Q3 FY2021 Earnings Presentation



Table of Contents

I Q3 FY2021 Financial Summary

P 3-16

Reference material

P 17-21

I

Q3 FY2021

Financial Summary

- The OECD projects the global economy will grow at a rate 5.7% in 2021 and 4.5% in 2022, "almost unchanged" from its previous May forecast, on the back of progress in vaccinations and the resumption of economic activity.
- In the U.S., the employment recovery has slowed due to concerns about the spread of the Delta strain (tightening of labor market), and the manufacturing industry's production has increased at a slower pace than orders due to prolonged supply constraints caused by turmoil in global supply chains. In Europe as well, persistent supply constraint issues and soaring natural gas prices are weighing on production recovery.
- The company recorded a large YoY increase in both net sales and operating income. The rate of progress against the upwardly revised full-year earnings forecasts was 73.8% for net sales and 74.9% for operating income. Q3 results (July-September) show generally steady progress against the 2nd half forecasts, with 50.7% for net sales and 53.1% for operating income.
- In Q4, while the global economy is expected to recover steadily, caution is needed against risks in automobile production decline and sales slowdowns due to the global supply shortage of semiconductors and other automobile-related parts, container shortage and sea freight rates, and soaring energy prices.
- By segment, while net sales and operating income both fell YoY in the graphite electrode business, the carbon black business saw a significant increase in both net sales and operating income on the back of increased sales of repair tires for tire makers despite production adjustments by auto makers. In the fine carbon business and the industrial furnaces and related products business, both net sales and operating income increased as the company captured growth demand in the semiconductor, EV, and 5G related markets. The smelting and lining business also saw an increase in net sales and operating income due to renewal demand for smelting furnaces against a backdrop of soaring aluminum metal prices.
- A project to supply anode materials to European EV battery makers is underway at Tokai COBEX (France). Participation in an EV battery development project led by Verkor was announced in July, and the company became a recipient of a grant from the French government's "Resilience" recovery plan.

Summary of Consolidated Results

- Net sales ¥185b, Operating income ¥17.6b, ROS 9.5%
- Net sales and Operating income increased YoY

(Millions of yen)

	Jan-Sep 2020	Jan-Sep 2021	YoY Change	%Change
Net sales	144,623	185,095	+40,472	+28.0%
Operating income	7,428	17,669	+10,240	+137.9%
Ordinary income	6,181	17,547	+11,366	+183.9%
Net income attributable to owners of the parent company	1,040	9,559	+8,518	+818.6%

Group companies (As of September 30, 2021)

Consolidated subsidiaries: 33

Equity method affiliates:

Average exchange rates:

2020 USD1= ¥107.59

EUR1= ¥120.90

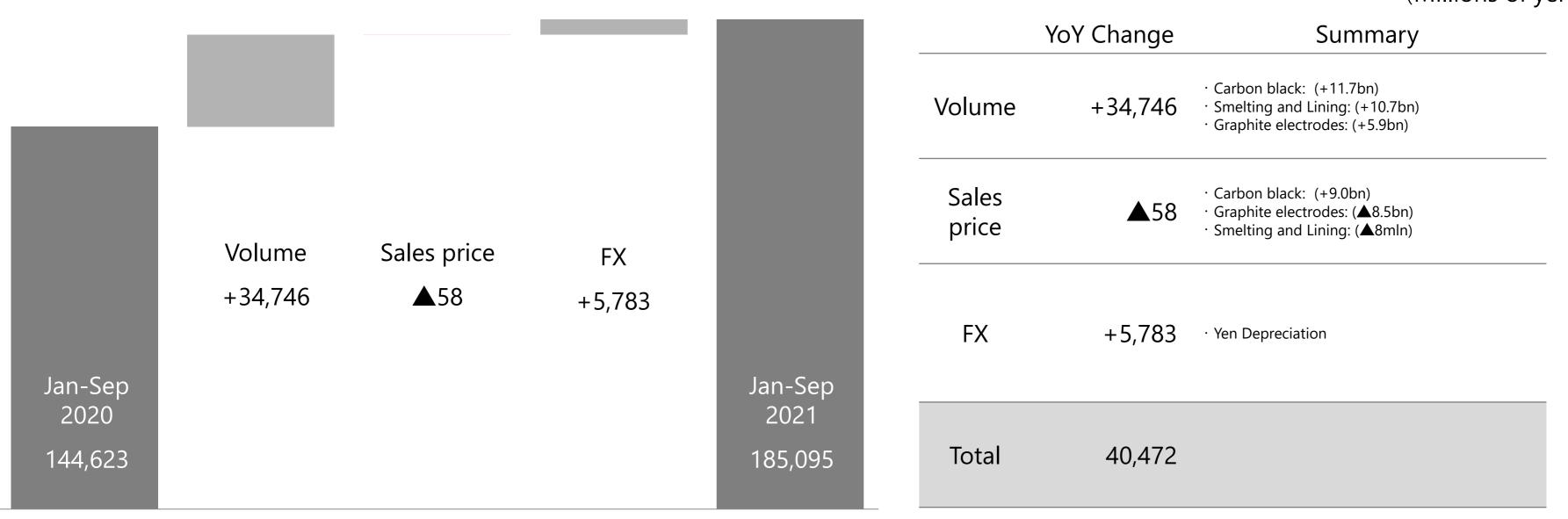
2021 USD1= ¥108.50

EUR1= ¥129.83

^{*}The provisional accounting treatment of Tokai Carbon Savoie International SAS business combination was finalized. This resulted in the retroactive adjustment of 2020 figures.

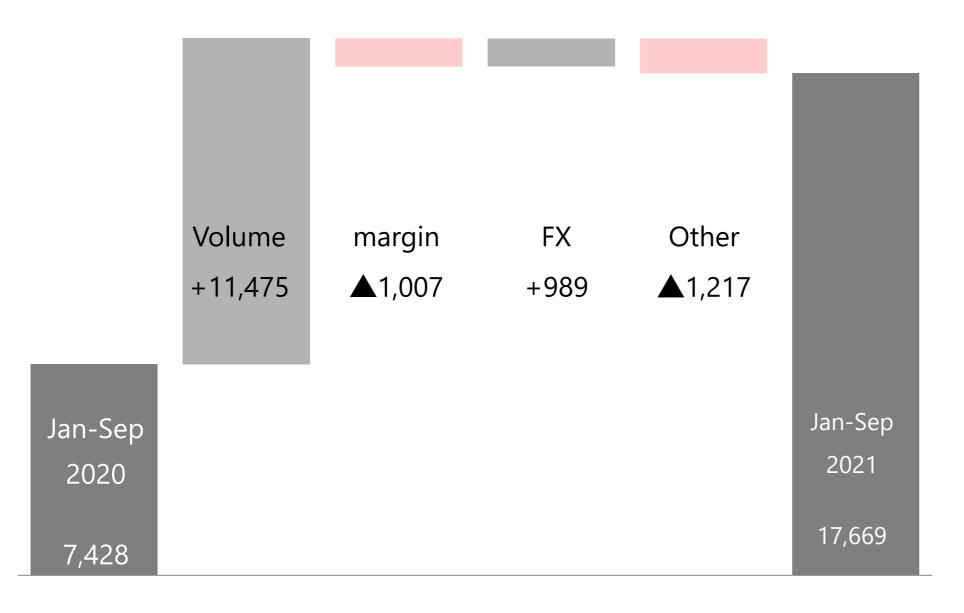
YoY Analysis: Net Sales

- Net sales increased 28% YoY
- Net sales increased owing to recovery in sales volume in the carbon black business
- Tokai COBEX Savoie began contributing to consolidated results from August 2020



YoY Analysis: Operating Income

- Operating income increased 137.9% YoY
- Operating income increased on the growth of the semiconductor and EV related markets as well as the core carbon black business



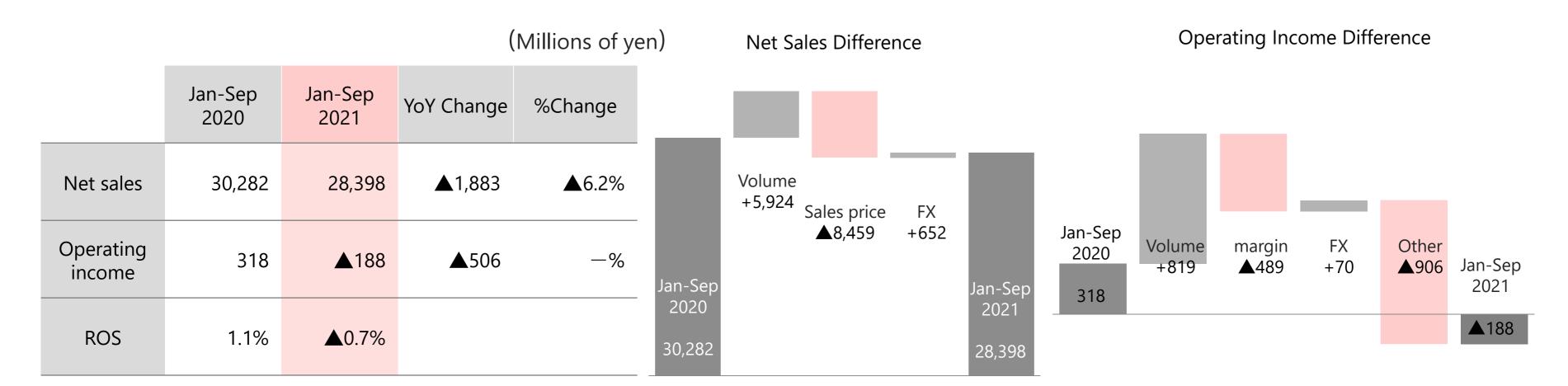
	YoY Change	Summary
Volume	+11,475	 Carbon black: (+4.7bn) Smelting and Lining: (+2.2bn) Fine Carbon: (+1.9bn)
Margin	1 ,007	· Smelting and Lining: (▲1.4bn)
FX	+989	
Other	▲ 1,217	· Fixed cost increased
Total	10,240	

■ EBITDA (Operation income + Goodwill amortization + Depreciation) increased 43.4% YoY to ¥39.6b (Millions of yen)

		Net sales			(Operating income		EBITDA		
		Jan-Sep 2020	Jan-Sep 2021	YoY Change	Jan-Sep 2020	Jan-Sep 2021	YoY Change	Jan-Sep 2020	Jan-Sep 2021	YoY Change
		30,282	28,398	▲ 1,883	318	▲188	▲ 506	2,845	3,034	+189
Carbo	on Black	50,400	72,262	+21,861	648	6,684	+6,036	6,012	11,184	+5,172
Fine	Carbon	23,582	28,551	+4,968	5,004	7,016	+2,011	8,796	11,156	+2,360
Smelting	and Lining	23,208	35,219	+12,010	22	1,220	+1,197	7,527	10,289	+2,762
Industrial Furnaces and Related Products		9,207	11,427	+2,219	2,317	3,360	+1,042	2,484	3,550	+1,066
	Friction materials	4,615	6,590	+1,974		_	_		_	_
Other Operati on	Anode materials	3,218	2,544	▲ 673		_			_	
	Others	106	101	\$ 5	_	_		_	_	_
		7,941	9,236	+1,295	188	603	+415	582	1,000	+418
Inter-segment eliminations		_	_		▲ 1,071	▲ 1,027	+44	▲ 629	▲ 602	+27
Т	otal	144,623	185,095	+40,472	7,428	17,669	+10,240	27,620	39,613	+11,993
F	ROS	_	_	_	5.1%	9.5%	+4.4%	19.1%	21.4%	+2.3%

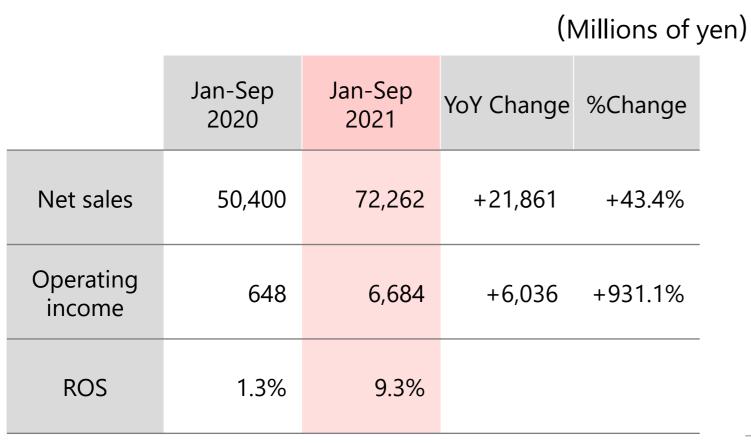
Graphite Electrodes

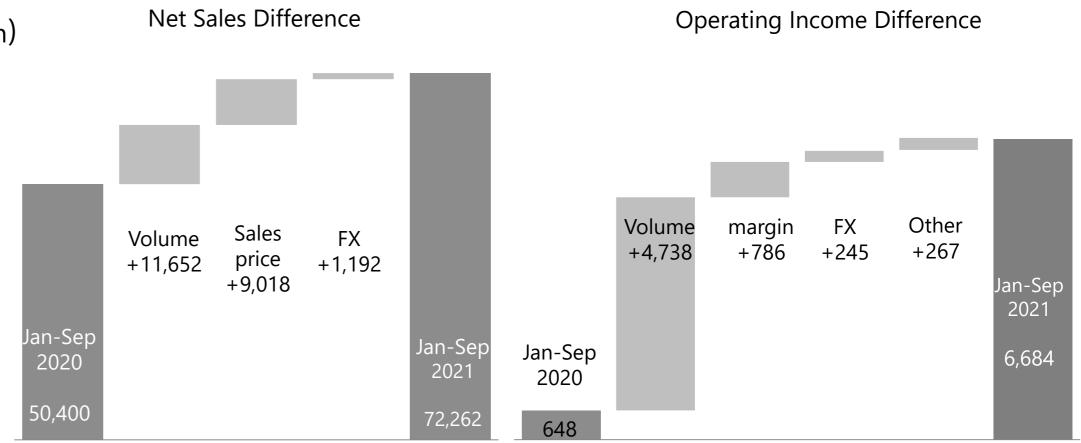
- The steel industry, which is linked to the graphite electrode business, continues to recover as the global economy picks up. Graphite electrode demand in the U.S. and Europe is also recovering, and the company's manufacturing bases in those locations are at full capacity
- Although there are signs of a reversal in the electrode market due to inventory optimization and demand recovery, the improvement of market conditions has been slower compared to client industries. Combined with rising energy and material prices, this led to YoY declines in both net sales and operating income



Carbon Black

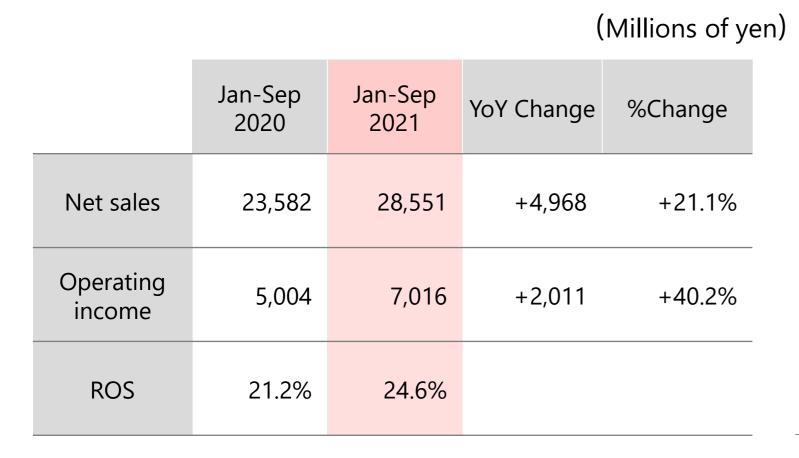
- This business was affected by the cold wave in the southern U.S. in February, but sales volume increased YoY thanks to a rapid recovery in auto production in China, as well as a global recovery in demand in the tire and auto component industries
- YoY: Crude oil prices increased, leading to higher adjusted carbon black sales prices
- YoY: Plant utilization rates increased, resulting in a recovery in margins

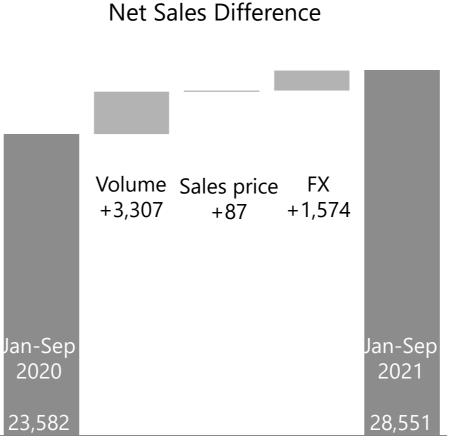


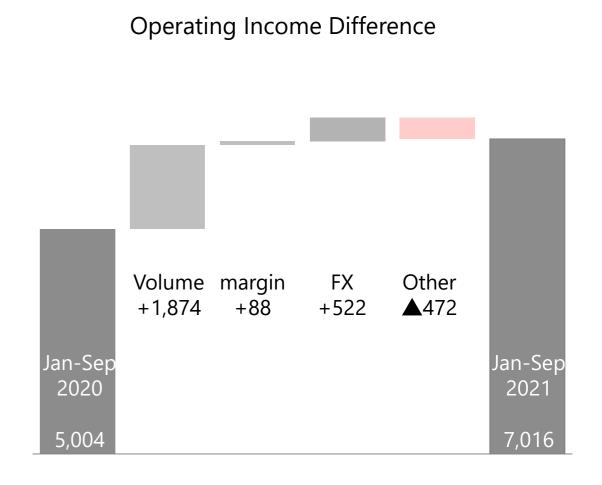


Fine Carbon

- The semiconductor and solar power generation markets were strong. The general industrial market also trended toward recovery
- Growth continued in solid SiC (Silicon Carbide) focus rings used in the semiconductor production etching process



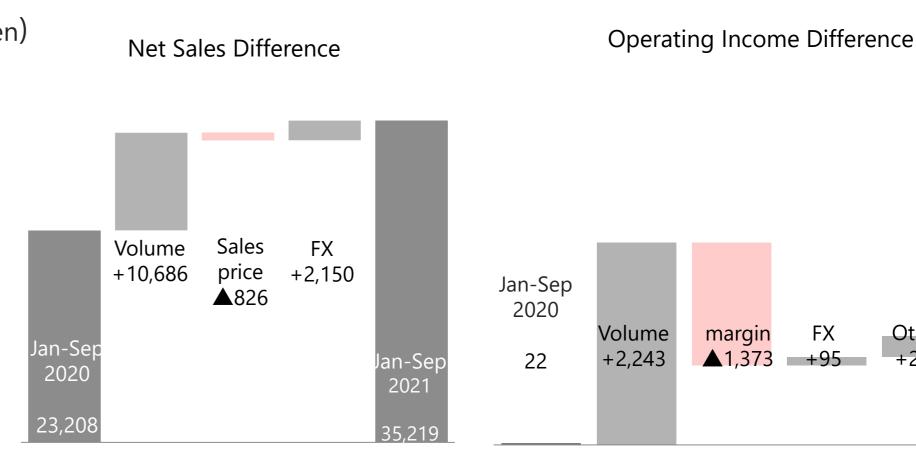




Smelting and Lining

- Both net sales and operating income increased YoY, helped mainly by continued strong demand for aluminum
- Tokai COBEX's French operations began contributing to consolidated sales from August 2020
- Non-consolidated operating income for the division of ¥8.620b (before consolidated adjustments of ¥7.4b, including goodwill amortization)

				(Millions of	yer
	Jan-Sep 2020	Jan-Sep 2021	YoY Change	%Change	
Net sales	23,208	35,219	+12,010	+51.8%	
Operating income	22	1,220	+1,197	+5,371.3%	
ROS	0.1%	3.5%			



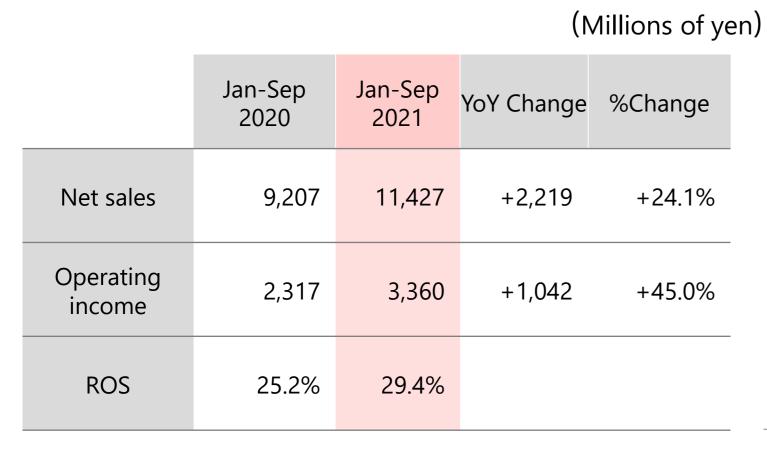
Jan-Sep

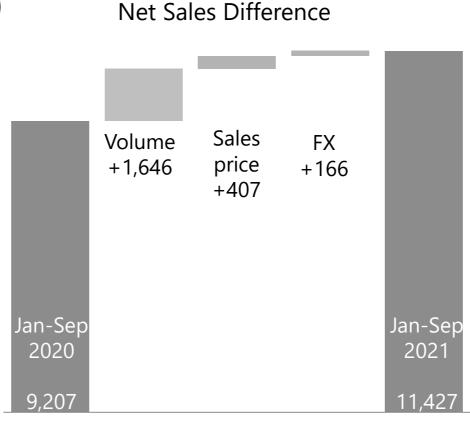
2021

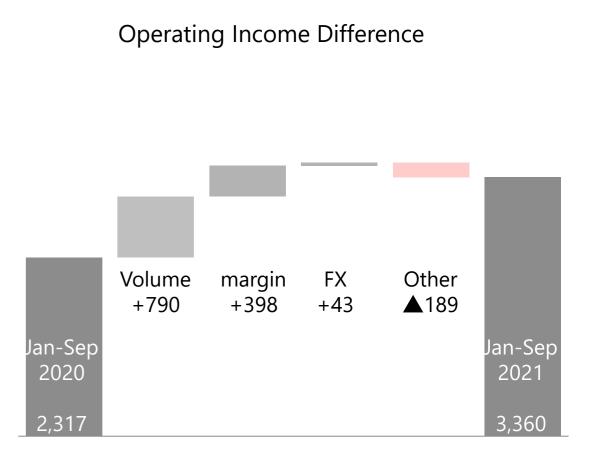
1,220

Industrial Furnace and Related Products

- Ceramic heaters performed well amid growth in demand from the electronic components industry and demand in China
- Industrial furnaces for the energy related industry grew







Other Business (Friction Material, LiB Anode Materials)

Friction materials: Improved demand for construction and agriculture machinery, motorcycle and

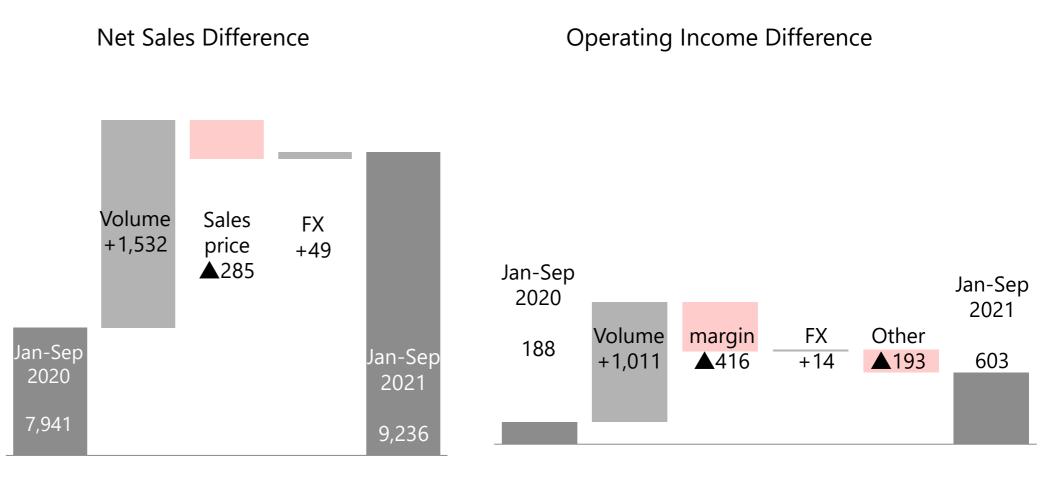
electromagnetic applications due to economic recovery in various countries

Net sales $\pm 6,590$ million ($\pm 42.8\%$ YoY)

■ Anode materials: Lower sales volume YoY due to harsh competition with new entrants

Net sales $\pm 2,544$ million ($\triangle 20.9\%$ YoY)

	(Millions of							
	Jan-Sep 2020	Jan-Sep 2021	YoY Change	%Change				
Net sales	7,941	9,236	+1,295	+16.3%				
Operating income	188	603	+415	+220.4%				
ROS	2.4%	6.5%						



Cash Flow

Major Cash Flow items

			(Willions of year
	Jan-Sep 2020	Jan-Sep 2021	Note
Cash flows from operating activities	40,505	23,499	
Net income (loss) before income taxes	5,657	17,700	
Depreciation and amortization	15,350	16,727	
Amortization on goodwill	4,841	5,216	
Decrease (increase) in trade receivable	15,055	▲ 9,023	
Decrease (increase) in inventories	16,185	▲ 5,794	- · Working capital: 10,160 million(Jan-Sep 2020 ▲18,597 million)
Increase (decrease) in accounts payable-trade	▲ 12,643	4,657	vvorking capital. 10,100 million (Jan-Sep 2020 🛋 10,337 million)
Income tax paid	▲3,940	▲ 5,984	
Cash flows from investing activities	▲36,508	▲ 26,978	· Free cash flow: ▲3,479 million(Jan-Sep 2020 +3,997 million)
Purchase of property, pant and equipment	▲ 19,135	▲ 23,119	
Acquisition of subsidiary	▲15,229	-	
Cash flows from financing activities	167	3,679	
Net increase (decrease) in short- term Loans payable	▲10,553	1,616	
Bond issuance	20,000	10,000	
Payment of dividends	▲8,313	▲ 6,395	
Cash and cash equivalents at end of period	50,064	59,656	

Major Balance Sheet Items

	December 31, 2020	September 30, 2021	Summary
Total assets	459,709	495,591	
Net income (loss) before income taxes	177,678	199,379	
Cash and cash equivalents	67,174	71,515	· Cash/monthly sales: 3.5 times(End of FY2020: 4.0 times)
Notes and accounts receivable	41,438	51,432	· Inventory: (+¥7,317 million from End of FY2020)
Inventory	63,799	71,117	· Tangible fixed assets: (+¥14,860 million from the end of FY2020)
Fixed assets	282,031	296,212	· Intangible fixed assets: (▲¥8,186 million from the end of FY 2020)
Tangible fixed asset	125,007	139,813	
Intangible fixed assets	133,349	125,162	
Investments and other assets	23,674	31,235	
Total liabilities	234,894	252,816	· Net interest bearing debt: ¥98,921 million (+¥7452 million from End of FY2020)
Current liabilities	92,656	119,948	· Direct funding ratio:67.5% (End of FY2020: 59.9%), Long term debt ratio: 55.3 % (End of FY2020: 67.3%)
Long term liabilities	142,237	132,867	 Issued 2nd Series of Unsecured Straight Bond of ¥10 billion (5-year bonds · Coupon Rate 0.12%) Short term credit line:¥62 billion ¥2.0 billion executed Liquidation of receivables and CP issuance limit ¥68 billion (+¥10 billion from End of FY2020) 50 billion executed (+¥10 billion from End of FY2020)
Total net assets	224,815	242,774	
Shareholder's capital	196,543	199,724	· Capital to asset ratio: 43.8% (End of FY2020 43.8%) · Adjusted Capital to asset ratio* :50,9% (End of FY2020: 51.4%)
Other accumulated Comprehensive income	4,723	17,458	 Net D/E ratio: 0.5 times (End of FY2020: 0.5 times) Adjusted Net D/E ratio: 0.3 times (End of FY2020: 0.2 times)
Non controlling interests	23,548	25,592	
Total liabilities and net assets	459,709	495,591	

Reference Material

Net Sales of Main Subsidiaries

Subsidiary	Jan-Sep 2020	Jan-Sep 2021	YoY Change	Location /Business	Remarks
Tokai Erftcarbon	9,653	8,045	▲ 1,607	Germany Graphite Electrodes	
Tokai Carbon GE	10,930	13,416	+2,485	U.S. Graphite Electrodes	 Contributing to consolidated results from November 2017
Thai Tokai Carbon Product	8,444	12,951	+4,506	Thailand Carbon Black	
Tokai Carbon Tianjin	2,502	3,369	+867	China Carbon Black	
Tokai Carbon CB	22,306	31,189	+8,883	U.S. Carbon Black	 Contributing to consolidated results from September 2018
Cancarb	4,178	6,628	+2,449	Canada Carbon Black	
Tokai Carbon Korea	15,134	19,006	+3,872	Korea Fine Carbon	 Contributing to consolidated results from June 2018
Tokai COBEX	21,724	27,038	+5,314	Germany Smelting and Lining	 Contributing to consolidated results from August 2019

				f=f	orecast (Millions of yen)
	2017	2018	2019	2020	2021 (f)
Net sales	106,252	231,302	262,028	201,542	250,900
Operating income	11,093	73,065	54,344	7,858	23,600
EBITDA	18,201	85,374	77,053	35,262	52,000
Net income Attributable to Owners of the Parent Company	12,346	73,393	31,994	1,019	12,000
ROS (%)	10.4%	31.6%	20.7%	3.9%	9.4%
ROE (%)	10.4%	46.8%	16.0%	0.5%	5.7%
ROIC (%)	7.7%	29.6%	13.1%	1.6%	_
Capital Investment	4,282	11,794	24,341	28,873	28,000
Depreciation and Amortization	6,647	10,390	18,503	20,890	22,000
R&D Expenses	1,482	1,883	2,460	2,682	3,000
Interest bearing liabilities	16,144	49,710	148,030	158,643	-
Net D/E ratio	0.0	0.0	0.5	0.5	-
Adjusted Net D/E ratio	0.0	0.0	0.3	0.2	-
Number of Employees	2,142	2,944	3,714	4,178	-
Exchange Rate (JPY/USD)	112.19	110.43	109.05	106.82	105

Quarterly Segment Results by Segment

				2020					2021		
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4f ※	Full year
let sales		52,790	40,948	50,885	56,919	201,542	53,968	63,412	67,714	65,806	250,900
Graphite	Electrodes	11,460	9,467	9,354	7,596	37,879	7,957	10,028	10,412	12,502	40,900
Carbon B	Black	21,030	11,600	17,769	20,354	70,754	21,595	24,669	25,997	25,339	97,600
Fine Cark	bon	7,825	7,718	8,038	8,192	31,775	8,826	9,851	9,873	7,650	36,200
Smelting	and Lining	6,652	6,248	10,307	13,213	36,421	10,766	11,126	13,326	10,381	45,600
	I Furnaces ted Products	3,242	3,147	2,817	4,665	13,873	1,982	4,556	4,888	6,873	18,300
	Friction materials	1,639	1,535	1,440	1,894	6,510	2,134	2,269	2,186	2,410	9,000
Other Operati	Anode materials	903	1,193	1,121	967	4,186	670	876	997	656	3,200
ons	Others	35	35	35	34	141	34	33	33	0	100
	Total Others	2,579	2,765	2,597	2,896	10,837	2,839	3,180	3,217	3,064	12,300
perating i	income	6,750	▲932	1,610	429	7,858	4,077	6,868	6,724	5,931	23,600
Graphite	Electrodes	2,131	▲609	▲ 1,204	▲ 6,084	▲ 5,766	▲ 223	346	▲311	1,488	1,300
Carbon B	Black	1,741	▲1,850	756	2,543	3,192	1,807	2,546	2,331	1,216	7,900
Fine Cark	bon	1,919	1,564	1,520	1,642	6,647	2,146	2,411	2,458	1,285	8,300
Smelting	and Lining	175	▲ 414	261	1,139	1,161	42	259	917	981	2,200
	l Furnaces ted Products	868	790	658	1,447	3,765	521	1,431	1,406	1,041	4,400
Other Op	perations	242	▲ 9	▲ 45	110	298	138	210	255	297	900
Inter-seg elimination		▲330	4 04	▲336	▲368	▲1,439	▲355	▲337	▲334	▲374	▲ 1,400

Disclaimer Regarding Forward-looking Statements

- 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.
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- 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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