

Semi-Annual Securities Report

(Fiscal Year ending December 31, 2024)

From January 1, 2024

To June 30, 2024

Tokai Carbon Co., Ltd.

(Translation) This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Semi-Annual Securities Report

- 1 This document consists of output and printed data of the semi-annual securities report filed via the Electronic Disclosure for Investors' NETwork (EDINET) as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act, with a table of contents and page numbers.
- 2 Appended to the back of this document are the semi-annual review report that was attached to the semi-annual securities report when it was filed by the aforementioned method, and the confirmation letter filed at the same time as the semi-annual securities report.

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Interim Review Report

Confirmation Letter

[Cover]

[Document submitted]	Semi-annual securities report
[Applicable law]	Article 24-5-1, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director of the Kanto Local Finance Bureau
[Date submitted]	August 9, 2024
[Accounting period]	Second quarter of FY2024 (from January 1 to June 30, 2024)
[Company name]	Tokai Carbon Co., Ltd.
[Company name in English]	TOKAI CARBON CO., LTD.
[Name and title of representative]	Hajime Nagasaka, President & Chief Executive Officer
[Address of head office]	1-2-3, Kita Aoyama, Minato-ku, Tokyo
[Telephone number]	03-3746-5100 (Switchboard)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
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[Telephone number]	03-3746-5100 (Switchboard)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
[Place available for public inspection]	Tokai Carbon Co., Ltd. Osaka Branch (Osaka Fukoku Seimei Bldg., 2-4 Komatsubaracho, Kita-ku, Osaka-shi, Osaka) Tokai Carbon Co., Ltd. Nagoya Branch (Nagoya International Center Bldg., 1-47-1 Nagono, Nakamura-ku, Nagoya, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

Section 1 Overview of the Company

1 Key Financial Data

Fiscal term		First six months of FY2023	First six months of FY2024	FY2023
Accounting period		(January 1 to June 30, 2023)	(January 1 to June 30, 2024)	(January 1 to December 31, 2023)
Net sales	(Million yen)	178,428	170,922	363,946
Ordinary income	(Million yen)	24,109	10,520	41,607
Semi-annual net income attributable to owners of the parent company	(Million yen)	15,904	3,661	25,468
Semi-annual comprehensive income or comprehensive income	(Million yen)	57,024	51,175	67,435
Net assets	(Million yen)	353,531	401,306	360,103
Total assets	(Million yen)	630,385	695,049	640,005
Semi-annual net income per share or net income per share	(Yen)	74.60	17.17	119.45
Semi-annual diluted net income per share or diluted net income per share	(Yen)	-	-	-
Equity ratio	(%)	50.7	52.5	50.7
Cash flows from operating activities	(Million yen)	17,383	15,519	62,074
Cash flows from investing activities	(Million yen)	(20,861)	(24,032)	(47,632)
Cash flows from financing activities	(Million yen)	(287)	1,158	(14,512)
Cash and cash equivalents at end of the period	(Million yen)	51,251	54,760	56,459

Notes: 1. The Company prepares semi-annual consolidated financial statements, and thus does not state changes in the key financial data of the company filing the report.

2. Diluted net income per share is not shown because there were no dilutive shares.

2 Description of Business

There have been no significant changes in the business operations of the Group (the Company and its subsidiaries and associates) in the second quarter consolidated cumulative period.

There are also no changes in major subsidiaries or associates.

Section 2 Status of Business

1 Risk of Business, etc.

Among the matters related to the business status, accounting status, etc. stated in this semi-annual report for the second quarter consolidated cumulative period, there are no major risks that the management recognizes as having the potential to have a significant impact on the consolidated financial position, operating results, and cash flows. Also, there are no significant changes to the “Risk of Business, etc.” stated in the securities report of the previous fiscal year.

2 Management’s Analysis of Financial Position, Operating Results, and Cash Flows

The forward-looking statements contained herein are based on the judgments of the Group as of the end of the second quarter consolidated cumulative period.

(1) Financial position and operating results

During the first six months of 2024 (from January 1 to June 30, 2024) the global economy continued to stagnate due to the sluggish European and Chinese economies, despite the steady performance of the U.S. economy. There are concerns about the impact of policy interest rates remaining high as the pace of the decline in inflation slows, as well as heightened geopolitical risks such as the worsening 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 six months of 2024 decreased by 4.2% year-on-year to 170,922 million yen. Operating income decreased by 61.2% year-on-year to 8,424 million yen. Ordinary income decreased by 56.4% year-on-year to 10,520 million yen. Semi-annual net income attributable to owners of the parent company decreased by 77.0% year-on-year to 3,661 million yen.

Results by business segment were as follows:

Carbon Black

Sales volume decreased slightly year-on-year in replacement tires due to ongoing inventory adjustments by tire manufacturers, however net sales and operating income increased year-on-year due to passing part of the cost increases on to product prices and the impact of exchange rates and other factors.

As a result, net sales for the Carbon Black business increased by 7.8% year-on-year to 79,585 million yen, while operating income increased by 1.1% year-on-year to 10,887 million yen.

Fine Carbon

Sales of components for semiconductor manufacturing equipment particularly for Solid SiC products were significantly affected by customers’ inventory adjustments due to lower demand for smartphones and personal computers, as well as the prolonged impact of the U.S. policy toward China. On the other hand, shipments of products for power semiconductors and general industrial remained firm.

As a result, net sales for the Fine Carbon business increased by 23.8% year-on-year to 26,459 million yen, while operating income increased by 31.0% year-on-year to 6,602 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 replacements of aluminium smelting furnaces. A decline in production volume resulted in an increase in fixed costs, putting pressure on earnings.

As a result, net sales for the Smelting and Lining business decreased by 27.6% year-on-year to 30,030 million yen, while

operating loss, including the impact of goodwill depreciation, was 7,555 million yen (compared with operating income of 1,392 million yen in the same period of the previous fiscal year).

Graphite Electrodes

Amid stagnant demand for electrodes, in China and India, a high level of production continued, leading to a deterioration in the electrode market. As a result, sales volume and selling prices declined in the Company's main markets and fixed costs increased due to lower plant operation rates. This put pressure on earnings.

As a result, net sales for the Graphite Electrodes business decreased by 19.8% year-on-year to 24,392 million yen, and operating loss was 2,423 million yen (compared with operating income of 3,164 million yen in the same period of the previous fiscal year).

Industrial Furnaces and Related Products

In net sales of industrial furnaces and heating elements, there was a partial recovery in demand in electronic component-related industries due to inventory adjustments. However net sales and operating income decreased year-on-year due to continued delays in customer projects in energy-related industries.

As a result, net sales for the Industrial Furnaces and Related Products business decreased by 10.2% year-on-year to 5,125 million yen, while operating income decreased by 10.9% year-on-year to 1,125 million yen.

Other Operations

Friction Materials

Net sales for the construction machinery and electromagnetic equipment market decreased year-on-year due to a decline in demand from China. Net sales in the motorcycle market also decreased year-on-year as a reaction to the extra demand following COVID-19.

As a result, net sales of friction materials decreased by 14.6% year-on-year to 4,150 million yen.

Anode Materials

Sales volume increased year-on-year due to a recovery in sales of ESS (Energy Storage Systems) products using the Company's materials.

As a result, net sales of anode materials increased by 57.0% year-on-year to 1,113 million yen.

Others

Net sales from real estate leasing and other business decreased by 2.2% year-on-year to 64 million yen.

As a result, net sales in Other Operations, decreased by 5.4% year-on-year to 5,329 million yen, while operating income decreased by 30.9% year-on-year to 439 million yen.

Total assets at the end of the second quarter under review (June 30, 2024) increased by 55,043 million yen from the end of previous fiscal year to 695,049 million yen due to an increase in tangible fixed assets. Liabilities increased by 13,840 million yen from the end of previous fiscal year to 293,742 million yen due to an increase in interest-bearing liabilities such as borrowings. Net assets increased by 41,203 million yen from the end of previous fiscal year to 401,306 million yen due to an increase in foreign currency translation adjustments.

As a result, the Group's equity ratio was 52.5%, an increase of 1.8 points from the end of previous fiscal year.

(2) Cash Flows

Cash and cash equivalents for the first six months of the fiscal year under review decreased by 1,698 million yen from the end of the previous fiscal year to 54,760 million yen.

The status of each cash flow during the six months ended June 30, 2024, and the factors affecting them are as follows:

(Cash flows from operating activities)

Cash flows from operating activities in the first six months of the fiscal year under review recorded revenue of 15,519 million yen, a decrease of 1,863 million yen year-on-year.

This was mainly due to depreciation and semi-annual net income before income tax.

(Cash flows from investing activities)

Cash flows from investing activities in the first six months of the fiscal year under review recorded an expenditure of 24,032 million yen (an increase in expenditure of 3,171 million yen year-on-year).

This is mainly due to the purchase of tangible fixed assets.

(Cash flows from financing activities)

Cash flows from financing activities in the first six months of the fiscal year under review recorded revenue of 1,158 million yen (compared to an expenditure of 287 million yen in the previous fiscal year).

This was mainly due to proceeds from long-term loans payable and from issuance of bonds.

(3) Accounting estimates and assumptions used in such estimates

There was no material change in the accounting estimates and assumptions used in such estimates stated in the “Management’s analysis of financial position, operating results, and cash flows” of the Securities Report for the previous fiscal year.

(4) Business and financial issues to be addressed

During the first six months of the fiscal year under review, there was no material change in the Group’s issues to be addressed stated in the Securities Report for the previous fiscal year.

(5) Research and development

The group-wide research and development activities for the first six months of the fiscal year under review costed 2,130 million yen.

During the first six months of the fiscal year under review, there was no material change in the Group research and development activities.

(6) Management policy, management strategy, etc.

During the first six months of the fiscal year under review, there was no material change in the Group management policy, management strategy, etc.

3 Important Management Contracts, etc.

Not applicable

Section 3 Status of the Submitting Company

1 Status of Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Type	Total number of shares authorized to be issued (Shares)
Common shares	598,764,000
Total	598,764,000

Note: The Company's articles of incorporation stipulate that the total number of shares authorized to be issued is 598,764,000 shares.

2) Shares issued

Type	Number of shares issued as of end of the second quarter (Shares) (As of June 30, 2024)	Number of shares issued as of date of submission (Shares) (As of August 9, 2024)	Name of listed financial instruments exchange or registered authorized financial instruments exchange association	Details
Common shares	224,943,104	224,943,104	Tokyo Stock Exchange Prime Market	Share unit: 100 shares
Total	224,943,104	224,943,104	-	-

(2) Status of stock warrants

1) Stock option system

Not applicable

2) Status of other stock warrants, etc.

Not applicable

(3) Status of exercise, etc. of moving strike warrants

Not applicable

(4) Change in total number of shares issued and capital, etc.

Period	Increase (decrease) in total number of shares issued (Shares)	Total number of shares issued (Shares)	Increase (decrease) in capital (Million yen)	Capital (Million yen)	Increase (decrease) in capital reserve (Million yen)	Capital reserve (Million yen)
January 1, 2024 - June 30, 2024	-	224,943,104	-	20,436	-	17,502

(5) Major shareholders

(As of June 30, 2024)

Name	Location	Number of shares held (Thousand shares)	Percentage to the total issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	Akasaka Intercity AIR, 1-8-1, Akasaka, Minato-ku, Tokyo	40,184	18.84
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	15,190	7.12
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	5,827	2.73
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	4,609	2.16
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	4,514	2.12
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	3,898	1.83
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	10 RUE DU CHATEAU D'EAU L-3364 LEUDELANGE GRAND DUCHY OF LUXEMBOURG (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	3,816	1.79
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,526	1.18
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4, Otemachi, Chiyoda-ku, Tokyo	2,426	1.13
Meiji Yasuda Life Insurance Company	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	2,032	0.95
Total	-	85,027	39.87

- Notes: 1. In addition to the above, the Company holds 11,697,000 shares of treasury stock (5.20%).
2. Of the above number of shares held, the number of shares related to the trust services is as follows:

Name	Number of shares held (Thousand shares)
The Master Trust Bank of Japan, Ltd. (trust account)	40,184
Custody Bank of Japan, Ltd. (trust account)	15,190

3. In the Change Report made available for public inspection on July 1, 2024, it is stated that Mitsubishi UFJ Financial Group, Inc. hold the shares indicated below as of June 24, 2024. However, as the Company cannot confirm the actual number of shares held as of June 30, 2024, they are not included in the above "Major shareholders". The details of the Change Report are as follows:

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	5,827	2.59
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,122	3.61
Mitsubishi UFJ Asset Management Co., Ltd.	1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo	3,488	1.55
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	3,285	1.46

4. In the Change Report made available for public inspection on July 4, 2024, it is stated that Sumitomo Mitsui Trust Bank, Limited. and its joint holders hold the shares indicated below as of June 28, 2024. However, as the Company cannot confirm the actual number of shares held as of June 30, 2024, they are not included in the above “Major shareholders”. The details of the Change Report are as follows:

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	5,521	2.45
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	7,632	3.39

(6) Voting rights

1) Shares issued

(As of June 30, 2024)

Category	Number of shares (Shares)	Number of voting rights	Details
Non-voting shares	-	-	-
Shares with limited voting rights (Treasury stock, etc.)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common shares 11,697,900	-	-
Shares with full voting rights (Other)	Common shares 212,990,800	2,129,908	-
Odd-lot shares	Common shares 254,404	-	Shares below unit number (100 shares)
Total number of shares issued	224,943,104	-	-
Total shareholder voting rights	-	2,129,908	-

Note: The 1,000 shares (10 voting rights) held by the Japan Securities Depository Center are included under “Shares with full voting rights (Other).”

2) Treasury stock, etc.

(As of June 30, 2024)

Name of holder	Address of holder	Number of shares held in own name (Shares)	Number of shares held under different names (Shares)	Total number of shares held (Shares)	Ownership ratio based on total number of shares issued (%)
(Treasury stock) Tokai Carbon Co., Ltd.	1-2-3, Kita Aoyama, Minato-ku, Tokyo	11,697,900	-	11,697,900	5.20
Total	-	11,697,900	-	11,697,900	5.20

2 Members of the Board and Audit & Supervisory Board Members

Not applicable

Section 4 Status of Accounting

1. Method of preparation for semi-annual consolidated financial statements

The Company's semi-annual consolidated financial statements are prepared in accordance with the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

The Company's semi-annual consolidated financial statements is type 1 semi-annual consolidated financial statements.

2. Audit certificate

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company has received an interim review from KPMG AZSA LLC in regard to the cumulative second quarter (January 1, 2024 to June 30, 2024).

1 Semi-Annual Consolidated Financial Statements, etc.

(1) Semi-annual consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	First six months of the fiscal year under review (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	77,465	77,390
Notes and accounts receivable	65,530	73,624
Merchandise and finished goods	28,886	31,124
Work in progress	47,431	52,488
Raw materials and supplies	33,014	32,646
Other	11,463	10,051
Allowance for doubtful accounts	(900)	(992)
Total current assets	262,890	276,334
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	37,895	43,977
Machinery, equipment and vehicles, net	107,187	133,063
Land	12,291	12,863
Construction in progress	58,187	57,315
Other, net	8,242	10,214
Total tangible fixed assets	223,804	257,433
Intangible assets		
Goodwill	49,212	49,015
Customer-related assets	52,880	53,241
Other	14,958	15,134
Total intangible assets	117,051	117,391
Investments and other assets		
Investment securities	30,980	38,138
Net defined benefit asset	3,811	3,773
Deferred tax assets	492	775
Other	997	1,224
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	36,258	43,889
Total fixed assets	377,114	418,714
Total assets	640,005	695,049

(Millions of yen)

	Previous fiscal year (As of December 31, 2023)	First six months of the fiscal year under review (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	25,663	21,771
Electronically recorded obligations	3,806	3,490
Short-term loans payable	7,000	6,000
Commercial papers	60,000	48,500
Current portion of long-term loans payable	3,218	8,227
Income taxes payable	3,983	3,740
Contract liability	2,550	3,661
Provision for bonuses	4,432	2,061
Other	26,315	26,670
Total current liabilities	136,971	124,122
Long-term liabilities		
Bonds payable	55,000	65,000
Long-term loans payable	41,424	50,895
Deferred tax liabilities	30,251	34,908
Retirement benefit liability	7,720	8,381
Provision for retirement benefits for directors	101	93
Provision for executive officers' retirement benefits	53	40
Provision for environment and safety measures	461	502
Other	7,918	9,797
Total long-term liabilities	142,930	169,620
Total liabilities	279,902	293,742
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	13,825	10,581
Retained earnings	210,183	210,006
Treasury stock	(7,225)	(7,208)
Total shareholders' equity	237,220	233,816
Accumulated other comprehensive income		
Valuation difference on other securities	15,106	19,696
Deferred gains or losses on hedges	268	127
Foreign currency translation adjustments	69,302	108,328
Cumulative remeasurements of defined benefit plans	2,593	2,785
Total accumulated other comprehensive income	87,271	130,938
Non-controlling interests	35,612	36,552
Total net assets	360,103	401,306
Total liabilities and net assets	640,005	695,049

(2) Semi-annual consolidated statements of income and comprehensive income

Semi-annual consolidated statements of income

(First six-month period)

(Millions of yen)

	First six months of the fiscal year under review (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Net sales	178,428	170,922
Cost of sales	127,880	132,331
Gross profit	50,547	38,591
Selling, general and administrative expenses	*28,808	*30,166
Operating income	21,738	8,424
Non-operating income		
Interest income	625	688
Dividend income	431	520
Share of profit of entities accounted for using equity method	145	362
Foreign exchange gains	2,111	1,824
Other	505	488
Total non-operating income	3,820	3,885
Non-operating expenses		
Interest expenses	717	760
Other	732	1,028
Total non-operating expenses	1,449	1,788
Ordinary income	24,109	10,520
Extraordinary income		
Gain on sales of fixed assets	173	25
Gain on sale of investment securities	24	13
Total extraordinary income	197	39
Extraordinary losses		
Loss on retirement of fixed assets	18	7
Loss on sales of fixed assets	0	1
Total extraordinary losses	19	8
Semi-annual net income before income taxes	24,287	10,551
Income taxes - current	4,696	4,493
Income taxes - deferred	2,004	485
Total income taxes	6,700	4,979
Semi-annual net income	17,586	5,572
Semi-annual net income attributable to non-controlling interests	1,682	1,911
Semi-annual net income attributable to owners of the parent company	15,904	3,661

Semi-annual consolidated statements of comprehensive income

(First six-month period)

(Millions of yen)

	First six months of the fiscal year under review (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Semi-annual net income	17,586	5,572
Other comprehensive income		
Valuation difference on other securities	4,003	4,593
Deferred gains or losses on hedges	54	(140)
Foreign currency translation adjustments	35,258	40,742
Remeasurements of defined benefit plans	8	191
Share of other comprehensive income of associates accounted for using equity method	112	215
Total other comprehensive income	39,437	45,603
Semi-annual comprehensive income	57,024	51,175
(Breakdown)		
Semi-annual comprehensive income attributable to owners of the parent company	53,992	47,328
Semi-annual comprehensive income attributable to non- controlling interests	3,032	3,847

(3) Semi-annual consolidated statements of cash flows

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Cash flows from operating activities		
Semi-annual net income before income taxes	24,287	10,551
Depreciation	13,680	16,917
Loss (gain) on retirement / sales of tangible fixed assets	(154)	(17)
Amortization of goodwill	3,919	4,381
Increase (decrease) in allowance for doubtful accounts	10	6
Increase (decrease) in provision for bonuses	(2,175)	(2,666)
Increase (decrease) in retirement benefit liability	(176)	(150)
Decrease (increase) in retirement benefit asset	43	37
Interest and dividend income	(1,057)	(1,209)
Interest expenses	717	760
Foreign exchange losses (gains)	(1,634)	(949)
Share of (profit) loss of entities accounted for using equity method	(145)	(362)
Decrease (increase) in trade accounts receivable	3,142	(3,545)
Decrease (increase) in inventories	(7,904)	1,333
Increase (decrease) in trade payables	(9,437)	(6,140)
Other	(342)	(312)
Subtotal	22,773	18,635
Interest and dividends received	1,057	1,210
Interest paid	(719)	(735)
Income taxes paid	(5,852)	(4,102)
Other	125	511
Cash flows from operating activities	17,383	15,519
Cash flows from investing activities		
Payments into time deposits	(4,276)	(6,583)
Proceeds from withdrawal of time deposits	7,718	6,096
Purchase of tangible fixed assets	(23,459)	(26,404)
Proceeds from sales of tangible fixed assets	240	3,388
Purchase of intangible fixed assets	(1,105)	(556)
Other	21	26
Cash flows from investing activities	(20,861)	(24,032)

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,000	(1,000)
Net increase (decrease) in commercial papers	-	(11,500)
Proceeds from long-term loans payable	10,000	16,000
Repayments of long-term loans payable	(9,304)	(1,584)
Proceeds from issuance of bonds	-	10,000
Dividends paid	(3,197)	(3,837)
Dividends paid to non-controlling interests	(1,190)	(824)
Payments for acquisition of shares of subsidiaries without change in scope of consolidation	-	(5,339)
Other	(595)	(755)
Cash flows from financing activities	(287)	1,158
Effect of exchange rate change on cash and cash equivalents	5,640	5,656
Net increase (decrease) in cash and cash equivalents	1,874	(1,698)
Cash and cash equivalents at beginning of the period	49,377	56,459
Cash and cash equivalents at end of the period	* 51,251	* 54,760

Notes to Semi-Annual Consolidated Financial Statements

(Notes to semi-annual consolidated statements of income)

* Major items included in selling, general and administrative expenses and their amounts are as follows:

	First six months of the previous fiscal year (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Warehousing and shipping expenses	6,670 million yen	6,406 million yen
Salaries and allowances	5,157	5,438
Additions to provision for bonuses	743	580
Retirement benefit expenses	53	52

(Notes to semi-annual consolidated statements of cash flows)

* Relationship between the balance of cash and cash equivalents at end of the period and the amounts listed on consolidated balance sheets

	First six months of the previous fiscal year (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Cash and deposits	70,072 million yen	77,390 million yen
Time deposits with original maturities of more than three months	(18,820)	(22,629)
Cash and cash equivalents	51,251	54,760

(Notes to shareholders' equity, etc.)

I First six months previous fiscal year (From January 1 to June 30 2023)

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
March 30, 2023 Annual general meeting of shareholders	Common shares	3,197	15.0	December 31, 2022	March 31, 2023	Retained earnings

(2) Dividends for which the record date falls within the first six months of the previous fiscal year but for which the effective date is after the end of said period.

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
August 8, 2023 Board of Directors' meeting	Common shares	3,837	18.0	June 30, 2023	September 1, 2023	Retained earnings

II First six months of the fiscal year under review (From January 1 to June 30, 2024)

(1) Amount of dividends paid

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
March 28, 2024 Annual general meeting of shareholders	Common shares	3,837	18.0	December 31, 2023	March 29, 2024	Retained earnings

(2) Dividends for which the record date falls within the first six months of the fiscal year under review but for which the effective date is after the end of said period.

Resolution	Type of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
August 8, 2024 Board of Directors' meeting	Common shares	3,198	15.0	June 30, 2024	September 2, 2024	Retained earnings

(3) Significant changes in shareholders' equity

The Company acquired additional shares in the consolidated subsidiary, Tokai Carbon Korea Co., Ltd. as of April 23, 2024. As a result, in the first six months of the fiscal year under review, capital surplus decreased by 3,270 million yen to 10,581 million yen at the end of the first six months of the fiscal year under review.

(Segment information)

Segment information

I First six months of the previous fiscal year (January 1 to June 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 semi-annual 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	73,831	21,373	41,473	30,407	5,707	172,792	5,635	178,428	-	178,428
Inter-segment sales/transfers	13	41	200	169	99	524	-	524	(524)	-
Total	73,844	21,414	41,674	30,577	5,807	173,317	5,635	178,952	(524)	178,428
Segment income (loss)	10,773	5,041	1,392	3,164	1,263	21,635	635	22,271	(533)	21,738

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 533-million-yen negative adjustment in segment income includes company-wide expenses of 654 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 Semi-Annual Consolidated Statements of Income.

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

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 semi-annual 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	79,585	26,459	30,030	24,392	5,125	165,593	5,329	170,922	-	170,922
Inter-segment sales/transfers	14	150	160	121	115	561	-	561	(561)	-
Total	79,599	26,609	30,190	24,513	5,241	166,154	5,329	171,484	(561)	170,922
Segment income (loss)	10,887	6,602	(7,555)	(2,423)	1,125	8,635	439	9,074	(650)	8,424

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 650-million-yen negative adjustment in segment income includes company-wide expenses of 756 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 Semi-Annual Consolidated Statements of Income.

(Business Combination etc.)

Common control transactions, etc.

Additional acquisition of shares of consolidated subsidiary

(1) Outline of transaction

(i) Name and business of the company involved in the combination

Company involved in the combination

Tokai Carbon Korea Co., Ltd. (consolidated subsidiary of the Company)

Description of business

Manufacturing and sale of carbon graphite products and CVD-SiC coated products

(ii) Date of business combination

April 23, 2024

(iii) Legal form of business combination

Acquisition of shares from non-controlling interests

(iv) Name of the Company after business combination

There is no change.

(v) Other information related to the outline of transaction

In order to stabilize the management of Tokai Carbon Korea Co., Ltd. and enhance the corporate value of the Tokai Carbon Group, the Company acquired additional 350,000 shares of Tokai Carbon Korea Co., Ltd. from KC Co., Ltd., the second largest shareholder after the Company.

(2) Implemented accounting method

Based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company accounts for this transaction as a transaction with non-controlling interests under common control.

(3) Matters set forth in the case of additional acquisition of shares of subsidiaries

Breakdown by acquisition cost of the acquired company and type of consideration

Consideration for acquisition	Cash	5,199 million yen
Acquisition cost		5,199 million yen

(4) Matters related to change in ownership interest of the Company due to the transaction with non-controlling interests

(i) Major fluctuation factors in capital surplus

Additional acquisition of shares of a subsidiary

(ii) Decrease in capital surplus due to the transaction with non-controlling interests

3,270 million yen

(Revenue recognition)

Breakdown of revenue from customer contracts

First six months of the previous fiscal year (From January 1 to June 30, 2023)

(Millions of yen)

	Reportable segment						Other Operations (Note)	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Subtotal		
Japan	20,367	3,091	-	3,873	2,724	30,056	4,847	34,903
Asia	15,443	11,702	6,889	701	2,672	37,410	406	37,817
North America	35,787	4,505	5,262	17,835	190	63,581	-	63,581
Europe	1,521	1,994	7,897	7,812	77	19,304	337	19,641
Middle East and other regions	710	79	21,424	184	41	22,440	44	22,484
External sales	73,831	21,373	41,473	30,407	5,707	172,792	5,635	178,428

Note: 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.

First six months of the fiscal year under review (From January 1 to June 30, 2024)

(Millions of yen)

	Reportable segment						Other Operations (Note)	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Subtotal		
Japan	20,936	4,349	-	3,215	2,756	31,258	4,534	35,793
Asia	15,903	12,585	8,885	497	2,222	40,094	451	40,546
North America	40,050	6,929	4,360	14,134	8	65,483	-	65,483
Europe	1,844	2,538	7,154	5,948	81	17,566	314	17,881
Middle East and other regions	850	55	9,629	595	57	11,189	28	11,217
External sales	79,585	26,459	30,030	24,392	5,125	165,593	5,329	170,922

Note: 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.

(Per share information)

The semi-annual net income per share and basis for calculation are as follows.

	First six months of the previous fiscal year (January 1 to June 30, 2023)	First six months of the fiscal year under review (January 1 to June 30, 2024)
Semi-annual net income per share	74.60 yen	17.17 yen
(Basis for Calculation)		
Semi-annual net income attributable to owners of the parent company (million yen)	15,904	3,661
Amount not attributable to common shareholders (million yen)	-	-
Semi-annual net income attributable to owners of the parent company related to common shares (million yen)	15,904	3,661
Average number of common shares during period (thousands of shares)	213,204	213,228

Note: Semi-annual diluted net income per share is not shown because there were no dilutive shares.

(Significant Subsequent Events)

(Restructuring of graphite electrode production system)

At the extraordinary Board of Directors' meeting held on July 16, 2024, as part of the Graphite Electrode segment's structural reforms, the Company resolved to reduce graphite electrode production capacity in Japan and Europe from 56,000 tons per year to 32,000 tons per year by July 2025, and to concentrate Japan graphite electrode production in the Hofu Plant (Hofu-shi, Yamaguchi) and end production in the Shiga Plant (Omihachiman-shi, Shiga) by the end of July 2025.

We are currently examining the impact of this matter on our consolidated results.

2 Other Information

At the Board of Directors' meeting held on August 8, 2024, the Company made a resolution to pay interim dividends for fiscal 2024 to shareholders listed or recorded in the final register of shareholders as of June 30, 2024, as follows:

- (i) Total amount of interim dividends: 3,198 million yen
- (ii) Dividend per share: 15.00 yen
- (iii) Effective date of the right to claim payment and commencement date of payment: September 2, 2024

Part 2 Information on Submitting Company's Surety Company, etc.

Not applicable.

Independent Auditor's Interim Review Report

August 9, 2024

Tokai Carbon Co., Ltd.

To: The Board of Directors

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ryoichi Isashi
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takeshi Nakatani
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Auditor's Conclusion

We have conducted an interim review of the semi-annual consolidated financial statements of Tokai Carbon Co., Ltd. for the cumulative second quarter (January 1 to June 30, 2024) of the fiscal year from January 1, 2024 through December 31, 2024, provided in "Section 4. Status of Accounting" in the Company's Semi-Annual Securities Report; that is, the semi-annual consolidated balance sheets, semi-annual consolidated statements of income, semi-annual consolidated statements of comprehensive income, and related notes thereof, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our interim review, in all material respects, we did not find any matters that lead us to believe that these semi-annual consolidated financial statements do not properly present the financial position of Tokai Carbon Co., Ltd. and its consolidated subsidiaries as of June 30, 2024, as well as their operating results and for the consolidated cumulative second quarter ended on that day, in accordance with the standard for preparation of semi-annual consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We conducted our interim review in accordance with the interim review standards that are generally accepted in Japan. Our responsibility under interim review standards is described in "Auditor's Responsibility for Conducting the Interim Review of Semi-Annual Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with provisions of the Code of Professional Ethics in Japan. We believe that we have obtained evidence to provide a basis for our conclusion.

Responsibilities of Management, Audit & Supervisory Board Members, and Audit & Supervisory Board for Semi-Annual Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these semi-annual consolidated financial statements in accordance with the standard for preparation of semi-annual consolidated financial statements generally accepted in Japan. Responsibilities include those for designing and operating an internal control system as management deems necessary in order to prepare and properly present semi-annual consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing semi-annual consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the same based on the going concern assumption, as well as for disclosing matters concerning a going concern if it is necessary to do so based on the standard for preparation of semi-annual consolidated financial statements generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Conducting the Interim Review of Semi-Annual Consolidated Financial Statements

Our responsibility is to express a conclusion on the semi-annual consolidated financial statements in the interim review report from an independent standpoint and based on our interim review.

We shall, in accordance with interim review standards generally accepted in Japan, make professional judgments throughout the interim review process and, with professional skepticism, shall:

- Ask questions mostly to management, persons responsible for financial and accounting matters, and others, and perform analytical and other interim review procedures. The interim review procedures are more limited than those of the annual audit of financial statements that is performed in accordance with the audit standards generally accepted in Japan.
- Determine, based on the evidence obtained, whether there are matters that lead us to believe that the semi-annual consolidated financial statements are not appropriately presented in accordance with the standard for preparation of semi-annual consolidated financial statements generally accepted in Japan, if significant uncertainties are recognized concerning the events or circumstances that may raise significant doubt about the going concern assumptions. An interim review report shall be required to draw attention to the notes to the semi-annual consolidated financial statements if significant uncertainties are recognized concerning the going concern assumptions, or the expression of a qualified or adverse conclusion on the semi-annual consolidated financial statements shall be required if the notes to significant uncertainties in the semi-annual consolidated financial statements are not appropriate. Our conclusions are based on the evidence obtained up to the date of the interim review report, but future events and circumstances may prevent the company from continuing as a going concern.
- Evaluate the presentation, composition, and content of the semi-annual consolidated financial statements, including the related notes, and whether there are matters that lead us to believe that the semi-annual consolidated financial statements do not appropriately present the transactions and accounting events on which they are based, as well as whether there are matters that lead us to believe that the presentation and notes to the semi-annual consolidated financial statements do not conform to the standard for preparation of semi-annual consolidated financial statements generally accepted in Japan.
- Obtain evidence on the financial information of the Company and its consolidated subsidiaries for the purpose of expressing a conclusion on the semi-annual consolidated financial statements. We are responsible for directing, supervising and implementing the interim review of the semi-annual consolidated financial statements. An Auditor is solely responsible for the conclusion.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned interim review and material findings from the review.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards to remove or mitigate any impediments.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed under the provisions of the Certified Public Accountants Act of Japan.

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- (Notes) 1. The above is a digitized version of the original copy of the interim review report, which is held in the custody of the Company (the company filing this semi-annual securities report).
2. XBRL data is excluded from the scope of audit.