

FY2021  
Earnings Presentation  
2022/2/9



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# I

FY2021

## Financial Summary

- The IMF revised the outlook for the global economic growth rate for 2022 downward from 4.9% in October of last year to 4.4% and revised it upward by 0.2% to 3.8% for 2023. The prevalence of the Omicron strain is predicted to weigh heavily on economic activity in Q1, but its influence after that is expected to ease due to the belief that risk of exacerbated illness is low.
- Amid risk factors furthering the sense of uncertainty concerning the renewed worldwide spread of COVID-19, inflation, supply constraints, and monetary tightening in the U.S., the company's performance saw a substantial YoY increase in both net sales and operating income. All full-year earnings surpassed upwardly revised forecasts, with 103.2% for net sales, 104.4% for operating income, and 109.6% for ordinary income.
- Quarterly net income attributable to owners of the parent company improved significantly from the previously projected ¥9.5b and was recorded at ¥16.1b due to the decrease in transfer loss and tax costs associated with selling the Chinese subsidiary.
- The important EBITDA index measuring earning power on a cash basis was ¥54.5b (+¥19.3b YoY), and the EBITDA margin was 21.1% (+3.6% YoY), a significant improvement from the slump due to the COVID-19 pandemic in the same period of last year.
- By segment, all segments saw an increase in both net sales and operating income. In particular, the carbon black business saw a significant increase in both net sales and operating income on the back of increased sales of repair tires for tire makers despite production adjustments by auto makers. In the fine carbon business and the industrial furnaces and related products business, both net sales and operating income increased as the company captured growth demand in the semiconductor, EV, and 5G related markets. The smelting and lining business also saw an increase in net sales and operating income due to renewed demand for smelting furnaces and blast furnaces.
- The company renewed its credit rating, successfully maintaining an issuer rating of A- (rating direction: stable) and a commercial paper rating of a-1 from Rating & Investment Information (R&I). In June 2021, the company also increased the amount of CP that it may issue (¥40.0b to ¥50.0b) in order to secure liquid funds and issued ¥10.0b in 2nd Unsecured Straight Bonds (five-year bonds, 0.12% interest rate) for the first time in approximately two years.
- Although steady recovery of the global economy is expected in FY2022, caution is needed against developments in infectious disease, including continued variants, and the influence that will have on the economy in Japan and abroad. Caution is also needed regarding foreign economic trends stemming from supply constraints as well as the high uncertainty of the future prospects of fluctuations in resource prices and their influence on the economy and commodity prices.

# Summary of Consolidated Results

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- Net sales ¥258.8b, Operating income ¥24.6b, ROS 9.5%
- Net sales and Operating income increased YoY

(Millions of yen)

	Jan-Dec 2020	Jan-Dec 2021	YoY Change	%Change
Net sales	201,542	258,874	+57,331	+28.4%
Operating income	7,858	24,647	+16,788	+213.6%
Ordinary income	6,262	24,770	+18,507	+295.5%
Net income attributable to owners of the parent company	1,019	16,105	+15,085	+1,479.0%

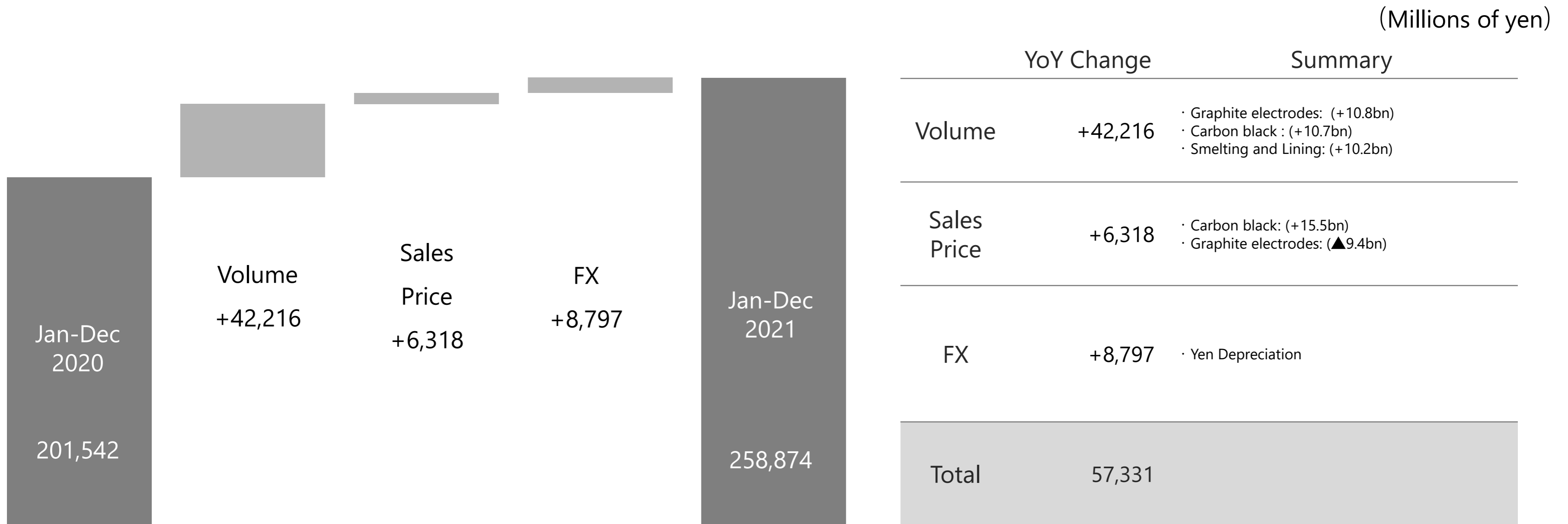
Group companies (As of December 31, 2021)

- Consolidated subsidiaries: 32
- Equity method affiliates: 1

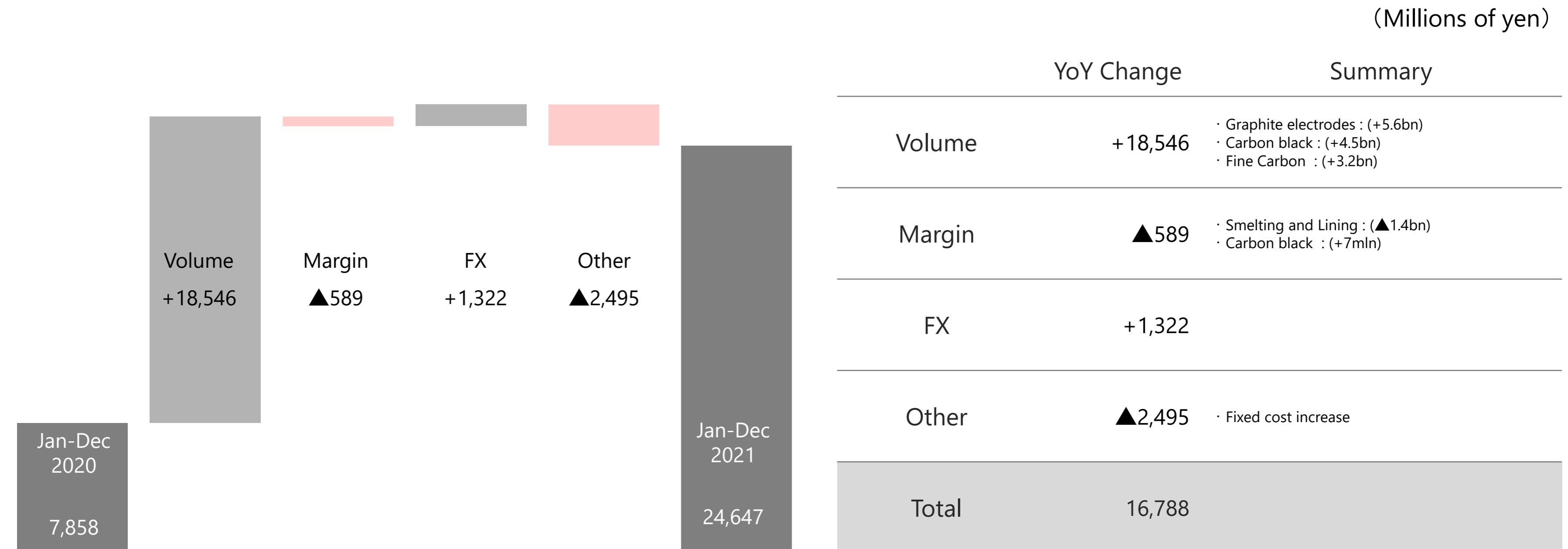
Average exchange rates:

- 2020 USD1= ¥106.82  
EUR1= ¥121.81
- 2021 USD1= ¥109.80  
EUR1= ¥129.89

- Net sales increased 28.4% YoY
- Net sales increased owing to recovery in sales volume in the carbon black business
- Tokai COBEX Savoie began contributing to consolidated results from August 2020



- Operating income increased 213.6% YoY
- Operating income increased on the growth of the semiconductor and EV related markets as well as the core carbon black business



# Net Sales, Operating Income and EBITDA by Segment

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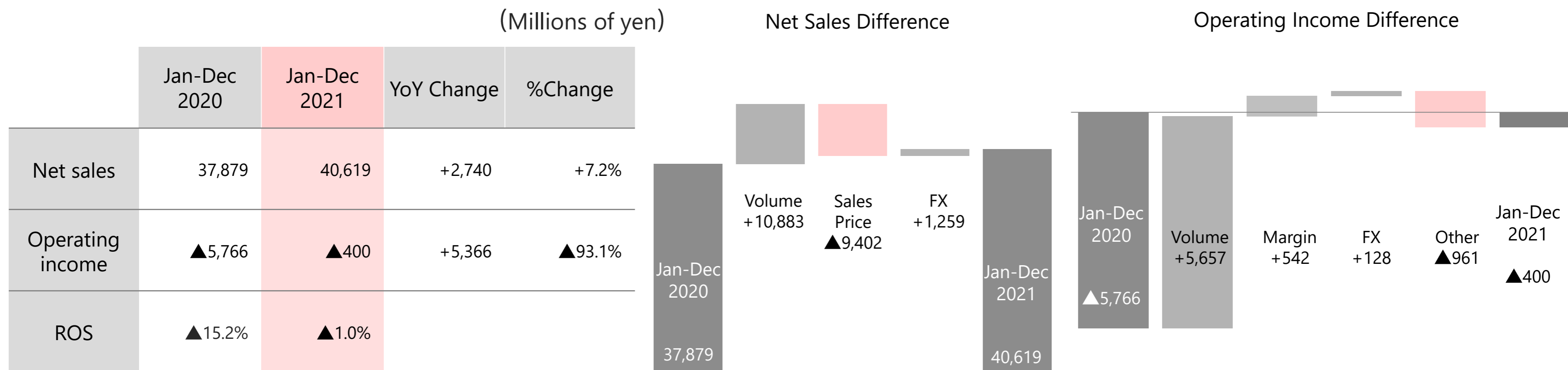
(Millions of yen)

		Net sales			Operating income			EBITDA		
		Jan-Dec 2020	Jan-Dec 2021	YoY Change	Jan-Dec 2020	Jan-Dec 2021	YoY Change	Jan-Dec 2020	Jan-Dec 2021	YoY Change
Graphite electrodes		37,879	40,619	2,740	▲5,766	▲400	5,366	▲2,274	4,162	+6,436
Carbon black		70,754	99,491	28,736	3,192	8,783	5,591	10,171	14,868	+4,697
Fine Carbon		31,775	39,125	7,349	6,647	9,611	2,963	11,802	15,199	+3,397
Smelting and Lining		36,421	49,696	13,275	1,161	1,925	763	11,564	14,097	+2,533
Industrial Furnaces and Related Products		13,873	18,019	4,145	3,765	5,396	1,630	3,997	5,701	+1,704
Other Operations	Friction materials	6,510	8,880	2,369	—	—	—	—	—	—
	Anode materials	4,186	2,907	▲1,278	—	—	—	—	—	—
	Others	141	135	▲5	—	—	—	—	—	—
		10,837	11,922	1,084	298	754	456	832	1,313	+481
Inter segment eliminations		—	—	—	▲1,439	▲1,423	16	▲831	▲824	+7
Total		201,542	258,874	57,331	7,858	24,647	16,788	35,262	54,518	+19,256
Return on sales		—	—	—	3.9%	9.5%	+5.6%	17.5%	21.1%	+3.6%

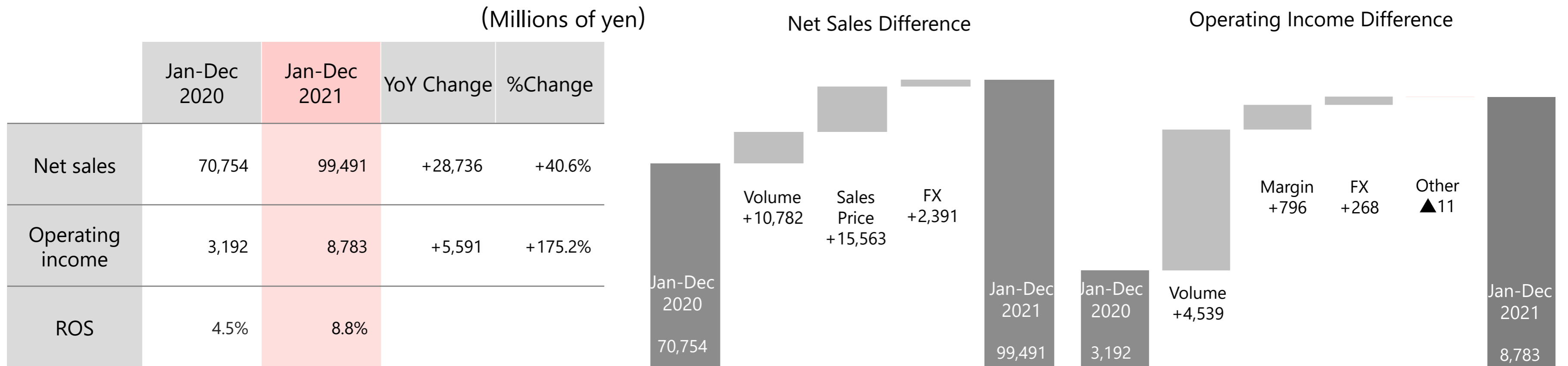
※EBITDA = Operation income + Depreciation + Goodwill amortization ROIC= Operating Profit after Tax ÷ (Working Capital + Fixed Assets)



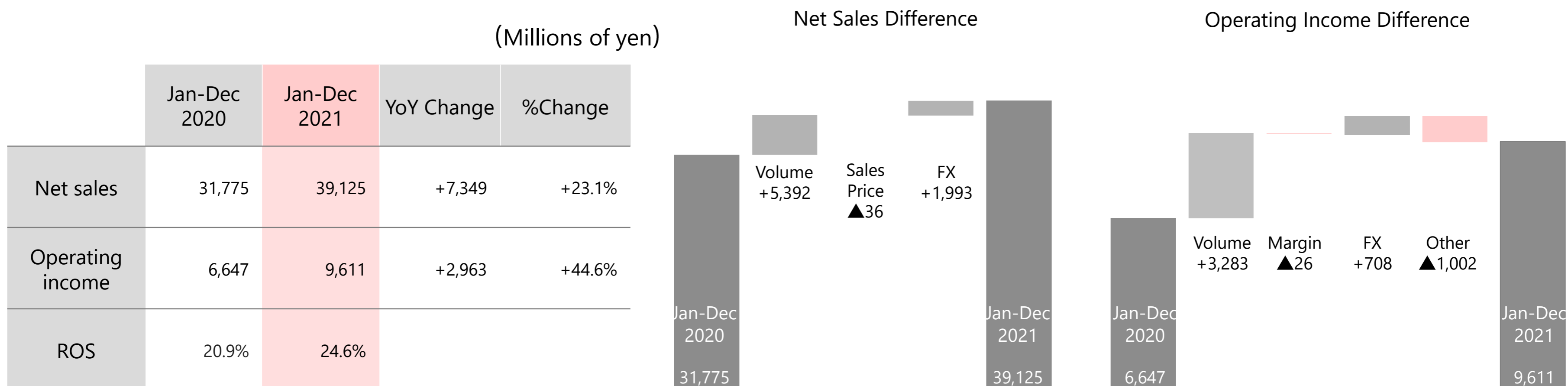
- Inventory leveling and recovery in demand for graphite electrodes progressed due to the recovery of the steel industry, improving the company's sales volume and operating rate each quarter. Although there are signs of a reversal in the market for selling prices, recovery is slow



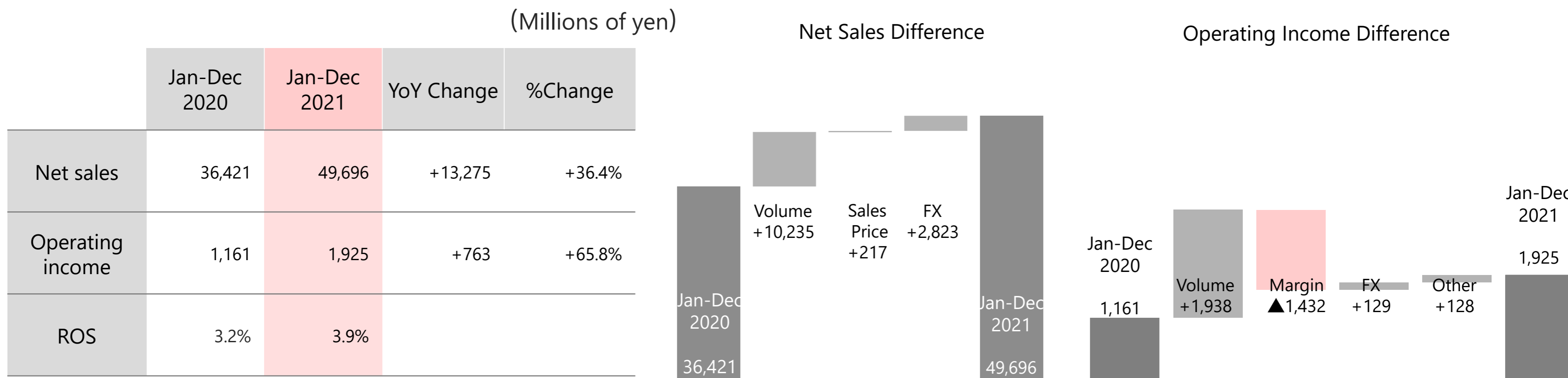
- This business was affected by the cold wave in the southern U.S. in February, but sales volume increased YoY thanks to a rapid recovery in auto production in China, as well as a global recovery in demand in the tire and auto component industries
- Carbon black sales prices were also adjusted higher in accordance with an increase in crude oil prices



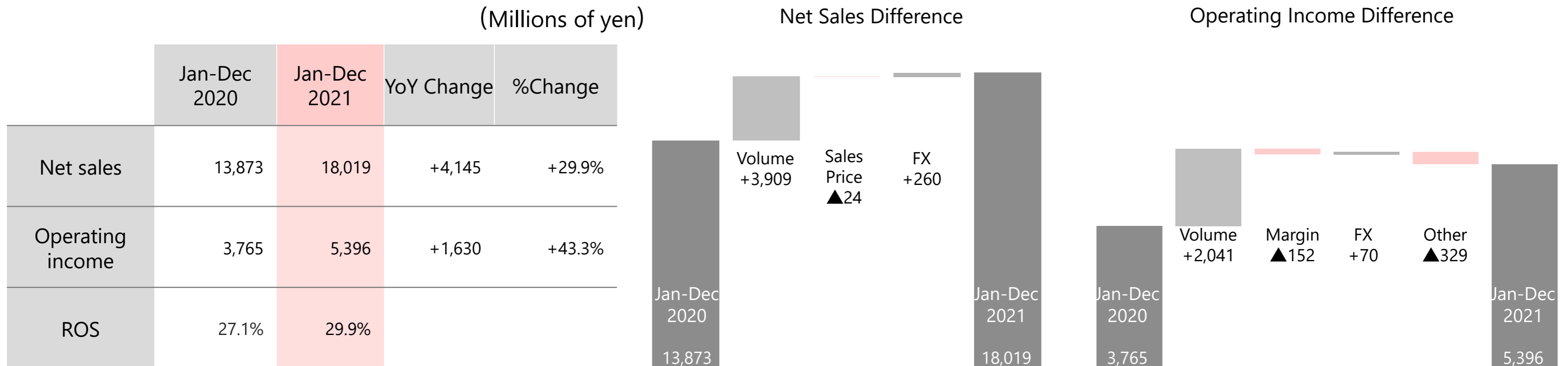
- The semiconductor and solar power generation markets were strong. The general industrial market also trended toward recovery
- Growth continued in solid SiC (Silicon Carbide) focus rings used in the semiconductor production etching process



- Both net sales and operating income increased YoY, helped mainly by continued strong demand for aluminum
- Tokai COBEX's French operations began contributing to consolidated sales from August 2020
- Consolidated adjustments including goodwill amortization for the period was ¥9.9b



- Both industrial furnaces and ceramic heaters performed well due to strong demand from the electronic components industry and energy related industry



- Friction materials: Improved demand for construction and agriculture machinery, motorcycle and electromagnetic applications due to economic recovery in various countries

Net sales ¥8,880 million (+36.4% YoY)

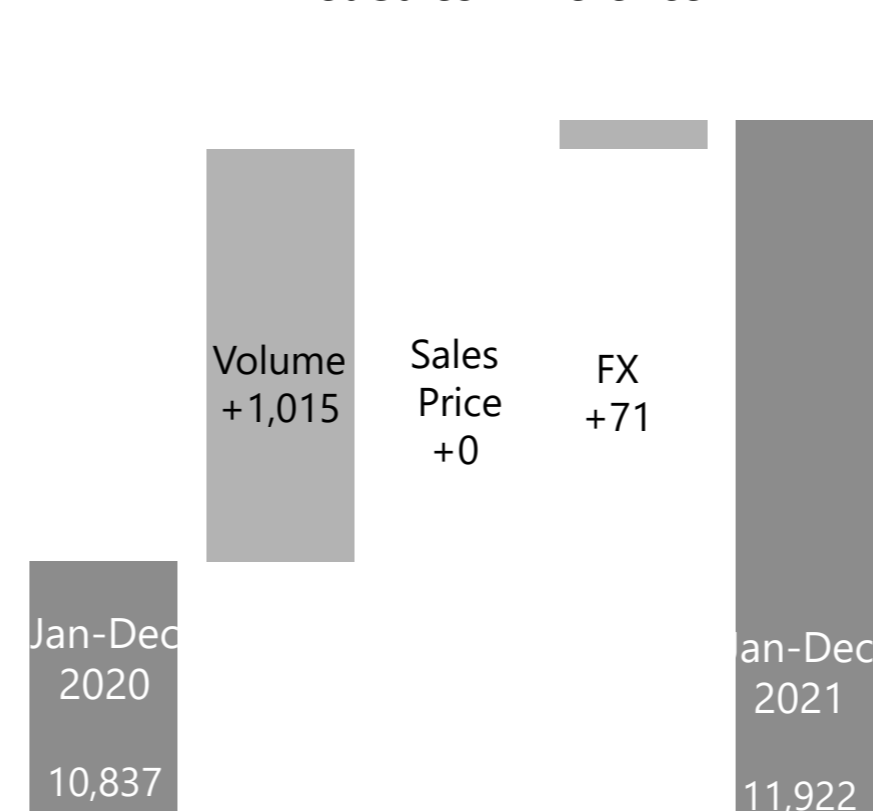
- Anode materials: Lower sales volume YoY due to harsh competition with new entrants

Net sales ¥2,907 million (▲30.6% YoY)

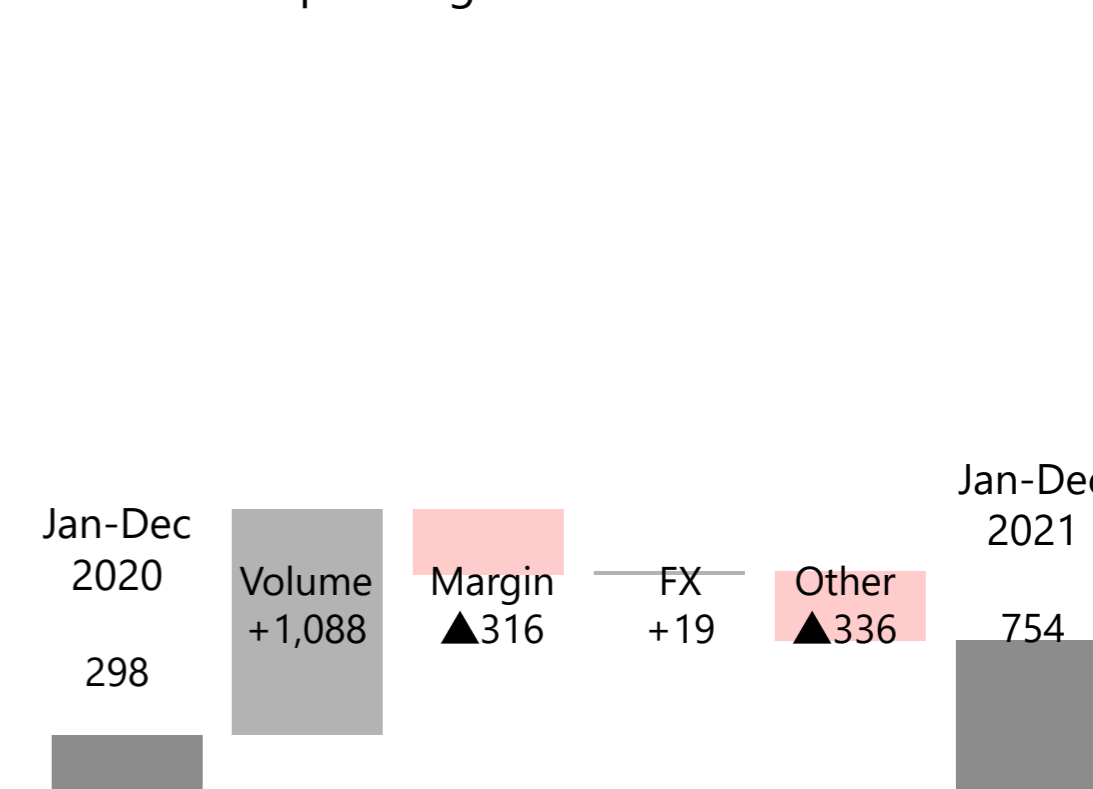
(Millions of yen)

	Jan-Dec 2020	Jan-Dec 2021	YoY Change	%Change
Net sales	10,837	11,922	+1,084	+10.0%
Operating income	298	754	+456	+153.0%
ROS	2.8%	6.3%		

Net Sales Difference



Operating Income Difference



## Major Cash Flow items

(Millions of yen)

	Jan-Dec 2020	Jan-Dec 2021	Summary
Cash flows from operating activities	55,022	38,072	
Net income (loss) before income taxes	6,116	23,354	
Depreciation and amortization	20,890	22,900	
Amortization on goodwill	6,512	6,971	
Decrease (increase) in trade receivable	10,463	▲13,566	} Working capital: ▲10,572 million (Jan-Dec 2020 +27,177 million)
Decrease (increase) in inventories	26,145	▲6,147	
Increase (decrease) in accounts payable-trade	▲9,430	9,142	
Income tax paid	▲5,674	▲4,583	
Cash flows from investing activities	▲44,301	▲35,282	· Free cash flow: 2,790 million (Jan-Dec 2020 +10,720 million)
Purchase of property, plant and equipment	▲26,839	▲28,955	
Acquisition of subsidiary	▲15,229	-	
Cash flows from financing activities	927	1,211	
Net increase (decrease) in short-term Loans payable	▲9,568	▲604	
Bond issuance	20,000	10,000	
Payment of dividends	▲8,313	▲6,395	
Cash and cash equivalents at end of period	57,727	64,435	

Working capital = Trade receivables + Inventories – accounts payable-trade

## Major Balance Sheet Items

(Millions of yen)

	December 31, 2020	December 31, 2021	Summary
Total assets	459,709	512,503	
Net income (loss) before income taxes	177,678	215,149	
Cash and cash equivalents	67,174	78,858	
Notes and accounts receivable	41,438	56,668	· Cash/monthly sales: 3.7 times (End of FY2020: 4.0 times)
Inventory	63,799	72,479	· Inventory: (+¥8,679 million from End of FY2020)
Fixed assets	282,031	297,353	· Tangible fixed assets: (+¥19,157 million from the end of FY2020)
Tangible fixed asset	125,007	144,165	· Intangible fixed assets: (▲¥10,000 million from the end of FY 2020)
Intangible fixed assets	133,349	123,349	
Investments and other assets	23,674	29,838	
Total liabilities	234,894	255,932	
Current liabilities	92,656	130,418	· Net interest bearing debt: ¥89,393 million (▲¥2076 million from End of FY2020)
Long term liabilities	142,237	125,514	· Direct funding ratio:68.4% (End of FY2020: 59.9%), Long term debt ratio: 55.6 % (End of FY2020: 67.3%)
			· Issued 2nd Series of Unsecured Straight Bond of ¥10 billion (5-year bonds · Coupon Rate 0.12%)
			· Short term credit line:¥62 billion ¥2.0 billion executed
			· Liquidation of receivables and CP issuance limit ¥68 billion ( +¥10 billion from End of FY2020) : 50 billion executed ( +¥10 billion from End of FY2020)
Total net assets	224,815	256,570	
Shareholder's capital	196,543	206,269	· Capital to asset ratio: 44.7% (End of FY2020 43.8%)
Other accumulated Comprehensive income	4,723	22,940	· Adjusted Capital to asset ratio* :51,6% (End of FY2020: 51.4%)
Non controlling interests	23,548	27,360	· Net D/E ratio: 0.4 times (End of FY2020: 0.5 times)
			· Adjusted Net D/E ratio: 0.2 times (End of FY2020: 0.2 times)
Total liabilities and net assets	459,709	512,503	

※Adjusted capital-to-asset ratio is the ratio that takes into account the equity qualifications of rating agencies in hybrid finance



# II

FY2022

## Earnings Forecast

# Consolidated Earnings Forecast FY2022

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- Assuming a slow recovery of the global economy, the top line is projected to recover to the ¥300.0b level with ROS at the 10% level. The EBITDA margin is forecast to continue to maintain a 20% level
- However, there are also risk factors such as the spread of infection of the Omicron variant and prolongation of turmoil in supply chains, and a certain amount of change in the business environment is also factored in

( Millions of yen )

	FY2021 Results			FY2022 Forecast			YoY Change	% Change
	1H	2H	Full year	1H	2H	Full year		
Net sales	117,380	141,494	258,874	149,000	156,000	305,000	+46,126	+17.8%
Operating income	10,945	13,701	24,647	17,000	18,000	35,000	+10,353	+42.0%
Ordinary income	10,646	14,123	24,770	16,000	18,000	34,000	+9,230	+37.3%
Net income attributable to owners of the parent company	5,708	10,396	16,105	10,000	10,000	20,000	+3,895	+24.2%
EBITDA	25,414	29,104	54,518	32,500	33,500	66,000	+11,482	+21.1%
EBITDA margin	21.7%	20.6%	21.1%	21.8%	21.5%	21.6%	—	—
ROS	9.3%	9.7%	9.5%	11.4%	11.5%	11.5%	—	—
ROIC	—	—	4.8%	—	—	6.5%	—	—
ROE	—	—	7.5%	—	—	8.4%	—	—

\* Earnings Forecast FY2022 : Average exchange rates: (Full year) USD1=¥110 , EUR1=¥130

# Consolidated Earnings Forecast FY2022 by Segment

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(Millions of yen)

	FY2021 Results			FY2022 Forecast			YoY Change	%Change	
	1H	2H	Full year	1H	2H	Full year			
Net sales	117,380	141,494	258,874	149,000	156,000	305,000	+46,126	+17.8%	
Graphite electrodes	17,986	22,633	40,619	30,000	35,000	65,000	+24,381	+60.0%	
Carbon black	46,264	53,226	99,491	57,000	57,000	114,000	+14,509	+14.6%	
Fine Carbon	18,677	20,447	39,125	20,000	21,000	41,000	+1,875	+4.8%	
Smelting and Lining	21,893	27,803	49,696	26,000	27,000	53,000	+3,304	+6.6%	
Industrial Furnaces and Related Products	6,539	11,480	18,019	10,000	10,000	20,000	+1,981	+11.0%	
Other Operations	Friction materials	4,404	4,476	8,880	5,000	4,000	9,000	+120	+1.4%
	Anode materials	1,547	1,359	2,907	1,000	2,000	3,000	+93	+3.2%
	Others	67	67	135	0	0	0	-	-
Total Others	6,019	5,903	11,922	6,000	6,000	12,000	+78	+0.7%	
Operating income	10,945	13,701	24,647	17,000	18,000	35,000	+10,353	+42.0%	
Graphite electrodes	123	▲523	▲400	3,000	6,000	9,000	+9,400	-	
Carbon black	4,353	4,429	8,783	6,000	5,000	11,000	+2,217	+25.2%	
Fine Carbon	4,557	5,053	9,611	5,000	5,000	10,000	+389	+4.0%	
Smelting and Lining	302	1,623	1,925	0	0	0	-	-	
Industrial Furnaces and Related Products	1,953	3,443	5,396	3,000	3,000	6,000	+604	+11.2%	
Other Operations	348	406	754	1,000	0	1,000	+246	+32.6%	
Inter-segment eliminations	▲692	▲730	▲1,423	▲1,000	▲1,000	▲2,000	-	-	

# Reference Material

# Net Sales of Main Subsidiaries

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(Millions of yen)

Subsidiary	Jan-Dec 2020	Jan-Dec 2021	YoY Change	Location /Business	Note
Tokai Erftcarbon	12,191	12,217	+25	Germany Graphite Electrodes	
Tokai Carbon GE	13,514	18,819	+5,304	U.S. Graphite Electrodes	• Contributing to consolidated results from November 2017
Thai Tokai Carbon Product	12,195	18,351	+6,156	Thailand Carbon Black	
Tokai Carbon Tianjin	3,737	4,652	+915	China Carbon Black	
Tokai Carbon CB	31,083	42,831	+11,748	U.S. Carbon Black	• Contributing to consolidated results from September 2018
Cancarb	5,730	8,505	+2,775	Canada Carbon Black	
Tokai Carbon Korea	20,698	26,020	+5,322	Korea Fine Carbon	• Contributing to consolidated results from June 2018
Tokai COBEX	32,214	38,382	+6,168	Germany Smelting and Lining	• Contributing to consolidated results from August 2019

(Millions of yen)

	2018	2019	2020	2021	2022 (f)
Net sales	231,302	262,028	201,542	258,874	305,000
Operating income	73,065	54,344	7,858	24,647	35,000
ROS (%)	31.6%	20.7%	3.9%	9.5%	11.5%
EBITDA	85,374	77,053	35,262	54,518	66,000
EBITDA margin (%)	36.9%	29.4%	17.5%	21.1%	21.6%
Net income Attributable to Owners of the Parent Company	73,393	31,994	1,019	16,105	20,000
ROE (%)	46.8%	16.0%	0.5%	7.5%	8.4%
ROIC (%)	29.6%	13.1%	1.6%	4.8%	6.5%
Capital Investment	11,794	24,341	28,873	30,347	38,000
Depreciation and Amortization	10,390	18,503	20,890	22,900	24,000
R&D Expenses	1,883	2,460	2,682	2,823	3,000
Interest bearing liabilities	49,710	148,030	158,643	168,249	-
Net D/E ratio	0.0	0.5	0.5	0.4	-
Adjusted Net D/E ratio	0.0	0.3	0.2	0.2	-
Number of Employees	2,944	3,714	4,178	4,289	-
Exchange Rate (JPY/USD)	110.43	109.05	106.82	109.80	110

※EBITDA = Operation income + Depreciation + Goodwill amortization ROIC= Operating Profit after Tax ÷ (Working Capital + Fixed Assets)

# Quarterly Segment Results by Segment

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(Millions of yen)

		2020					2021					
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	
Net sales		52,790	40,948	50,885	56,919	201,542	53,968	63,412	67,714	73,779	258,874	
	Graphite electrodes	11,460	9,467	9,354	7,596	37,879	7,957	10,028	10,412	12,220	40,619	
	Carbon black	21,030	11,600	17,769	20,354	70,754	21,595	24,669	25,997	27,228	99,491	
	Fine Carbon	7,825	7,718	8,038	8,192	31,775	8,826	9,851	9,873	10,574	39,125	
	Smelting and Lining	6,652	6,248	10,307	13,213	36,421	10,766	11,126	13,326	14,477	49,696	
	Industrial Furnaces and Related Products	3,242	3,147	2,817	4,665	13,873	1,982	4,556	4,888	6,592	18,019	
	Other Operations	Friction materials	1,639	1,535	1,440	1,894	6,510	2,134	2,269	2,186	2,289	8,880
		Anode materials	903	1,193	1,121	967	4,186	670	876	997	362	2,907
		Others	35	35	35	34	141	34	33	33	33	135
		Total Others	2,579	2,765	2,597	2,896	10,837	2,839	3,180	3,217	2,686	11,922
Operating income		6,750	▲932	1,610	429	7,858	4,077	6,868	6,724	6,977	24,647	
	Graphite Electrodes	2,131	▲609	▲1,204	▲6,084	▲5,766	▲223	346	▲311	▲211	▲400	
	Carbon Black	1,741	▲1,850	756	2,543	3,192	1,807	2,546	2,331	2,098	8,783	
	Fine Carbon	1,919	1,564	1,520	1,642	6,647	2,146	2,411	2,458	2,594	9,611	
	Smelting and Lining	175	▲414	261	1,139	1,161	42	259	917	705	1,925	
	Industrial Furnaces and Related Products	868	790	658	1,447	3,765	521	1,431	1,406	2,036	5,396	
	Other Operations	242	▲9	▲45	110	298	138	210	255	151	754	
	Inter-segment eliminations	▲330	▲404	▲336	▲368	▲1,439	▲355	▲337	▲334	▲396	▲1,423	

- 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, 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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