

Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 [Japanese GAAP]

February 12, 2025

| | |
|--|--|
| Company name: Tokai Carbon Co., Ltd. | Listing: Tokyo Stock Exchange Prime Market |
| Securities code: 5301 | URL: https://www.tokaicarbon.co.jp/en/ |
| Representative: Hajime Nagasaka, President & Chief Executive Officer | |
| Inquiries: Naoki Hirai, Business Director and General Manager, Accounting & Finance Department | |
| Telephone: 81-3-3746-5100 | |
| Scheduled date of annual general meeting of shareholders: | March 27, 2025 |
| Scheduled date to commence dividend payments: | March 28, 2025 |
| Scheduled date to file annual securities report: | March 27, 2025 |
| Preparation of supplementary material on financial results: | Yes |
| Holding of financial results briefing: | Yes (Conference call for analysts and institutional investors) |

(Yen amounts are rounded down to millions, unless otherwise noted)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1 to December 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent Company | |
|--|-----------------|-------|------------------|--------|-----------------|--------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended December 31, 2024 | 350,114 | (3.8) | 19,386 | (49.9) | 22,579 | (45.7) | (56,736) | - |
| Fiscal year ended December 31, 2023 | 363,946 | 6.9 | 38,728 | (4.6) | 41,607 | (2.2) | 25,468 | 13.6 |

Note: Comprehensive income: Fiscal year ended December 31, 2024: (21,773) million yen (-%)
Fiscal year ended December 31, 2023: 67,435 million yen (19.0%)

| | Net Income per Share | Net Income per Share Fully Diluted | Return on Equity | Ordinary Income to Total Assets Ratio | Operating Income to Net Sales Ratio |
|--|-------------------------|--|------------------|---|--|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2024 | (265.94) | - | (18.5) | 3.5 | 5.5 |
| Fiscal year ended December 31, 2023 | 119.45 | - | 8.6 | 6.8 | 10.6 |

Reference: Share of profit (loss) of entities accounted for using equity method: Fiscal year ended December 31, 2024: 1,165 million yen
Fiscal year ended December 31, 2023: 427 million yen

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2024 | 640,753 | 325,158 | 45.2 | 1,356.42 |
| As of December 31, 2023 | 640,005 | 360,103 | 50.7 | 1,521.89 |

Reference: Shareholders' capital: As of December 31, 2024: 289,558 million yen
As of December 31, 2023: 324,491 million yen

(3) Consolidated Cash Flows

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at End of Period |
|--|---|---|---|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Fiscal year ended December 31, 2024 | 64,471 | (70,777) | 9,410 | 65,135 |
| Fiscal year ended December 31, 2023 | 62,074 | (47,632) | (14,512) | 56,459 |

2. Dividends

| | Annual Dividends | | | | | Total amount of dividend (full year) | Dividend payout ratio (consolidated) | Dividends to net assets ratio (consolidated) |
|--|--------------------------|--------------------------|--------------------------|--------------|-------|--|--|--|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year- end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal year ended December 31, 2023 | - | 18.00 | - | 18.00 | 36.00 | 7,675 | 30.1 | 2.6 |
| Fiscal year ended December 31, 2024 | - | 15.00 | - | 15.00 | 30.00 | 6,400 | - | 2.1 |
| Fiscal year ending December 31, 2025 (Forecast) | - | 15.00 | - | 15.00 | 30.00 | | 58.2 | |

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2025
(January 1 to December 31, 2025)

(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 | 169,500 | (0.8) | 10,400 | 23.4 | 10,000 | (5.0) | 6,000 | 63.9 | 28.11 |
| Full year | 341,000 | (2.6) | 23,000 | 18.6 | 22,000 | (2.6) | 11,000 | - | 51.53 |

*Notes:

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in the scope of consolidation): None

(2) 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

(3) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

| | | | |
|-------------------------|--------------------|-------------------------|--------------------|
| As of December 31, 2024 | 224,943,104 shares | As of December 31, 2023 | 224,943,104 shares |
|-------------------------|--------------------|-------------------------|--------------------|

(b) Number of treasury stock at the end of the period

| | | | |
|-------------------------|-------------------|-------------------------|-------------------|
| As of December 31, 2024 | 11,470,526 shares | As of December 31, 2023 | 11,727,642 shares |
|-------------------------|-------------------|-------------------------|-------------------|

(c) Average number of shares during the period

| | | | |
|--|--------------------|--|--------------------|
| Fiscal year ended December 31, 2024 | 213,341,075 shares | Fiscal year ended December 31, 2023 | 213,209,545 shares |
|--|--------------------|--|--------------------|

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1 to December 31, 2024)

(1) Operating Results

(Percentages indicate year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|--|-----------------|-------|------------------|--------|-----------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended December 31, 2024 | 77,985 | (0.2) | 4,972 | (17.7) | 16,041 | 6.5 | (30,255) | - |
| Fiscal year ended December 31, 2023 | 78,106 | 4.7 | 6,045 | (6.1) | 15,068 | (29.0) | 12,450 | (33.1) |

| | Net Income per Share | Net Income per Share Fully Diluted |
|--|-------------------------|---------------------------------------|
| | Yen | Yen |
| Fiscal year ended December 31, 2024 | (141.82) | - |
| Fiscal year ended December 31, 2023 | 58.40 | - |

(2) Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets per Share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2024 | 352,891 | 113,511 | 32.2 | 531.74 |
| As of December 31, 2023 | 355,271 | 147,601 | 41.5 | 692.26 |

Reference: Shareholders' capital: As of December 31, 2024: 113,511 million yen
As of December 31, 2023: 147,601 million yen

* The financial results are not subject to audit 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. Please refer to "1. Operating Results (4) Future Outlook" on page 5 of the Supplemental Materials for the assumptions used in the forecasts and notes on the use of the forecasts.

(How to obtain the supplemental material on quarterly financial results)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Thursday, February 13, 2025. The materials for this briefing will be posted on the corporate website on that day.

Supplemental Materials

| | |
|--|----|
| 1. Operating Results | 2 |
| (1) Operating Results for the Consolidated Fiscal Year Ended December 31, 2024..... | 2 |
| (2) Financial Position at the End of the Consolidated Fiscal Year Ended December 31, 2024..... | 4 |
| (3) Cash Flows | 4 |
| (4) Future Outlook..... | 5 |
| 2. Basic Policy on Selecting Accounting Standards..... | 6 |
| 3. Consolidated Financial Statements and Notes | 7 |
| (1) Consolidated Balance Sheets | 7 |
| (2) Consolidated Statements of Income and Comprehensive Income | 9 |
| Consolidated Statements of Income | 9 |
| Consolidated Statements of Comprehensive Income | 10 |
| (3) Consolidated Statements of Changes in Equity | 11 |
| (4) Consolidated Statements of Cash Flows..... | 13 |
| (5) Notes to Consolidated Financial Statements..... | 15 |
| (Notes on the Going-concern Assumption) | 15 |
| (Segment Information) | 15 |
| (Per Share Information) | 19 |
| (Material Subsequent Events)..... | 19 |

1. Operating Results

(1) Operating Results for the Consolidated Fiscal Year Ended December 31, 2024

In the current fiscal year (from January 1, 2024 to December 31, 2024) expectations for a soft landing of the U.S. economy heightened as the U.S. cut interest rates for the first time in four and a half years. On the other hand, as the European and Chinese economies continued to be sluggish, the outlook for the global economy remained uncertain due to the prolonged Ukraine crisis, the situation in the Middle East which is far from stabilizing, and political instability inside and outside Japan.

Under the three basic policies of “T-2026,” the rolling medium-term management plan announced February 2024, “strengthening the earnings power of core businesses,” “enhancing business portfolio management,” and “pursuing sustainability management,” we aimed to achieve quantitative targets of 458 billion yen in net sales, 53 billion yen in operating income, 12% in ROS, and 104 billion yen in EBITDA by 2026.

In Graphite Electrodes, we have embarked on structural reforms, including the consolidation of domestic graphite electrode production and the reduction of production capacity at our European base. We have also begun considering structural reforms in Smelting and Lining. At the same time, in Carbon Black and Fine Carbon, we made steady progress in adding value and expanding production capacity in future-oriented products. However, business performance deteriorated due to a slump in the steel market, intensified price competition with emerging competitors, a decline in sales prices for cathodes for aluminum electrolysis due to decreased demand and aggressive competition, and a slowdown in the power semiconductors market caused by a slowdown in the growth of EVs.

As a result, net sales for the fiscal year under review decreased by 3.8% year on year to 350,114 million yen. Operating income decreased by 49.9% year on year to 19,386 million yen. Ordinary income decreased by 45.7% year on year to 22,579 million yen. Due to the recording of extraordinary losses in Graphite Electrodes and Smelting and Lining, net loss attributable to owners of the parent company was 56,736 million yen (compared with net income of 25,468 million yen in the previous fiscal year).

Results by business segment were as follows:

Carbon Black

Sales volume decreased year on year due to production adjustments by tire manufacturers and weaker demand from some non-tire markets. However, net sales increased due to the transfer of some cost increases to the sales prices of products and the effect of the yen's depreciation.

Operating income also increased year on year due to the impact of exchange rates and other factors, despite a decrease in sales volume and an increase in depreciation due to major environmental capital investment in the U.S.

As a result, net sales for the Carbon Black business increased by 5.6% year on year to 156,793 million yen, and operating income increased by 1.9% year on year to 21,706 million yen.

Fine Carbon

Sales for power semiconductors slowed due to the slowdown of EV market growth. However, demand for memory semiconductors recovered, and sales volume of the Solid SiC focus ring, a key product, increased year on year.

As a result, net sales for the Fine Carbon business increased by 18.9% year on year to 53,890 million yen, while operating income increased by 17.1% year on year to 12,437 million yen.

Smelting and Lining

Demand for cathodes for aluminum electrolysis declined due to reduced demand for the relining of aluminum smelting furnaces and an excess of inventories at some customers and selling prices declined due to aggressive competition. A decline in production volume also resulted in an increase in fixed costs, putting pressure on earnings.

As a result, net sales for the Smelting and Lining business decreased by 22.1% year on year to 64,512 million yen, and operating loss was 13,701 million yen (compared with operating income of 2,305 million yen in the previous fiscal year).

Graphite Electrodes

Crude steel production, including electric arc furnace steel, was sluggish due to the global slowdown in the steel industry. On top of declining demand for electrodes, there was an inflow of low-priced products from China and India, and the market for electrodes remained sluggish.

As a result, net sales for the Graphite Electrodes business decreased by 19.0% year on year to 48,818 million yen, and operating loss was 3,529 million yen (compared with operating income of 752 million yen in the previous fiscal year).

Industrial Furnaces and Related Products

Demand for heating elements in electronic component-related industries continued to recover moderately, although some industrial furnaces deliveries were delayed due to delays in customer projects in energy-related industries.

As a result, net sales for the Industrial Furnaces and Related Products business increased by 4.3% year on year to 16,291 million yen, while operating income decreased by 14.4% year on year to 3,304 million yen.

Other Operations

Friction materials

Sales in the construction machinery and electromagnetic markets decreased year on year due to a decline in demand in the Chinese market. Sales to motorcycle manufacturers also declined year on year as a corrective response to heightened demand in recent years.

As a result, net sales of friction materials decreased by 11.4%, to 7,974 million yen.

Anode materials

Sales volume decreased year on year due to sluggish demand for ESS (Energy Storage System) products and EVs.

As a result, net sales of anode materials decreased by 29.2% year on year to 1,703 million yen.

Others

Net sales from real estate leasing and other business decreased by 2.0% year on year to 129 million yen.

As a result, net sales in Other Operations, decreased by 15.0% year on year to 9,807 million yen, and operating income decreased by 68.9% year on year to 403 million yen.

(2) Financial Position at the End of the Consolidated Fiscal Year Ended December 31, 2024

(Assets, Liabilities and Net Assets)

(a) Assets

Total assets at the end of the consolidated fiscal year under review came to 640,753 million yen, an increase of 748 million yen from the end of the previous consolidated fiscal year.

Current assets amounted to 270,363 million yen, an increase of 7,472 million yen from the end of the previous consolidated fiscal year, mainly due to increases in cash and deposits and accounts receivable. Fixed assets amounted to 370,390 million yen, a decrease of 6,724 million yen from the end of the previous consolidated fiscal year, mainly due to decreases in customer-related assets and goodwill.

(b) Liabilities

Total liabilities at the end of the consolidated fiscal year under review came to 315,595 million yen, an increase of 35,693 million yen from the end of the previous consolidated fiscal year.

Current liabilities amounted to 147,729 million yen, an increase of 10,758 million yen from the end of the previous consolidated fiscal year, mainly due to the recording of provision for business restructuring and an increase in the current portion of long-term loans payable. Long-term liabilities amounted to 167,865 million yen, an increase of 24,934 million yen from the end of the previous consolidated fiscal year, mainly due to increases in long-term loans payable and bonds payable.

(c) Net assets

Total net assets at the end of the consolidated fiscal year under review came to 325,158 million yen, a decrease of 34,944 million yen from the end of the previous consolidated fiscal year, mainly due to a decrease in retained earnings.

As a result, the Group's equity ratio decreased by 5.5 percentage points year on year to 45.2%

(3) Cash Flows

At the end of the consolidated fiscal year under review, the Group's cash and cash equivalents totaled 65,135 million yen, an increase of 8,676 million yen from the previous consolidated fiscal year. Cash flows and the major sources and uses of cash in the consolidated fiscal year under review are summarized as follows.

(a) Cash flows from operating activities

Operating activities provided net cash of 64,471 million yen, an increase of 2,396 million yen from the previous consolidated fiscal year. This was mainly due to impairment losses and depreciation.

(b) Cash flows from investing activities

Investing activities used net cash of 70,777 million yen, an increase of 23,145 million yen from the previous consolidated fiscal year. This was mainly due to the purchase of tangible fixed assets.

(c) Cash flows from financing activities

Financing activities provided net cash of 9,410 million yen, an increase of 23,922 million yen from the end of the previous consolidated fiscal year. This was mainly due to proceeds from long-term borrowings and proceeds from the issuance of bonds.

(4) Future Outlook

We have been updating our three-year medium-term management plan on a rolling basis every year. However, this time we are replacing the management plan with “Vision 2030,” which focuses on our ideal vision for the company in 2030 and initiatives and measures to achieve that. We aim to transform our business portfolio by focusing on three areas: “fundamental structural reform,” “commitment to growth markets”, and the “creation of sustainable value.”

“Fundamental structural reform” will focus on Graphite Electrodes and Smelting and Lining in the short term to complete structural reforms aimed at improving profitability.

As to our “commitment to growth markets,” we will make capital investments that will bring long-term benefits to Carbon Black. In Fine Carbon and Industrial Furnaces, we will expand production capacity and develop new markets through growth investments that support the growth of semiconductors.

For the “creation of sustainable value,” we will provide solutions for achieving a sustainable society as our core value proposition. While urgently working towards carbon neutrality, we will also focus on human capital-based management.

Through these initiatives, we aim to achieve our 2030 vision: net sales of 500 billion yen, an EBITDA margin of 20%, and a ROIC of 12%.

The exchange rate assumption for the forecast of operating results is 148 yen to the U.S. dollar.

The above business outlook is based on the information available at the time of the release of these materials, and actual results may materially differ from the forecast, subject to variable factors that may arise in the future.

2. Basic Policy on Selecting Accounting Standards

In consideration of securing comparability of consolidated financial statements between fiscal years and companies, Tokai Carbon Group will prepare its consolidated financial statements in accordance with the Japanese accounting standards for the time being. In the meantime, the Group will appropriately apply the International Financial Reporting Standards (IFRS) in consideration of various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

| | Previous fiscal year (As of December 31, 2023) | Fiscal year under review (As of December 31, 2024) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 77,465 | 92,207 |
| Notes and accounts receivable | 65,530 | 69,175 |
| Merchandise and finished goods | 28,886 | 30,070 |
| Work in progress | 47,431 | 38,245 |
| Raw materials and supplies | 33,014 | 32,424 |
| Other | 11,463 | 9,680 |
| Allowance for doubtful accounts | (900) | (1,439) |
| Total current assets | 262,890 | 270,363 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 37,895 | 42,461 |
| Machinery, equipment and vehicles, net | 107,187 | 129,770 |
| Land | 12,291 | 12,016 |
| Construction in progress | 58,187 | 69,539 |
| Other, net | 8,242 | 10,794 |
| Total tangible fixed assets | 223,804 | 264,582 |
| Intangible assets | | |
| Goodwill | 49,212 | 37,548 |
| Customer-related assets | 52,880 | 16,625 |
| Other | 14,958 | 12,167 |
| Total intangible assets | 117,051 | 66,341 |
| Investments and other assets | | |
| Investment securities | 30,980 | 33,307 |
| Net defined benefit asset | 3,811 | 3,783 |
| Deferred tax assets | 492 | 1,048 |
| Other | 997 | 1,349 |
| Allowance for doubtful accounts | (22) | (22) |
| Total investments and other assets | 36,258 | 39,466 |
| Total fixed assets | 377,114 | 370,390 |
| Total assets | 640,005 | 640,753 |

(Millions of yen)

| | Previous fiscal year (As of December 31, 2023) | Fiscal year under review (As of December 31, 2024) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 25,663 | 23,085 |
| Electronically recorded obligations | 3,806 | 3,551 |
| Short-term loans payable | 7,000 | 6,216 |
| Commercial papers | 60,000 | 59,500 |
| Current portion of loans payable | 3,218 | 8,223 |
| Income taxes payable | 3,983 | 3,848 |
| Contract liability | 2,550 | 2,605 |
| Provision for bonuses | 4,432 | 3,297 |
| Provision for business restructuring | - | 7,596 |
| Other | 26,315 | 29,806 |
| Total current liabilities | 136,971 | 147,729 |
| Long-term liabilities | | |
| Bonds payable | 55,000 | 65,000 |
| Long-term loans payable | 41,424 | 52,301 |
| Lease obligations | - | 7,870 |
| Deferred tax liabilities | 30,251 | 29,976 |
| Retirement benefit liability | 7,720 | 7,746 |
| Provision for retirement benefits for directors | 101 | 101 |
| Provision for executive officers' retirement benefits | 53 | 42 |
| Provision for environment and safety measures | 461 | 420 |
| Other | 7,918 | 4,406 |
| Total long-term liabilities | 142,930 | 167,865 |
| Total liabilities | 279,902 | 315,595 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 20,436 | 20,436 |
| Capital surplus | 13,825 | 10,690 |
| Retained earnings | 210,183 | 146,410 |
| Treasury stock | (7,225) | (7,068) |
| Total shareholders' equity | 237,220 | 170,469 |
| Accumulated other comprehensive income | | |
| Valuation difference on other securities | 15,106 | 17,698 |
| Deferred gains or losses on hedges | 268 | 68 |
| Foreign currency translation adjustments | 69,302 | 98,536 |
| Cumulative remeasurements of defined benefit plans | 2,593 | 2,785 |
| Total accumulated other comprehensive income | 87,271 | 119,089 |
| Non-controlling interests | 35,612 | 35,600 |
| Total net assets | 360,103 | 325,158 |
| Total liabilities and net assets | 640,005 | 640,753 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|--|--|--|
| Net sales | 363,946 | 350,114 |
| Cost of sales | 265,218 | 269,478 |
| Gross profit | 98,727 | 80,635 |
| Selling, general and administrative expenses | 59,998 | 61,248 |
| Operating income | 38,728 | 19,386 |
| Non-operating income | | |
| Interest income | 1,264 | 1,514 |
| Dividend income | 851 | 1,045 |
| Share of profit of entities accounted for using equity method | 427 | 1,165 |
| Foreign exchange gains | 2,275 | 2,023 |
| Other | 969 | 852 |
| Total non-operating income | 5,789 | 6,601 |
| Non-operating expenses | | |
| Interest expenses | 1,565 | 1,965 |
| Other | 1,345 | 1,443 |
| Total non-operating expenses | 2,911 | 3,409 |
| Ordinary income | 41,607 | 22,579 |
| Extraordinary income | | |
| Gain on step acquisitions | - | 6,549 |
| Gain on sales of fixed assets | 175 | 61 |
| Gain on sale of investment securities | 401 | 43 |
| Gain on liquidation of subsidiaries and associates | 24 | - |
| Total extraordinary income | 601 | 6,653 |
| Extraordinary losses | | |
| Impairment loss | - | 68,134 |
| Business restructuring expenses | - | 8,016 |
| Loss on retirement of fixed assets | 170 | 725 |
| Loss on sales of fixed assets | 0 | 1 |
| Loss on sale of investment securities | 39 | - |
| Total extraordinary losses | 210 | 76,878 |
| Net income (loss) before income taxes | 41,998 | (47,645) |
| Income taxes - current | 9,206 | 8,390 |
| Income taxes - deferred | 4,036 | (3,086) |
| Total income taxes | 13,243 | 5,304 |
| Net income (loss) | 28,754 | (52,949) |
| Net income attributable to non-controlling interests | 3,285 | 3,786 |
| Net income (loss) attributable to owners of the parent company | 25,468 | (56,736) |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|--|--|---|
| Net income (loss) | 28,754 | (52,949) |
| Other comprehensive income | | |
| Valuation difference on other securities | 5,525 | 2,596 |
| Deferred gains or losses on hedges | (6) | (200) |
| Foreign currency translation adjustments | 33,013 | 28,452 |
| Remeasurements of defined benefit plans | 71 | 191 |
| Share of other comprehensive income of associates accounted for using equity method | 76 | 136 |
| Total other comprehensive income | 38,680 | 31,176 |
| Comprehensive income | 67,435 | (21,773) |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent company | 62,674 | (24,918) |
| Comprehensive income attributable to non-controlling interests | 4,761 | 3,145 |

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (January 1 to December 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period | 20,436 | 13,811 | 191,750 | (7,236) | 218,761 |
| Change during period | | | | | |
| Dividends of surplus | | | (7,035) | | (7,035) |
| Net income (loss) attributable to owners of the parent company | | | 25,468 | | 25,468 |
| Purchase of treasury stock | | | | (2) | (2) |
| Disposal of treasury stock | | 13 | | 13 | 27 |
| Changes in the parent company's interest due to transactions with non-controlling shareholders | | | | | - |
| Net changes of items other than shareholders' equity | | | | | |
| Total change in items during period | - | 13 | 18,432 | 11 | 18,458 |
| Balance at end of period | 20,436 | 13,825 | 210,183 | (7,225) | 237,220 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|--|------------------------------------|--|---|--|---------------------------|------------------|
| | Valuation difference on other securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 9,587 | 274 | 37,681 | 2,521 | 50,065 | 32,041 | 300,868 |
| Change during period | | | | | | | |
| Dividends of surplus | | | | | | | (7,035) |
| Net income (loss) attributable to owners of the parent company | | | | | | | 25,468 |
| Purchase of treasury stock | | | | | | | (2) |
| Disposal of treasury stock | | | | | | | 27 |
| Changes in the parent company's interest due to transactions with non-controlling shareholders | | | | | | | - |
| Net changes of items other than shareholders' equity | 5,519 | (6) | 31,620 | 71 | 37,205 | 3,570 | 40,776 |
| Total change in items during period | 5,519 | (6) | 31,620 | 71 | 37,205 | 3,570 | 59,234 |
| Balance at end of period | 15,106 | 268 | 69,302 | 2,593 | 87,271 | 35,612 | 360,103 |

Fiscal year under review (January 1 to December 31, 2024)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity |
| Balance at beginning of period | 20,436 | 13,825 | 210,183 | (7,225) | 237,220 |
| Change during period | | | | | |
| Dividends of surplus | | | (7,036) | | (7,036) |
| Net income (loss) attributable to owners of the parent company | | | (56,736) | | (56,736) |
| Purchase of treasury stock | | | | (1) | (1) |
| Disposal of treasury stock | | 106 | | 159 | 265 |
| Changes in the parent company's interest due to transactions with non-controlling shareholders | | (3,242) | | | (3,242) |
| Net changes of items other than shareholders' equity | | | | | |
| Total change in items during period | - | (3,135) | (63,772) | 157 | (66,750) |
| Balance at end of period | 20,436 | 10,690 | 146,410 | (7,068) | 170,469 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|--|------------------------------------|--|---|--|---------------------------|------------------|
| | Valuation difference on other securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 15,106 | 268 | 69,302 | 2,593 | 87,271 | 35,612 | 360,103 |
| Change during period | | | | | | | |
| Dividends of surplus | | | | | | | (7,036) |
| Net income (loss) attributable to owners of the parent company | | | | | | | (56,736) |
| Purchase of treasury stock | | | | | | | (1) |
| Disposal of treasury stock | | | | | | | 265 |
| Changes in the parent company's interest due to transactions with non-controlling shareholders | | | | | | | (3,242) |
| Net changes of items other than shareholders' equity | 2,592 | (200) | 29,222 | 70 | 31,685 | (11) | 31,673 |
| Total change in items during period | 2,592 | (200) | 29,222 | 70 | 31,685 | (11) | (35,077) |
| Balance at end of period | 17,698 | 68 | 98,525 | 2,664 | 118,956 | 35,600 | 325,025 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|--|---|---|
| Cash flows from operating activities | | |
| Net income (loss) before income taxes | 41,998 | (47,645) |
| Depreciation | 29,065 | 33,028 |
| Impairment loss | - | 68,134 |
| Business restructuring expenses | - | 8,016 |
| Loss (gain) on retirement / sales of tangible fixed assets | (4) | 665 |
| Amortization of goodwill | 8,155 | 8,705 |
| Increase (decrease) in allowance for doubtful accounts | 577 | 491 |
| Increase (decrease) in provision for bonuses | (54) | (1,366) |
| Increase (decrease) in provision for business restructuring | - | 7,596 |
| Increase (decrease) in retirement benefit liability | 551 | (545) |
| Decrease (increase) in retirement benefit asset | (884) | 28 |
| Interest and dividend income | (2,116) | (2,559) |
| Interest expenses | 1,565 | 1,965 |
| Bond issuance expenses | - | 255 |
| Foreign exchange losses (gains) | (2,016) | (366) |
| Share of (profit) loss of entities accounted for using equity method | (427) | (1,165) |
| Loss (gain) on step acquisitions | - | (6,549) |
| Decrease (increase) in notes and accounts receivable - trade | 3,084 | (337) |
| Decrease (increase) in inventories | (1,285) | 14,210 |
| Increase (decrease) in notes and accounts payable - trade | (4,811) | (4,310) |
| Other | (564) | (7,016) |
| Subtotal | 72,831 | 71,235 |
| Interest and dividends received | 2,286 | 2,560 |
| Interest paid | (1,583) | (1,984) |
| Income taxes paid | (11,589) | (7,880) |
| Other | 129 | 540 |
| Cash flows from operating activities | 62,074 | 64,471 |
| Cash flows from investing activities | | |
| Payments into time deposits | (20,482) | (27,987) |
| Proceeds from withdrawal of time deposits | 21,991 | 21,147 |
| Purchase of tangible fixed assets | (45,362) | (53,556) |
| Proceeds from sales of tangible fixed assets | 274 | 6,561 |
| Purchase of intangible assets | (4,255) | (1,554) |
| Other | 201 | (15,388) |
| Cash flows from investing activities | (47,632) | (70,777) |

(Millions of yen)

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|--|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (4,252) | (789) |
| Net increase (decrease) in commercial papers | - | (500) |
| Proceeds from long-term loans payable | 10,000 | 19,000 |
| Repayments of long-term loans payable | (10,864) | (3,151) |
| Proceeds from issuance of bonds | - | 34,744 |
| Redemption of bonds payable | - | (25,000) |
| Dividends paid | (7,035) | (7,036) |
| Dividends paid to non-controlling interests | (1,190) | (824) |
| Payments for acquisition of shares of subsidiaries without change in scope of consolidation | - | (5,886) |
| Other | (1,169) | (1,145) |
| Cash flows from financing activities | (14,512) | 9,410 |
| Effect of exchange rate change on cash and cash equivalents | 7,152 | 5,572 |
| Net increase (decrease) in cash and cash equivalents | 7,081 | 8,676 |
| Cash and cash equivalents at beginning of the period | 49,377 | 56,459 |
| Cash and cash equivalents at end of the period | 56,459 | 65,135 |

(5) Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not Applicable

(Segment Information)

1. Overview of Reportable Segments

The Company's reportable segments are those components of the Company for which discrete financial information is available and that are subject to regular reviews by the Board of Directors to determine the allocation of management resources and to evaluate business performance.

The Company establishes product-specific divisions at the head office, and each division carries out business activities by formulating comprehensive domestic and overseas strategies for the products that it handles.

Accordingly, the Company is composed of product-specific segments based on divisions, and its five reportable segments are the Carbon Black business, Fine Carbon business, Smelting and Lining business, Graphite Electrodes business, and Industrial Furnaces and Related Products business.

The major products of each reportable segment are as follows:

| Reportable Segment | Major Products |
|--|--|
| Carbon Black | Carbon black (for rubber products, black pigments, and conductive materials) |
| Fine Carbon | Specialty graphite products, solid SiC, SiC coated graphite |
| Smelting and Lining | Cathodes for smelting aluminum, furnace linings, carbon electrodes, and other products |
| Graphite Electrodes | Artificial graphite electrodes for electric arc furnaces |
| Industrial Furnaces and Related Products | Industrial electric furnaces, silicon carbide heating elements |

2. Methods for calculating the amounts of net sales, operating income or loss, assets and other accounts items for each reportable segment

The accounting methods adopted for reportable business segments are in accordance with the accounting principles adopted for the preparation of consolidated financial statements.

Income for reportable segments consists of figures based on operating income.

The figure for inter-segment sales/transfer is based on the prevailing market value.

3. Information on the amounts of net sales, operating income or loss, assets, and other account items for each reportable segment

Previous fiscal year (January 1 to December 31, 2023)

(Millions of yen)

| | Reportable Segment | | | | | | Other Operations (Note 1) | Total | Adjustments (Note 2) | Amount recorded in the consolidated financial statements (Note 3) |
|--|--------------------|-------------|---------------------|---------------------|--|----------|------------------------------|---------|-------------------------|--|
| | Carbon Black | Fine Carbon | Smelting and Lining | Graphite Electrodes | Industrial Furnaces and Related Products | Subtotal | | | | |
| Net sales | | | | | | | | | | |
| External sales | 148,423 | 45,319 | 82,820 | 60,235 | 15,614 | 352,414 | 11,532 | 363,946 | - | 363,946 |
| Intersegment sales/transfers | 21 | 126 | 475 | 394 | 332 | 1,350 | - | 1,350 | (1,350) | - |
| Subtotal | 148,445 | 45,445 | 83,296 | 60,630 | 15,947 | 353,764 | 11,532 | 365,297 | (1,350) | 363,946 |
| Segment income (loss) | 21,303 | 10,617 | 2,305 | 752 | 3,860 | 38,838 | 1,299 | 40,138 | (1,409) | 38,728 |
| Segment assets | 202,831 | 121,291 | 171,051 | 97,456 | 28,853 | 621,486 | 10,738 | 632,224 | 7,780 | 640,005 |
| Other items | | | | | | | | | | |
| Depreciation | 7,287 | 5,282 | 10,083 | 5,070 | 350 | 28,073 | 483 | 28,556 | 508 | 29,065 |
| Impairment losses | - | - | - | - | - | - | - | - | - | - |
| Investment in equity-method associates | - | 1,393 | - | - | - | 1,393 | - | 1,393 | - | 1,393 |
| Increase in tangible and intangible fixed assets | 27,207 | 10,640 | 8,292 | 5,147 | 690 | 51,979 | 476 | 52,455 | 860 | 53,316 |

Notes: 1. The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.

2. The adjustment amounts are as follows.

- (1) The 1,409-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 1,532 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.
- (2) The adjustment of segment assets, which is 7,780 million yen, includes 27,837 million yen of corporate-wide assets that are not allocated to each reportable segment. The main components of the corporate-wide assets are surplus funds (e.g., cash and deposits) and investment securities, etc.
- (3) The adjustment of the increase in tangible fixed assets and intangible assets, which is 860 million yen, is the amount of capital expenditure of the corporate-wide assets that is not allocated to each reportable segment.

3. Segment income is reconciled to the operating income reported in the consolidated financial statements.

Fiscal year under review (January 1 to December 31, 2024)

(Millions of yen)

| | Reportable Segment | | | | | | Other Operations (Note 1) | Total | Adjustments (Note 2) | Amount recorded in the consolidated financial statements (Note 3) |
|--|--------------------|-------------|---------------------|---------------------|--|----------|------------------------------|---------|-------------------------|--|
| | Carbon Black | Fine Carbon | Smelting and Lining | Graphite Electrodes | Industrial Furnaces and Related Products | Subtotal | | | | |
| Net sales | | | | | | | | | | |
| External sales | 156,793 | 53,890 | 64,512 | 48,818 | 16,291 | 340,306 | 9,807 | 350,114 | - | 350,114 |
| Intersegment sales/transfers | 28 | 194 | 280 | 248 | 671 | 1,423 | - | 1,423 | (1,423) | - |
| Subtotal | 156,821 | 54,085 | 64,792 | 49,067 | 16,963 | 341,730 | 9,807 | 351,538 | (1,423) | 350,114 |
| Segment income (loss) | 21,706 | 12,437 | (13,701) | (3,529) | 3,304 | 20,218 | 403 | 20,622 | (1,235) | 19,386 |
| Segment assets | 248,386 | 160,127 | 92,241 | 84,305 | 27,143 | 612,204 | 10,343 | 622,548 | 18,205 | 640,753 |
| Other items | | | | | | | | | | |
| Depreciation | 9,530 | 5,967 | 10,694 | 5,415 | 357 | 31,965 | 479 | 32,445 | 583 | 33,028 |
| Impairment losses | - | - | 61,239 | 6,895 | - | 68,134 | - | 68,134 | - | 68,134 |
| Investment in equity-method associates | - | - | - | - | - | - | - | - | - | - |
| Increase in tangible and intangible fixed assets | 32,933 | 9,296 | 4,098 | 6,503 | 1,621 | 54,453 | 829 | 55,283 | 1,431 | 56,715 |

- Notes:
- The Other Operations segment is a business segment that is not included among the reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.
 - The adjustment amounts are as follows.
 - The 1,235-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 1,215 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.
 - The adjustment of segment assets, which is 18,205 million yen, includes 33,838 million yen of corporate-wide assets that are not allocated to each reportable segment. The main components of the corporate-wide assets are surplus funds (e.g., cash and deposits) and investment securities, etc.
 - The adjustment of the increase in tangible fixed assets and intangible assets, which is 1,431 million yen, is the amount of capital expenditure of the corporate-wide assets that is not allocated to each reportable segment.
 - Segment income is reconciled to the operating income reported in the consolidated financial statements.

(Related Information)

Previous fiscal year (January 1 to December 31, 2023)

Information on each region

Net sales

(Millions of yen)

| USA | Japan | Asia | Europe | Other regions | Total |
|---------|--------|--------|--------|---------------|---------|
| 115,972 | 74,847 | 79,805 | 39,255 | 54,066 | 363,946 |

Note: Net sales are based on the locations of the customers and are classified into countries or regions.

Fiscal year under review (January 1 to December 31, 2024)

Information on each region

Net sales

(Millions of yen)

| USA | Japan | Asia | Europe | Other regions | Total |
|---------|--------|--------|--------|---------------|---------|
| 118,325 | 73,613 | 84,909 | 33,251 | 40,014 | 350,114 |

Note: Net sales are based on the locations of the customers and are classified into countries or regions.

(Per Share Information)

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|----------------------|--|--|
| Net assets per share | 1,521.89 yen | 1,356.42 yen |
| Net income per share | 119.45 yen | (265.94) yen |

- Notes: 1. Net income per share - fully diluted is not listed, as there were no potential common shares at the end of the fiscal year.
2. The basis of calculation of net income per share is as follows.

| | Previous fiscal year (January 1 to December 31, 2023) | Fiscal year under review (January 1 to December 31, 2024) |
|--|--|--|
| Net income attributable to owners of the parent company (millions of yen) | 25,468 | (56,736) |
| Amount not attributable to common shareholders (millions of yen) | - | - |
| Net income available to common shares attributable to owners of the parent company (millions of yen) | 25,468 | (56,736) |
| Average number of common shares during the period (thousands of shares) | 213,209 | 213,341 |

(Material Subsequent Events)

Not Applicable