

Q2 FY2025 Earnings Presentation

2025/8/8



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I

Q2 FY2025

Financial Summary

- During the first half of FY2025, while Fine Carbon business saw a YoY increase in net sales due to factors such as the consolidation of U.S.-based companies as subsidiaries and a recovery in demand for memory semiconductors, consolidated net sales decreased due to reduced sales prices or sales volumes in the other segments.
- Regarding operating income, despite the impact of the global economic slowdown on the core segments, both the Graphite Electrodes and Smelting & Lining businesses returned to profitability. This was the result of drastic measures, including structural reforms in the Graphite Electrodes business and the recording of an impairment loss in the Smelting & Lining business in the previous fiscal year. As a result, consolidated operating income increased YoY and exceeded the forecast for the first half, announced at the beginning of the fiscal year.
- EBITDA margin improved and continued to be maintained in the upper 10% range while EBITDA slightly decreased YoY.
- Free cash flow significantly improved YoY due to an increase in operating income and an improvement in working capital. Strategic investments and capital investments necessary for growth were carefully selected and continued.
- While the net D/E ratio slightly increased compared to the end of the previous fiscal year due to a decrease in equity capital and an increase in net interest-bearing debt resulting from the exchange rate fluctuations, 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).
- Announced the full acquisition of Bridgestone Corporation's carbon black manufacturing and sales subsidiary in Thailand, with transaction closing scheduled for this September. This event will strengthen our partnership with Bridgestone, stable supply, and competitiveness.
- The full-year performance outlook for the fiscal year ending December 31, 2025 remain unchanged. The interim dividend was paid as projected at 15 yen per share, and the annual dividend is projected to remain at 30 yen.

Summary of Consolidated Results

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- Consolidated results saw YoY decreases in net sales, and an increase in operating income
- Net sales JPY158.0 b (-7.5%) , operating income JPY13.9 b (+65.7%) , ROS 8.8% (+3.9points)
- EBITDA JPY28.8 b (-3.1%) , EBITDA margin 18.2% (+0.8points)

(Millions of yen)

	Jan-Jun 2024	Jan-Jun 2025	YoY Change	%Change
Net sales	170,922	158,076	(12,846)	(7.5)%
Operating income	8,424	13,956	+5,532	+65.7%
Ordinary income	10,520	13,874	+3,353	+31.9%
Net income attributable to owners of the parent company	3,661	8,538	+4,877	+133.2%
EBITDA	29,724	28,815	(908)	(3.1)%
EBITDA margin	17.4%	18.2%	+0.8pt	—

Jan. to Jun. Average exchange rates:

- 2024 USD1= JPY152.25 EUR1= JPY164.60
- 2025 USD1= JPY148.60 EUR1= JPY162.15

※EBITDA =Operating income + Depreciation + Amortization

Net Sales, Operating Income and EBITDA by Segment

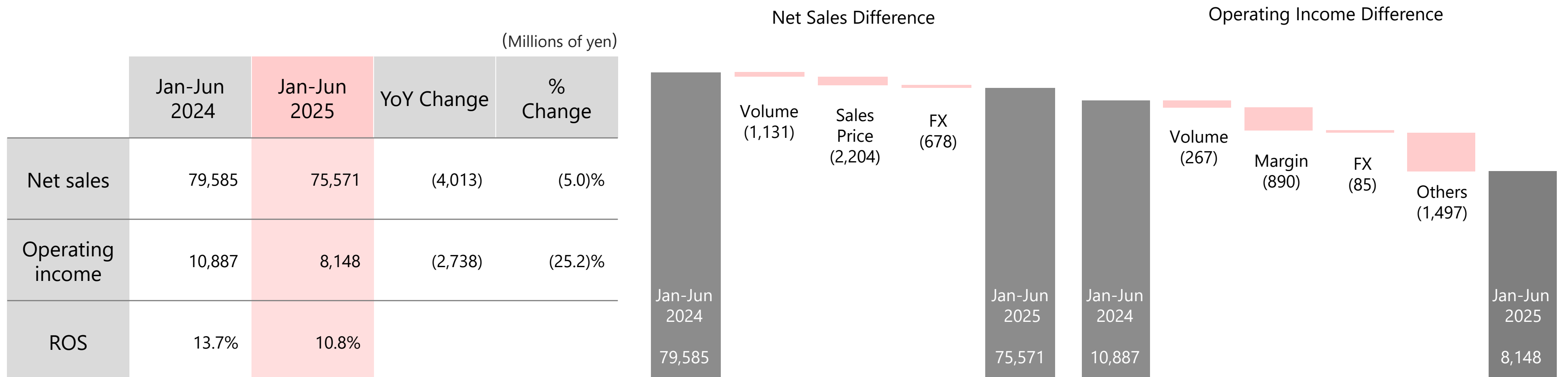
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- YoY increase in operating income for Smelting and Lining and Graphite Electrodes businesses due to factors including the effect of impairment losses, etc. recorded in the previous fiscal year.
- While operating income in other segments decreased, consolidated operating income for the first half exceeded our forecast by 34%.

(Millions of yen)

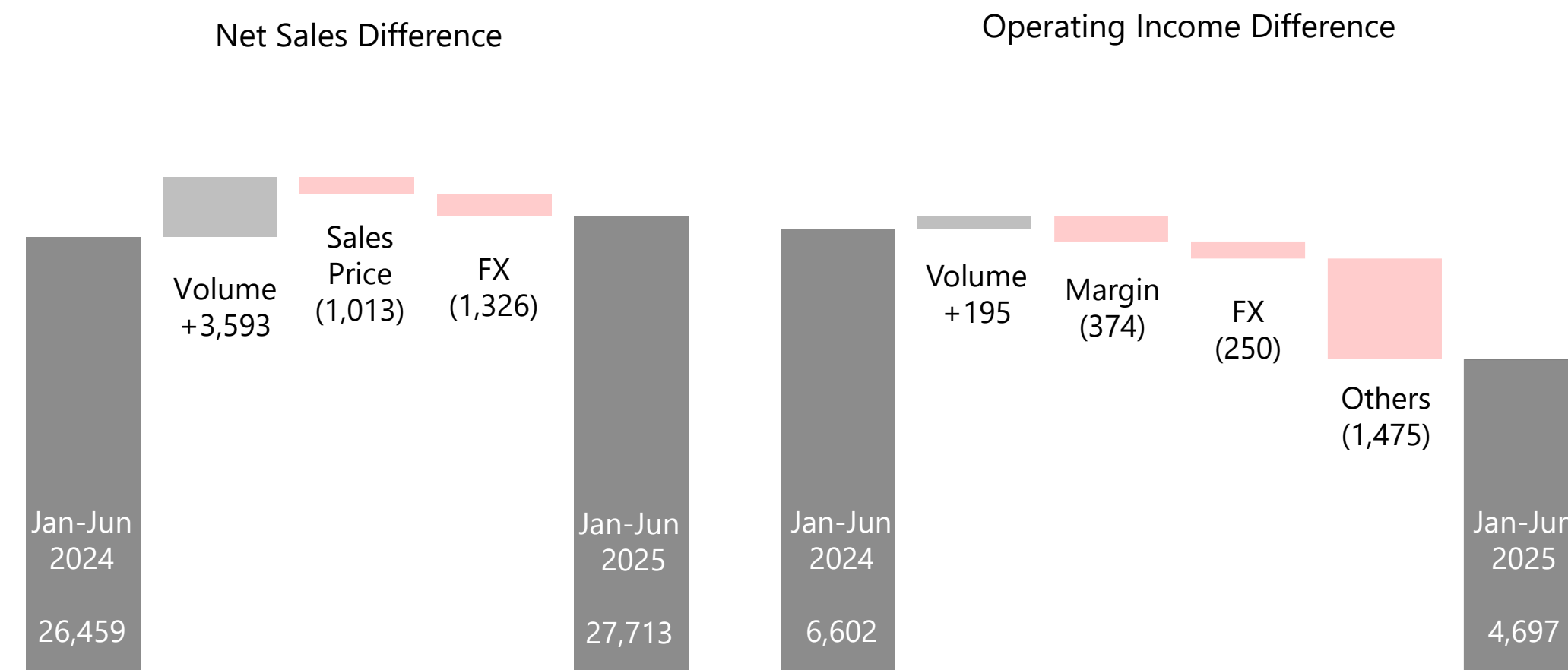
		Net sales			Operating income			EBITDA		
		Jan-Jun 2024	Jan-Jun 2025	YoY Change	Jan-Jun 2024	Jan-Jun 2025	YoY Change	Jan-Jun 2024	Jan-Jun 2025	YoY Change
Carbon Black		79,585	75,571	(4,013)	10,887	8,148	(2,738)	16,334	13,071	(3,263)
Fine Carbon		26,459	27,713	+1,254	6,602	4,697	(1,904)	10,428	9,488	(939)
Smelting and Lining		30,030	27,155	(2,874)	(7,555)	304	+7,860	848	2,210	+1,362
Graphite Electrodes		24,392	18,451	(5,940)	(2,423)	494	+2,917	519	2,985	+2,465
Industrial Furnaces and Related Products		5,125	4,204	(920)	1,125	885	(239)	1,299	1,057	(241)
Others	Friction Materials	4,150	4,000	(149)	—	—	—	—	—	—
	Anode Materials, etc.	1,178	978	(200)	—	—	—	—	—	—
Total		5,329	4,979	(349)	439	286	(153)	668	513	(154)
Inter-segment eliminations		—	—	—	(650)	(859)	(209)	(375)	(511)	(136)
Total		170,922	158,076	(12,846)	8,424	13,956	+5,532	29,724	28,815	(908)
Return on sales		—	—	—	4.9%	8.8%	+3.9pt	17.4%	18.2%	+0.8pt

- Results varied depending on the site location, but overall, sales volumes declined YoY due to continued production adjustments by customers and other factors, and sales prices also declined.
- Operating income decreased YoY due to declining margins and rising fixed costs. Operating income was 9% higher than our forecast for the first half of 2025.



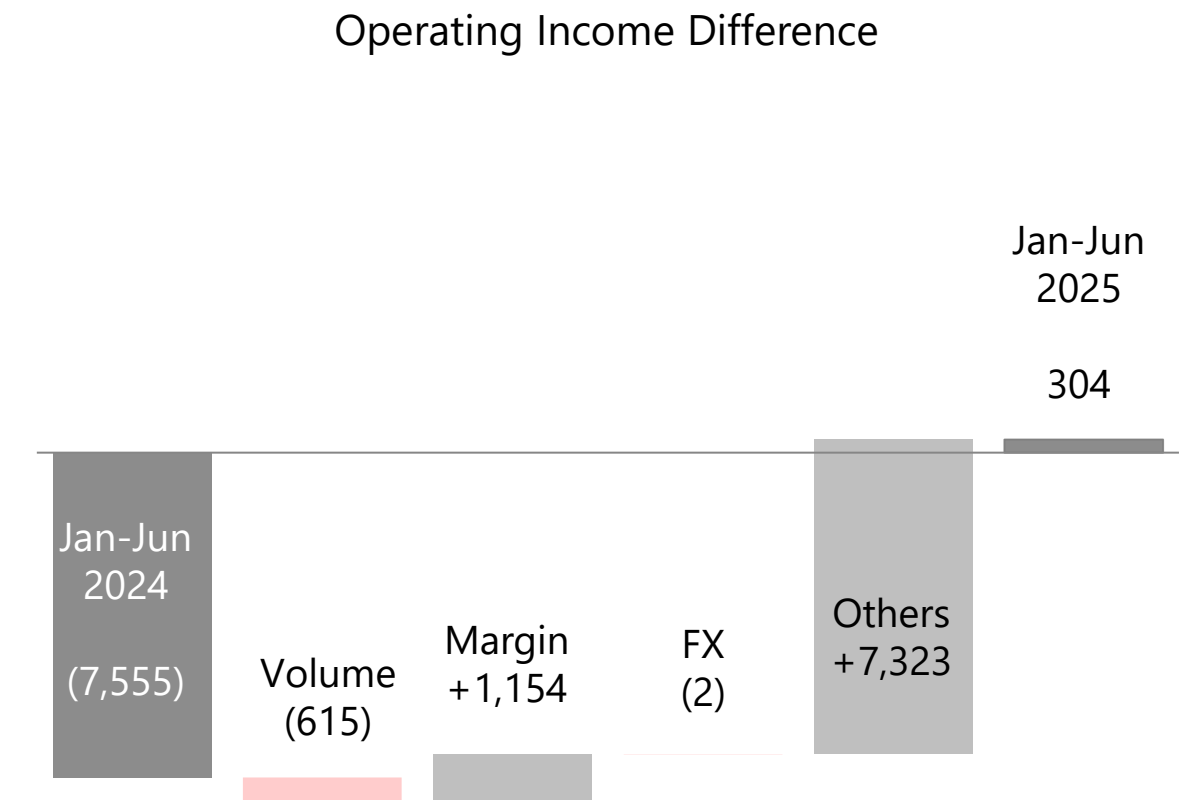
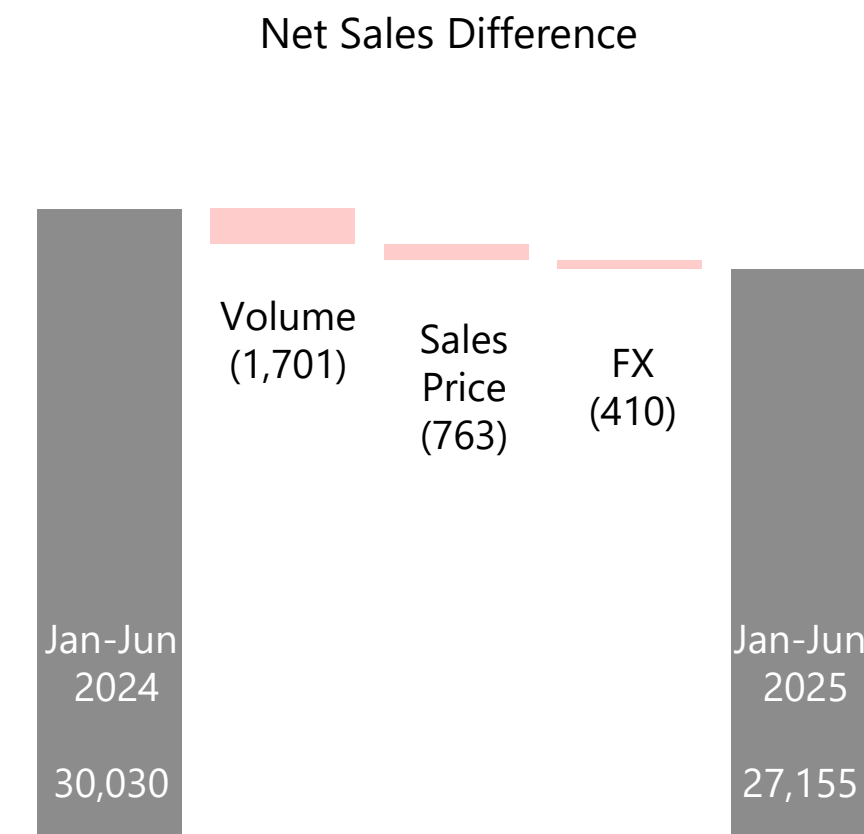
- Increased sales volumes of Solid SiC focus rings, our core product, in line with the recovery of demand for memory semiconductors, and the consolidation of U.S.-based companies as subsidiaries, contributed to a YoY increase in net sales.
- Operating income decreased YoY due to the sluggish SiC power semiconductor market resulting from a slowdown in growth of EVs. Operating income was a significant 47% higher than our forecast for the first half of 2025.

	Jan-Jun 2024	Jan-Jun 2025	YoY Change	% Change
Net sales	26,459	27,713	+1,254	+4.7%
Operating income	6,602	4,697	(1,904)	(28.8)%
ROS	25.0%	17.0%		



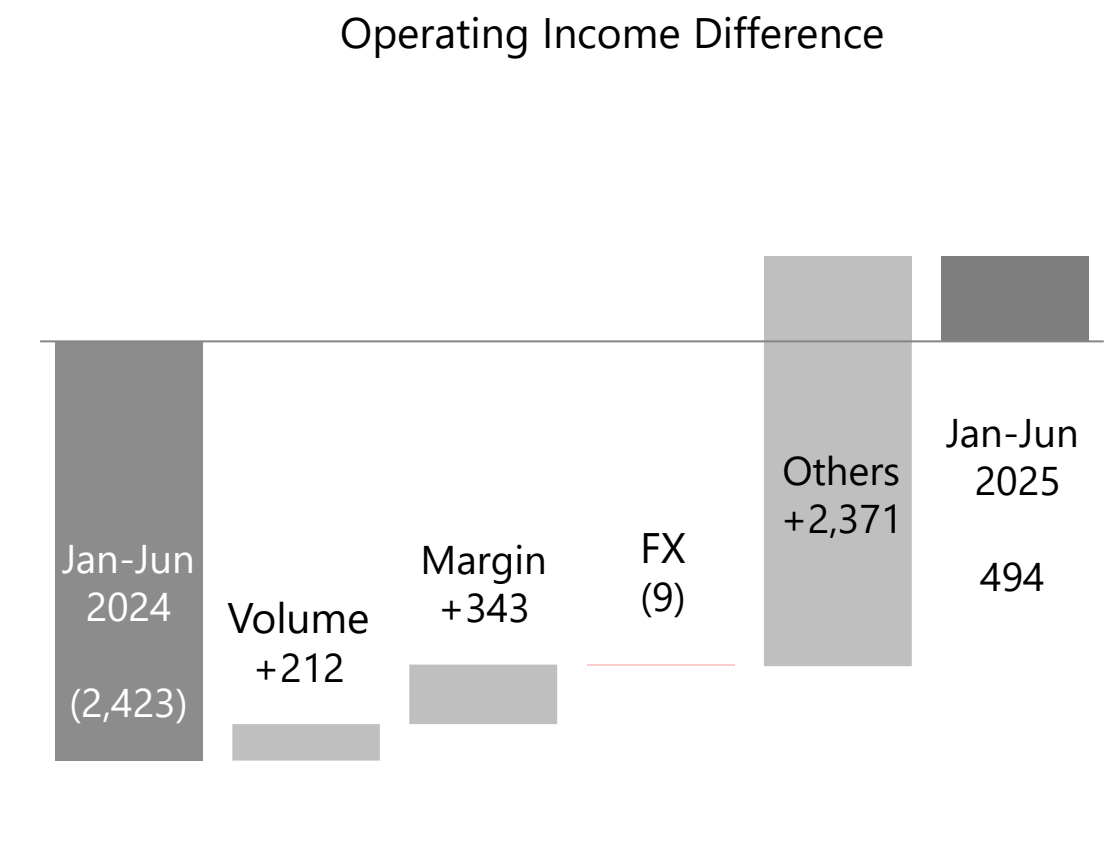
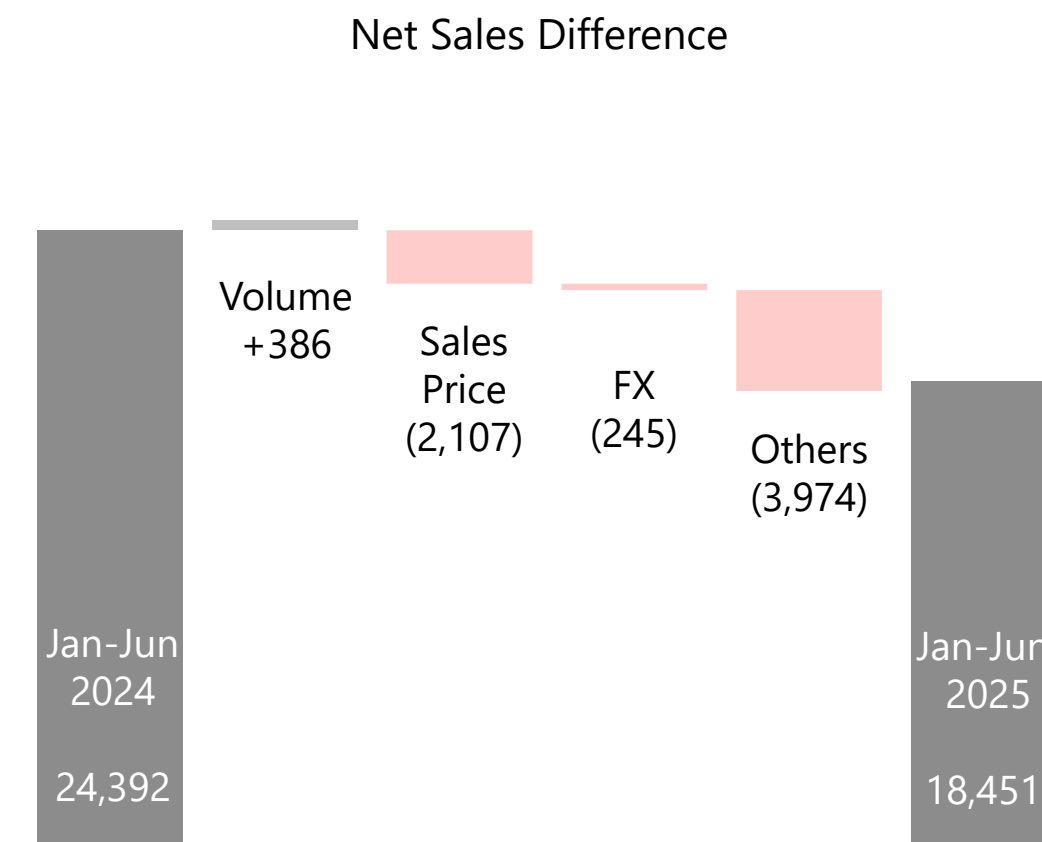
- Net sales decreased YoY due to a delay in the recovery of demand for relining of aluminum smelting furnaces.
- Operating income increased and turned positive due to decreased depreciation and amortization resulting from impairment losses on goodwill, etc. during the previous fiscal year, and cost reductions.
- Excluding the effect of decreased depreciation and amortization on goodwill, etc., the profit level bottomed out at +¥1,700 m YoY.
- Operating income exceeded our forecast (zero) for the first half of 2025 by approximately ¥300 m.

	Jan-Jun 2024	Jan-Jun 2025	YoY Change	% Change
Net sales	30,030	27,155	(2,874)	(9.6)%
Operating income	(7,555)	304	+7,860	—
ROS	(25.2)%	1.1%		



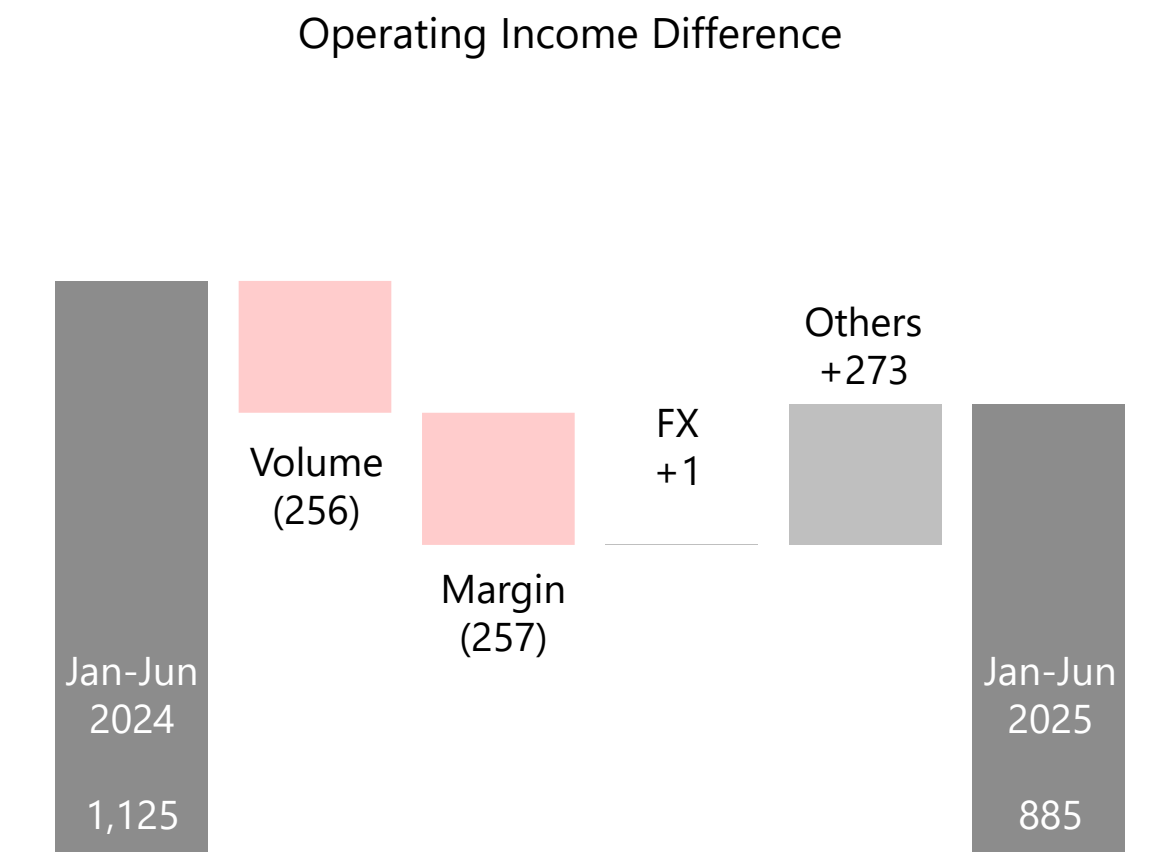
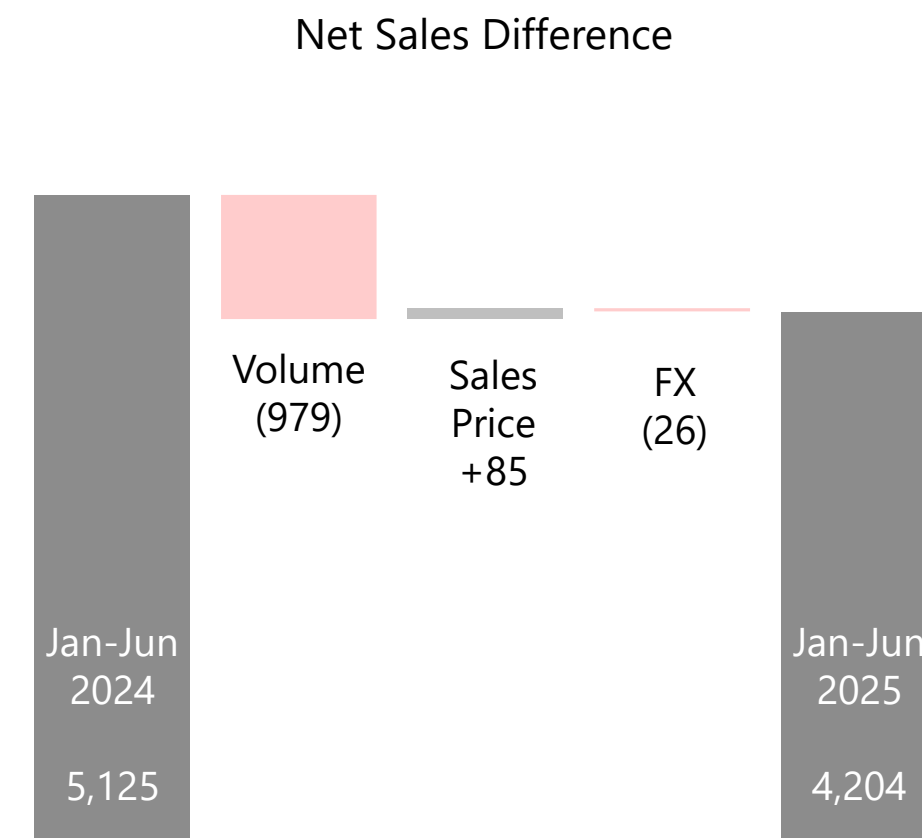
- Net sales decreased YoY as electrode market conditions were also sluggish, particularly in Asia and Europe, under circumstances where the outlook for a recovery in the steel market remained uncertain.
- Operating income increased and turned positive due to the effects of structural reforms, including impairment losses in the previous fiscal year, and cost reductions resulting from production consolidation, as well as a drop in raw material prices.
- Completed sales of equity interest in our European subsidiary that has been operating at a deficit for 10 consecutive quarters since the fourth quarter of 2022. The subsidiary was excluded from the scope of consolidation for the full second quarter, contributing to the increase in operating income.
- Operating income turned positive and exceeded the negative-figure forecast for the first half of 2025.

	Jan-Jun 2024	Jan-Jun 2025	YoY Change	% Change
Net sales	24,392	18,451	(5,940)	(24.4)%
Operating income	(2,423)	494	+2,917	—
ROS	(9.9)%	2.7%		



- Demand for CAPEX in the energy-related and electronic device industries, the core markets for industrial furnaces and heating elements, was sluggish due to the decline in personal consumption and uncertainty about economic trends, resulting in YoY decreases in net sales and operating income.
- Operating income was a slightly short 11% lower than our forecast for the first half of 2025.

	Jan-Jun 2024	Jan-Jun 2025	YoY Change	% Change
Net sales	5,125	4,204	(920)	(18.0)%
Operating income	1,125	885	(239)	(21.3)%
ROS	21.9%	21.1%		



Major Cash Flow items

(Millions of yen)

	Jan-Jun 2024	Jan-Jun 2025	Summary
Cash flows from operating activities	15,519	19,856	
Net income (loss) before income taxes	10,551	14,847	
Depreciation and amortization	16,917	12,474	
Amortization of goodwill	4,381	2,384	
Decrease (increase) in trade receivables	(3,545)	113	Working capital: JPY(3.2) billion (Jan-Jun 2024 JPY-8.3 billion)
Decrease (increase) in inventories	1,333	(1,375)	
Increase (decrease) in trade payables	(6,140)	(1,937)	
Income tax paid etc.	(7,978)	(6,649)	
Cash flows from investing activities	(24,032)	(23,461)	Free cash flow: JPY(3.6) billion (Jan-Jun 2024 JPY-8.5 billion)
Purchase of fixed assets	(26,960)	(23,239)	
Cash flows from financing activities	1,158	(8,027)	
Net increase (decrease) in short-term Loans payable	1,915	(359)	
Corporate bond issuance and redemption	10,000	—	
Acquisition of share of subsidiaries	(5,339)	—	Additional acquisition of shares of Tokai Carbon Korea (Ratio of voting rights held: 47.4% → 50.4%)
Purchase of treasury shares of subsidiaries	—	(2,835)	Acquisition of treasury shares by Tokai Carbon Korea (Ratio of voting rights held: 50.4% → 51.8%)
Payment of dividends	(3,837)	(3,202)	
Cash and cash equivalents at end of period	54,760	50,765	

※Working capital = Trade receivables + Inventories – Trade payables

Balance Sheet

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Major Balance Sheet Items

(Millions of yen)

	December 31, 2024	June 30, 2025	Summary
Total assets	640,753	606,571	
Current assets	270,363	240,496	
Cash and cash equivalents	92,207	72,222	
Notes and accounts receivable	69,175	65,363	· Cash/monthly sales: 2.7 times (End of FY2024: 3.2 times)
Inventory	100,740	93,191	· Inventory: (JPY-7.5 billion from End of FY2024)
Fixed assets	370,390	366,075	· Tangible fixed assets: (JPY-3.0 billion from End of FY2024)
Tangible fixed assets	264,582	261,568	· Intangible fixed assets: (JPY-6.6 billion from End of FY2024)
Intangible fixed assets	66,341	59,740	
Investments and other assets	39,466	44,766	
Total liabilities	315,595	298,525	· Net interest bearing debt: JPY118.6 billion (JPY+19.6 billion from End of FY2024)
Current liabilities	147,729	128,868	· Interest bearing debt: JPY190.8 billion (JPY-0.3 billion from End of FY2024)
Long-term liabilities	167,865	169,657	· Direct funding ratio: 59.5% (End of FY2024: 65.1%), Long term debt ratio: 63.8% (End of FY2024: 61.3%)
Total net assets	325,158	308,046	· Short term credit line: JPY66.0 billion (JPY+18.0 billion from End of FY2024): JPY6.0 billion executed (JPY+0.0 billion from End of FY2024)
Shareholders' equity	170,469	175,257	· CP issuance limit JPY60.0 billion (JPY+0.0 billion from End of FY2024): JPY48.5 billion executed (JPY-11.0 billion from End of FY2024)
Accumulated other Comprehensive income	119,089	99,306	· Capital to asset ratio: 45.3% (End of FY2024: 45.2%)
Non-controlling interests	35,600	33,481	· Adjusted Capital to asset ratio*: 51.0% (End of FY2024: 50.7%)
Total liabilities and net assets	640,753	606,571	· Net D/E ratio: 0.43 times (End of FY2024: 0.34 times)
			· Adjusted Net D/E ratio*: 0.27 times (End of FY2024: 0.20 times)

*The adjusted capital to asset ratio and adjusted net D/E ratio are the capital ratio and net D/E ratio that take into account the capital nature of hybrid finance recognized by rating agencies.

II

Structural Reforms Progress Report

Completed in the first half of 2025. Business on track to return to profitability

■ Actions completed

Integration of domestic graphite electrode production in Japan

- Termination of production at the Shiga Plant and integration at the Hofu Plant
- Reduction of graphite electrode production capacity in Japan
26,000 tons \Rightarrow 12,000 tons/year



Divestment of our production site in Europe

- Divestment of TOKAI ERFTCARBON GmbH, a wholly-owned subsidiary, to an investment fund in Germany
- Withdrawal from production in Europe, where the market slump has been prolonged



■ Production capacity and future policy

U.S.: 40,000 tons, Japan: 12,000 tons Total: 52,000 tons/year

Focus on supply of high-quality, super-size electrodes in Japan and U.S.

Significant decrease in depreciation and amortization resulting from impairment losses recorded in FY2024

Amidst our ongoing consideration of drastic structural reform measures, we strengthened our consolidated governance structure

■ Strengthening of consolidated governance structure

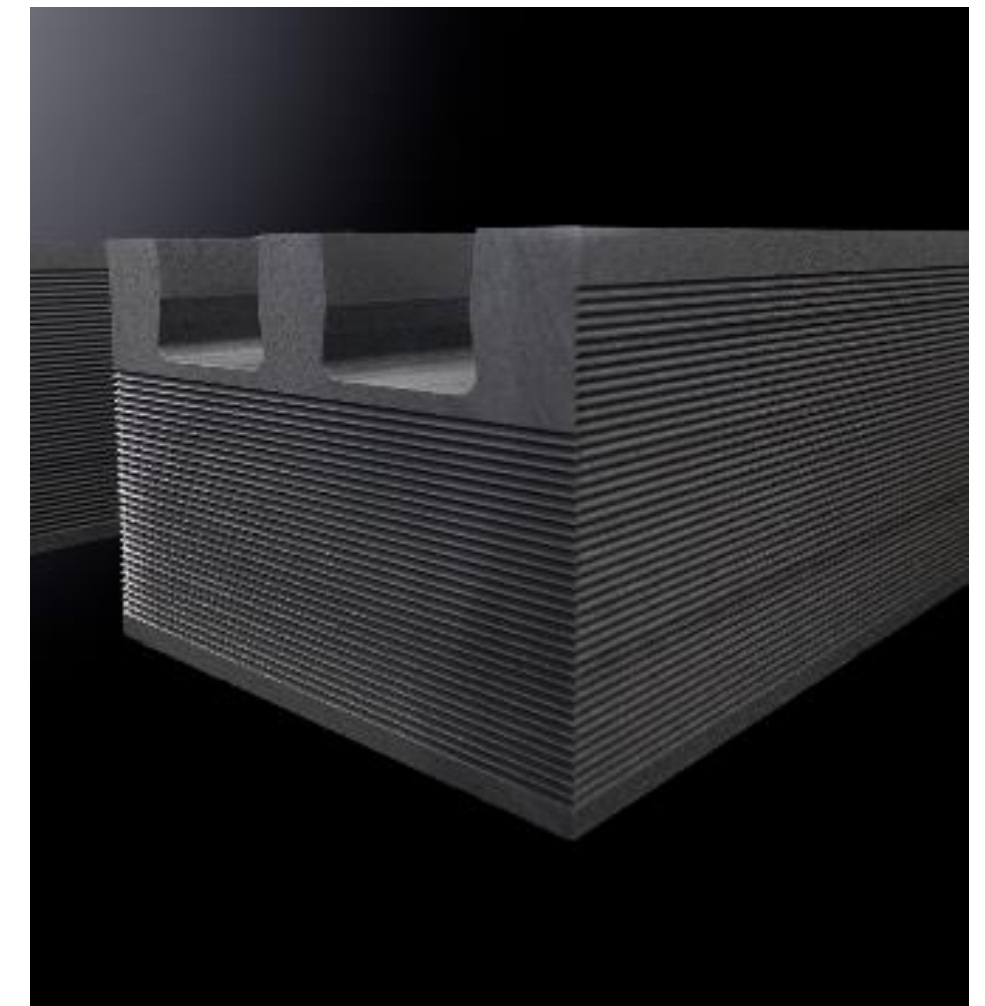
Improvement of the quality and speed of decision-making through organizational changes and personnel reinforcement

Organizational changes

- Dissolution of the divisional structure and restructuring as an organization under the direct control of the Corporate Planning Department

Personnel reinforcement

- Dispatchment of two executive officers to the field effective July 21, 2025, as top management and technical advisor with high expertise in graphite manufacturing technology
- Appointment of Chief Restructuring Officer in Japan effective the same date



Reference Material

Key Indicators

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(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

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(Millions of yen)

		2024					2025				
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	H2f	Full year	
Net sales		82,161	88,760	87,736	91,455	350,114	80,346	77,730	182,923	341,000	
	Carbon Black	39,602	39,983	39,793	37,414	156,793	38,920	36,650	91,428	167,000	
	Fine Carbon	12,537	13,922	14,131	13,299	53,890	14,442	13,271	31,286	59,000	
	Smelting and Lining	14,030	16,000	16,102	18,378	64,512	12,932	14,222	28,844	56,000	
	Graphite Electrodes	10,874	13,518	12,504	11,921	48,818	9,383	9,068	19,548	38,000	
	Industrial Furnaces and Related Products	2,485	2,640	3,037	8,128	16,291	2,125	2,079	7,795	12,000	
	Others	Friction Materials	2,064	2,086	1,818	2,005	7,974	1,960	2,040	3,999	8,000
		Anode Materials, etc.	568	610	347	306	1,833	581	396	21	1,000
	Total	2,632	2,696	2,165	2,312	9,807	2,542	2,437	4,020	9,000	
Operating income		3,489	4,934	6,786	4,175	19,386	7,136	6,820	9,343	23,300	
	Carbon Black	5,696	5,190	5,484	5,335	21,706	4,521	3,626	5,051	13,200	
	Fine Carbon	3,078	3,523	3,815	2,019	12,437	2,994	1,703	3,502	8,200	
	Smelting and Lining	(3,546)	(4,009)	(2,795)	(3,349)	(13,701)	160	144	(304)	—	
	Graphite Electrodes	(2,175)	(248)	86	(1,192)	(3,529)	(725)	1,219	605	1,100	
	Industrial Furnaces and Related Products	511	613	669	1,510	3,304	470	414	1,714	2,600	
	Other Operations	224	215	95	(131)	403	125	160	313	600	
	Inter-segment eliminations	(300)	(349)	(569)	(16)	(1,235)	(409)	(449)	(1,540)	(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.

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