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August 10, 2021

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 [Japanese GAAP]

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 Stock code: 5301 URL: <https://www.tokaicarbon.co.jp/en/>
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Scheduled date for submission of quarterly report: August 13, 2021
 Date for commencement of dividend payments: September 1, 2021
 Supplementary notes to quarterly financial statements: Yes
 Briefing on quarterly financial statements: Yes (Conference call for analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 (January 1 to June 30, 2021)

(1) Consolidated Operating Results

(Percentage figures represent 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	%
Six months ended June 30, 2021	117,380	25.2	10,945	88.1	10,646	106.2	5,708	164.4
Six months ended June 30, 2020	93,738	(32.6)	5,817	(85.6)	5,163	(87.3)	2,158	(91.7)

Note: Comprehensive income: Six months ended June 30, 2021: 23,929 million yen, (-%)
 Six months ended June 30, 2020: (7,037) million yen, (-%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Six months ended June 30, 2021	26.78	-
Six months ended June 30, 2020	10.13	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Capital-to-asset Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	501,609	244,678	43.7
As of December 31, 2020	459,709	224,815	43.8

For reference: Shareholders' capital: As of June 30, 2021: 219,328 million yen
 As of December 31, 2020: 201,267 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, 2020	–	15.00	–	15.00	30.00
Fiscal year ending December 31, 2021	–	15.00			
Fiscal year ending December 31, 2021 (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, 2021 (January 1 to December 31, 2021)

(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	250,900	24.5	23,600	200.3	22,600	260.9	12,000	–	56.29

Notes: Amendment to most recently disclosed earnings forecast: Yes

* 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 principles peculiar 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 June 30, 2021	224,943,104 shares	As of December 31, 2020	224,943,104 shares
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(b) Number of treasury stock at the end of the period

As of June 30, 2021	11,761,735 shares	As of December 31, 2020	11,771,256 shares
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(c) Average number of shares during the period

Six months ended June 30, 2021	213,175,798 shares	Six months ended June 30, 2020	213,160,788 shares
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* Quarterly financial results are not subject to quarterly review 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 Quarterly Account Settlement Supplementary Explanation)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Wednesday, August 11, 2021. The materials for this briefing will be posted on the corporate website on that day.

○ Supplemental Materials

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1. Qualitative Information Related to This Quarter's Settlement

(1) Explanation regarding operating results

During the first six months of 2021 (January 1 to June 30, 2021), the global economy as a whole continued to recover from the decline caused by the spread of the novel coronavirus infection. However, disparities among countries and regions have become apparent, such as the solid recovery in the United States, where the vaccine rollout is progressing well, and the weak recovery in Japan and emerging and developing countries, where the vaccine rollout is lagging relatively behind. Furthermore, in some countries and regions, the spread of the so-called Delta variant and the resumption of economic activities have led to the reemergence of infection, and the situation surrounding the future global economy remains highly uncertain.

Under these circumstances, the Tokai Carbon Group formulated and disclosed its mid-term management plan "T-2023" in May 2021, and has been conducting business activities based on the three basic policies of "returning core businesses to a path of growth," "optimizing the business portfolio," and "strengthening the consolidated governance structure." With regard to our current business performance, demand for steel, automobiles, semiconductors, and aluminum, which are our end-user industries, are generally on a recovery track, and we are focusing on our production and sales activities to ensure that we do not miss these sales opportunities.

As a result, net sales for the first six months of 2021 grew 25.2% year on year to 117,380 million yen. Operating income increased 88.1% year on year to 10,945 million yen. Ordinary income increased 106.2% year on year to 10,646 million yen. Net income attributable to owners of the parent company increased 164.4% year on year to 5,708 million yen.

Results by business segment were as follows:

Graphite Electrodes

Global crude steel production has been recovering steadily. Although demand for graphite electrodes is on the rise and there are signs of a market reversal, prices remain low compared to the same period of the previous year.

As a result, net sales for the Graphite Electrodes business decreased 14.1% year on year to 17,986 million yen, and operating income decreased 91.9% year on year to 123 million yen.

Carbon Black

Although sales volume at the production bases in the United States temporarily declined due to the severe cold wave that hit the southern United States, sales volume at all production bases increased year on year due to the rapid recovery of automobile production in China and the recovery of demand in the tire and auto parts industries worldwide. Operating income also increased year on year due to an improvement in the cost rate as a result of higher capacity utilization and adjustments to selling prices in response to higher raw oil prices.

As a result, net sales for the Carbon Black business increased 41.8% year on year to 46,264 million yen, while operating income was 4,353 million yen (operating loss of 108 million yen in the previous fiscal year).

Fine Carbon

Production and shipments for semiconductor and solar power generation applications remained steady, and those for general industry applications began to recover. Shipments of solid SiC (silicon carbide) products, which are high value-added products, have increased due to robust global demand.

As a result, net sales for the Fine Carbon business rose 20.2% year on year to 18,677 million yen and operating income increased 30.8% year on year to 4,557 million yen.

Smelting and Lining

Although automobile production has recently stalled due to a shortage of semiconductors, it is recovering year on year. Demand for aluminum has remained strong, and its market prices have risen against the background of economic recovery from the COVID-19 pandemic and financial support from various governments. On July 17, 2020, the Company added Tokai Carbon Savoie International SAS (the former Carbone Savoie International SAS), a French carbon and graphite products manufacturer, and its group companies to this segment as consolidated subsidiaries.

As a result, net sales for the Smelting and Lining business increased 69.7% year on year to 21,893 million yen, and operating income after adjustment for amortization related to a valuation difference arising from the allocation of acquisition cost and amortization of goodwill, etc., was 302 million yen (operating loss of 238 million yen in the previous fiscal year).

Industrial Furnaces and Related Products

Net sales of industrial furnaces decreased from the previous fiscal year as sales for energy-related industry applications, which are a major source of demand, concentrate in the second quarter or thereafter. On the other hand, net sales of heating elements and other products increased from the previous fiscal year due to strong demand from the electronic components industry and the Chinese domestic market.

As a result, net sales for the Industrial Furnaces and Related Products business rose 2.3% year on year to 6,539 million yen, and operating income increased 17.7% year on year to 1,953 million yen.

Other Operations

Friction materials

Net sales of friction materials increased 38.7% year on year to 4,404 million yen, because of increasing demand for construction and agricultural machinery, motorcycle, and electromagnetic applications in parallel with the recovery of the global economy.

Anode materials

Sales volume decreased from the previous fiscal year as competition was intensified with rising new players entering the anode materials market.

As a result, net sales of anode materials fell 26.2% year on year to 1,547 million yen.

Others

Net sales from real estate leasing and other businesses fell 5.3% year on year to 67 million yen.

As a result of the foregoing, net sales for Other Operations increased 12.6% year on year to 6,019 million yen, and operating income increased 48.9% year on year to 348 million yen.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	Second quarter of the fiscal year under review (As of June 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	67,174	78,259
Notes and accounts receivable	41,438	47,421
Merchandise and finished goods	14,890	18,710
Work in process	30,638	31,574
Raw materials and supplies	18,269	21,335
Other	5,490	5,571
Allowance for doubtful accounts	(224)	(218)
Total current assets	177,678	202,654
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	25,150	26,207
Machinery, equipment and vehicles, net	59,870	63,973
Land	7,604	7,751
Construction in progress	24,672	32,221
Other, net	7,709	7,834
Total tangible fixed assets	125,007	137,989
Intangible fixed assets		
Goodwill	60,316	59,223
Customer-related assets	62,438	61,473
Other	10,594	10,296
Total intangible fixed assets	133,349	130,993
Investments and other assets		
Investment securities	17,492	21,599
Net defined benefit asset	2,729	2,687
Deferred tax assets	2,611	4,682
Other	890	1,052
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	23,674	29,971
Total fixed assets	282,031	298,954
Total assets	459,709	501,609

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	Second quarter of the fiscal year under review (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	15,500	16,622
Electronically recorded obligations	3,147	4,165
Short-term loans payable	3,065	2,000
Commercial paper	40,000	50,000
Current portion of long-term loans payable	8,813	15,843
Income tax payable	3,094	2,772
Reserve for bonuses	1,754	1,457
Other	17,279	18,069
Total current liabilities	92,656	110,930
Long-term liabilities		
Bonds payable	55,000	65,000
Long-term loans payable	51,764	42,014
Deferred tax liabilities	21,409	24,383
Net defined benefit liability	7,544	7,790
Reserve for directors' retirement benefits	82	83
Reserve for executive officers' retirement benefits	73	53
Provision for environment and safety measures	431	335
Other	5,932	6,338
Total long-term liabilities	142,237	146,000
Total liabilities	234,894	256,930
Net assets		
Shareholder's capital		
Capital stock	20,436	20,436
Capital surplus	17,338	17,350
Retained earnings	166,017	168,529
Treasury stock	(7,248)	(7,243)
Total shareholder's capital	196,543	199,072
Other accumulated comprehensive income		
Net unrealized gains/losses on other securities	7,436	9,422
Deferred gains or losses on hedges	(70)	95
Foreign currency translation adjustments	(3,529)	9,865
Remeasurements of defined benefit plans	887	872
Total accumulated other comprehensive income	4,723	20,255
Non-controlling interests	23,548	25,349
Total net assets	224,815	244,678
Total liabilities and net assets	459,709	501,609

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

First Six-month Period

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2020)	First six months of the fiscal year under review (January 1 to June 30, 2021)
Net sales	93,738	117,380
Cost of sales	67,726	84,004
Gross profit	26,011	33,376
Selling, general and administrative expenses	20,193	22,430
Operating income	5,817	10,945
Non-operating income		
Interest income	96	119
Dividend income	286	275
Equity in income of non-consolidated subsidiaries and affiliates	90	24
Foreign exchange gains	—	336
Other	346	441
Total non-operating income	819	1,197
Non-operating expenses		
Interest expenses	407	553
Foreign exchange losses	166	—
Other	899	942
Total non-operating expenses	1,473	1,496
Ordinary income	5,163	10,646
Extraordinary income		
Gain on sales of fixed assets	29	151
Gain on sales of investment securities	—	47
Total extraordinary income	29	198
Extraordinary loss		
Loss on retirement of fixed assets	—	37
Loss on liquidation of subsidiaries and associates	—	24
Loss on sales of fixed assets	—	0
Loss on valuation of investment securities	117	—
Total extraordinary loss	117	62
Quarterly net income before income taxes	5,074	10,782
Income taxes - current	2,871	3,593
Income taxes - deferred	(1,208)	(497)
Total income taxes	1,663	3,096
Quarterly net income	3,411	7,685
Quarterly net income attributable to non-controlling interests	1,253	1,977
Quarterly net income attributable to owners of the parent company	2,158	5,708

Quarterly Consolidated Statements of Comprehensive Income

First Six-month Period

(Millions of yen)

	First six months of the previous fiscal year (January 1 to June 30, 2020)	First six months of the fiscal year under review (January 1 to June 30, 2021)
Quarterly net income	3,411	7,685
Other comprehensive income		
Net unrealized gains/losses on other securities	(2,297)	1,986
Deferred gains or losses on hedges	(62)	166
Foreign currency translation adjustments	(7,947)	14,011
Remeasurements of defined benefit plans	(188)	(15)
Share of other comprehensive income of entities accounted for using equity method	47	94
Total other comprehensive income	(10,449)	16,243
Quarterly comprehensive income	(7,037)	23,929
(Of which)		
Quarterly comprehensive income attributable to owners of the parent company	(7,272)	21,240
Quarterly comprehensive income attributable to non- controlling interests	235	2,688

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

N/A

(Notes When There Are Notable Fluctuations in Shareholders' Stock Amount)

N/A

(Additional information)

There is no significant change in the assumed information reported in “(Additional information)” in the Securities Report for the previous fiscal year, regarding the effects of COVID-19 infections, including the estimation of the spread and timing of containment.

(Segment Information)

I First six months of the previous fiscal year (January 1 to June 30, 2020)

Information on the amounts of net sales and income (loss) for each 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)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net Sales										
External sales	20,927	32,630	15,544	12,900	6,390	88,394	5,344	93,738	—	93,738
Inter-segment sales or transfers	81	32	64	0	264	444	2	446	(446)	—
Total	21,009	32,663	15,609	12,901	6,654	88,838	5,346	94,185	(446)	93,738
Segment income (loss)	1,522	(108)	3,484	(238)	1,659	6,318	233	6,552	(734)	5,817

- Notes: 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 734-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 707 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 reportable segments.
3. Segment income (loss) is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income

II First six months of the fiscal year under review (January 1 to June 30, 2021)

Information on the amounts of net sales and income for each 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)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net Sales										
External sales	17,986	46,264	18,677	21,893	6,539	111,361	6,019	117,380	—	117,380
Inter-segment sales or transfers	55	42	38	12	245	394	—	394	(394)	—
Total	18,042	46,306	18,716	21,905	6,784	111,756	6,019	117,775	(394)	117,380
Segment income	123	4,353	4,557	302	1,953	11,290	348	11,638	(692)	10,945

- Notes: 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
2. The 692-million-yen negative adjustment in segment income includes company-wide expenses of 656 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 reportable segments.
3. Segment income is adjusted with the operating income reported in the Quarterly Consolidated Financial Statements of Income.