

February 13, 2008

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Information Concerning Countermeasures (Anti-takeover Measures) for Large-scale Purchases of Company Stock and other Securities

The Board of Directors of Tokai Carbon (the "Company") has resolved a fundamental policy concerning parties that gain control over decisions of the Company's financial and business matters (as defined in Article 127 of the Company Law Enforcement Regulations, hereinafter the "Fundamental Policy") and, one of the actions to prevent parties that are not suitable based on the Fundamental Policy from gaining such control (as defined in Article 127, Item 2 (ii) of the Company Law Enforcement Regulations), the adoption of the following countermeasures (anti-takeover measures) to prepare attempted large-scale Purchases of Company stock or other securities (the "Plan"), subject to the approval of shareholders at the annual shareholders meeting scheduled for March 28, 2008 ("Next Annual Shareholders Meeting" hereafter). As is explained later, methods are provided for shareholders to terminate the Plan, such as through a resolution to abolish the Plan at a shareholders meeting or by the Board of Directors, which is made up of directors who are elected by the shareholders. As a result, the Plan conforms to the guidelines for reflecting the wishes of shareholders as prescribed in the "Guidelines Concerning Anti-takeover Measures for the Purpose of Preserving and Enhancing Corporate Value and the Common Interests of Shareholders" by the Ministry of Economy, Trade and Industry and the Ministry of Justice that was announced on May 27, 2005.

Attendance at the Board of Directors meeting at which this resolution was approved included both external directors and all four corporate auditors. All participants agree that these are proper countermeasures concerning large-scale purchases of the Company's stock or other securities.

1. Fundamental policy concerning parties with control over decisions involving the Company's financial and business matters

As a company with its shares listed on a securities exchange, the Company respects free transactions of its shares in the market and does not reject in any way a large-scale purchase of its shares by a specific party as long as that purchase helps preserve and enhance corporate value and the common interests of shareholders. The Company believes that it should be determined by shareholders of the Company to make the final decision concerning whether or not to accept a proposal of a large-scale purchase.

However, some proposals for large-scale purchases may be detrimental to the Tokai Carbon Group's (the Group) corporate value and the common interests of shareholders. For example, a proposal may make it impossible to maintain good relations with stakeholders. Other proposals may not adequately reflect the value of the Group or may not include adequate information for shareholders to reach a final decision.

Due to its obligations, as the one mandated by shareholders, the Company's Board of Directors believes that it must obtain sufficient time and information, conduct negotiations with the large-scale purchaser and take other required actions for the benefit of shareholders.

2. Actions to follow the Fundamental Policy

The Company believes that corporate activities are meant to create value for society and to sustain a cycle in which that value is shared by shareholders, other stakeholders and the company. The cycle begins when stakeholders invest resources in a company. The company then uses these resources to create value that is subsequently returned to stakeholders, who then reinvest resources in other companies to create more value. Sustaining this endless process is the goal of all companies. Trust between stakeholders and companies is essential to establish this cycle. Furthermore, this trust will be lost if there is no value creation cycle. Corporate activities and trust support each other as this cycle takes place. From this standpoint, companies must recognize that trust is the source of corporate value. This is why the Company positions trust as its fundamental concept and bases its actions on the principles of value creation, fairness, harmony with the environment and globalism.

Since its establishment in 1918, Tokai Carbon has consistently specialized in the manufacture of carbon products. During these nine decades, the Company has constantly adapted rapidly to shifts in market conditions. The Company was first to produce graphite electrodes in Japan for the steel industry. In 1941, the Company started a carbon black business. Between 1965 and 1975, the Company restructured its manufacturing bases. In 1992, a merger with Toyo Carbon raised the Company's profile in the Japanese carbon industry. Through these and other actions, the Company has steadily increased its corporate value and reached the point where it is Japan's leading company that specializes in the manufacture of carbon products.

While conducting these business activities, Tokai Carbon has established a powerful infrastructure for R&D, which is the lifeblood of any manufacturer. Activities include building the Fuji Research Laboratory in 1986 as the Company's central R&D facility and performing extensive research involving new technologies and products under the oversight of an R&D Promotion Committee. The Company also responded quickly to the emergence of economic blocks in the world. The first overseas subsidiary was established in the United States in 1987. The Company now has business sites in the United States, European Union, Thailand, South Korea and China. In 2005, the Company acquired Erft Carbon of Germany, making a big step in enlarging the scope of its consolidated operations.

This type of innovative corporate culture has formed the basis for the 1982 start of the T Series of medium-term management strategies that cover three fiscal years. The most recent plan, T-2006, raised consolidated sales to almost 100 billion yen and generated record earnings for three consecutive years. Concurrently, the plan has established Tokai Carbon as a global leader in the manufacture of carbon materials. Three elements have made this accomplishment possible. First is trust that has been earned over many years in the Company's five business fields: carbon black, graphite electrodes, fine carbon, friction materials, and industrial furnaces and related products. Second is technologies accumulated over the years. And third is the motivation of the Company's employees. In addition, synergies produced through the mutual collaboration among the five business fields have played a central role in the Company's success.

Irrespective of fluctuations in operating results, Tokai Carbon paid an annual dividend of 5 yen per share for eight consecutive fiscal years, beginning with 1997. The Company then raised the dividend to 6 yen in fiscal 2005 and 7 yen in fiscal 2006, delivering two consecutive years of dividend hikes. For fiscal 2007, the Company plans to pay a dividend of 9 yen per share. Based on a policy of sustaining a consistent dividend, the Company plans to set the dividend at a level that reflects the value cycle philosophy as well as the Company's overall capabilities, including the outlook for future sales and earnings. Through this stance, Tokai Carbon is determined to meet the expectations of shareholders and of her investors.

Another priority is upgrading corporate governance in order to improve management efficiency, speed, transparency and stability. For this purpose, the executive officer system was adopted in 1999 to separate the roles of business execution and oversight. In January 2007, with the start of the T-2009 medium-term management strategy, the Company used the positions of chairman and president to separate the roles of business oversight and execution.

T-2009 covers the three-fiscal-year period that started in 2007. Its objective is to position Tokai Carbon as the global leader in carbon materials. Numerical goals for 2009 are consolidated sales of 130 billion yen, an operating margin of 15%, a return on assets (ordinary income) of 10%, and a return on equity (net income) of 10%. Other actions will target improvements in the Group's strengths and CSR programs. Overall, the Company aims to achieve further growth in corporate value and shareholder value.

The carbon products business of Tokai Carbon supplies products to customers in the steel, tire and rubber, semiconductor, energy, automobile, chemical and other industries. The Company has an obligation to ensure a stable, long-term supply of the raw materials these customers require for their business operations. Building long-term relationships rooted in trust is therefore essential to sustaining the growth of the carbon products business. These relationships represent an enormous intangible asset of the Company. Backing up this asset are the benefits of constant efforts involving the supply of products and technologies to meet customers' demands. In each user category, the Company must do more than merely sell products. Success also requires improving the quality of R&D and manufacturing activities, lowering costs, developing new products, and meeting other customer demands. Moreover, these accomplishments do not rely solely on theoretical scientific knowledge. Human resources play a big part in the Company's operations. This represents the experience, cooperation, growth and technical skills of employees that have been passed on through the years since the Company's inception. In other words, Tokai Carbon's base of operations is rooted in unique traditions that are centered on the Company's distinctive knowledge, experiences and human relationships. This unique Tokai Carbon tradition is central to relationships with both customers and employees. Furthermore, this tradition is the nucleus of a management spirit that is firmly dedicated to sustaining growth.

Globalization and technological progress are accelerating the pace of change. One result is rapid swings in the upturns and downturns of individual industries. Tokai Carbon views this environment as an opportunity for growth. The Company has been developing sophisticated materials and conducting M&A to capitalize on opportunities, and will continue to do so. However, the operating base described above is vital to transforming this change into growth. Therefore, protecting and expanding this base is essential to the Company's ability to increase corporate value and shareholder value. A large-scale purchaser must maintain and enhance this distinctive Tokai Carbon management style. Otherwise, the purchase would be harmful to the Company's corporate value and shareholder value.

A thorough understanding of the Company's businesses is required to properly evaluate its corporate value. Although carbon products are used in a broad range of applications, these products are not readily visible. Furthermore, the operating base for the carbon products business is supported by intangible assets, as was explained earlier, that are not apparent to an external observer. As a result, the Company believes that ordinary shareholders are likely to have difficulty reaching a proper decision concerning the probable impact of a large-scale purchase on corporate value and shareholder value.

Due to these factors, the Tokai Carbon Board of Directors believes that, in the event of a proposed large-scale purchase, corporate value and shareholder value can benefit from (1) ensuring that there is sufficient information and time required for shareholders to determine if the proposed large-scale

purchase is appropriate and (2) conducting negotiations with the large-scale purchaser on behalf of the shareholders.

3. Purpose of adopting the Plan

The Tokai Carbon Board of Directors has adopted the Plan for the purposes of (1) clearly defining rules to be followed by a party planning to make a large-scale purchase of Company stock or other securities; (2) providing the necessary information and time for the shareholders to reach a proper decision; and (3) providing an opportunity to conduct negotiations with the large-scale purchaser.

As is explained below, the Plan establishes rules to be followed by a party planning to make a large-scale purchase of Company stock or other securities. In addition, in certain cases, the Plan makes clear that there is a possibility of damages to the party planning the large-scale purchase as a result of countermeasures taken by the Company. Through the proper disclosure of this information, the Plan provides a warning to parties planning a large-scale purchase of Company stock or other securities in a manner that would be harmful to corporate value and shareholder value.

The Plan includes regulations for an Independent Committee (see appendix 1 for a summary) that is established to prevent arbitrary decisions by the Company's Board of Directors concerning the use of countermeasures. This committee ("Independent Committee," hereafter) is made up of the Company's external directors, external corporate auditors and experts from outside the Company (corporate executives, individuals from government agencies, attorneys, certified public accountants, educators and other professionals), all of whom are independent of the Company's management team. The Board of Directors must observe the recommendations of this committee as much as possible. In addition, the Plan ensures transparency by providing for the timely disclosure of information to shareholders. The Company plans to name the three individuals listed in appendix 2 to the Independent Committee when it is first established.

Major shareholders of the Company as of December 31, 2007 are shown in appendix 3, "Holdings of Major Shareholders." At this time, the Company has received no proposal for a large-scale purchase of its stock or other securities.

4. Description of the Plan (Actions to prevent a party that is unsuitable with respect to the Fundamental Policy from gaining control of decisions concerning the financial and business matters)

(1) Procedures prescribed in the Plan

1) Applicable large-scale purchases

The Plan is applicable to purchase(s) of the Company's stock or other securities, or similar actions (except actions approved by the Company's Board of Directors; such purchase activities are called "Large-scale Purchases, etc." hereafter) that are covered by item (i) or (ii) below. Parties that conduct a Large-scale Purchase, etc. or attempt to conduct such purchase ("Purchaser, etc." hereafter) must first follow the procedures set forth in the Plan.

- (i) Purchases of stock or other securities¹ issued by the Company that would result in the purchaser² holding at least 20%³ of the applicable securities.

¹ As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law and same hereafter unless otherwise specified. In the event of amendments or revisions to laws and regulations (including changes to names of laws and regulations and new laws and regulations that include old laws

- (ii) Tender offer⁴ for stock or other securities⁵ issued by the Company in which the holding percentage⁶ resulting from the offer along with the holding of special related parties⁷ is at least 20%.

2) Prior submission of Statement of Intent to the Company

Prior to executing a Large-scale Purchase, etc., the Purchaser, etc. must submit to the Company's Board of Directors a written document ("Statement of Intent" hereafter) using the format prescribed by the Company. The statement must include a pledge to follow the procedure prescribed in the Plan with regard to the Large-scale Purchase, etc.

Specifically, the Statement of Intent must include the following items.

- (i) Profile of Purchaser, etc.
- a) Name and address of individual or entity
 - b) Name and title of representative
 - c) Business activities of company
 - d) Profiles of large shareholders and investors (top 10 shareholders or investors)
 - e) Contact information in Japan
 - f) Applicable law for the company's establishment
- (ii) Number of Company shares or other securities currently held by the Purchaser, etc. and transactions of Company shares or other securities by the Purchaser, etc. within 60 days of the Statement of Intent submission date
- (iii) Summary of the Large-scale Purchases, etc. proposed by the Purchaser, etc. (including the number and type of shares of the Company's stock and other securities to be acquired through the Large-scale Purchase, etc. and objective of the Large-scale Purchase, etc. (acquisition of control or participation in management; pure investment or strategic investment; sale of Company stock or other securities to third party following the Large-scale Purchase, etc.; or intent and explanations in the

and regulations) mentioned in the Plan, the article and paragraph numbers in these laws and regulations will be replaced with the numbers of the revised or replacement laws and regulations, except in cases specified differently by the Company's Board of Directors.

² *Holder as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law, including holders as defined in paragraph 3 of this article.*

³ *Percentage as defined in Article 27-23 of the Financial Instruments and Exchange Law. Same hereafter.*

⁴ *As defined in Article 27, Paragraph 6 of the Financial Instruments and Exchange Law. Same hereafter.*

⁵ *As defined in Article 27, Paragraph 1 of the Financial Instruments and Exchange Law. Same in (ii) below.*

⁶ *As defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Law. Same hereafter.*

⁷ *Special related parties as defined in Article 27-2, Paragraph 7 and Exchange Law. However, with regard to parties listed in item 1 of this paragraph, excludes parties defined in Article 3-2 of the Cabinet Ordinance concerning disclosures for tender offers for stock, etc. by parties other than issuers. Same hereafter.*

case of a significant proposal action, etc.⁸ or other objective; if there are more than one objective, all must be listed)).

3) Provision of the Necessary Information

When the Statement of Intent described in item 2) above has been submitted, the Purchaser, etc. must follow the procedure described below in order to supply adequate information (the “Necessary Information” hereafter) for the shareholders to reach a decision concerning the Large-scale Purchase, etc.

First, the Company will send an information list to the location in Japan provided by the Purchaser, etc. as the contact in item 2) (i) e) above within 10 business days⁹ (but not including the first day) of the date of submission for the Statement of Intent. The Purchaser, etc. will then follow this list to provide the Company with sufficient information.

After receiving information from the Purchaser, etc. in accordance with the above information list, the Company’s Board of Directors may request additional information from the Purchaser, etc.. This request will be made if the directors reasonably decide that that the information is inadequate, such as with regard to the description of the Purchaser, etc. or its intent, for shareholders to reach a decision and the Board of Directors to evaluate and study the proposal.

Irrespective of the description of the Purchaser, etc. and its intent, in principle, the following items shall be deemed to be included in the information list.

- (i) Description (history, specific names, ownership of equity, business activities, financial condition, names of directors and backgrounds, etc.) of the Purchaser, etc. of the purchaser’s group (joint holders¹⁰, partners and other owners in the case of special related parties and funds)
- (ii) Objective of the Large-scale Purchase, etc. (description of objective listed in the Statement of Intent), method and description of purchase (including whether or not Purchaser, etc. intends to participate in management; payment and method of payment; timing of Large-scale Purchase, etc.; structure of associated transactions; number of shares of stock or other securities to be purchased and pct. of Company stock or other securities to be held; legality of method used for Large-scale Purchase, etc.)
- (iii) Basis for calculation of payment for Large-scale Purchase, etc. (including assumptions for calculations; calculation method; numerical data used for calculations and description of synergies expected from all transactions associated with the Large-scale Purchase, etc.; names of third parties (if any) that provided opinions incorporated in the calculations; descriptions of such opinions and method for reaching decision concerning monetary amount based on the opinions)
- (iv) Source of funds for the Large-scale Purchase, etc. (including specific names of providers of funds (including effective sources of funds), procurement method and descriptions of any associated transactions)

⁸ Significant proposal actions as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Law, Article 14-8-2, Paragraph 1 of the Financial Instruments and Exchange Law Enforcement Regulations, and Article 16 of the Cabinet Ordinance concerning the disclosure of large holdings of stock and other securities.

⁹ A business day is defined as all days except days listed in Article 1 Paragraph 1 of the Law Concerning Holidays of Government Institutions. Same hereafter.

¹⁰ Joint holders as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Law including parties designated by the Company’s Board of Directors as deemed joint holders as prescribed in paragraph 6 of this article. Same hereafter.

- (v) Whether or not any opinions were received from third parties concerning the Large-scale Purchase, etc. and, if so, descriptions of the opinions and profiles of the third parties
- (vi) Lending contracts, collateral contracts, reselling contracts, forward transaction agreements and other important contracts or agreements (“collateral contracts, etc.” hereafter) involving Company stock or other securities already held by the purchaser. If such collateral contracts, etc. exist, the type of contract, contract counterparty, number of stock or other securities involved, and other items in the applicable contract.
- (vii) If the Purchaser, etc. plans to sign a collateral contract, etc. or other agreement with a third party regarding Company stock or other securities to be purchased through the Large-scale Purchases, etc., a description of the type of planned agreement, the counterparty, the number of shares or other securities covered, and other items involving the agreement.
- (viii) Management policy, business plan, capital policy and dividend policy for the Group following the Large-scale Purchase, etc.
- (ix) Policy for treatment of Company employees, labor unions, suppliers, customers, communities and other stakeholders following the Large-scale Purchase, etc.
- (x) Specific measures to prevent a conflict of interest with other Company shareholders

The Company’s Board of Directors will promptly make a public announcement of the portion of information that the directors believe is needed for shareholders to reach a decision. This may include the fact that a Purchaser, etc. has submitted a Large-scale Purchase, etc. proposal, a summary of the proposal, a summary of the Necessary Information, and other information.

The Company’s Board of Directors will submit all information received from the Purchaser, etc. to the Independent Committee. If this committee determines that the information is insufficient to serve as the Necessary Information, the Purchaser, etc. may be asked, through the Board of Directors, to submit additional information as needed.

When the Company’s Board of Directors and the Independent Committee determine that the Purchaser, etc. have submitted a sufficient amount of information, the Board of Directors will notify the Purchaser, etc. (“Notification to the Purchaser” hereafter) of that decision and quickly make a public announcement to this effect.

4) Establishment of evaluation period for Board of Directors

After submitting notice of the completion of submission of information, the Company’s Board of Directors will establish either period (i) or (ii) below (both not including the first day), depending on the difficulty of evaluating the Large-scale Purchase, etc. This will give the directors time to perform evaluations, studies and negotiations as well as to form opinions and an alternate proposal (“Evaluation Period” hereafter” hereafter).

- (i) 60 days in the case of an all-cash tender offer to purchase all of the Company’s stock or other securities
- (ii) 90 days in the case of other Large-scale Purchases, etc.

However, in either case (i) or (ii), the Board of Directors can extend the evaluation period as required. In this case, the directors will notify the Purchaser, etc. of the length of the extension and the reasons for the extension and provide this information to shareholders. In addition, such extensions will, in principle, be made only once and for a period of no more than 30 days.

During this evaluation period, the Company’s Board of Directors will perform an adequate evaluation and study of the Necessary Information provided by the Purchaser, etc., while seeking the advice of external specialists as required. The directors will study information provided by the Purchaser etc. concerning the

Large-scale Purchases, etc. from the perspective of preserving and enhancing the Company's corporate value and shareholder value. Based on this examination, the directors will carefully form an opinion concerning the Large-scale Purchases, etc. This opinion will be submitted to the Purchaser, etc. and, in a timely and proper manner, to the Company's shareholders. As required, the directors will hold negotiations with the Purchaser etc. with regard to the conditions and methods for Large-scale Purchases, etc. In addition, the Board of Directors may submit an alternative proposal to shareholders. When the Board of Directors begins its evaluation period after receiving the Statement of Intent and the Necessary Information from the Purchaser, etc., the directors will ask the Independent Committee to begin considering whether or not to initiate anti-takeover measures.

5) Recommendation of Independent Committee concerning use of anti-takeover measures

During the Board of Directors' evaluation period, the Independent Committee will use the following procedure to formulate a recommendation to the directors as to whether or not to initiate anti-takeover measures. This process will take place while the directors are performing their evaluations, studies and negotiations and forming opinions and an alternative proposal. Care will be exercised to ensure that the decision of the Independent Committee is consistent with the preservation and enhancement of corporate value and shareholder value. For this purpose, the Independent Committee will, at the Company's expense, can seek the advice of third parties (investment banks, securities companies, financial advisers, certified public accountants, attorneys, consultants and other specialists) who are independent of the executives responsible for the Company's business operations. If the Independent Committee submits recommendation (i) or (ii) below to the Board of Directors, the directors will quickly disclose information concerning items that the directors judge to be appropriate with regard to the receipt of this recommendation, a summary of the recommendation and other information.

(i) Recommendation to initiate anti-takeover measures

The Independent Committee will recommend that anti-takeover measures be used in cases where (1) the Purchaser, etc. has not followed the procedure stipulated in items 2) through 4) above or (2) the Large-scale Purchases, etc. would be significantly detrimental to the Company's corporate value and shareholder value, such in the case of a purchase intended solely to generate a short-term gain for the Purchaser, etc. If the purchase is judged to be applicable to any category listed in appendix 4, then the Large-scale Purchase, etc. will, in principle, be regarded as being significantly detrimental to the Company's corporate value and shareholder value.

(ii) Recommendation to not initiate anti-takeover measures

In cases other than (i), the Independent Committee will recommend that the directors not use the anti-takeover measures.

6) Resolution of the Board of Directors

The Company's Board of Directors will follow as much as possible the recommendation of the Independent Committee described in item 5). Based on this recommendation, the directors will quickly pass a resolution to either initiate or not initiate the anti-takeover measures in order to preserve and enhance corporate value and shareholder value.

When the above resolution is approved, whether it is for or against use of the anti-takeover measures, the directors will quickly announce a summary of the resolution and other information that the directors judge to be appropriate.

7) Suspension of anti-takeover measures or cancelation of initiation of the measures

Even after the Company's Board of Directors has, based on the procedure described in item 6), passed a resolution to initiate the anti-takeover measures or initiated these measures, the directors can suspend

the measures or cancel the initiation of these measures. This action can be taken in accordance with or without a recommendation of the Independent Committee and irrespective of the contents of that recommendation. This suspension or cancellation can take place in the case that (i) the Purchaser, etc. terminates the Large-scale Purchase, etc. or (ii) there has been a change in the facts for assumptions used for the decision as to whether or not to use the anti-takeover measures and, from the standpoint of preserving and enhancing corporate value and shareholder value, the situation has reached a point where it is no longer appropriate to continue using the anti-takeover measures.

8) Start of Large-scale Purchase, etc.

The Purchaser, etc., who must follow the procedure stipulated in items 1) through 6) above, is not allowed to start Large-scale Purchases, etc. until the Board of Directors has announced its resolution described in item 6) concerning the proposed Large-scale Purchase, etc.

(2) Anti-takeover measures provided by the Plan

In principle, the anti-takeover measure that the Company's Board of Directors can use based on the resolution described in item (1)-6) above is allocation (s) at no cost of stock acquisition new share subscription rights (*Shinkabu Yoyaku Ken*; the "New Share Subscription Rights" hereinafter). However, the directors may use other measures, as long as they comply with the Company law, other laws and regulations and the Company's Articles of Incorporation, in cases where the directors believe such actions are appropriate.

A summary of the gratis allocation of Stock Acquisition Rights is provided in appendix 5 ("Summary of the Gratis Allocation of New Share Subscription Rights").

Even after the Company's Board of Directors has approved a resolution to initiate the anti-takeover measures or initiated these measures, as is explained in item (1) 7) above, the directors can suspend the measures or cancel the initiation of these measures. For example, if the directors have approved the gratis allocation of Stock Acquisition Rights, the directors can subsequently terminate the anti-takeover measures by canceling this allocation at any time prior to the record date for the allocation in the case that (1) the Purchaser, etc. has canceled the Large-scale Purchase, etc. and (2) the directors have approved a resolution as described in item (1) 7) above. On or after the record date for allocation of the Stock Acquisition Rights and before the start of the exercise period of the rights, the directors can acquire the Stock Acquisition Rights at no cost.

(3) Plan validity, cancelation and revisions

The Plan will be valid beginning on March 28, 2008, the planned date of the Company's Next Annual Shareholders Meeting, assuming shareholders approve the Plan, and for a period of three years ending on the day of the annual shareholders meeting to be held in March 2011.

However, even before the end of this validity period, the Plan can be revised or canceled immediately upon a resolution to this effect at a Company shareholders meeting. In addition, the Plan can also be revised or canceled immediately by a resolution to this effect by the Company's Board of Directors, which is made up of directors who are elected at shareholders meetings.

In addition, the Board of Directors can revise or alter the Plan as reasonably required, with the approval of the Independent Committee, to reflect changes to the Company Law, Financial Instruments and Exchange Law and other laws and regulations, changes to financial instrument exchange rules, and changes in the interpretations and enforcement of these laws, regulations and rules.

If the Plan is canceled or altered, the Company will publicly announce the cancelation or alteration and (in the case of alterations) provide information concerning the changes and other items as judged appropriate by the Board of Directors.

5. Rationale for the Plan

(1) Fully complies with guidelines for anti-takeover measures

The Plan fully complies with the three principles in the “Guidelines Concerning Anti-takeover Measures for the Purpose of Preserving and Enhancing Corporate Value and the Common Interests of Shareholders” by the Ministry of Economy, Trade and Industry and the Ministry of Justice that was announced on May 27, 2005. The three principles are (1) preservation and enhancement of corporate value and shareholder value, (2) prior disclosure of information and incorporation of the wishes of shareholders, and (3) the assurance that actions are necessary and suitable.

(2) The Plan was adopted for the purpose of preserving and enhancing corporate value and shareholder value

As explained in item 3. above, in the case of a Large-scale Purchase, etc. of the Company's stock or other securities, a period of time is provided to obtain the information sufficient for the Company's shareholders to decide whether or not to accept the proposed Large-scale Purchases, etc. and for the Board of Directors to formulate an alternative proposal. This period also permits the directors to conduct negotiations with the Purchaser, etc. for the benefit of shareholders. Consequently, the purpose of adopting this Plan is to preserve and enhance the Company's corporate value and shareholder value.

(3) Priority placed on the wishes of shareholders

The Plan will not be adopted without the approval of shareholders at the Next Annual Shareholders Meeting. As was explained in item 4. (3) above, even after shareholders have given their approval, the shareholders can pass another resolution to revise or cancel the Plan at a subsequent shareholders meeting. In this case, the Plan will be immediately altered or canceled in accordance with the resolution. Consequently, the Plan is structured so that its adoption and cancelation sufficiently reflect the wishes of shareholders.

(4) Priority on decisions of highly independent external parties and disclosure of information

In order to eliminate the possibility of arbitrary decisions by the Board of Directors, the Company will establish an independent committee as part of the Plan. This committee will serve as an objective advisory body for the Board of Directors, passing resolutions and providing recommendations concerning the use of the Plan, including the execution of anti-takeover measures.

The Independent Committee is autonomous from the executives who conduct the Company's business operations. This committee is made up of at least three individuals selected from among the Company's external directors, external corporate auditors and experts from outside the Company (corporate executives, individuals from government agencies, attorneys, certified public accountants, educators and other professionals)

As necessary, the Company will provide summaries of the Independent Committee's decisions to shareholders. This ensures the transparent operation of the Plan for the purpose of contributing to corporate value and shareholder value.

(5) Establishment of reasonable and objective requirements for execution of anti-takeover measures

As was explained in item 4. (1) above, the Plan is structured so that anti-takeover measures cannot be executed unless reasonable and objective requirements are fulfilled. This structure prevents the arbitrary execution of the anti-takeover measures by the Board of Directors.

(6) Not a “dead hand” or “slow hand” defensive measure

As was explained in item 4 (3) above, the Plan can be terminated at any time by the Board of Directors, which is made up of directors elected at shareholder meetings. Therefore, the Plan is not a “dead hand” (takeover defense mechanism, in which initiation of the anti-takeover measures cannot be prevented even if a majority of the directors are replaced).

In addition, since the Company does not have staggered terms of office for its directors, the Plan is not a “slow hand” defensive measure (in which time is needed to prevent initiation of anti-takeover measures because all directors cannot be replaced at once).

6. Effect of the Plan on shareholders

(1) Effect of adoption of the Plan on shareholders and other investors

No Stock Acquisition Rights will be issued upon adoption of the Plan. Consequently, at the time of its adoption, the Plan will have no effect on the legal rights or economic interests of shares of the Company stock held by the shareholders and other investors.

As was explained in item 4. (1) above, the Company’s response to a proposed Large-scale Purchase differs depending on whether or not the Purchaser, etc. complies with the Plan. Consequently, shareholders and other investors are asked to carefully monitor the behavior of such Purchasers, etc.

(2) Effect on shareholders of gratis allocation of New Share Subscription Rights

When the Board of Directors decides to execute anti-takeover measures and allocate New Shares Subscription Rights at no cost, shareholders and beneficial shareholders of record on the allocation date prescribed separately will receive at no cost up to one New Shares Subscription Right for each share of the Company stock held. Under this scheme, there will be dilution of the economic value of each share of Company stock held by shareholders when the New Share Subscription Rights are allocated. However, there will be no dilution in the aggregate economic value of all Company stock held. Furthermore, there will be no dilution of the voting rights of each share. Therefore, the Company foresees no direct and specific effect on the legal rights and economic value of Company stock with regard to shareholders and other investors.

However, execution of the anti-takeover measures may have some effect on the legal rights and economic interests of the Purchasers, etc.

Even if the Company’s Board of Directors passes a resolution to conduct a gratis allocation of New Share Subscription Rights, the directors can use the procedure explained in item 4. (1) 7) above to suspend the anti-takeover measures or cancel initiation of the measures. In this case, there may be a corresponding change in the value of the Company’s stock. For example, the Company may decide to cancel initiation of the anti-takeover measures and not conduct the gratis allocation of New Share Subscription Rights after confirming shareholders who have the right to receive these New Share Subscription Rights. In this case, there would be no dilution in the economic value of each share of Company stock held by shareholders. As a result, investors should understand that parties that bought and sold Company stock on the

assumption that dilution of economic value per share would occur may incur losses caused by changes in the Company's stock price.

In addition, the Plan includes a discrimination clause (appendix 5. 7. Conditions for Exercise of Stock Acquisition Rights, appendix 5. 8. Receipt of Stock Acquisition Rights from the Company) concerning the receipt and exercised of the New Share Subscription Rights. These conditions prevent the Purchaser, etc. from exercising Stock Acquisition Rights. Moreover, there may be cases where conditions established by the Company for the receipt of stock acquisition rights cause dilution of Company stock already held by the Purchaser, etc. Consequently, the Company believes there will be an effect on the purchaser's legal rights and economic interests. Even in this case, the Company foresees no direct and specific effect on the legal rights and economic value of Company stock held by shareholders other than the Purchaser, etc.

(3) Required procedures for shareholders to receive the gratis allocation of New Share Subscription Rights

1) Registration of stock

If the Company's Board of Directors passes a resolution to conduct a gratis allocation of New Share Subscription Rights, the directors will determine a record date for the allocation and make a public announcement. Shareholders and beneficial shareholders of record at the close of business on the record date will receive New Share Subscription Rights at no cost. Consequently, shareholders must register their shares of the Company stock in their names by no later than this record date. There is no need to register stock in the case of shares held by the Japan Securities Depository Center (JASDEC).

2) Other procedures

Shareholders and beneficial shareholders of record at the close of business on the allocation record date will automatically become holders of the New Share Subscription Rights on the day that the rights are allocated at no cost. Consequently, there is no need for any application procedure.

In addition, shareholders may need to exercise the New Share Subscription Rights within a certain period of time following receipt of these rights. (When exercising rights, payment of a certain amount will be required.)

In addition to the above items, the Company will provide additional information concerning the distribution method, method for exercising rights, method for the Company to acquire the rights, and other matters following resolution by the Board of Directors to conduct the gratis allocation of New Share Subscription Rights. The Company will make timely and proper disclosures and notifications of matters concerning these procedures in accordance with applicable laws and regulations and financial instrument exchange rules. Shareholders are asked to watch for these disclosure activities and notices.

Appendix 1

Independent Committee Regulations

1. The Independent Committee is established through a resolution of the Board of Directors to serve as an advisory body to the Board of Directors for the purpose of eliminating arbitrary decisions by the Board of Directors concerning the execution of defensive measures against Large-scale Purchases, etc. The committee does this by ensuring the objectivity and rationality of the directors' decisions and actions.
2. The Independent Committee has at least three members, all of whom are independent of the Company's management team. Members will be selected by resolutions of the Board of Directors from (1) the Company's external directors, (2) the Company's external corporate auditors and (3) experts from outside the Company (corporate executives, individuals from government agencies, attorneys, certified public accountants, educators and other professionals). Members of the Independent Committee have signed a contract with the Company that includes provisions concerning their fiduciary duty and their obligation to protect confidential information.
3. The term of each Independent Committee member will end at the close of the annual shareholders meeting applicable to the last fiscal year that ends within the three-year period starting when that member was selected. However, this does not apply in cases where a different term has been specified by a resolution of the Board of Directors.
4. Meetings of the Independent Committee can be called by the Company's representative director or a member of this committee.
5. The chairperson of the Independent Committee will be selected by the committee members.
6. In principle, resolutions of the Independent Committee require the approval of a majority of committee members at meetings attended by all members. However, in the event of an accident or other special circumstances involving a committee member, a resolution can be approved by a majority of members at meetings attended by a majority of the members.
7. The Independent Committee shall reach hold discussions and reach decisions concerning the following items. The committee shall then submit recommendations to the Company's Board of Directors along with a description of its resolutions and reasons for reaching the decision.
 - (1) Whether or not to initiate the Plan's anti-takeover measures
 - (2) Suspension of the Plan's anti-takeover measures of cancellation of initiation of these measures
 - (3) Termination of the Plan or revisions to the Plan
 - (4) Other matters concerning the Plan when the Board of Directors voluntarily asks for advice

Each member of the Independent Committee is obligated to discuss matters and reach decisions from the standpoint of whether or not the individual believes the decision will be beneficial to the Company's corporate value and the common interests of shareholders. Committee members must not make decisions for the purpose of personal gain or benefiting the Company's senior management.

8. As required, the Independent Committee may ask Company directors, corporate auditors, employees and others to attend committee meetings for the purpose of providing opinions or explanations concerning specific matters.

9. For the purpose of performing its duties, the Independent Committee may, at the Company's expense, seek the advice of external specialists (investment banks, securities companies, financial advisers, certified public accountants, attorneys, consultants and other specialists) who are independent of the executives responsible for the Company's business operations.

Appendix 2

Profiles of Candidates for the Independent Committee

Masanobu Do-ki

April 1960 Joined Chubu Electric Power Co., Inc.
June 1991 Elected statutory auditor of Chubu Electric Power Co., Inc.
June 1993 Named president and director of Chubu Greenery Co., Ltd.
March 2001 Elected as external corporate auditor of Tokai Carbon Co., Ltd. (current position)

Yoshio Kumakura

April 1969 Registered as attorney
April 1969 Joined Nakamura Patent Law Office (currently Nakamura Joint Patent Law Office)
June 1976 Received LL.M degree from Harvard Law School
June 1976 Representative partner of Nakamura Joint Patent Law Office (current position)
April 2000 Officer of Japan Branch of International Law Association
 (current position)
May 2000 Director of Japan Asia Pacific Friendship Law Association
 (current position)
June 2001 Deputy chairman of International Association for Protection of Industrial Intellectual
 Property of Japan (current position)
June 2004 Statutory auditor of Nippon Flour Mills Co., Ltd.
March 2007 Elected as external director of Tokai Carbon Co., Ltd. (current position)

Ryu-ichi Sato

April 1966 Joined Mitsubishi Yuka Co., Ltd. (currently Mitsubishi Chemical Corporation)
June 1997 Named director and manager of Functional Chemical Company, fine operation division
October 2005 Named director, executive operating officer, and Supervising-Corporate Strategy of
 Mitsubishi Chemical Holdings Corporation
June 2007 Elected as corporate advisor of Mitsubishi Chemical Corporation
March 2008 Elected as external corporate auditor of Tokai Carbon Co., Ltd. (to be elected)

Appendix 3

Major Shareholders

The following is a list of major shareholders of Tokai Carbon as of December 31, 2007.

Shareholders	Investment in Tokai Carbon	
	Shares (thousand)	Pct. held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	20,466	9.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,902	8.75
State Street Bank & Trust Co.	10,598	4.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,842	4.09
Mitsubishi UFJ Trust and Banking Corp.	6,988	3.23
The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900	2.73
Mitsubishi Corporation	5,844	2.70
Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,055	2.34
Amethyst	3,687	1.70
Goldman Sachs International	2,867	1.32

Note: In addition to the shares shown above, the Company holds 2,742 thousand shares as treasury stock.

Appendix 4

Actions regarded as significantly detrimental to the Company's corporate value and shareholder value

1. When the Company determines that the Purchaser, etc. is a green mailer with no sincere desire to participate in the Company's management, instead aiming to simply raise the price of Company stock, etc. and forcibly sell this stock, etc. back to the Company or a related party.
2. When the Company determines that the Purchaser, etc. aims to gain temporary control of the Company for the purpose of acquiring intellectual assets, know-how, confidential information, ties with key suppliers and customers, and other assets of the Company or its Group, and then transferring those assets to the Purchaser, etc. or its group companies.
3. When the Company determines that the Purchaser, etc., after gaining control of the Company, aims to use the assets of the Company or its Group as collateral for the liabilities of the Purchaser, etc. or its group companies or as a source of funds to repay these liabilities.
4. When the Company determines that the Purchaser, etc. aims to gain temporary control of the Company and then sell real estate, securities and other valuable assets that currently have no relationship with the businesses of the Company or its Group. Furthermore, that the Purchaser, etc. then plans to use the gains from these sales to pay a large one-time dividend or to use this temporarily high dividend to rapidly raise the price of Company stock and then sell its investment in the Company at a high price.
5. When the Company determines that the method to be used to purchase Company stock or other securities is a so-called forcible two-step acquisition (a tender offer where the Purchaser, etc. initially attempts to purchase only some of the Company's stock or other securities; in the second step, the Purchaser, etc. offers inferior terms or no clear terms at all) or similar method that restricts the freedom of shareholders and their opportunity to reach decisions on their own. Such methods may effectively force shareholders to sell their Company stock or other securities.
6. When the Company determines that the terms (including but not limited to the method of payment and amount, basis for calculating purchase amount and other purchase terms (including the timing and method for the purchase), legality of the purchase, and likelihood that the purchase can be completed) proposed by the Purchaser, etc. for the Company's stock or other securities is obviously insufficient in inappropriate in relation to the Company's corporate value.
7. When the Company determines that the Purchaser, etc., by gaining control of the Company, will become a significant impediment to preserving and enhancing the Company's corporate value and shareholder value. For example, the Purchaser, etc. may cause significant damage to corporate value and shareholder value, including damage to the interests of customers, employees and other stakeholders.
8. When the Company determines that its future corporate value, from a medium-term and long-term perspective, would be significantly smaller under the control of the Purchaser, etc. than if the purchases did not gain control of the Company.
9. When the Company determines that the Purchaser, etc. is clearly unsuitable to gain control of the Company from the standpoint of the morals and ethics of Purchaser, etc.
10. Other cases similar to items 1 through 9 where the Company determines that the proposed purchase would be significantly detrimental to its corporate value and shareholder value.

Appendix 5

Summary of the Gratis Allocation of New Share Subscription Rights

1. Number of New Share Subscription Rights to be allocated

The number of New Share Subscription Rights to be allocated will be determined separately in the resolution of the Company's Board of Directors to conduct the gratis New Share Subscription Rights allocation ("Resolution to conduct the gratis allocation of Stock Acquisition Rights" hereafter). The number of these rights will be no more than the number of shares issued (excluding stock held by the Company at that time) on the allocation record date ("Allocation record date" hereafter) that is determined in the resolution of the Board of Directors to conduct the allocation.

2. Eligible shareholders

Shareholders and beneficial shareholders of record on the allocation record date will receive up to one new share subscription right for each share of the Company common stock held (excluding stock held by the Company at that time). The ratio for the distribution of rights will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

3. Effective date of gratis allocation of New Share Subscription Rights

This date will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

4. Category and the number of shares used for the New Share Subscription Rights

Common stock of the Company will be used for the New Share Subscription Rights. The number of shares for each right ("Number of shares for each right" hereafter) will be no more than one share and will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights. However, the number of shares for each right may be adjusted as necessary if there is a split, consolidation or other action involving the Company's stock.

5. Description and amount of payment upon exercise of New Share Subscription Rights

The monetary payment for each share of Company common stock upon the exercise of a New Share Subscription Right will be at least one yen. The amount will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

6. Restriction on transfer of New Share Subscription Rights

Approval of the Board of Directors is required for any transfer of ownership of the New Share Subscription Rights.

7. Conditions for exercise of New Share Subscription Rights

The New Share Subscription Rights may not be exercised by the following parties (ineligible parties): (1) special large-scale shareholders¹¹; (2) joint shareholders associated with special large-scale

¹¹ *Holders of stock or other securities issued by the Company who hold at least 20% of such securities or parties recognized by the Board of Directors as belonging to this category. However, this does not apply in cases where the Board of Directors determines that the special large-scale shareholder (1) does not represent a risk to the Company's corporate value or shareholder value or (2) is acceptable in accordance with a provision in the resolution to conduct the gratis allocation of stock acquisition rights.*

shareholders; (3) special large-scale purchasers¹²; (4) special related parties of special large-scale purchasers; (5) parties that receive or inherit New Share Subscription Rights from parties listed in items (1) through (4) above without the consent of the Board of Directors; (6) parties associated with parties¹³ listed in items (1) through (5) above. Details concerning conditions for the exercise of New Share Subscription Rights will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

8. Acquisition of New Share Subscription Rights by the Company

The Company may, on a date determined separately by the Board of Directors, acquire New Share Subscription Rights from all holders other than ineligible parties in exchange for the applicable number of shares of Company common stock for each right. When acquiring New Share Subscription Rights held by ineligible parties, the Company can make a payment in cash, bonds or other means that is equivalent to the market value of each right. Details concerning the conditions for acquiring New Share Subscription Rights will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

9. Acquisition with no compensation in case of cancellation, etc. of initiation of anti-takeover measures

The Board of Directors may acquire with no compensation all of the New Share Subscription Rights in cases where (1) the initiation of anti-takeover measures has been canceled or (2) the Board of Directors provides for this acquisition as part of the resolution to conduct the gratis allocation of New Share Subscription Rights.

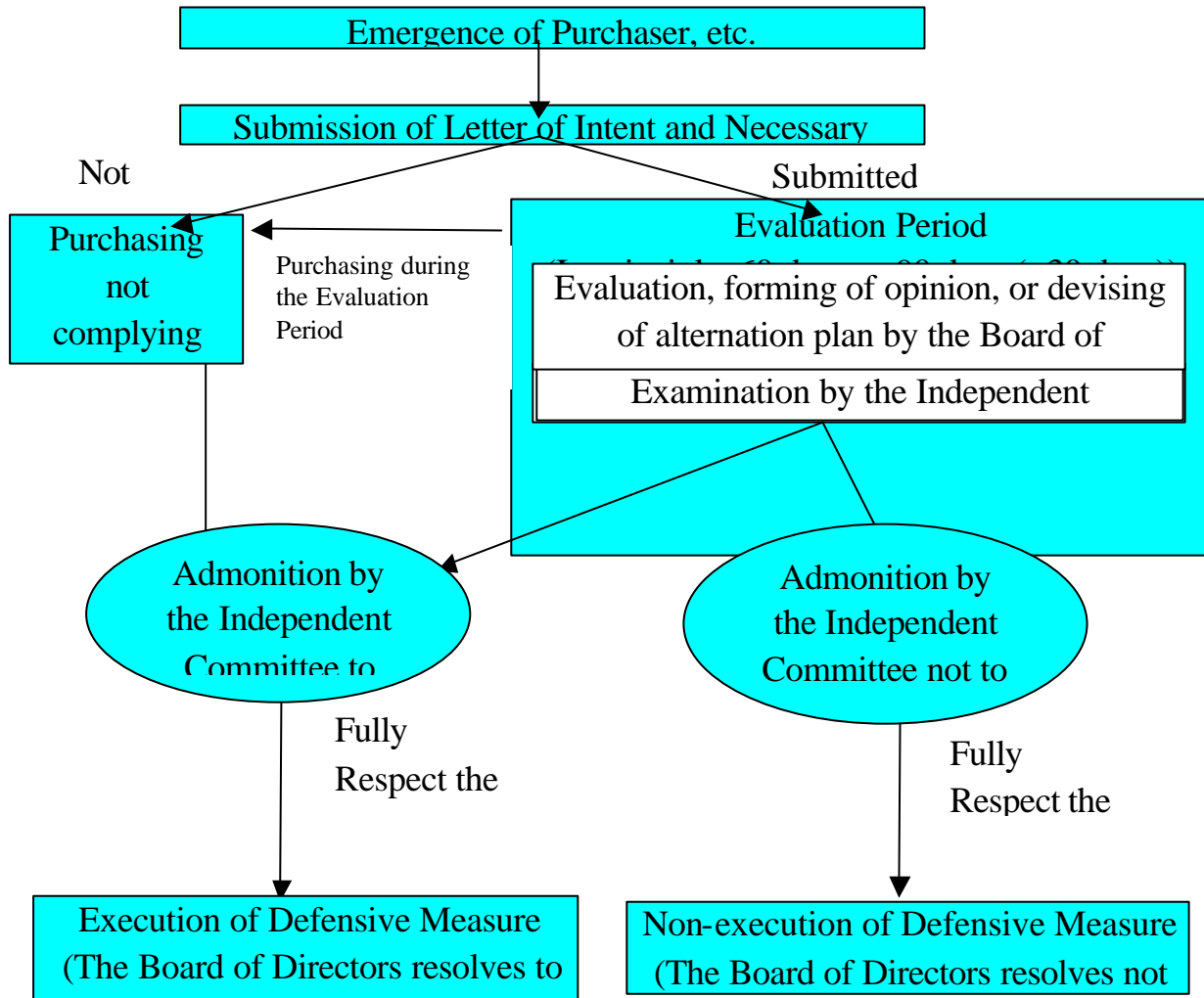
10 Exercise period, etc. of New Share Subscription Rights

The exercise period and other items required with regard to the New Share Subscription Rights will be determined separately in the resolution to conduct the gratis allocation of New Share Subscription Rights.

¹² *A party that has publicly announced their intent to use a tender offer to purchase (purchases, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law, same hereafter in this note) stock and other securities issued by the Company (stock, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law, same hereafter in this note). Furthermore, following the applicable purchase, the party's percentage of ownership (including holdings as defined in Article 7, Paragraph 1 of the Financial Instruments and Exchange Law Enforcement Regulations) of stock and other securities, along with holdings of special related parties, is at least 20% or parties recognized by the Board of Directors as belonging to this category. However, this does not apply in cases where the Board of Directors determines that the party (1) does not represent a risk to the Company's corporate value or shareholder value or (2) is acceptable in accordance with a provision in the resolution to conduct the gratis allocation of stock acquisition rights.*

¹³ *An associated party of another party is an entity (including parties designated as associated parties by the Board of Directors) that is (1) under the effective control of the other party, under the control of the other party, or under joint control with the other party or (2) recognized by the Board of Directors as a party that collaborates with the other party. Control is defined as "control over decisions involving financial and business policies" by another company, etc. (as defined in Article 3, Paragraph 3 of the Company Law Enforcement Regulations).*

Flow Chart regarding the Procedures of the Plan



* This flow chart is for your reference only. Please confirm the main body of the document for details.