

FY2023  
Earnings Presentation  
2024/2/13



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# I

FY2023

## Financial Summary

- In January 2024, the International Monetary Fund (IMF) announced that the global economic growth rate for 2023 was 3.1%. Even though it did not lead to a severe recession, the growing geopolitical risks and the need to control inflation led to a burden, resulting in economic weakness in Europe and other developed countries and regions. The growth rate for 2024 was revised upward to 3.1%, seeing the possibility of a soft-landing due to steady growth despite the measures to control inflation still being taken. While the forecast for the U.S. was raised, the forecast for Europe and Japan was lowered, and the business environment is expected to remain uncertain.
- For FY2023, the performance of graphite electrodes has deteriorated due to bearish steel market conditions and intensifying competition, and fine carbon sales declined as the memory semiconductor market is still recovering. The Company saw strong performance YoY in carbon black, smelting and lining, etc. As for consolidated results, although operating income decreased, net sales increased and ROS (operating profit margin) was secured in double-digits. Net sales and operating income experienced increases compared to the company forecast in November 2023.
- EBITDA, a point of focus in measuring cash-based earning capacity, achieved growth. EBITDA margin was also maintained at over 20%.
- Net income attributable to owners of the parent company secured an increase. The annual dividend will remain at ¥36 per share, which is a 30% payout ratio.
- Free cash flow remained positive due to improved working capital and other factors that served to absorb the increase in capital investment. The Company maintained high financial soundness and liquidity owing to factors such as the net D/E ratio, short and long-term liabilities, and direct/indirect funding structure, securing capacity for investment.
- For the forecast of FY2024, net sales are projected to increase while operating income will decrease due to low sales and price declines for graphite electrodes and smelting and lining. The annual dividend forecast is ¥30 per share.

# Summary of Consolidated Results

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- Consolidated results saw a YoY increase in net sales, a decrease in operating income, and an increase in net income
- Net sales ¥363.9b (+6.9%), operating income ¥38.7b (-4.6%), ROS 10.6% (-1.3% points)
- EBITDA ¥75.9b (+0.5%), EBITDA margin 20.9% (-1.3% points)
- Compared to the forecast in November 2023, achieved higher net sales by ¥900m and operating income by ¥4.7b

(Millions of yen)

	Jan-Dec 2022	Jan-Dec 2023	YoY Change	%Change
Net sales	340,371	363,946	+23,575	+6.9%
Operating income	40,588	38,728	▲1,860	▲4.6%
Ordinary income	42,521	41,607	▲914	▲2.2%
Net income attributable to owners of the parent company	22,418	25,468	+3,050	+13.6%
EBITDA	75,572	75,949	+377	+0.5%

Group companies (As of December 31, 2023)

- Consolidated subsidiaries: 30
- Equity method affiliates: 1

Average exchange rates:

- 2022 USD1= ¥131.43 EUR1= ¥138.04
- 2023 USD1= ¥140.56 EUR1= ¥152.00

# Net Sales, Operating Income and EBITDA by Segment

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- YoY increase in net sales and operating income for carbon black and smelting and lining
- YoY decrease in operating income for graphite electrodes, fine carbon, and industrial furnaces

(Millions of yen)

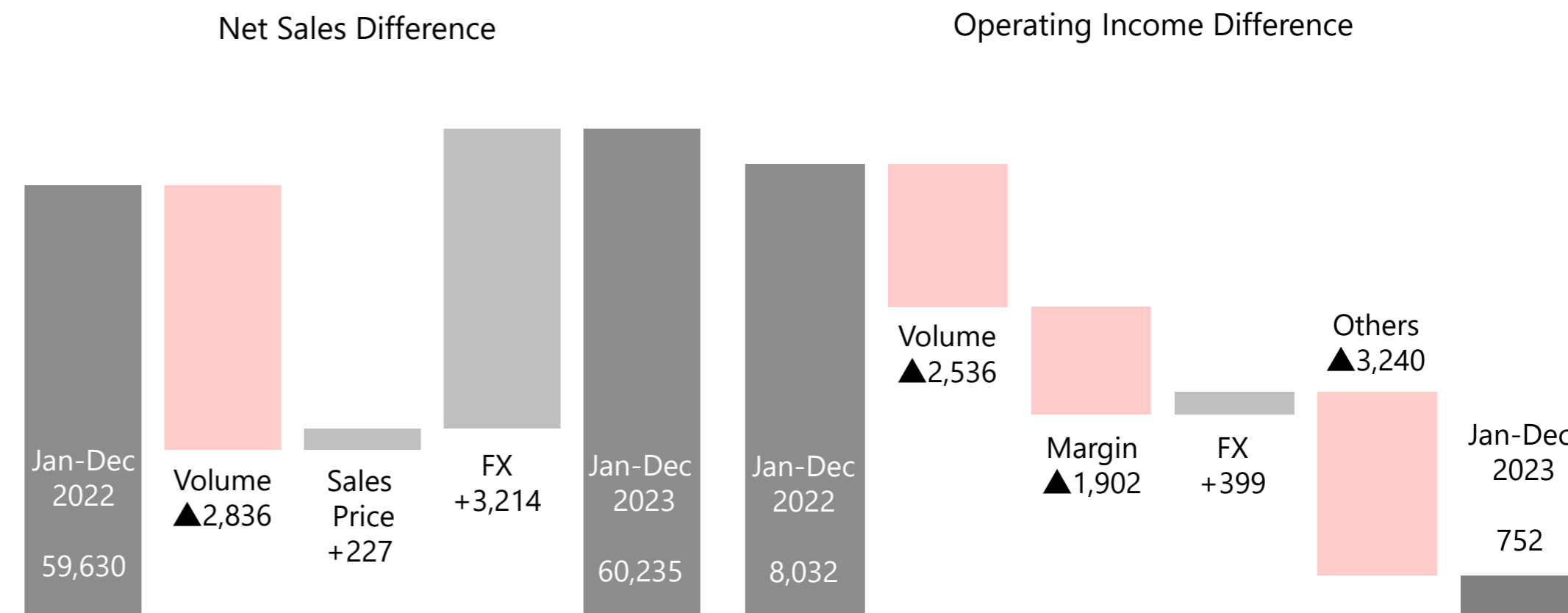
		Net sales			Operating income			EBITDA		
		Jan-Dec 2022	Jan-Dec 2023	YoY Change	Jan-Dec 2022	Jan-Dec 2023	YoY Change	Jan-Dec 2022	Jan-Dec 2023	YoY Change
Graphite Electrodes		59,630	60,235	+605	8,032	752	▲7,280	13,549	6,449	▲7,100
Carbon Black		138,484	148,423	+9,939	12,282	21,303	+9,021	20,491	29,270	+8,779
Fine Carbon		49,393	45,319	▲4,074	14,825	10,617	▲4,208	21,270	17,689	▲3,581
Smelting and Lining		65,203	82,820	+17,617	1,345	2,305	+959	14,829	17,446	+2,617
Industrial Furnaces and Related Products		16,272	15,614	▲657	4,475	3,860	▲614	4,797	4,211	▲586
Other Operation	Friction materials	9,362	8,995	▲367	—	—	—	—	—	—
	Anode materials	1,888	2,404	+516	—	—	—	—	—	—
	Others	136	132	▲3	—	—	—	—	—	—
	Total Others	11,387	11,532	+145	1,108	1,299	+191	1,589	1,783	+194
Inter-segment eliminations		—	—	—	▲1,480	▲1,409	+70	▲954	▲901	+53
Total		340,371	363,946	+23,575	40,588	38,728	▲1,860	75,572	75,949	+377
Return on sales		—	—	—	11.9%	10.6%	▲1.3%pt	22.2%	20.9%	▲1.3%pt

※EBITDA =Operating income + Depreciation + Goodwill amortization

- Sales volumes declined due to sluggish steel production and intensifying competition in Europe alongside import of products from China and India into the Asian market.
- Average sales prices rose due to higher sales of large diameter electrode in North America. However, operating income declined owing to higher energy costs, a decline in operating rates, and valuation loss in inventory recorded in Europe (Q3: ¥1.6b, Q4: ¥1.5b, leading to ¥3.1b for the full year).

(Millions of yen)

	Jan-Dec 2022	Jan-Dec 2023	YoY Change	% Change
Net sales	59,630	60,235	+605	+1.0%
Operating income	8,032	752	▲7,280	▲90.6%
ROS	13.5%	1.2%		

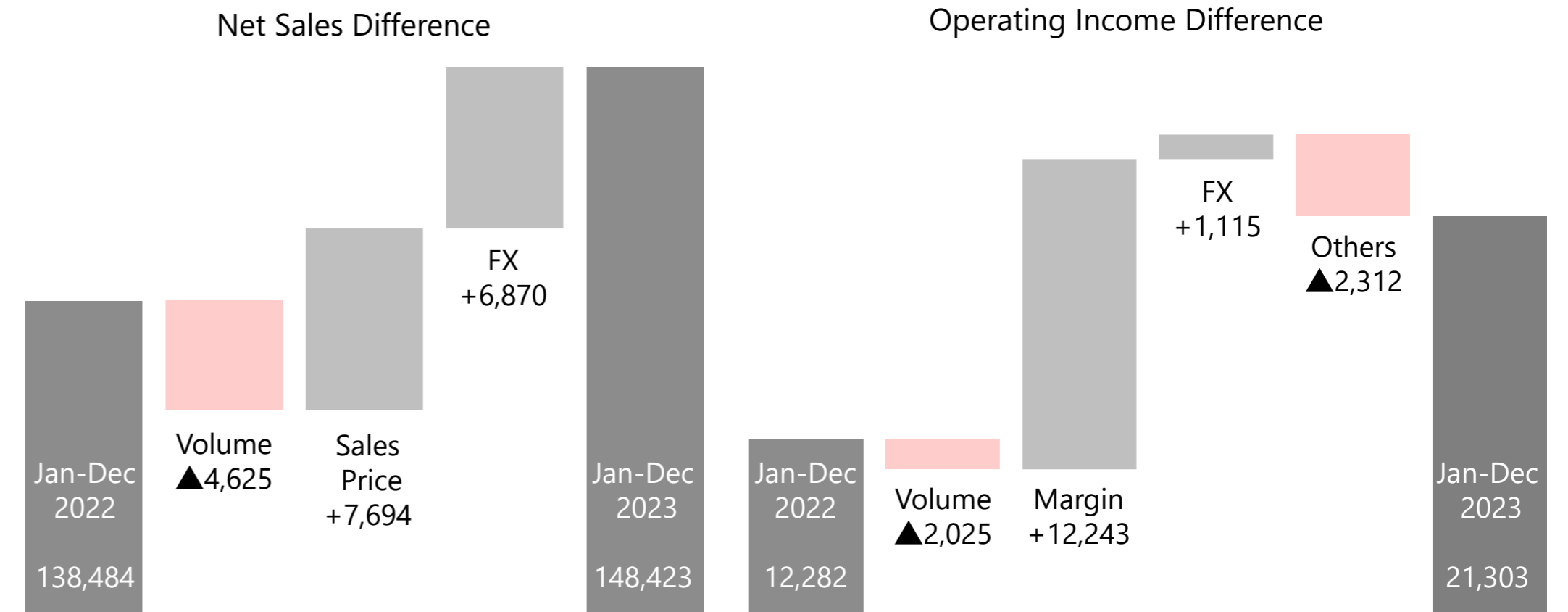




- Despite a recovery in demand for new cars and related products, sales volumes slightly decreased due to a prolonged period of production adjustments for trucks and bus tires, etc., for some customers and bearish demand for non-tire products.
- Net sales and operating income increased due to the selling price hike reflecting the higher environmental investment costs and contributions from higher productivity.

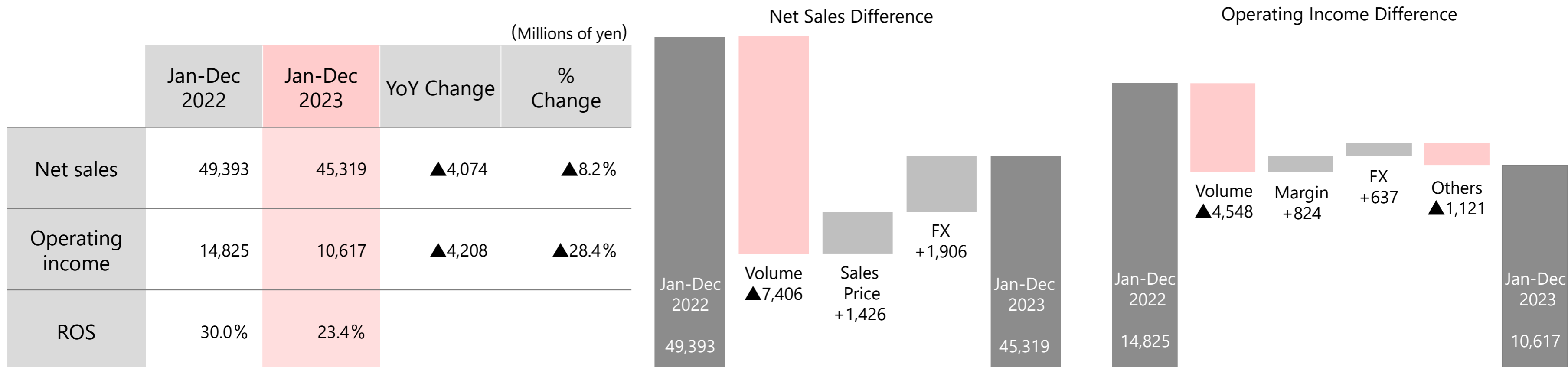
(Millions of yen)

	Jan-Dec 2022	Jan-Dec 2023	YoY Change	% Change
Net sales	138,484	148,423	+9,939	+7.2%
Operating income	12,282	21,303	+9,021	+73.5%
ROS	8.9%	14.4%		





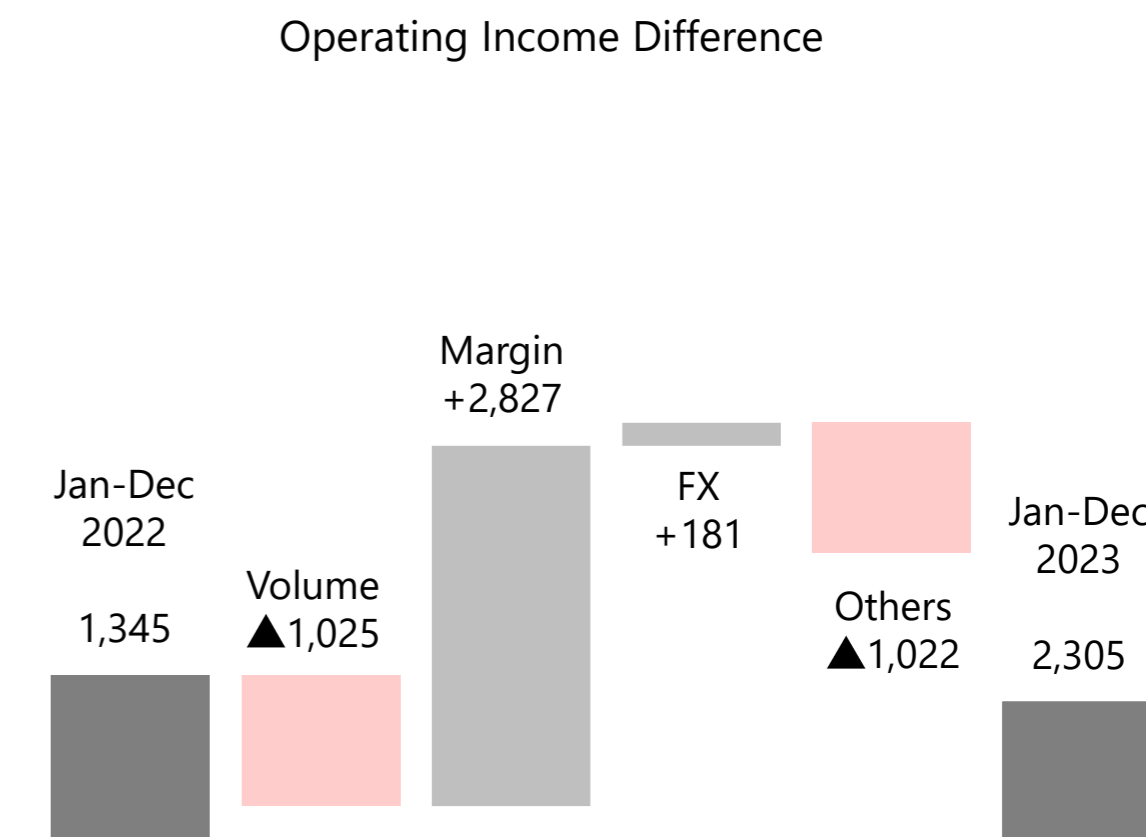
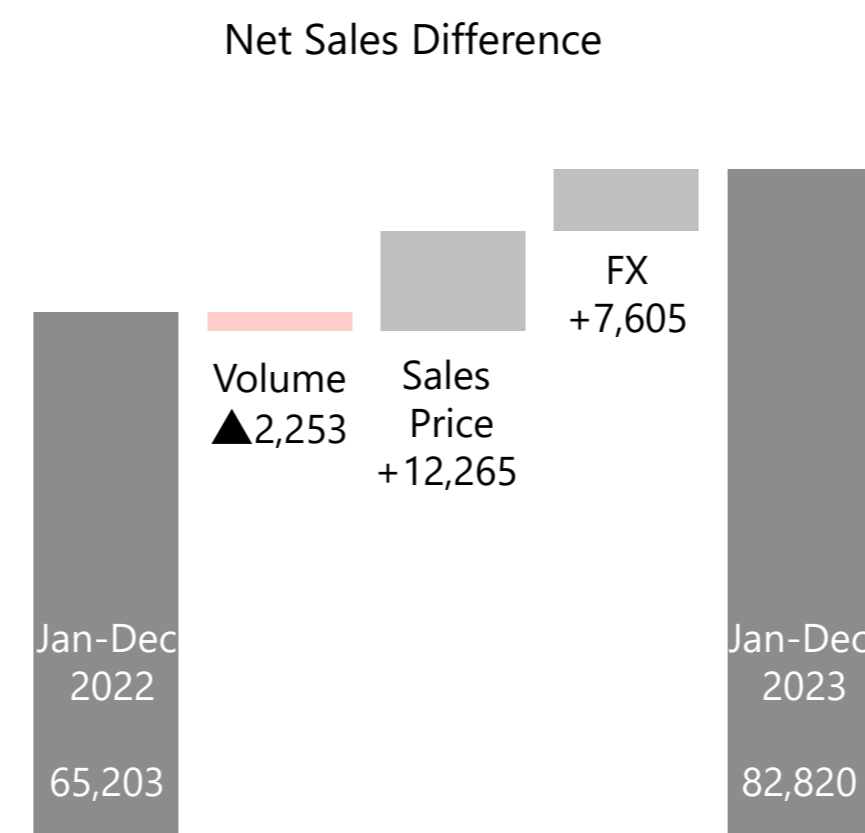
- Due to reduced demand for smartphones and PCs and the prolongation of U.S. policies, sales of Solid SiC focus rings used in etching devices for memory semiconductors have declined as this product is in the process of inventory adjustment.
- Sales of products for power semiconductors and general industries remained strong but net sales and operating income decreased YoY.
- Growth investments on track for the medium to long-term market expansion.



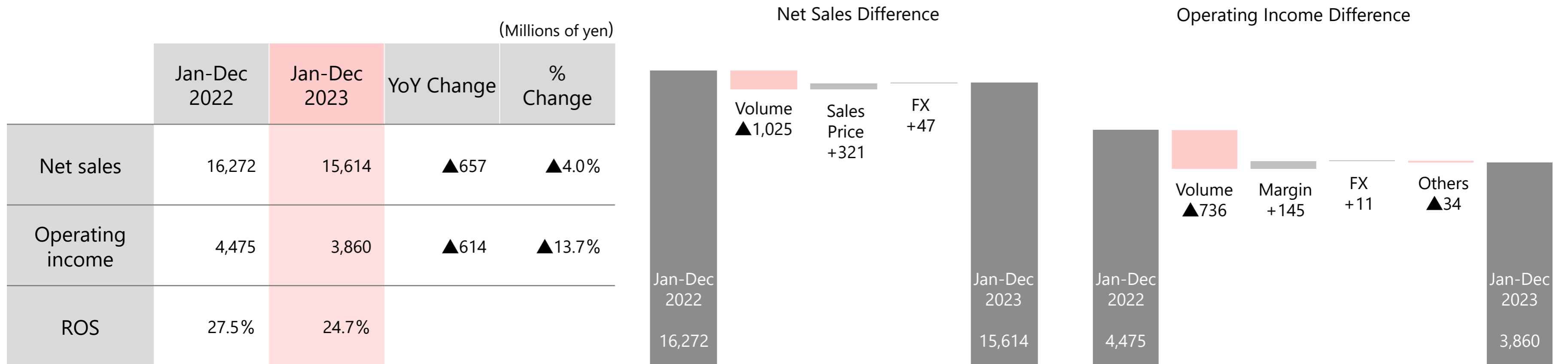
- Although demand varies by energy cost differences in each region, shipments of mainstay cathodes for aluminum smelting were strong in emerging markets. Orders of furnace lining blocks increased due to a recovery in demand for the relining of blast furnaces. Carbon electrodes continue to be impacted by the delayed recovery of demand for memory semiconductors.
- Despite rising raw material and energy costs, the effects of higher productivity and passing on higher costs to sale prices resulted in an increase in net sales and operating income.
- Operating income excluding goodwill amortization was ¥13.9b (ROS 16.7%).

	Jan-Dec 2022	Jan-Dec 2023	YoY Change	% Change
Net sales	65,203	82,820	+17,617	+27.0%
Operating income	1,345	2,305	+959	+71.3%
ROS	2.1%	2.8%		

(Millions of yen)



- Inventory adjustments and project delays by customers in energy-related and electronic device-related industries for mainstay Multi Layer Ceramic Capacitors (MLCCs) and Lithium Ion Battery (LiB) electrode materials led to a decrease in net sales and operating income. Inventory adjustments have been progressing from the second half of the year, and there are signs of recovery.
- Growth investment for industrial furnaces and ceramic heaters on track with a view to medium to long term market expansion.



## Major Cash Flow items

(Millions of yen)

	Jan-Dec 2022	Jan-Dec 2023	Summary
Cash flows from operating activities	41,205	62,074	
Net income (loss) before income taxes	42,111	41,998	
Depreciation and amortization	27,460	29,065	
Amortization on goodwill	7,522	8,155	
Decrease (increase) in trade receivable	▲6,140	3,084	} Working capital: ▲¥3.0 billion (Jan-Dec 2022 ▲¥26.1 billion)
Decrease (increase) in inventories	▲24,711	▲1,285	
Increase (decrease) in accounts payable-trade	4,659	▲4,811	
Income tax paid	▲9,696	▲14,132	
Cash flows from investing activities	▲49,900	▲47,632	
Purchase of property, plant and equipment	▲43,989	▲45,362	
Cash flows from financing activities	▲10,629	▲14,512	
Net increase (decrease) in short-term Loans payable	12,947	▲5,116	
Acquisition of share of subsidiaries	▲10,000	-	
Payment of dividends	▲5,024	-	
Cash and cash equivalents at end of period	▲6,395	▲7,035	

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

## Major Balance Sheet Items

(Millions of yen)

	December 31, 2022	December 31, 2023	Summary
Total assets	576,465	640,005	
Net income (loss) before income taxes	246,691	262,890	
Cash and cash equivalents	70,909	77,465	<ul style="list-style-type: none"> <li>· Cash/monthly sales: 2.6 times (End of FY2022: 2.5 times)</li> <li>· Inventory: (+¥8.0 billion from End of FY2022)</li> <li>· Tangible fixed assets: (+¥41.8 billion from End of FY2022)</li> <li>· Intangible fixed assets: (▲¥1.7 billion from End of FY2022)</li> </ul>
Notes and accounts receivable	65,197	65,530	
Inventory	101,330	109,332	
Fixed assets	329,773	377,114	
Tangible fixed asset	181,948	223,804	
Intangible fixed assets	118,839	117,051	
Investments and other assets	28,986	36,258	
Total liabilities	275,596	279,902	<ul style="list-style-type: none"> <li>· Net interest bearing debt: ¥89.1 billion (▲¥11.3 billion from End of FY2022)</li> <li>· Interest bearing debt: ¥166.6 billion (▲¥4.8 billion from End of FY2022)</li> <li>· Direct funding ratio: 69.0%(End of FY2022:67.1%), Long term debt ratio: 57.9%(End of FY2022:52.9%)</li> <li>· Short term credit line: ¥66.0 billion (+¥0 billion from End of FY2022) : ¥7.0 billion executed (+¥1.0 billion from End of FY2022)</li> <li>· Liquidation of receivables and CP issuance limit ¥78.0 billion (+¥0 billion from End of FY2022) : ¥60.0 billion executed (+¥0 billion from End of FY2022)</li> </ul>
Current liabilities	146,696	136,971	
Long term liabilities	128,900	142,930	
Total net assets	300,868	360,103	<ul style="list-style-type: none"> <li>· Capital to asset ratio: 50.7% (End of FY2022: 46.6%)</li> <li>· Adjusted Capital to asset ratio*: 56.2% (End of FY2022: 52.7%)</li> <li>· Net D/E ratio: 0.27 times (End of FY2022: 0.37 times)</li> <li>· Adjusted Net D/E ratio: 0.15 times (End of FY2022: 0.22 times)</li> </ul>
Shareholder's capital	218,761	237,220	
Other accumulated Comprehensive income	50,065	87,271	
Non controlling interests	32,041	35,612	
Total liabilities and net assets	576,465	640,005	

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

II

FY2024

# Earnings Forecast



# Consolidated Earnings Forecast FY2024

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- Due to low sales and price declines for graphite electrodes and smelting and lining, net sales are projected to decrease, but total net sales are expected to increase by 1.7% as the Company seeks growth and recovery in sales for carbon black, fine carbon, etc.
- Operating income is expected to decrease by 40% YoY due to low sales for graphite electrodes and smelting and lining, and higher depreciation for carbon black.
- Dividend forecast is ¥30 per share (¥6 decrease from FY2023); payout ratio of 43%.

(Millions of yen)

	FY2023 Results			FY2024 Forecast			YoY Change	% Change
	1H	2H	Full year	1H	2H	Full year		
Net sales	178,428	185,518	363,946	180,000	190,000	370,000	+6,054	+1.7%
Operating income	21,738	16,990	38,728	10,000	13,000	23,000	▲15,728	▲40.6%
Ordinary income	24,109	17,498	41,607	10,000	13,000	23,000	▲18,607	▲44.7%
Net income attributable to owners of the parent company	15,904	9,564	25,468	9,000	6,000	15,000	▲10,468	▲41.1%
EBITDA	39,338	36,611	75,949	31,000	34,000	65,000	▲10,949	▲14.4%
EBITDA margin	22.0%	19.7%	20.9%	17.2%	17.9%	17.6%	—	—
ROS	12.2%	9.2%	10.6%	5.6%	6.8%	6.2%	—	—
Adjusted ROIC	—	—	11.5%	—	—	7.5%	—	—
ROE	—	—	8.6%	—	—	4.8%	—	—

※Earnings Forecast FY2024 : Average exchange rates: (Full year) USD1=¥135 , EUR1=¥148



# Consolidated Earnings Forecast FY2023 by Segment

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(Millions of yen)

	FY2023 Results			FY2024 Forecast			YoY Change	% Change
	1H	2H	Full year	1H	2H	Full year		
Net Sales	178,428	185,518	363,946	180,000	190,000	370,000	+6,054	+1.7%
Graphite Electrodes	30,407	29,828	60,235	25,000	22,000	47,000	▲13,235	▲22.0%
Carbon Black	73,831	74,592	148,423	85,000	85,000	170,000	+21,577	+14.5%
Fine Carbon	21,373	23,946	45,319	26,000	32,000	58,000	+12,681	+28.0%
Smelting and Lining	41,473	41,347	82,820	30,000	37,000	67,000	▲15,820	▲19.1%
Industrial Furnaces and Related Products	5,707	9,907	15,614	8,500	8,500	17,000	+1,386	+8.9%
Other	4,859	4,136	8,995	4,500	4,500	9,000	+5	+0.1%
Operation	709	1,695	2,404	1,000	1,000	2,000	▲404	▲16.8%
	66	66	132	0	0	0	-	-
	5,635	5,897	11,532	5,500	5,500	11,000	▲532	▲4.6%
Operating Income	21,738	16,990	38,728	10,000	13,000	23,000	▲15,728	▲40.6%
Graphite Electrodes	3,164	▲2,412	752	▲400	▲600	▲1,000	▲1,752	▲233.0%
Carbon Black	10,773	10,530	21,303	8,000	8,000	16,000	▲5,303	▲24.9%
Fine Carbon	5,041	5,576	10,617	5,000	6,000	11,000	+383	+3.6%
Smelting and Lining	1,392	913	2,305	▲4,000	▲2,000	▲6,000	▲8,305	▲360.3%
Industrial Furnaces and Related Products	1,263	2,597	3,860	2,000	2,000	4,000	+140	+3.6%
Others	635	664	1,299	300	300	600	▲699	▲53.8%
Inter-segment eliminations	▲533	▲876	▲1,409	▲900	▲700	▲1,600	-	-

# Reference Material

# Net Sales of Main Subsidiaries

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(Millions of yen)

Subsidiary	Jan-Dec 2022	Jan-Dec 2023	YoY Change	Location /Business	Note
Tokai Erftcarbon	16,340	15,820	▲519	Germany Graphite Electrodes	
Tokai Carbon GE	33,825	35,525	+1,700	U.S. Graphite Electrodes	• Contributing to consolidated results from November 2017
Thai Tokai Carbon Product	27,334	28,245	+910	Thailand Carbon Black	
Tokai Carbon CB	66,458	69,687	+3,229	U.S. Carbon Black	• Contributing to consolidated results from September 2018
Cancarb	9,639	10,006	+367	Canada Carbon Black	
Tokai Carbon Korea	32,531	24,433	▲8,098	Korea Fine Carbon	• Contributing to consolidated results from June 2018
Tokai COBEX	65,613	83,296	+17,683	Germany Smelting and Lining	• Contributing to consolidated results from August 2019

# Key Indicators

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(Millions of yen) f=forecast	2020	2021	2022	2023	2024f
Net sales	201,542	258,874	340,371	363,946	370,000
Operating income	7,858	24,647	40,588	38,728	23,000
ROS (%)	3.9%	9.5%	11.9%	10.6%	6.2%
EBITDA	35,262	54,518	75,572	75,949	65,000
EBITDA margin (%)	17.5%	21.1%	22.2%	20.9%	17.6%
Net income Attributable to Owners of the Parent Company	1,019	16,105	22,418	25,468	15,000
ROE (%)	0.5%	7.5%	9.0%	8.6%	4.8%
Adjusted ROIC (%)	7.4%	12.3%	14.3%	11.5%	7.5%
Capital Investment	28,873	30,347	48,150	53,316	80,000
Depreciation and Amortization	20,890	22,900	27,460	29,065	34,000
R&D Expenses	2,682	2,823	3,171	3,605	5,000
Interest bearing liabilities	158,643	168,249	171,452	166,642	—
Net D/E ratio	0.45	0.39	0.37	0.27	0.38
Adjusted Net D/E ratio	0.24	0.21	0.22	0.15	0.27
Number of Employees	4,178	4,289	4,378	4,427	—
Exchange Rate (JPY/USD)	106.82	109.80	131.43	140.56	135.00

※EBITDA = Operating income + Depreciation + Goodwill amortization

※Adjusted ROIC = Operating Profit after Tax adjusted for Goodwill amortization ÷ Invested Capital (Working Capital + Fixed Assets adjusted for Goodwill)

# Quarterly Results by Segment

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(Millions of yen)

	2022					2023				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net sales	69,512	87,558	89,261	94,038	340,371	86,530	91,897	89,247	96,271	363,946
Graphite Electrodes	12,362	16,802	14,502	15,963	59,630	13,486	16,920	15,484	14,343	60,235
Carbon Black	29,430	34,298	39,621	35,134	138,484	37,406	36,424	37,300	37,292	148,423
Fine Carbon	10,935	12,760	13,127	12,569	49,393	11,444	9,928	11,040	12,905	45,319
Smelting and Lining	11,605	15,001	16,148	22,448	65,203	19,218	22,254	18,011	23,336	82,820
Industrial Furnaces and Related Products	2,523	6,381	3,018	4,348	16,272	2,449	3,258	4,177	5,729	15,614
Others										
Friction materials	2,290	2,202	2,341	2,528	9,362	2,460	2,398	2,124	2,011	8,995
Anode materials	330	78	465	1,012	1,888	29	679	1,075	619	2,404
Others	34	33	34	33	136	33	33	33	32	132
Total Others	2,655	2,315	2,842	3,575	11,387	2,523	3,112	3,233	2,664	11,532
Operating income	7,938	8,778	11,297	12,573	40,588	11,493	10,244	8,010	8,979	38,728
Graphite Electrodes	1,258	1,666	2,378	2,728	8,032	1,637	1,526	▲423	▲1,988	752
Carbon Black	3,049	1,735	4,201	3,295	12,282	5,757	5,015	5,152	5,377	21,303
Fine Carbon	2,912	3,874	4,312	3,726	14,825	3,103	1,938	2,462	3,112	10,617
Smelting and Lining	67	▲71	▲301	1,650	1,345	408	984	▲257	1,170	2,305
Industrial Furnaces and Related Products	763	1,754	790	1,166	4,475	534	728	1,290	1,306	3,860
Other Operations	201	186	312	409	1,108	301	334	448	216	1,299
Inter-segment eliminations	▲314	▲367	▲395	▲402	▲1,480	▲249	▲283	▲660	▲215	▲1,409

- 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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**TOKAI CARBON CO., LTD.**