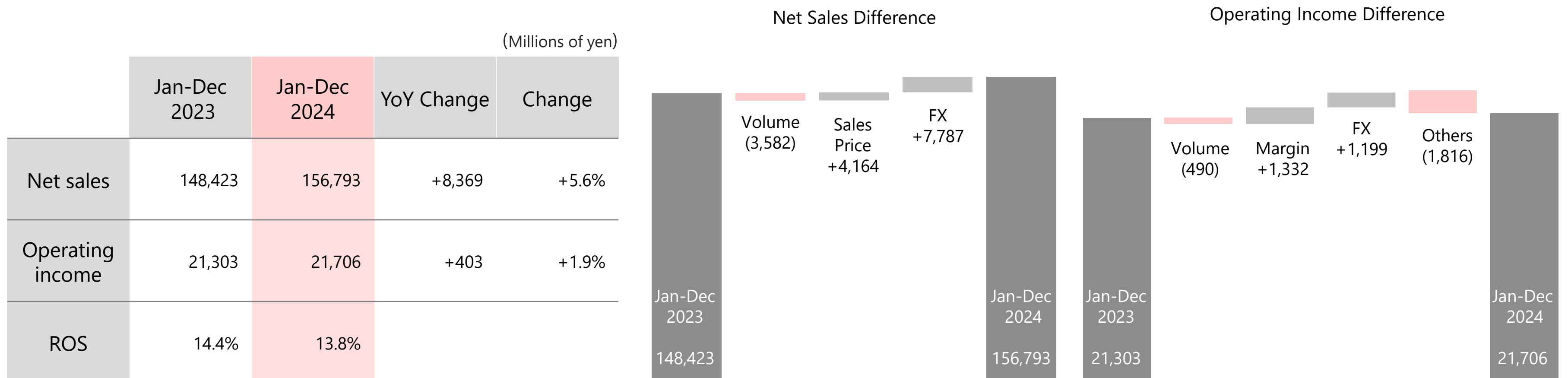
- YoY increases in net sales and operating income for Carbon Black and Fine Carbon
- YoY decreases in operating income for Graphite Electrodes, Smelting and Lining, and Industrial Furnaces

(Millions of yen)

		Net sales			Operating income			EBITDA		
		Jan-Dec 2023	Jan-Dec 2024	YoY Change	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Jan-Dec 2023	Jan-Dec 2024	YoY Change
Carbon Black		148,423	156,793	+8,369	21,303	21,706	+403	29,270	31,962	+2,691
Fine Carbon		45,319	53,890	+8,571	10,617	12,437	+1,820	17,689	20,253	+2,563
Smelting and Lining		82,820	64,512	(18,308)	2,305	(13,701)	(16,006)	17,446	2,449	(14,997)
Graphite Electrodes		60,235	48,818	(11,417)	752	(3,529)	(4,281)	6,449	2,562	(3,887)
Industrial Furnaces and Related Products		15,614	16,291	+677	3,860	3,304	(556)	4,211	3,661	(549)
Others	Friction materials	8,995	7,974	(1,021)	—	—	—	—	—	—
	Anode materials, etc.	2,536	1,833	(703)	—	—	—	—	—	—
	Total	11,532	9,807	(1,724)	1,299	403	(895)	1,783	883	(899)
Inter-segment eliminations		—	—	—	(1,409)	(1,235)	+174	(901)	(651)	+249
Total		363,946	350,114	(13,832)	38,728	19,386	(19,341)	75,949	61,120	(14,828)
Return on sales		—	—	—	10.6%	5.5%	(5.1)%pt	20.9%	17.5%	(3.4)%pt

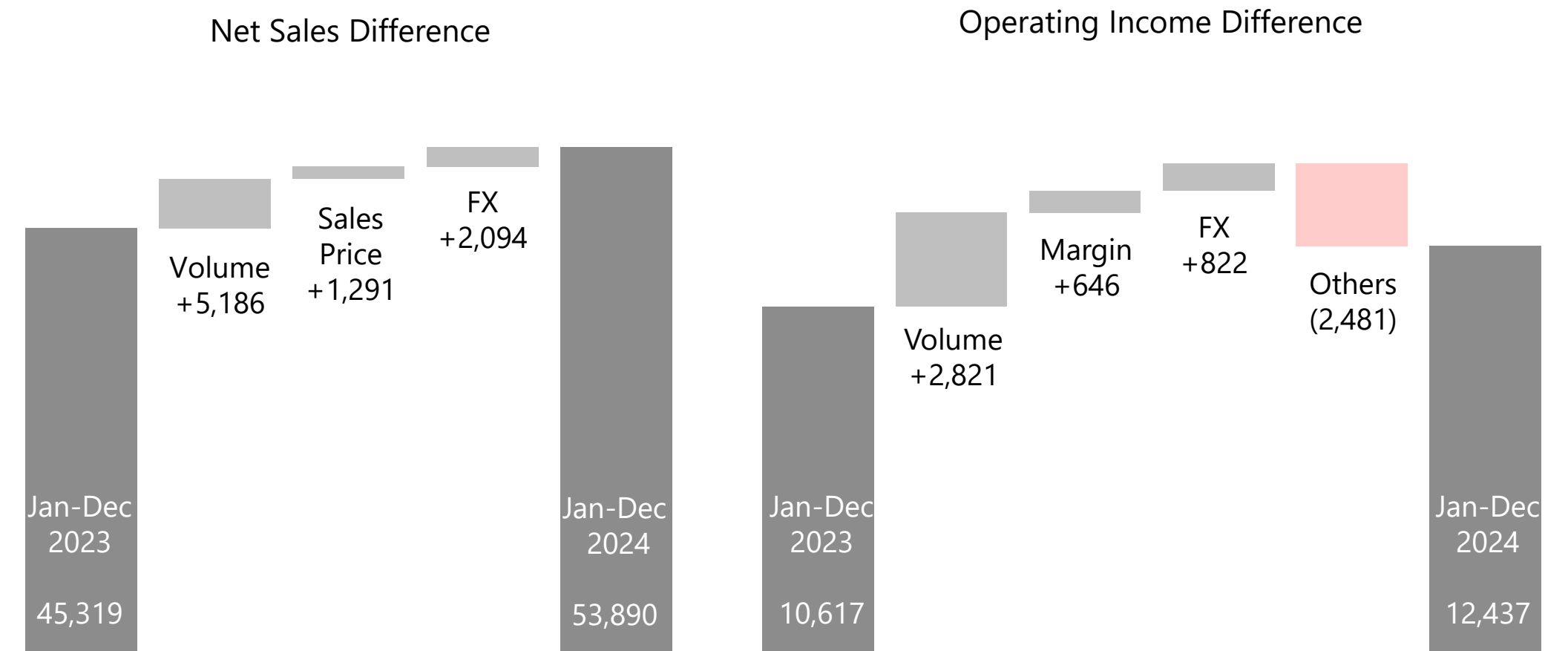
※The order of segments has been changed from FY2024

- Despite a YoY sales volume decrease due to production adjustments at tire manufacturers and other factors, 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.



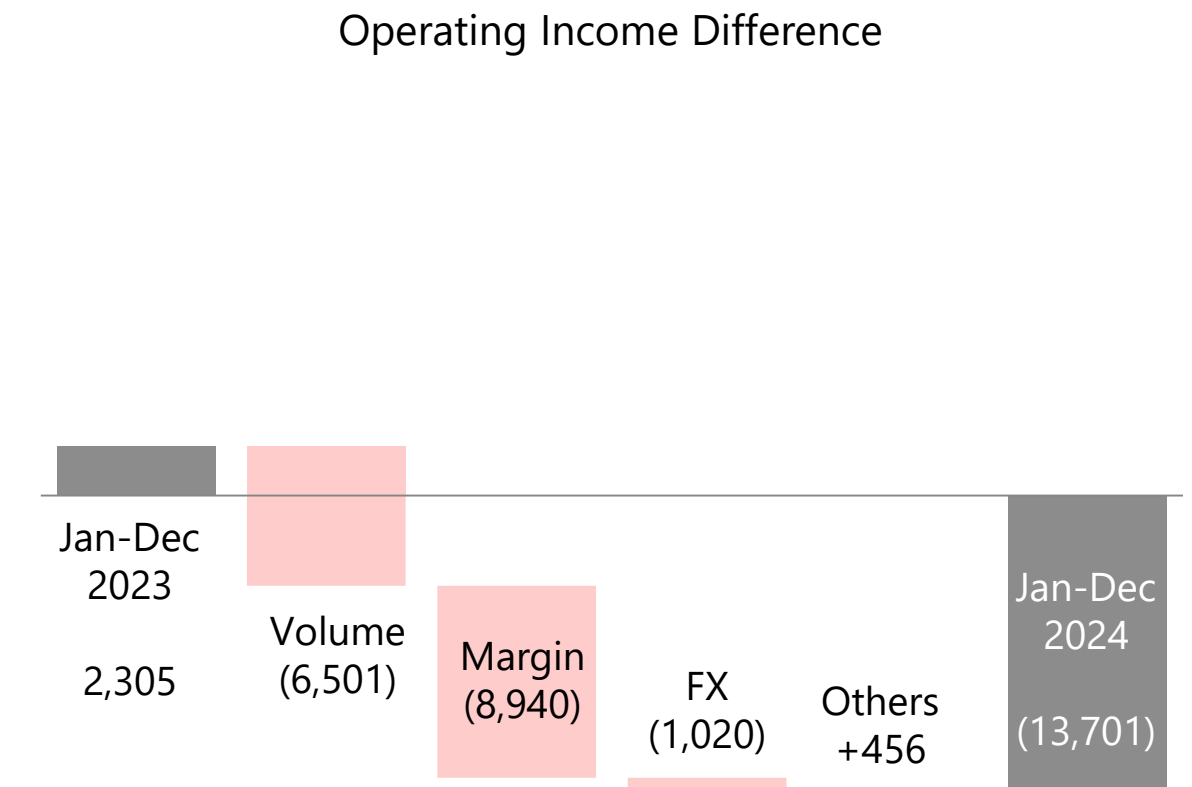
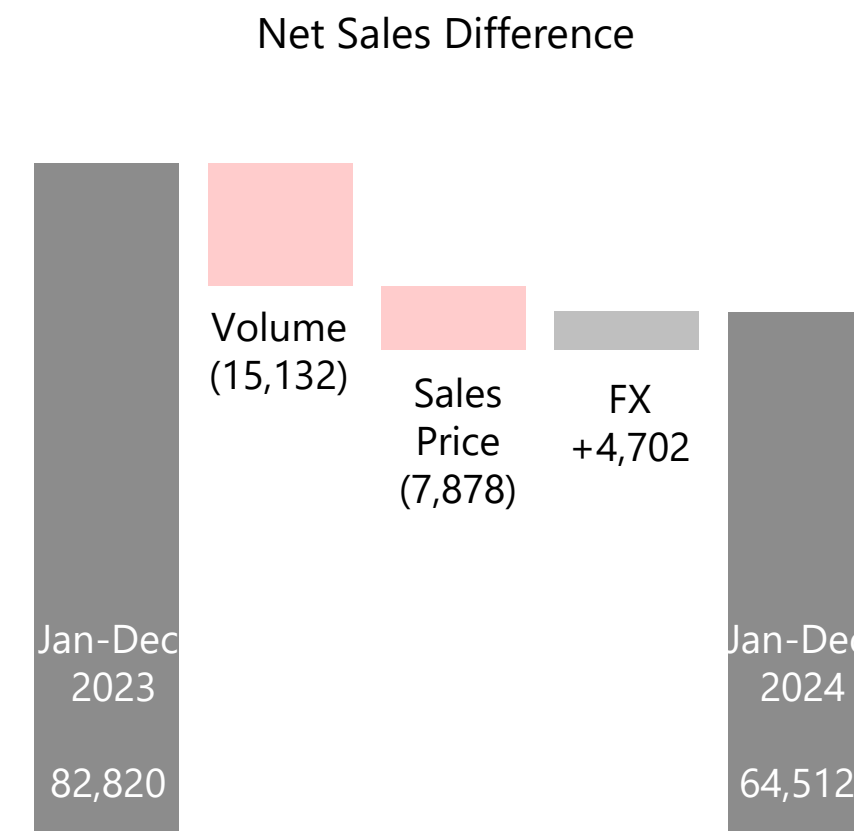
- While sales for power semiconductors decelerated due to the impact of slower growth of the EV market, sales of Solid SiC focus rings, a core product, increased due to the recovery of demand for memory semiconductors, resulting in YoY increases in net sales and operating income.

	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Change
Net sales	45,319	53,890	+8,571	+18.9%
Operating income	10,617	12,437	+1,820	+17.1%
ROS	23.4%	23.1%		

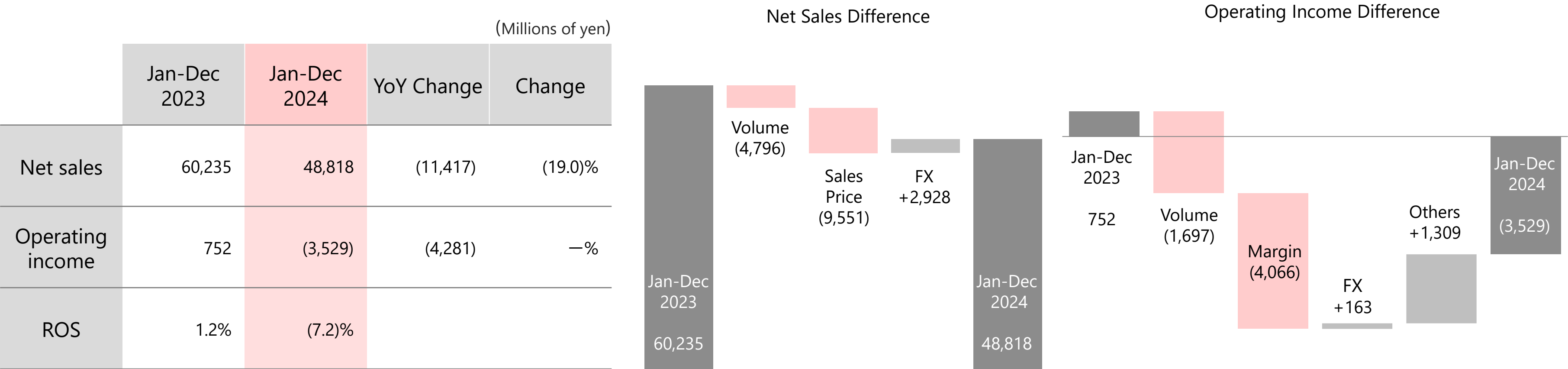


- Sales volume of cathodes decreased due to lower demand for relining of aluminum smelting furnaces and customer inventory adjustments.
- Fixed costs increased due to reduced production volume.
- Net sales and operating income decreased significantly YoY, as sales prices declined due to aggressive competition.

	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Change
Net sales	82,820	64,512	(18,308)	(22.1)%
Operating income	2,305	(13,701)	(16,006)	—%
ROS	2.8%	(21.2)%		

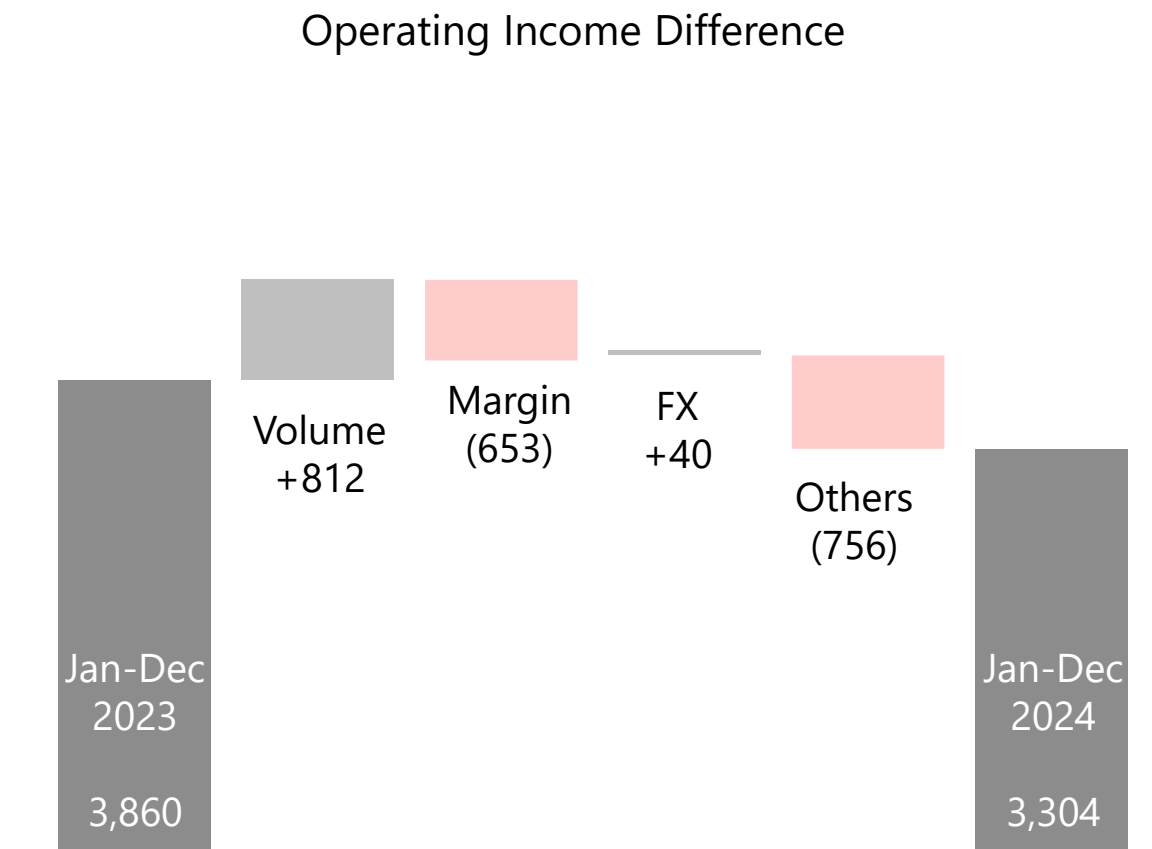
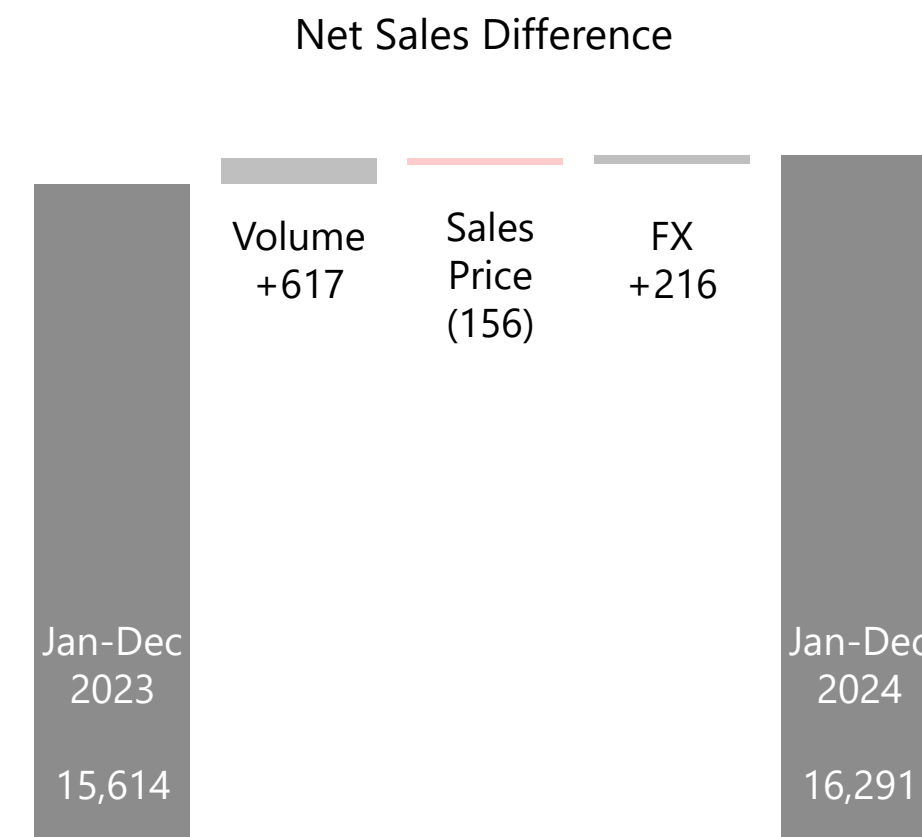


- Steel production, including electric-arc furnace steel, remained sluggish due to a worldwide slowdown of the steel market.
- Both sales volume and sales price declined due to an influx of low-priced products from China and India, resulting in significant YoY decreases in net sales and operating income.



- Despite a recovery trend in demand for heating elements from the electronic device industry, net sales increased while operating income decreased YoY. This was due to the continued impact of delays in projects in the energy-related industry.

	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Change
Net sales	15,614	16,291	+677	+4.3%
Operating income	3,860	3,304	(556)	(14.4)%
ROS	24.7%	20.3%		



Major Cash Flow items

(Millions of yen)

	Jan-Dec 2023	Jan-Dec 2024	Summary
Cash flows from operating activities	62,074	64,471	
Net income (loss) before income taxes	41,998	(47,645)	
Depreciation and amortization	29,065	33,028	
Amortization on goodwill	8,155	8,705	
Decrease (increase) in trade receivable	3,084	(337)	Working capital: +¥9.5 billion (Jan-Dec 2023 -¥3.0 billion)
Decrease (increase) in inventories	(1,285)	14,210	
Increase (decrease) in accounts payable-trade	(4,811)	(4,310)	
Income tax paid	(14,131)	60,820	Includes impairment losses of ¥68.1 billion
Cash flows from investing activities	(47,632)	(70,777)	· Free cash flow: (¥6.3) billion (Jan-Dec 2023 +¥14.4 billion)
Purchase of fixed assets	(49,618)	(55,111)	
Acquisition of shares of subsidiaries accompanying changes in the scope of consolidation	—	(15,418)	
Cash flows from financing activities	(14,512)	9,410	
Net increase (decrease) in short-term loans payable (including CP)	(5,116)	14,558	
Corporate bond issuance and redemption	—	9,744	
Acquisition of shares of subsidiaries not accompanying changes in the scope of consolidation	—	(5,886)	· 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	56,459	65,135	

※Working capital = Trade receivables + Inventories – Accounts payable

Balance Sheet

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Major Balance Sheet Items

(Millions of yen)

	December 31, 2023	December 31, 2024	Summary
Total assets	640,005	640,753	
Current assets	262,890	270,363	
Cash and cash equivalents	77,465	92,207	
Notes and accounts receivable	65,530	69,175	· Cash / monthly sales: 3.2 times (End of FY2023: 2.6 times)
Inventory	109,332	100,740	· Inventory: (-¥8.5 billion from End of FY2023)
Fixed assets	377,114	370,390	· Tangible fixed assets: (+¥40.7 billion from End of FY2023)
Tangible fixed asset	223,804	264,582	· Intangible fixed assets: (-¥50.7 billion from End of FY2023)
Intangible fixed assets	117,051	66,341	
Investments and other assets	36,258	39,466	
Total liabilities	279,902	315,595	· Net interest-bearing debt: ¥99.0 billion (+¥9.8 billion from End of FY2023)
Current liabilities	136,971	147,729	· Interest-bearing debt: ¥191.2 billion (+¥24.5 billion from End of FY2023)
Long term liabilities	142,930	167,865	· Direct funding ratio: 65.1% (End of FY2023: 69.0%), Long-term debt ratio: 61.3% (End of FY2023: 57.9%)
Total net assets	360,103	325,158	· 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)
Shareholders' capital	237,220	170,469	· Liquidation of receivables and CP issuance limit ¥78.0 billion (+¥0.0 billion from End of FY2023): ¥59.5 billion executed (-¥0.5 billion from End of FY2023)
Other accumulated Comprehensive income	87,271	119,089	· Capital to asset ratio: 45.2% (End of FY2023: 50.7%)
Non controlling interests	35,612	35,600	· Adjusted Capital to asset ratio*: 50.7% (End of FY2023: 56.2%)
Total liabilities and net assets	640,005	640,753	· Net D/E ratio: 0.34 times (End of FY2023: 0.27 times)
			· Adjusted Net D/E ratio*: 0.20 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.

II

FY Jan – Dec 2025

Earnings Forecast

FY Jan – Dec 2025 Consolidated Earnings Forecast

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- Net sales are projected to decrease by 2.6%, driven by lower sales for Smelting and Lining, Graphite Electrodes, and Industrial Furnaces and Related Products, outweighing the higher sales for Carbon Black and Fine Carbon.
- Operating income is expected to increase by 20.2%. While operating income for Carbon Black (increase in depreciation and amortization in the Thai plant expected) and Fine Carbon (slower growth of power semiconductors expected) is projected to be lower, improvement for Smelting and Lining and Graphite Electrodes is expected, mainly due to reductions in depreciation and amortization and fixed costs.
- Dividend forecast is maintained at ¥30 per share; payout ratio of 58%.

(Millions of yen)

	FY2024 Results			FY2025 Forecast			YoY Change	Change
	1H	2H	Full year	1H	2H	Full year		
Net sales	170,922	179,191	350,114	169,500	171,500	341,000	(9,114)	(2.6)%
Operating income	8,424	10,962	19,386	10,400	12,900	23,300	+3,913	+20.2%
Ordinary income	10,520	12,058	22,579	10,000	12,000	22,000	(579)	(2.6)%
Net income attributable to owners of the parent company	3,661	(60,397)	(56,736)	6,000	5,000	11,000	+67,736	-%
EBITDA	29,724	31,396	61,120	27,300	29,800	57,100	(4,020)	(6.6)%
EBITDA margin	17.4%	17.5%	17.5%	16.1%	17.4%	16.7%	-	-
ROS	4.9%	6.1%	5.5%	6.1%	7.5%	6.8%	-	-
ROE	-	-	-%	-	-	3.9%	-	-

※Earnings Forecast FY2025 : Average exchange rates: (Full year) USD1=¥148 , EUR1=¥162

Consolidated Earnings Forecast FY2025 by Segment

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(Millions of yen)

			FY2024 Results			FY2025 Forecast			YoY Change	Change
			1H	2H	Full year	1H	2H	Full year		
Net Sales			170,922	179,191	350,114	169,500	171,500	341,000	(9,114)	(2.6)%
	Carbon Black		79,585	77,208	156,793	85,000	82,000	167,000	+10,206	+6.5%
	Fine Carbon		26,459	27,431	53,890	28,000	31,000	59,000	+5,109	+9.5%
	Smelting and Lining		30,030	34,481	64,512	27,000	29,000	56,000	(8,512)	(13.2)%
	Graphite Electrodes		24,392	24,426	48,818	20,000	18,000	38,000	(10,818)	(22.2)%
	Industrial Furnaces and Related Products		5,125	11,166	16,291	5,000	7,000	12,000	(4,291)	(26.3)%
	Others	Friction Materials	4,150	3,823	7,974	4,000	4,000	8,000	+25	+0.3%
		Anode Materials, etc.	1,178	654	1,833	500	500	1,000	(833)	(45.5)%
Total		5,329	4,478	9,807	4,500	4,500	9,000	(807)	(8.2)%	
Operating Income			8,424	10,962	19,386	10,400	12,900	23,300	+3,913	+20.2%
	Carbon Black		10,887	10,819	21,706	7,500	5,700	13,200	(8,506)	(39.2)%
	Fine Carbon		6,602	5,834	12,437	3,200	5,000	8,200	(4,237)	(34.1)%
	Smelting and Lining		(7,555)	(6,145)	(13,701)	0	0	0	+13,701	-%
	Graphite Electrodes		(2,423)	(1,105)	(3,529)	(400)	1,500	1,100	+4,629	-%
	Industrial Furnaces and Related Products		1,125	2,179	3,304	1,000	1,600	2,600	(704)	(21.3)%
	Other Operations		439	(35)	403	300	300	600	+196	+48.5%
	Inter-segment eliminations		(650)	(585)	(1,235)	(1,200)	(1,200)	(2,400)	(1,164)	-

Reference Material

Net Sales of Main Subsidiaries

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(Millions of yen)					
Subsidiary	Jan-Dec 2023	Jan-Dec 2024	YoY Change	Location Business	Note
Thai Tokai Carbon Product	28,245	28,277	+31	Thailand Carbon Black	
Tokai Carbon CB	69,687	73,995	+4,307	U.S. Carbon Black	
Cancarb	10,006	11,920	+1,913	Canada Carbon Black	
Tokai Carbon Korea	24,433	30,688	+6,254	Korea Fine Carbon	• Increased equity from 47.4% to 50.4% effective April 2024
Tokai COBEX	83,296	64,886	(18,409)	Germany Smelting and Lining	
Tokai Erftcarbon	15,820	11,898	(3,922)	Germany Graphite Electrodes	
Tokai Carbon GE	35,525	29,699	(5,826)	U.S. Graphite Electrodes	

Key Indicators

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(Millions of yen) f=forecast	2021	2022	2023	2024	2025f
Net sales	258,874	340,371	363,946	350,114	341,000
Operating income	24,647	40,588	38,728	19,386	23,300
ROS (%)	9.5%	11.9%	10.6%	5.5%	6.8%
EBITDA	54,518	75,572	75,949	61,120	57,100
EBITDA margin (%)	21.1%	22.2%	20.9%	17.5%	16.7%
Net income Attributable to Owners of the Parent Company	16,105	22,418	25,468	(56,736)	11,000
ROE (%)	7.5%	9.0%	8.6%	-%	3.9%
Adjusted ROIC (%)	12.3%	14.3%	11.5%	6.8%	5.3%
Capital Investment	30,347	48,150	53,316	56,715	51,400
Depreciation and Amortization	22,900	27,460	29,065	33,028	29,100
R&D Expenses	2,823	3,171	3,605	4,284	5,800
Interest bearing liabilities	168,249	171,452	166,642	191,241	-
Net D/E ratio	0.39	0.37	0.27	0.34	0.42
Adjusted Net D/E ratio	0.21	0.22	0.15	0.20	0.26
Number of Employees	4,289	4,378	4,427	4,625	-
Exchange Rate (JPY/USD)	109.80	131.43	140.56	151.58	148.00

※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	Full Year	
Net sales		86,530	91,897	89,247	96,271	363,946	82,161	88,760	87,736	91,455	350,114	
	Carbon Black	37,406	36,424	37,300	37,292	148,423	39,602	39,983	39,793	37,414	156,793	
	Fine Carbon	11,444	9,928	11,040	12,905	45,319	12,537	13,922	14,131	13,299	53,890	
	Smelting and Lining	19,218	22,254	18,011	23,336	82,820	14,030	16,000	16,102	18,378	64,512	
	Graphite Electrodes	13,486	16,920	15,484	14,343	60,235	10,874	13,518	12,504	11,921	48,818	
	Industrial Furnaces and Related Products	2,449	3,258	4,177	5,729	15,614	2,485	2,640	3,037	8,128	16,291	
	Others	Friction Materials	2,460	2,398	2,124	2,011	8,995	2,064	2,086	1,818	2,005	7,974
		Anode Materials, etc.	62	712	1,108	652	2,536	568	610	347	306	1,833
Total		2,523	3,111	3,233	2,664	11,532	2,632	2,696	2,165	2,312	9,807	
Operating income		11,493	10,244	8,010	8,979	38,728	3,489	4,934	6,786	4,175	19,386	
	Carbon Black	5,757	5,015	5,152	5,377	21,303	5,696	5,190	5,484	5,335	21,706	
	Fine Carbon	3,103	1,938	2,462	3,112	10,617	3,078	3,523	3,815	2,019	12,437	
	Smelting and Lining	408	984	(257)	1,170	2,305	(3,546)	(4,009)	(2,795)	(3,349)	(13,701)	
	Graphite Electrodes	1,637	1,526	(423)	(1,988)	752	(2,175)	(248)	86	(1,192)	(3,529)	
	Industrial Furnaces and Related Products	534	728	1,290	1,306	3,860	511	613	669	1,510	3,304	
	Other Operations	301	334	447	216	1,299	224	215	95	(131)	403	
	Inter-segment eliminations	(249)	(283)	(660)	(215)	(1,409)	(300)	(349)	(569)	(16)	(1,235)	

- 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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