

Q1 FY2025 Earnings Presentation

2025/5/15



Table of Contents

Q1 FY2025 Financial Summary	P	3-13
------------------------------------	----------	-------------

Reference material	P	14-16
---------------------------	----------	--------------

Q1 FY2025

Financial Summary

- During the first quarter of FY2025, while Fine Carbon saw an increase in net sales with a recovery in demand for memory semiconductors, net sales decreased in the other segments due to reduced sales prices and sales volumes, resulting in a slight decrease in consolidated net sales. In Smelting and Lining, prices declined due to decreased demand for relining of aluminum smelting furnaces, inventory adjustments by customers, and intensifying competition. There was an effort to raise prices in Graphite Electrodes, but the segment continues to be affected by sluggish steel production and intensifying competition with Asian rivals.
- Operating income increased in Smelting and Lining and Graphite Electrodes with the contribution of a decrease in fixed costs such as depreciation and amortization related to recording impairment losses in the previous fiscal year in addition to the promotion of cost reductions.
- EBITDA increased YoY, while the EBITDA margin also improved and continued to be maintained in the upper 10% range.
- Free cash flow improved YoY due to an increase in operating income and reductions in working capital even with continued capital investment.
- While the net D/E ratio slightly increased due to a decrease in equity capital and an increase in net interest-bearing debt resulting from the impact of exchange rates, financial soundness and liquidity were maintained at a high level. The credit ratings have been maintained, with JCR: A+ (outlook stable) and R&I: A (outlook stable).
- Overall progress on operating income for the quarter under review is 69%, a strong performance against the operating income forecast for the first half of 2025. Excluding Graphite Electrodes and Industrial Furnaces, progress reached over 50% in each segment.
- The full-year and first-half performance outlooks for the fiscal year ending December 31, 2025 remain unchanged.

Summary of Consolidated Results

5

- Consolidated results saw YoY decreases in net sales, and an increase in operating income
- Net sales ¥80.3 b (-2.2%) , operating income ¥7.1 b (+104.5%) , ROS 8.9% (+4.7points)
- EBITDA ¥14.5 b (+6.5%) , EBITDA margin 18.2% (+1.5points)

(Millions of yen)

	Jan-Mar 2024	Jan-Mar 2025	YoY Change	%Change
Net sales	82,161	80,346	(1,815)	(2.2)%
Operating income	3,489	7,136	+3,647	+104.5%
Ordinary income	4,687	6,472	+1,784	+38.1%
Net income attributable to owners of the parent company	1,627	3,026	+1,398	+85.9%
EBITDA	13,693	14,585	+892	+6.5%
EBITDA margin	16.7%	18.2%	+1.5pt	—

Average exchange rates:

- 2024 USD1= ¥148.61 EUR1= ¥161.31
- 2025 USD1= ¥152.60 EUR1= ¥160.50

※EBITDA =Operating income + Depreciation + Amortization

Net Sales, Operating Income and EBITDA by Segment

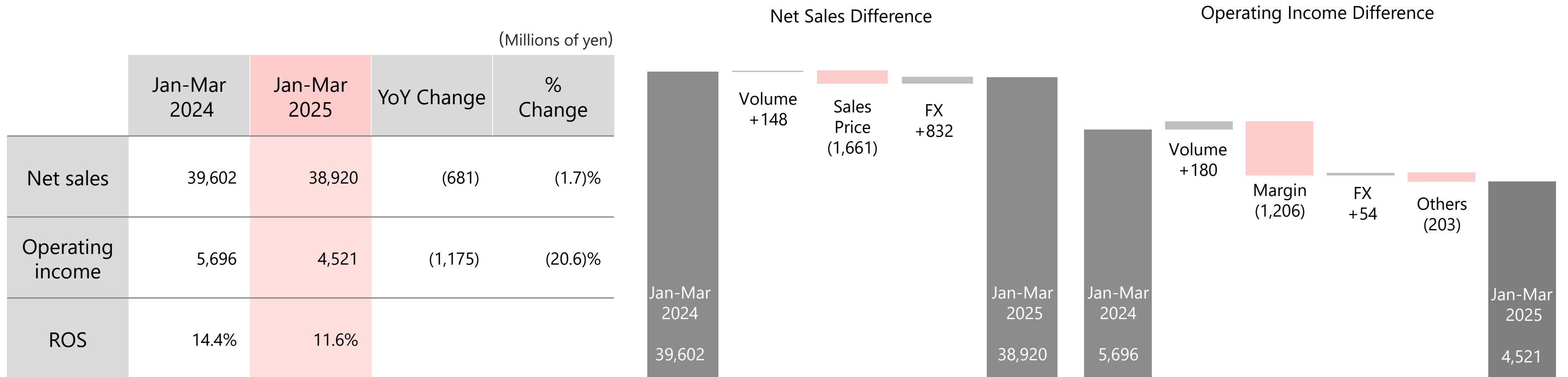
6

- Increase in operating income for Smelting and Lining and Graphite Electrodes due to factors including the effect of impairment losses, etc. recorded in the previous fiscal year
- Decrease in operating income for other segments

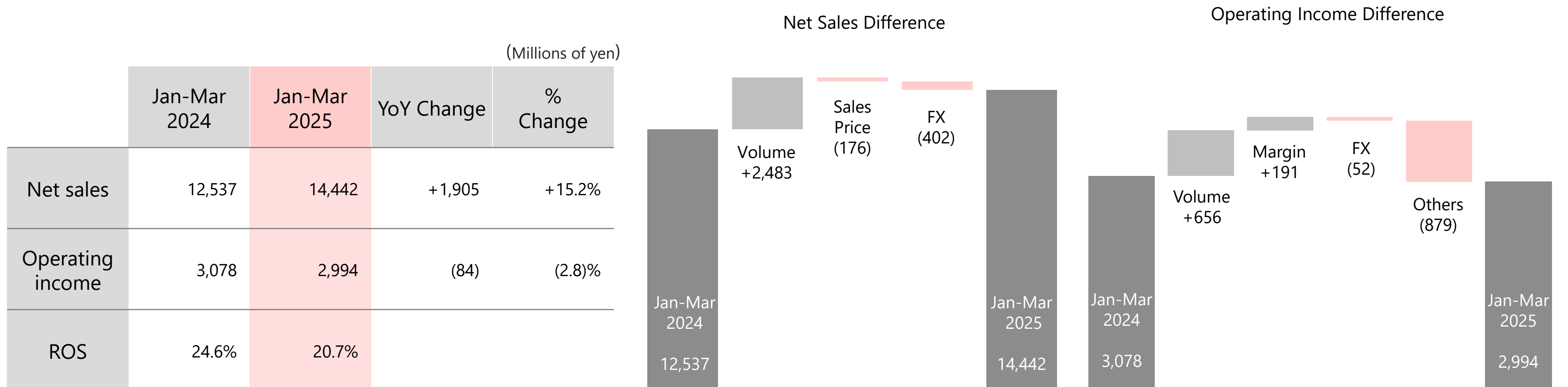
(Millions of yen)

		Net sales			Operating income			EBITDA		
		Jan-Mar 2024	Jan-Mar 2025	YoY Change	Jan-Mar 2024	Jan-Mar 2025	YoY Change	Jan-Mar 2024	Jan-Mar 2025	YoY Change
Carbon Black		39,602	38,920	(681)	5,696	4,521	(1,175)	8,368	6,997	(1,370)
Fine Carbon		12,537	14,442	+1,905	3,078	2,994	(84)	4,926	5,399	+473
Smelting and Lining		14,030	12,932	(1,097)	(3,546)	160	+3,706	551	1,068	+517
Graphite Electrodes		10,874	9,383	(1,490)	(2,175)	(725)	+1,449	(753)	575	+1,329
Industrial Furnaces and Related Products		2,485	2,125	(360)	511	470	(40)	579	555	(23)
Others	Friction Materials	2,064	1,960	(104)	—	—	—	—	—	—
	Anode Materials, etc.	568	581	+13	—	—	—	—	—	—
	Total	2,632	2,542	(90)	224	125	(98)	331	235	(96)
Inter-segment eliminations		—	—	—	(300)	(409)	(109)	(309)	(246)	+63
Total		82,161	80,346	(1,815)	3,489	7,136	+3,647	13,693	14,585	+892
Return on sales		—	—	—	4.2%	8.9%	+4.7pt	16.7%	18.2%	+1.5pt

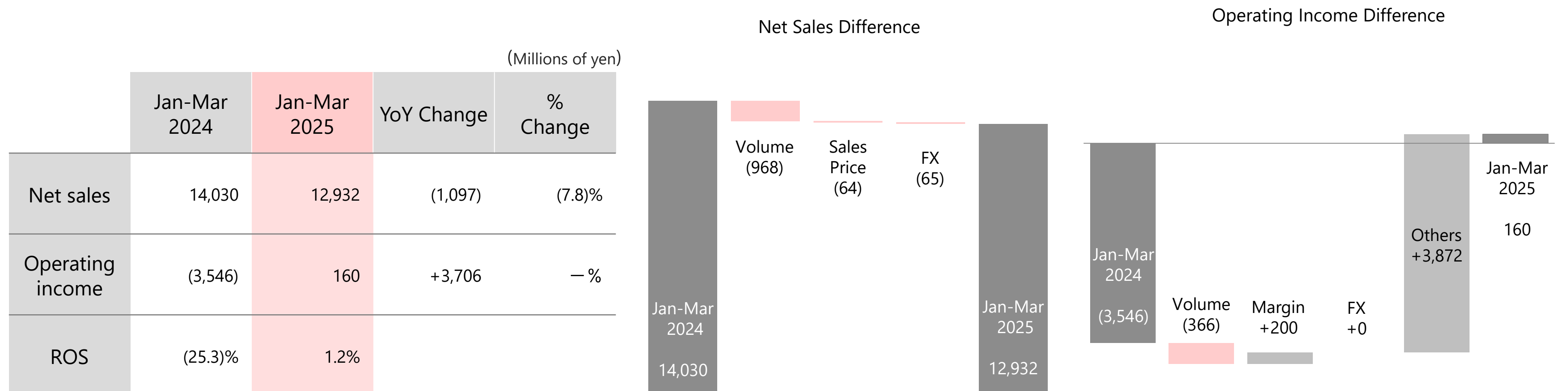
- Results varied depending on the site location, but overall, sales volumes remained flat YoY while sales prices declined.
- Net sales and operating income decreased mainly due to the decline in sales prices.
- Progress on operating income for the quarter under review is 60%, a strong performance against the operating income forecast for the first half of 2025.



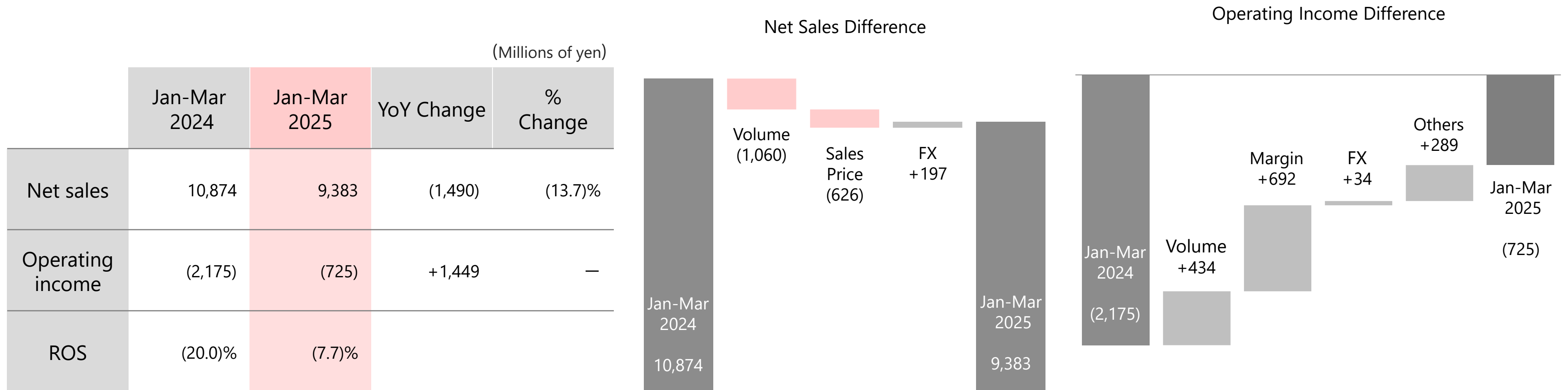
- Increased sales volumes of Solid SiC focus rings, a core product, in line with the recovery of demand for memory semiconductors contributed to an increase in net sales.
- Growth related to power semiconductors has slowed, resulting in a slight decrease in operating income.



- Net sales decreased due to a delay in the recovery of demand for relining of aluminum smelting furnaces.
- Operating income increased due to decreased depreciation and amortization resulting from impairment losses on goodwill, etc. at the end of the previous fiscal year and cost reductions.
- Excluding the effect of decreased depreciation and amortization on goodwill, etc., the income level bottomed out at +¥670 m YoY.
- Operating Income for the quarter under review was ¥160 m, on pace to exceed the operating income forecast (zero) for the first half of 2025.



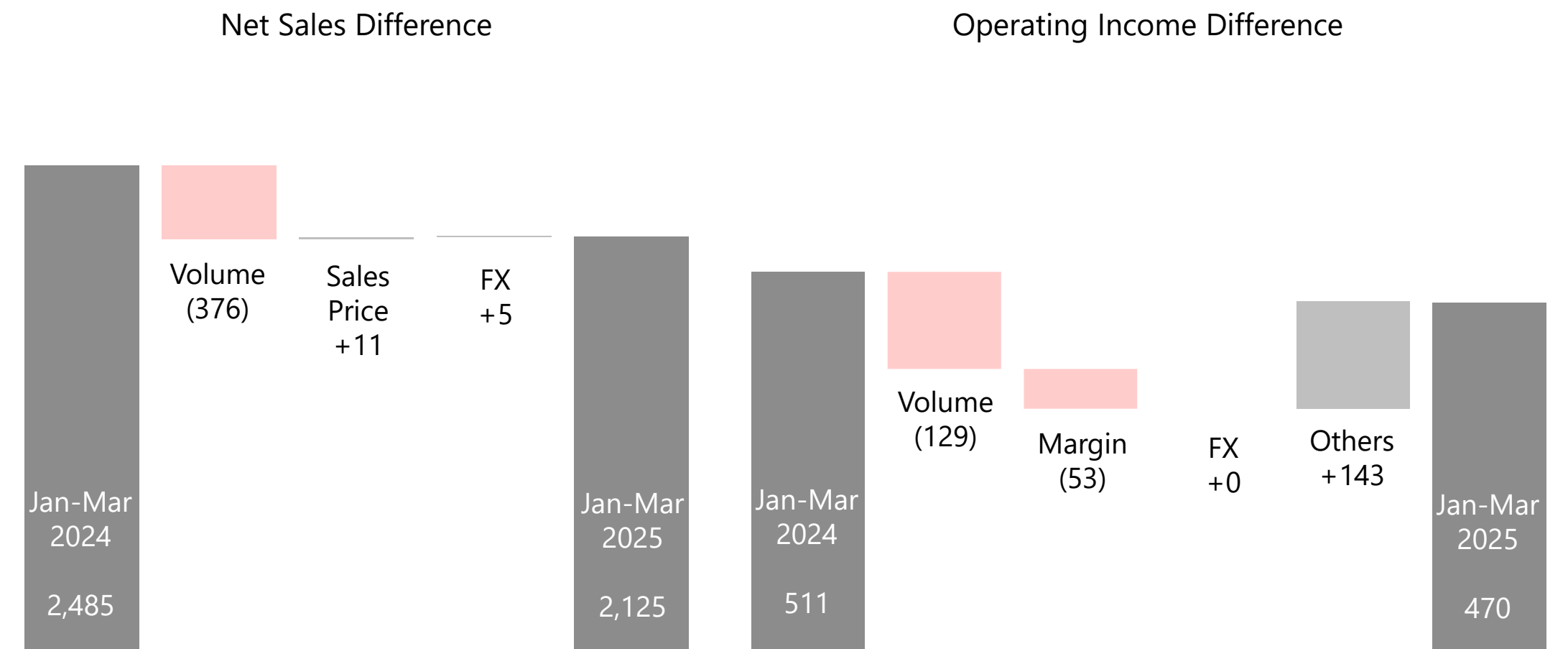
- Net sales decreased as steel production, including electric-arc furnace steel, remained sluggish due to a worldwide slowdown of the steel market.
- Operating income increased due to factors including a drop in raw material prices YoY, impairment losses in the previous fiscal year, and cost reductions resulting from production consolidation.
- Details of the additional restructuring of our European subsidiary that has been operating at a deficit for 10 consecutive quarters since the fourth quarter of 2022 will be announced during this month.



- Both CAPEX and demand for consumables in the energy-related and electronic device industries, the core markets for industrial furnaces and heating elements were stagnant, resulting in YoY decreases in net sales and operating income.
- Progress on operating income for the quarter under review is 47%, fundamentally in line with the operating income forecast for the first half of 2025.

	Jan-Mar 2024	Jan-Mar 2025	YoY Change	% Change
Net sales	2,485	2,125	(360)	(14.5)%
Operating income	511	470	(40)	(8.0)%
ROS	20.6%	22.2%		

(Millions of yen)



Major Cash Flow items

(Millions of yen)

	Jan-Mar 2024	Jan-Mar 2025	Summary
Cash flows from operating activities	3,295	5,676	
Net income (loss) before income taxes	4,747	6,424	
Depreciation and amortization	8,051	6,234	
Amortization on goodwill	2,151	1,214	
Decrease (increase) in trade receivables	(3,492)	1,670	Working capital: (¥3.4) billion (Jan-Mar 2024 -¥8.3 billion)
Decrease (increase) in inventories	(386)	(2,008)	
Increase (decrease) in trade payables	(4,480)	(3,097)	
Income tax paid	(3,297)	(4,760)	
Cash flows from investing activities	(14,240)	(9,108)	Free cash flow: (¥3.4) billion (Jan-Mar 2024 -¥10.9 billion)
Purchase of fixed assets	(14,320)	(13,427)	
Cash flows from financing activities	(959)	(910)	
Net increase (decrease) in short-term Loans payable (including CP)	(6,685)	3,879	
Corporate bond issuance and redemption	10,000	—	
Purchase of treasury shares of subsidiaries	—	(1,176)	Acquisition of treasury shares by Tokai Carbon Korea (Ratio of voting rights held: 50.4% → 51.0%)
Payment of dividends	(3,837)	(3,202)	
Cash and cash equivalents at end of period	47,469	59,092	

※Working capital = Trade receivables + Inventories – Trade payables

Balance Sheet

13

Major Balance Sheet Items

(Millions of yen)

	December 31, 2024	March 31, 2025	Summary
Total assets	640,753	617,993	
Current assets	270,363	254,303	
Cash and cash equivalents	92,207	80,459	
Notes and accounts receivable	69,175	65,592	· Cash/monthly sales: 3.0 times (End of FY2024: 3.2 times)
Inventory	100,740	99,663	· Inventory: (-¥1.0 billion from End of FY2024)
Fixed assets	370,390	363,689	· Tangible fixed assets: (-¥2.7 billion from End of FY2024)
Tangible fixed assets	264,582	261,794	· Intangible fixed assets: (-¥5.1 billion from End of FY2024)
Intangible fixed assets	66,341	61,230	
Investments and other assets	39,466	40,663	
Total liabilities	315,595	310,848	· Net interest bearing debt: ¥114.6 billion (+¥15.5 billion from End of FY2024)
Current liabilities	147,729	139,069	· Interest bearing debt: ¥195.0 billion (+¥3.8 billion from End of FY2024)
Long term liabilities	167,865	171,779	· Direct funding ratio: 64.1% (End of FY2024: 65.1%), Long term debt ratio: 62.3% (End of FY2024: 61.3%)
Total net assets	325,158	307,144	· Short term credit line: ¥84.0 billion (+¥18.0 billion from End of FY2024): ¥9.5 billion executed (+¥3.5 billion from End of FY2024)
Shareholder's capital	170,469	170,077	· CP issuance limit ¥60.0 billion (+¥0.0 billion from End of FY2024): ¥60.0 billion executed (+¥0.5 billion from End of FY2024)
Other accumulated Comprehensive income	119,089	103,401	
Non controlling interests	35,600	33,665	
Total liabilities and net assets	640,753	617,993	

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

Reference Material

Key Indicators

15

(Millions of yen) f=forecast	2021	2022	2023	2024	2025f
Net sales	258,874	340,371	363,946	350,114	341,000
Operating income	24,647	40,588	38,728	19,386	23,300
ROS (%)	9.5%	11.9%	10.6%	5.5%	6.8%
EBITDA	54,518	75,572	75,949	61,120	57,100
EBITDA margin (%)	21.1%	22.2%	20.9%	17.5%	16.7%
Net income Attributable to Owners of the Parent Company	16,105	22,418	25,468	(56,736)	11,000
ROE (%)	7.5%	9.0%	8.6%	—%	3.9%
Adjusted ROIC (%)	12.3%	14.3%	11.5%	6.8%	5.3%
Capital Investment	30,347	48,150	53,316	56,715	51,400
Depreciation and Amortization	22,900	27,460	29,065	33,028	29,100
R&D Expenses	2,823	3,171	3,605	4,284	5,800
Interest bearing liabilities	168,249	171,452	166,642	191,241	—
Net D/E ratio	0.39	0.37	0.27	0.34	0.42
Adjusted Net D/E ratio	0.21	0.22	0.15	0.20	0.26
Number of Employees	4,289	4,378	4,427	4,625	—
Exchange Rate (JPY/USD)	109.80	131.43	140.56	151.58	148.00

※EBITDA = Operating income + Depreciation + Amortization

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

Quarterly Results by Segment

16

(Millions of yen)

		2024					2025			
		Q1	Q2	Q3	Q4	Full year	Q1	Q2f	H2f	Full year
Net sales		82,161	88,760	87,736	91,455	350,114	80,346	89,235	171,418	341,000
Carbon Black		39,602	39,983	39,793	37,414	156,793	38,920	46,079	82,000	167,000
Fine Carbon		12,537	13,922	14,131	13,299	53,890	14,442	13,557	31,000	59,000
Smelting and Lining		14,030	16,000	16,102	18,378	64,512	12,932	14,067	29,000	56,000
Graphite Electrodes		10,874	13,518	12,504	11,921	48,818	9,383	10,616	18,000	38,000
Industrial Furnaces and Related Products		2,485	2,640	3,037	8,128	16,291	2,125	2,874	7,000	12,000
Others	Friction Materials	2,064	2,086	1,818	2,005	7,974	1,960	2,039	4,000	8,000
	Anode Materials, etc.	568	610	347	306	1,833	581	—	418	1,000
	Total	2,632	2,696	2,165	2,312	9,807	2,542	2,039	4,418	9,000
Operating income		3,489	4,934	6,786	4,175	19,386	7,136	3,263	12,900	23,300
Carbon Black		5,696	5,190	5,484	5,335	21,706	4,521	2,978	5,700	13,200
Fine Carbon		3,078	3,523	3,815	2,019	12,437	2,994	205	5,000	8,200
Smelting and Lining		(3,546)	(4,009)	(2,795)	(3,349)	(13,701)	160	(160)	—	—
Graphite Electrodes		(2,175)	(248)	86	(1,192)	(3,529)	(725)	325	1,500	1,100
Industrial Furnaces and Related Products		511	613	669	1,510	3,304	470	529	1,600	2,600
Other Operations		224	215	95	(131)	403	125	174	300	600
Inter-segment eliminations		(300)	(349)	(569)	(16)	(1,235)	(409)	(790)	(1,200)	(2,400)

- 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.

IR contact:
Corporate Planning Department TC-IR.new@tokaicarbon.co.jp



Building a Future of Technology and Trust
TOKAI CARBON CO., LTD.