

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021 [Japanese GAAP]

Company name: Tokai Carbon Co., Ltd. Listed on: Tokyo Stock Exchange
 Stock code: 5301 URL: <https://www.tokaicarbon.co.jp/en/>
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Scheduled date for submission of quarterly report: May 14, 2021
 Date for commencement of dividend payments: —
 Supplementary notes to quarterly financial statements: Yes
 Briefing on quarterly financial statements: Yes (Conference call for analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021 (January 1 to March 31, 2021)

(1) Consolidated Operating Results (Percentage figures represent 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, 2021	53,968	2.2	4,077	(39.6)	3,999	(39.2)	1,968	(57.1)
Three months ended March 31, 2020	52,790	(23.3)	6,750	(68.2)	6,573	(69.0)	4,583	(65.4)

Note: Comprehensive income: Three months ended March 31, 2021: 15,888 million yen, (—%)
 Three months ended March 31, 2020: (8,565) million yen, (—%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Three months ended March 31, 2021	9.23	—
Three months ended March 31, 2020	21.50	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Capital-to-asset Ratio
	Millions of yen	Millions of yen	%
As of March 31, 2021	475,308	237,503	44.7
As of December 31, 2020	459,709	224,815	43.8

For reference: Shareholders' capital: As of March 31, 2021: 212,424 million yen
 As of December 31, 2020: 201,267 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, 2020	–	15.00	–	15.00	30.00
Fiscal year ending December 31, 2021	–				
Fiscal year ending December 31, 2021 (Forecast)		15.00	–	15.00	30.00

Note: Amendment to most recently disclosed dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2021 (January 1 to December 31, 2021)

(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	103,800	10.7	4,600	(20.9)	4,100	(20.6)	200	(90.7)	0.94
Full year	227,900	13.1	18,100	130.3	16,900	169.9	8,900	772.6	41.75

Notes: Amendment to most recently disclosed 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 principles peculiar 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, 2021	224,943,104 shares	As of December 31, 2020	224,943,104 shares
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(b) Number of treasury stock at the end of the period

As of March 31, 2021	11,771,826 shares	As of December 31, 2020	11,771,256 shares
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(c) Average number of shares during the period

Three months ended March 31, 2021	213,171,583 shares	Three months ended March 31, 2020	213,151,860 shares
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* Quarterly financial results are not subject to quarterly review 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 Quarterly Account Settlement Supplementary Explanation)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Tuesday, May 11, 2021. The materials for this briefing will be posted on the corporate website on that day.

○ Supplemental Materials

1. Qualitative Information Related to This Quarter’s Settlement	2
(1) Explanation regarding operating results.....	2
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Income	
First Three-month Period	6
Quarterly Consolidated Statements of Comprehensive Income	
First Three-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on the Going-concern Assumption).....	8
(Notes When There Are Notable Fluctuations in Shareholders’ Stock Amount)	8
(Additional information).....	8
(Segment Information).....	9

1. Qualitative Information Related to This Quarter's Settlement

(1) Explanation regarding operating results

During the first three months of 2021 (January 1 to March 31, 2021), the global economy continued to recover from the first half of the previous year, when we saw a significant decline caused by the novel coronavirus (COVID-19) pandemic, thanks to massive financial support, primarily by major economic powers such as the United States, and the start of a phased vaccine rollout at the end of 2020. Going forward, the economic recovery is expected to continue, aided by economic stimulus measures by each country and the vaccine rollout, while uncertainties surrounding the global economy are increasing, such as the spread of highly contagious variants, side effects of massive financial support, and disparities among countries and regions in the coverage (rate) of financial support and vaccination, which have become increasingly visible.

Under these circumstances, the Tokai Carbon Group has engaged in its business activities in line with the mid-term management plan "T-2022" announced in February 2020; however, we were forced to struggle as the growth in growth businesses such as Fine Carbon was dragged down by core Graphite Electrodes business, which was negatively affected by the delayed recovery of the market.

As a result, net sales for the first three months of 2021 grew 2.2% year on year to 53,968 million yen. Operating income declined 39.6% year on year to 4,077 million yen. Ordinary income declined 39.2% year on year to 3,999 million yen. Net income attributable to owners of the parent company declined 57.1% year on year to 1,968 million yen.

Results by business segment were as follows:

Graphite Electrodes

Sales volume of graphite electrodes recovered to the level a year ago, as inventory in the market has returned to a proper level. Despite a sign of bottoming out and picking up, the graphite electrode market remained low compared to the level a year ago.

As a result, net sales for the Graphite Electrodes business decreased 30.6% year on year to 7,957 million yen, while operating loss was 223 million yen (operating income of 2,131 million yen in the previous fiscal year).

Carbon Black

Sales volume saw a decrease due to the suspension of production and shipment at the production bases in the United States when they were affected by a severe cold wave in February in the southern United States. On a group-wide basis, however, sales volume increased year on year, with the overall recovery of demand from the tire and auto parts industries.

As a result, net sales for the Carbon Black business increased 2.7% year on year to 21,595 million yen and operating income rose 3.8% year on year to 1,807 million yen.

Fine Carbon

While production and shipments for semiconductor and solar power generation applications were steady, those for general industry applications remained weak due to the lack of full-scale recovery. Meanwhile, shipments of solid SiC (silicon carbide) products, which are high value-added products, have increased on the back of robust global demand.

As a result, net sales for the Fine Carbon business rose 12.8% year on year to 8,826 million yen and operating income increased 11.8% year on year to 2,146 million yen.

Smelting and Lining

Rising aluminum production and market prices in the wake of the recovery of the Chinese economy and automobile production have contributed to a steady business environment. On the other hand, profit margins decreased from the previous fiscal year, mainly because of the weak cathode market after the COVID-19 pandemic and changes in the lineup of shipments. On July 17, 2020, the Company added Tokai Carbon Savoie International SAS (the former Carbone Savoie International SAS), a French carbon and graphite products manufacturer, and its group companies to this segment as consolidated subsidiaries.

As a result, net sales for the Smelting and Lining business increased 61.8% year on year to 10,766 million yen but operating income declined 75.7% year on year to 42 million yen.

Industrial Furnaces and Related Products

Net sales of industrial furnaces decreased from the previous fiscal year as sales for energy-related industry applications, which are a major source of demand, concentrate in the second quarter or thereafter. Net sales of heating elements and other products increased from the previous fiscal year due to strong demand from the electronic components industry and the Chinese domestic market.

As a result, net sales for the Industrial Furnaces and Related Products business were down 38.9% year on year to 1,982 million yen, and operating income fell 40.0% year on year to 521 million yen.

Other Operations

Friction materials

Net sales of friction materials increased 30.2% year on year to 2,134 million yen, because of increasing demand for construction and agricultural machinery, motorcycle, and electromagnetic applications in parallel with the recovery of the global economy.

Anode materials

Sales volume decreased from the previous fiscal year as competition was intensified with rising new players entering the anode materials market.

As a result, net sales of anode materials fell 25.8% year on year to 670 million yen.

Others

Net sales from real estate leasing and other businesses fell 5.0% year on year to 34 million yen.

As a result of the foregoing, net sales for Other Operations increased 10.1% year on year to 2,839 million yen but operating income fell 43.0% year on year to 138 million yen.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	First quarter of the fiscal year under review (As of March 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	67,174	60,034
Notes and accounts receivable	41,438	42,859
Merchandise and finished goods	14,890	18,082
Work in process	30,638	31,180
Raw materials and supplies	18,269	18,741
Other	5,490	7,822
Allowance for doubtful accounts	(224)	(221)
Total current assets	177,678	178,499
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	25,150	25,501
Machinery, equipment and vehicles, net	51,515	53,762
Furnaces, net	8,354	8,222
Land	7,604	7,726
Construction in progress	24,672	29,646
Other, net	7,709	7,911
Total tangible fixed assets	125,007	132,770
Intangible fixed assets		
Software	2,015	1,964
Goodwill	60,316	60,433
Customer-related assets	62,438	62,553
Other	8,579	8,605
Total intangible fixed assets	133,349	133,557
Investments and other assets		
Investment securities	17,492	21,097
Net defined benefit asset	2,729	2,708
Deferred tax assets	2,611	5,646
Other	890	1,078
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	23,674	30,481
Total fixed assets	282,031	296,809
Total assets	459,709	475,308

(Millions of yen)

	Previous fiscal year (As of December 31, 2020)	First quarter of the fiscal year under review (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	15,500	15,535
Electronically recorded obligations	3,147	3,988
Short-term loans payable	3,065	4,000
Commercial paper	40,000	40,000
Current portion of long-term loans payable	8,813	10,341
Income tax payable	3,094	2,693
Accrued expenses	2,880	2,660
Reserve for bonuses	1,754	1,227
Other	14,398	14,888
Total current liabilities	92,656	95,336
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	51,764	47,845
Deferred tax liabilities	21,409	25,323
Net defined benefit liability	7,544	7,716
Reserve for directors' retirement benefits	82	80
Reserve for executive officers' retirement benefits	73	57
Provision for environment and safety measures	431	359
Other	5,932	6,086
Total long-term liabilities	142,237	142,469
Total liabilities	234,894	237,805
Net assets		
Shareholder's capital		
Capital stock	20,436	20,436
Capital surplus	17,338	17,338
Retained earnings	166,017	164,788
Treasury stock	(7,248)	(7,249)
Total shareholder's capital	196,543	195,313
Other accumulated comprehensive income		
Net unrealized gains/losses on other securities	7,436	9,321
Deferred gains or losses on hedges	(70)	(134)
Foreign currency translation adjustments	(3,529)	6,998
Remeasurements of defined benefit plans	887	926
Total accumulated other comprehensive income	4,723	17,110
Non-controlling interests	23,548	25,078
Total net assets	224,815	237,503
Total liabilities and net assets	459,709	475,308

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of 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, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Net sales	52,790	53,968
Cost of sales	35,592	39,053
Gross profit	17,197	14,914
Selling, general and administrative expenses	10,447	10,837
Operating income	6,750	4,077
Non-operating income		
Interest income	62	60
Dividend income	85	72
Equity in income of non-consolidated subsidiaries and affiliates	42	11
Foreign exchange gains	20	356
Other	146	260
Total non-operating income	357	762
Non-operating expenses		
Interest expenses	197	281
Other	337	558
Total non-operating expenses	534	840
Ordinary income	6,573	3,999
Extraordinary income		
Gain on sales of investment securities	-	35
Gain on sales of fixed assets	29	0
Total extraordinary income	29	36
Extraordinary loss		
Loss on retirement of fixed assets	-	21
Loss on valuation of investment securities	117	-
Total extraordinary loss	117	21
Quarterly net income before income taxes	6,484	4,013
Income taxes - current	2,061	1,686
Income taxes - deferred	(774)	(490)
Total income taxes	1,287	1,195
Quarterly net income	5,197	2,817
Quarterly net income attributable to non-controlling interests	613	849
Quarterly net income attributable to owners of the parent company	4,583	1,968

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, 2020)	First three months of the fiscal year under review (January 1 to March 31, 2021)
Quarterly net income	5,197	2,817
Other comprehensive income		
Net unrealized gains/losses on other securities	(3,017)	1,886
Deferred gains or losses on hedges	(275)	(64)
Foreign currency translation adjustments	(10,311)	11,221
Remeasurements of defined benefit plans	(122)	38
Share of other comprehensive income of entities accounted for using equity method	(35)	(12)
Total other comprehensive income	(13,762)	13,070
Quarterly comprehensive income	(8,565)	15,888
(Of which)		
Quarterly comprehensive income attributable to owners of the parent company	(8,018)	14,355
Quarterly comprehensive income attributable to non- controlling interests	(546)	1,532

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

N/A

(Notes When There Are Notable Fluctuations in Shareholders' Stock Amount)

N/A

(Additional information)

There is no significant change in the assumed information reported in “(Additional information)” in the Securities Report for the previous fiscal year, regarding the effects of COVID-19 infections, including the estimation of the spread and timing of containment.

(Segment Information)

I First three months of the previous fiscal year (January 1 to March 31, 2020)

Information on the amounts of net sales and income for each 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	11,460	21,030	7,825	6,652	3,242	50,211	2,579	52,790	—	52,790
Inter-segment sales or transfers	44	20	29	0	121	215	0	215	(215)	—
Total	11,504	21,050	7,855	6,652	3,363	50,426	2,579	53,006	(215)	52,790
Segment income	2,131	1,741	1,919	175	868	6,837	242	7,080	(330)	6,750

- Notes:
1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
 2. The 330-million-yen negative adjustment in segment income includes company-wide expenses of 322 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 reportable segments.
 3. Segment income is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income

II First three months of the fiscal year under review (January 1 to March 31, 2021)

Information on the amounts of net sales and income (loss) for each 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	7,957	21,595	8,826	10,766	1,982	51,128	2,839	53,968	—	53,968
Inter-segment sales or transfers	25	21	25	6	134	213	—	213	(213)	—
Total	7,982	21,617	8,852	10,772	2,117	51,342	2,839	54,181	(213)	53,968
Segment income (loss)	(223)	1,807	2,146	42	521	4,294	138	4,432	(355)	4,077

- Notes:
1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
 2. The 355-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 327 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 reportable segments.
 3. Segment income (loss) is adjusted with the operating income reported in the Quarterly Consolidated Financial Statements of Income.