

# Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2023 [Japanese GAAP]

May 11, 2023

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 12, 2023  
 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, 2023 (January 1 to March 31, 2023)

(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, 2023	86,530	24.5	11,493	44.8	11,804	40.4	7,964	96.9
Three months ended March 31, 2022	69,512	28.8	7,938	94.7	8,406	110.2	4,044	105.5

Note: Comprehensive income: Three months ended March 31, 2023: 14,415 million yen (-24.9%)  
 Three months ended March 31, 2022: 19,183 million yen (20.7%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Three months ended March 31, 2023	37.36	-
Three months ended March 31, 2022	18.97	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	582,246	312,082	48.1
As of December 31, 2022	576,465	300,868	46.6

For reference: Shareholders' capital: As of March 31, 2023: 279,779 million yen  
 As of December 31, 2022: 268,827 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, 2022	-	15.00	-	15.00	30.00
Fiscal year ending December 31, 2023	-				
Fiscal year ending December 31, 2023 (Forecast)		18.00	-	18.00	36.00

Note: Amendment to most recently disclosed dividend forecast: None

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(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	198,000	26.1	20,000	19.6	20,000	2.8	11,000	18.9	51.60
Full year	410,000	20.5	45,000	10.9	45,000	5.8	26,000	16.0	121.95

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, 2023	224,943,104 shares	As of December 31, 2022	224,943,104 shares
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(b) Number of treasury stock at the end of the period

As of March 31, 2023	11,748,724 shares	As of December 31, 2022	11,748,117 shares
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(c) Average number of shares during the period

Three months ended March 31, 2023	213,194,797 shares	Three months ended March 31, 2022	213,180,330 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 12, 2023. 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, 2023

During the first three months of 2023 (from January 1 to March 31, 2023), while the recovery of the Chinese economy is a positive factor, the outlook for the global economy remains uncertain due to factors such as the prolonged crisis in Ukraine, financial system instability triggered by rapid interest rate hikes in the United States and Europe, and concerns about capital outflows from emerging markets.

Under these circumstances, in February this year, we announced the Group's rolling medium-term management plan "T-2025," which covers the three years from 2023 to 2025. Under the continued three basic policies of "Returning core businesses to a path of growth," "Optimizing the business portfolio (selection and concentration)," and "Establishing a sustainable management base," we aim to achieve net sales of 484 billion yen, operating income of 69 billion yen, ROS of 14%, and EBITDA of 113 billion yen as quantitative targets in 2025. Focusing on our core graphite electrode and carbon black businesses, we are working to ensure reasonable profits by raising sales prices to adjust the increases in raw materials and other costs to sales prices. At the same time, we are steadily improving productivity and expanding production capacity in anticipation of future demand growth. With the aim of achieving carbon neutrality, we are working to reduce CO2 emissions on a consolidated basis, mainly through the Carbon Neutral Committee, which was established in February 2022. At the same time, we are exploring and investigating relevant technologies.

As a result, net sales for the first three months of 2023 increased 24.5% year on year to 86,530 million yen. Operating income increased 44.8% year on year to 11,493 million yen. Ordinary income increased 40.4% year on year to 11,804 million yen. Quarterly net income attributable to owners of the parent company increased 96.9% year on year to 7,964 million yen.

Results by business segment were as follows:

#### Graphite Electrodes

Production and sales in Europe declined due to rising energy costs in response to the global slowdown in the steel industry. On the other hand, shipments of large-diameter electrodes increased mainly in North America. This resulted in higher average selling prices.

As a result, net sales for the Graphite Electrodes business increased 9.1% year on year to 13,486 million yen, and operating income increased 30.1% year on year to 1,637 million yen.

#### Carbon Black

Sales volumes were at the same level as the same period of the previous year, despite inventory adjustments by some tire manufacturers under the impact of shortages of semiconductors and other materials. Sales and profit increased year-on-year due to the partial compensation of the depreciation charges on investments in environmental equipment resulting from price revisions mainly in the United States.

As a result, net sales for the Carbon Black business increased 27.1% year on year to 37,406 million yen, while operating income increased 88.8% year on year to 5,757 million yen.

#### Fine Carbon

In the semiconductor market, some demand for production equipment is slowing due to lower demand for smartphones and PCs as well as the impact of the U.S. policy toward China. On the other hand, demand for SiC (Silicon Carbide) semiconductors and other power semiconductors increased, and sales of graphite and SiC products in this segment remained firm, resulting in increased sales and profit.

As a result, net sales for the Fine Carbon business increased 4.7% year on year to 11,444 million yen, while operating income increased 6.6% year on year to 3,103 million yen.

#### Smelting & Lining

Sales of cathodes for aluminum electrolytic furnaces were strong as smelters in other regions compensated for the shutdown of operations and reduced production in European smelters by the rising energy prices. The raw material and energy costs significantly increased due to the crisis in Ukraine. Against these circumstances, effort for price hikes and other measures were made to maintain profitability..

As a result, net sales for the Smelting and Lining business increased 65.6% year on year to 19,218 million yen, while operating income increased 506.4% year on year to 408 million yen.

#### Industrial Furnaces and Related Products

Sales decreased year-on-year due to a lack of market recovery in the electronic component-related industry, although demand for energy-related products remained firm.

As a result, net sales for the Industrial Furnaces and Related Products business decreased 2.9% year on year to 2,449 million yen, while operating income decreased 29.9% year on year to 534 million yen.

#### Other Operations

##### *Friction materials*

Demand for motorcycles and electromagnetic equipment, which are our main applications, continued to be strong, although there were some negative factors such as a slowdown in the construction equipment market and supply chain disruptions.

As a result, net sales of friction materials increased 7.4% year on year to 2,460 million yen.

##### *Anode materials*

Sales decreased year on year due to sluggish sales of EV and ESS (Energy Storage System) products using the Company's materials.

As a result, net sales of anode materials decreased 91.0% year on year to 29 million yen.

##### *Others*

Net sales from real estate leasing and other business decreased 2.8% year on year to 33 million yen.

As a result, net sales in Other Operations, decreased 5.0% year on year to 2,523 million yen, while operating income increased 49.3% year on year to 301 million yen.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2022)	First quarter of the fiscal year under review (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	70,909	63,425
Notes and accounts receivable	65,197	62,911
Merchandise and finished goods	26,198	28,392
Work in progress	41,584	48,234
Raw materials and supplies	33,548	32,046
Other	9,528	10,750
Allowance for doubtful accounts	(274)	(278)
Total current assets	246,691	245,482
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	30,944	31,024
Machinery, equipment and vehicles, net	90,597	89,465
Land	8,035	8,050
Construction in progress	44,366	52,512
Other, net	8,004	8,280
Total tangible fixed assets	181,948	189,334
Intangible assets		
Goodwill	52,837	51,604
Customer-related assets	55,724	54,673
Other	10,276	10,327
Total intangible assets	118,839	116,605
Investments and other assets		
Investment securities	22,548	24,352
Net defined benefit asset	2,927	2,907
Deferred tax assets	2,210	2,519
Other	1,325	1,069
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	28,986	30,823
Total fixed assets	329,773	336,763
Total assets	576,465	582,246

(Millions of yen)

	Previous fiscal year (As of December 31, 2022)	First quarter of the fiscal year under review (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	28,119	24,308
Electronically recorded obligations	4,153	3,628
Short-term loans payable	10,940	11,084
Commercial papers	60,000	60,000
Current portion of loans payable	9,805	3,120
Income taxes payable	5,673	5,098
Contract liability	2,271	2,863
Provision for bonuses	3,887	1,939
Other	21,845	19,373
Total current liabilities	146,696	131,416
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	35,706	43,785
Deferred tax liabilities	24,171	25,658
Retirement benefit liability	6,567	6,741
Provision for retirement benefits for directors	105	95
Provision for executive officers' retirement benefits	58	51
Provision for environment and safety measures	315	322
Other	6,974	7,091
Total long-term liabilities	128,900	138,747
<b>Total liabilities</b>	<b>275,596</b>	<b>270,163</b>
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	13,811	13,811
Retained earnings	191,750	196,516
Treasury stock	(7,236)	(7,237)
Total shareholders' equity	218,761	223,527
Accumulated other comprehensive income		
Valuation difference on other securities	9,587	10,798
Deferred gains or losses on hedges	274	294
Foreign currency translation adjustments	37,681	42,727
Cumulative remeasurements of defined benefit plans	2,521	2,432
Total accumulated other comprehensive income	50,065	56,252
Non-controlling interests	32,041	32,302
<b>Total net assets</b>	<b>300,868</b>	<b>312,082</b>
<b>Total liabilities and net assets</b>	<b>576,465</b>	<b>582,246</b>



## (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, 2022)	First three months of the fiscal year under review (January 1 to March 31, 2023)
Net sales	69,512	86,530
Cost of sales	49,560	60,844
Gross profit	19,952	25,686
Selling, general and administrative expenses	12,013	14,192
Operating income	7,938	11,493
Non-operating income		
Interest income	96	345
Dividend income	103	101
Share of profit of entities accounted for using equity method	39	56
Foreign exchange gains	705	218
Other	157	267
Total non-operating income	1,103	988
Non-operating expenses		
Interest expenses	268	353
Other	366	323
Total non-operating expenses	635	677
Ordinary income	8,406	11,804
Extraordinary income		
Gain on sales of fixed assets	23	181
Gain on sale of investment securities	-	1
Total extraordinary income	23	182
Extraordinary losses		
Loss on sales of fixed assets	0	9
Loss on retirement of fixed assets	64	0
Loss on sale of equity invested in associates	30	-
Loss on sale of investment securities	0	-
Total extraordinary losses	94	9
Quarterly net income before income taxes	8,335	11,977
Income taxes - current	1,949	2,582
Income taxes - deferred	1,171	546
Total income taxes	3,121	3,128
Quarterly net income	5,214	8,848
Quarterly net income attributable to non-controlling interests	1,170	884
Quarterly net income attributable to owners of the parent company	4,044	7,964

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, 2022)	First three months of the fiscal year under review (January 1 to March 31, 2023)
Quarterly net income	5,214	8,848
Other comprehensive income		
Valuation difference on other securities	356	1,212
Deferred gains or losses on hedges	11	19
Foreign currency translation adjustments	13,663	4,416
Remeasurements of defined benefit plans	(5)	(89)
Share of other comprehensive income of associates accounted for using equity method	(57)	7
Total other comprehensive income	13,968	5,566
Quarterly comprehensive income	19,183	14,415
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent company	16,847	14,151
Quarterly comprehensive income attributable to non- controlling interests	2,335	264

(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, 2022)

## 1. 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)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net sales										
External sales	12,362	29,430	10,935	11,605	2,523	66,856	2,655	69,512	-	69,512
Intersegment sales/transfers	61	13	19	43	83	221	-	221	(221)	-
Total	12,423	29,444	10,954	11,649	2,606	67,078	2,655	69,734	(221)	69,512
Segment income	1,258	3,049	2,912	67	763	8,051	201	8,253	(314)	7,938

- 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 314-million-yen negative adjustment in segment income includes company-wide expenses of 314 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.

## 2. Information on assets by reportable segment

During the first three months of the fiscal year under review, as a result of the transfer of all equity interests of the Tokai Carbon (Tianjin) Co., Ltd. and the exclusion from the scope of consolidation, the amount of assets of reportable segments at the end of the first quarter of the of the fiscal year under review decreased by 5,977 million yen in the Carbon Black segment compared with the end of the previous fiscal year.

## II First three months of the fiscal year under review (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)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnace and Related Products	Subtotal				
Net sales										
External sales	13,486	37,406	11,444	19,218	2,449	84,006	2,523	86,530	-	86,530
Intersegment sales/transfers	72	6	19	72	43	214	-	214	(214)	-
Total	13,558	37,413	11,464	19,291	2,493	84,221	2,523	86,744	(214)	86,530
Segment income	1,637	5,757	3,103	408	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.