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News Release

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Announcement on the rolling format of the Mid-Term Management Plan

Tokai Carbon Group announced a three-year mid-term management plan “T-2021” for the period from 2019 to 2021 on February 14, 2019. In light of changes in the business environment and the status of our business performance, we have newly formulated T-2022, the mid-term management plan for the three years from 2020 to 2022.

1. Background to the rolling format of the Mid-Term Management Plan

In FY2019, the Group made steady progress on the key measures stated in the previous mid-term management plan, T-2021. On the other hand, due to the protracted U.S.-China trade frictions and slowdown of the European economy, the growth of industries facing such issues, including iron and steel production and automobile manufacturing, as well as the semiconductor market, has slowed down, and the tight demand for graphite electrode during FY2018 has started to ease since 2019.

Taking these circumstances into consideration, we have updated our assumptions regarding sales volume and prices to reflect the current status and reviewed numerical targets on a consolidated basis in a rolling format. While the global production of EAF (Electric Arc Furnace) steel is expected to grow continually, we expect that the excess inventory of electrodes will be cleared during the second half of 2020, and that our business will return to a growth track.

We will annually review the three-year mid-term management plan in a rolling format to cope flexibly with changes in the management environment.

2. Mid-Term Management Plan T-2022 Basic Policies

Unchanged from the previous plan (T-2021)

- (1) Strengthening the Revenue Base
 - i Generating stable cash flow in core businesses
 - ii Post-merger integration for four acquisition projects
 - iii Major renovation of facilities, environmental investment
- (2) Expanding opportunities for growth
 - i Expanding capacity through new capital investment in growth areas
 - ii Optimizing business and product portfolios
 - iii Ongoing M&A and investment in strategic areas
 - iv Ongoing initiatives in strengthening technology development

- (3) Building a consolidated governance structure
 - i Reorganization of head office and review of systems
 - ii Expanding functions of regional headquarters in North America
 - iii Securing and developing human resources

3. Performance Targets (Consolidated base)

	Main Performance Targets for 2022	2019 Results (for reference)
Net sales	¥300 billion	¥262.0 billion
Operating income	¥54 billion	¥54.3 billion
ROS ^{*1}	18%	21%
EBITDA ^{*2}	¥82.0 billion	¥77.1 billion

^{*1} ROS : Return On Sales

^{*2} EBITDA : Earnings Before Interest Taxes Depreciation and Amortization

4. Key Measures

Based on the key measures of the previous plan (T-2021), we have made a course correction, responding to environmental changes in each of our businesses.

- (1) Generating stable cash flow in the graphite electrode business
- (2) Generating synergies in the carbon black business
- (3) Actively investing in growth markets
- (4) Developing next-generation products
- (5) Building and strengthening consolidated governance

(Note) The mid-term management plan is based on information available at the time of developing the plan and assumptions made on uncertain factors which may influence future performance of the company. Actual performance may vary significantly, depending on various future factors.

End of notice