

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2024 [Japanese GAAP]

May 9, 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 file quarterly report: May 14, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 First Quarter of the Fiscal Year Ending December 31, 2024 (January 1 to March 31, 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	%
Three months ended March 31, 2024	82,161	(5.0)	3,489	(69.6)	4,687	(60.3)	1,627	(79.6)
Three months ended March 31, 2023	86,530	24.5	11,493	44.8	11,804	40.4	7,964	96.9

Note: Comprehensive income: Three months ended March 31, 2024: 24,854 million yen (72.4%)
 Three months ended March 31, 2023: 14,415 million yen (-24.9%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Three months ended March 31, 2024	7.63	-
Three months ended March 31, 2023	37.36	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	660,242	381,117	52.1
As of December 31, 2023	640,005	360,103	50.7

For reference: Shareholders' capital: As of March 31, 2024: 343,894 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
Fiscal year ended December 31, 2023	Yen -	Yen 18.00	Yen -	Yen 18.00	Yen 36.00
Fiscal year ending December 31, 2024	-				
Fiscal year ending December 31, 2024 (Forecast)		15.00	-	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
First six months	180,000	0.9	10,000	(54.0)	10,000	(58.5)	9,000	(43.4)	42.21
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 March 31, 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 March 31, 2024	11,728,100 shares	As of December 31, 2023	11,727,642 shares
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(c) Average number of shares during the period

Three months ended March 31, 2024	213,215,241 shares	Three months ended March 31, 2023	213,194,797 shares
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* The financial results are not subject to audit by certified public accountants or audit firms.

* 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 Friday, May 10, 2024. The materials for this briefing will be posted on the corporate website on that day.

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1. Operating Results

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

During the first three months of 2024 (from January 1 to March 31, 2024) the global economy continued to show a strong sense of stagnation due to the sluggish economy in Europe and the slow growth of the Chinese economy, despite the steady performance of the U.S. economy. There are concerns about the impact of heightened geopolitical risks, such as the deteriorating situation in the Middle East, on the outlook for the global economy.

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 three months of 2024 decreased 5.0% year on year to 82,161 million yen. Operating income decreased 69.6% year on year to 3,489 million yen. Ordinary income decreased 60.3% year on year to 4,687 million yen. Quarterly net income attributable to owners of the parent company decreased 79.6% year on year to 1,627 million yen.

Results by business segment were as follows:

Carbon Black

Although sales volume decreased slightly year on year in replacement tires due to ongoing inventory adjustments by tire manufacturers, net sales increased year on year due to the impact of exchange rates and other factors. Operating income decreased in year on year due to an increase in depreciation costs resulting from the start of operations at large-scale environmental facilities in North America, which was completed at the end of the previous fiscal year, as well as higher raw materials prices.

As a result, net sales for the Carbon Black business increased 5.9% year on year to 39,602 million yen, while operating income decreased 1.1% year on year to 5,696 million yen.

Fine Carbon

Sales of the solid SiC focus ring, a key product for the memory semiconductors market, declined year on year due to the impact of export regulations in the U.S. and China as well as in customers' inventory adjustments due to a decline in demand for smartphones and personal computers. On the other hand, demand for products used in power semiconductors remained strong, and production and sales remained steady. As a result, the segment as a whole recorded increased sales and decreased profits year on year.

As a result, net sales for the Fine Carbon business increased 9.5% year on year to 12,537 million yen, while operating income decreased 0.8% year on year to 3,078 million yen.

Smelting & Lining

Cathodes for aluminum electrolysis sales volume decreased year on year and selling prices also declined due to a decline in demand for replacements of aluminum smelting furnaces. Earnings were also squeezed by high raw materials and energy costs at our European location.

As a result, net sales for the Smelting and Lining business decreased by 27.0% year on year to 14,030 million yen, and operating loss, including the burden of amortization of goodwill, was 3,546 million yen (compared with 408 million yen in operating income in the same period of the previous year).

Graphite Electrodes

Amid continued weakness in steel production, demand declined in the Company's main markets of Asia, North America and Europe, partly due to customers' inventory adjustments. As a result, sales volumes fell sharply year on year and selling prices continued to fall. Higher energy, labor and other costs, as well as lower operation rate prices, also contributed to lower sales and profits year on year.

As a result, net sales for the Graphite Electrodes business decreased 19.4% year on year to 10,874 million yen, while operating loss was 2,175 million yen (compared with 1,637 million yen in operating income for the same period of the previous year).

Industrial Furnaces and Related Products

Demand recovered in China, although inventory adjustments and project delays continued in the energy-related industry and the electronic components industry, which are the main markets for industrial furnaces and heating elements. As a result, sales increased while profits decreased in year on year.

As a result, net sales for the Industrial Furnaces and Related Products business increased 1.5% year on year to 2,485 million yen, while operating income decreased 4.3% year on year to 511 million yen.

Other Operations

Friction materials

Demand in the construction machinery and electromagnetic equipment markets declined due to a slowdown in the Chinese market, while demand in the mining machinery market declined due to a fall in the price of resources. As a result, net sales decreased in year on year. At the same time, the motorcycle market remained stable.

As a result, net sales of friction materials decreased 16.1% year on year to 2,064 million yen.

Anode materials

A recovery in sales of EVs and ESS (Energy Storage Systems), in which our materials are used, led to an increase in sales compared with the same period of the previous year.

As a result, net sales of anode materials increased significantly year on year to 535 million yen (compared with 29 million yen in net sales for the same period of the previous year).

Others

Net sales from real estate leasing and other business decreased 2.4% year on year to 32 million yen.

As a result, net sales for Other Operations increased 4.3% to 2,632 million yen, while operating income decreased 25.5% to 224 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 quarter of the fiscal year under review (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	77,465	68,890
Notes and accounts receivable	65,530	70,683
Merchandise and finished goods	28,886	28,875
Work in progress	47,431	51,714
Raw materials and supplies	33,014	32,725
Other	11,463	9,912
Allowance for doubtful accounts	(900)	(951)
Total current assets	262,890	261,850
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	37,895	42,194
Machinery, equipment and vehicles, net	107,187	127,474
Land	12,291	12,487
Construction in progress	58,187	48,583
Other, net	8,242	8,167
Total tangible fixed assets	223,804	238,907
Intangible assets		
Goodwill	49,212	48,823
Customer-related assets	52,880	52,719
Other	14,958	14,853
Total intangible assets	117,051	116,396
Investments and other assets		
Investment securities	30,980	37,855
Net defined benefit asset	3,811	3,792
Deferred tax assets	492	390
Other	997	1,072
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	36,258	43,088
Total fixed assets	377,114	398,392
Total assets	640,005	660,242

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	First quarter of the fiscal year under review (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	25,663	22,295
Electronically recorded obligations	3,806	3,562
Short-term loans payable	7,000	6,000
Commercial papers	60,000	50,000
Current portion of loans payable	3,218	8,222
Income taxes payable	3,983	3,546
Contract liability	2,550	2,993
Provision for bonuses	4,432	2,326
Other	26,315	25,481
Total current liabilities	136,971	124,428
Long-term liabilities		
Bonds payable	55,000	65,000
Long-term loans payable	41,424	40,762
Deferred tax liabilities	30,251	32,795
Retirement benefit liability	7,720	8,044
Provision for retirement benefits for directors	101	89
Provision for executive officers' retirement benefits	53	54
Provision for environment and safety measures	461	477
Other	7,918	7,471
Total long-term liabilities	142,930	154,696
Total liabilities	279,902	279,125
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	13,825	13,825
Retained earnings	210,183	207,973
Treasury stock	(7,225)	(7,226)
Total shareholders' equity	237,220	235,009
Accumulated other comprehensive income		
Valuation difference on other securities	15,106	19,702
Deferred gains or losses on hedges	268	218
Foreign currency translation adjustments	69,302	86,336
Cumulative remeasurements of defined benefit plans	2,593	2,627
Total accumulated other comprehensive income	87,271	108,885
Non-controlling interests	35,612	37,222
Total net assets	360,103	381,117
Total liabilities and net assets	640,005	660,242

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

First Three-month Period

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2023)	First three months of the fiscal year under review (January 1 to March 31, 2024)
Net sales	86,530	82,161
Cost of sales	60,844	63,700
Gross profit	25,686	18,461
Selling, general and administrative expenses	14,192	14,971
Operating income	11,493	3,489
Non-operating income		
Interest income	345	355
Dividend income	101	130
Share of profit of entities accounted for using equity method	56	205
Foreign exchange gains	218	959
Other	267	268
Total non-operating income	988	1,918
Non-operating expenses		
Interest expenses	353	372
Other	323	348
Total non-operating expenses	677	721
Ordinary income	11,804	4,687
Extraordinary income		
Gain on sales of fixed assets	181	49
Gain on sale of investment securities	1	13
Total extraordinary income	182	63
Extraordinary losses		
Loss on retirement of fixed assets	0	2
Loss on sales of fixed assets	9	-
Total extraordinary losses	9	2
Quarterly net income before income taxes	11,977	4,747
Income taxes - current	2,582	2,373
Income taxes - deferred	546	(151)
Total income taxes	3,128	2,221
Quarterly net income	8,848	2,525
Quarterly net income attributable to non-controlling interests	884	898
Quarterly net income attributable to owners of the parent company	7,964	1,627

Quarterly Consolidated Statements of Comprehensive Income

First Three-month Period

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2023)	First three months of the fiscal year under review (January 1 to March 31, 2024)
Quarterly net income	8,848	2,525
Other comprehensive income		
Valuation difference on other securities	1,212	4,599
Deferred gains or losses on hedges	19	(49)
Foreign currency translation adjustments	4,416	17,643
Remeasurements of defined benefit plans	(89)	33
Share of other comprehensive income of associates accounted for using equity method	7	100
Total other comprehensive income	5,566	22,328
Quarterly comprehensive income	14,415	24,854
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	14,151	23,241
Quarterly comprehensive income attributable to non- controlling interests	264	1,612

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not Applicable

(Notes on Significant Changes in Shareholders' Equity Amount)

Not Applicable

(Segment Information)

I First three months of the previous fiscal year (January 1 to March 31, 2023)

Information on net sales and amount of income 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	37,406	11,444	19,218	13,486	2,449	84,006	2,523	86,530	-	86,530
Intersegment sales/transfers	6	19	72	72	43	214	-	214	(214)	-
Total	37,413	11,464	19,291	13,558	2,493	84,221	2,523	86,744	(214)	86,530
Segment income	5,757	3,103	408	1,637	534	11,442	301	11,743	(249)	11,493

- 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 249-million-yen negative adjustment in segment income includes company-wide expenses of 337 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 is reconciled to the operating income reported in the Quarterly Consolidated Statements of Income.

II First three months of the fiscal year under review (January 1 to March 31, 2024)

1. Information on net sales and amount of income or 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	39,602	12,537	14,030	10,874	2,485	79,529	2,632	82,161	-	82,161
Intersegment sales/transfers	6	125	54	46	55	287	-	287	(287)	-
Total	39,608	12,662	14,084	10,920	2,541	79,817	2,632	82,449	(287)	82,161
Segment income (loss)	5,696	3,078	(3,546)	(2,175)	511	3,565	224	3,790	(300)	3,489

- 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 300-million-yen negative adjustment in segment income (loss) includes company-wide expenses of negative 361 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.