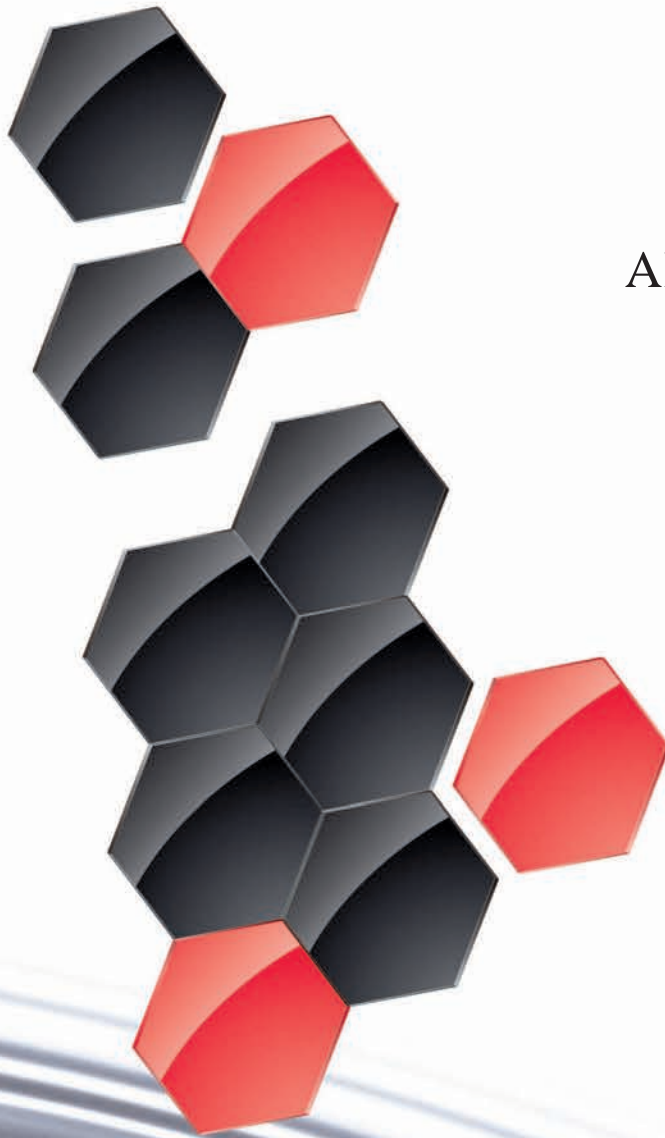


ANNUAL REPORT 2012

For the Year Ended December 31, 2012





ANNUAL REPORT 2012

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CAUTIONARY STATEMENT WITH REGARD TO FORWARD-LOOKING STATEMENTS

Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. The Tokai Carbon Group undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

Corporate Philosophy

The Group operates under the corporate philosophy, "Ties of Reliability," and the basic policies governing its activities comprise the principles of ability to create value, fairness, ecology, and internationalism. The Group's aim is to be the "Global Leader of Carbon Materials" by supplying high-quality products focusing on carbon related materials.

Through these corporate activities, the Group has been working to expand its operating base, optimize

the utilization of management resources, bolster cost competitiveness, and strengthen technology development capabilities. By achieving sustained earnings growth, the Group seeks to fulfill the expectations of its shareholders, customers, and employees as well as those of local communities and all other stakeholders. The Group contributes to the development of society, acting as a responsible corporate citizen.

Profile

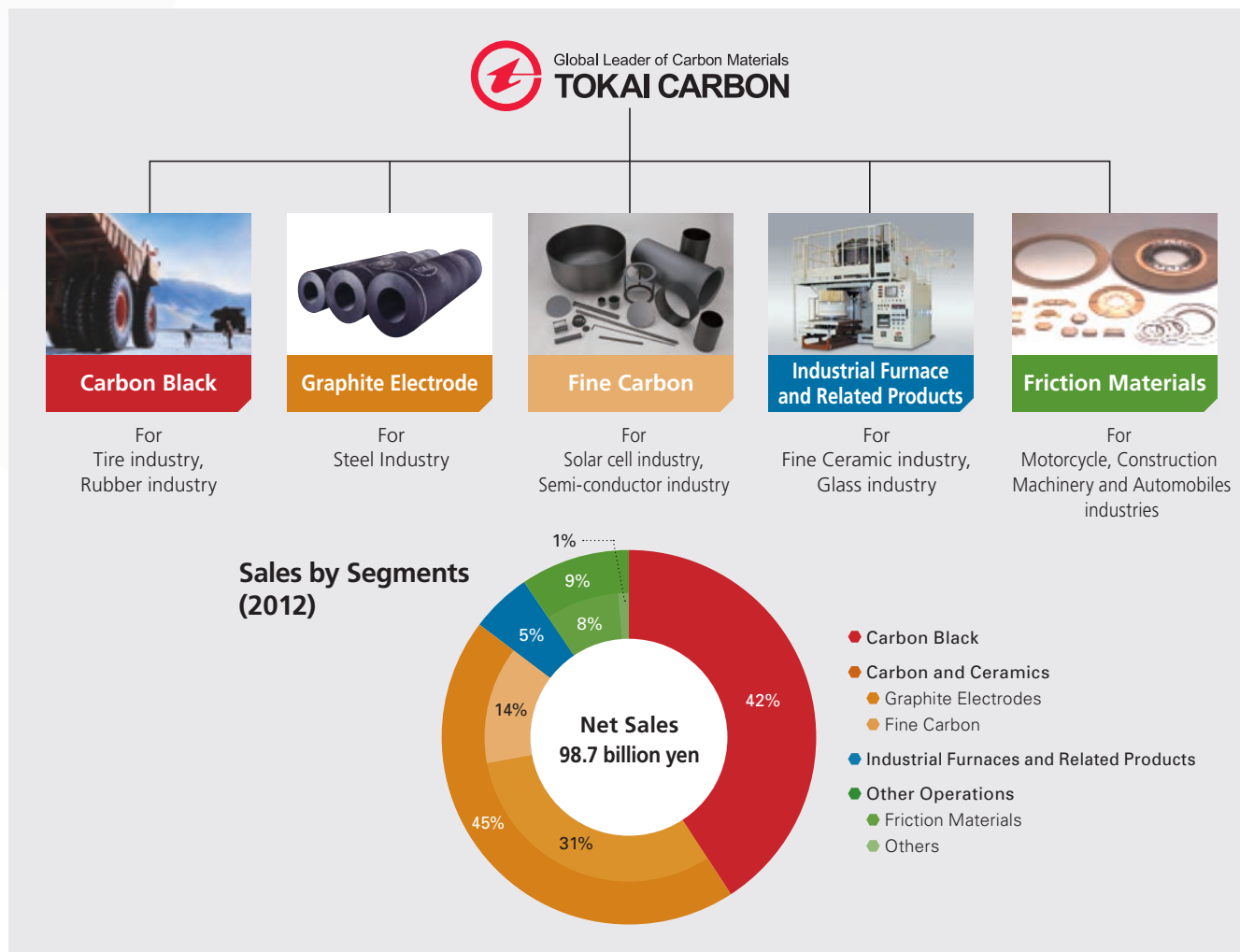
The Tokai Carbon Group commenced operations as a pioneer in the carbon industry in Japan in 1918.

It has been our pleasure and honor that we were able to actively contribute to the development of society through carbon-related products and services based on diverse manufacturing fields and technology.

The "Carbon Black" as a reinforcing material for rubber tires, the "Graphite Electrode" as an indispensable material to melt scrap to reproduce steel in electric arc furnace, the

"Fine Carbon" used in variety of field for high technology such as solar cell and semi-conductors, the "Friction material" for use in brakes and clutches on engineering vehicles, motorcycles and the "Industrial furnace & related products" which is active in heat treatment process for ceramics, electrical parts, metal and glass.

Growing together with these five core divisions, Tokai carbon continues to spread its wings globally.



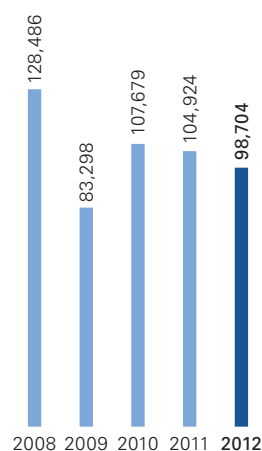
Five-Year Financial Highlights

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years ended December 31

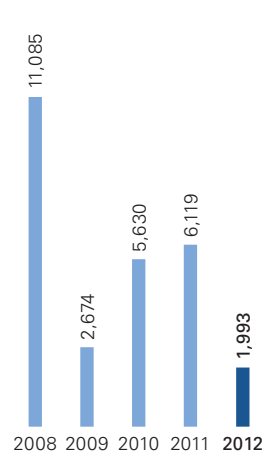
	Millions of Yen					Thousands of U.S. Dollars
	2008	2009	2010	2011	2012	2012
For the Year:						
Net Sales	¥128,486	¥ 83,298	¥107,679	¥104,924	¥98,704	\$1,140,032
<i>Carbon Black</i>			40,017	40,077	40,968	473,181
<i>Carbon and Ceramics</i>			53,020	49,858	44,616	515,315
<i>Industrial Furnaces and Related Products</i>			5,628	5,401	4,239	48,960
<i>Other Operations</i>			9,014	9,586	8,879	102,553
Gross Profit	38,580	18,323	24,348	23,958	18,560	214,368
Operating Income	21,619	5,299	10,575	10,467	5,700	65,835
Income Before Income Taxes and Minority Interests	18,789	4,938	9,211	9,336	3,992	46,108
Net Income	11,085	2,674	5,630	6,119	1,993	23,019
Depreciation and Amortization	8,046	9,525	8,853	8,286	8,712	100,624
Research and Development Costs	2,026	2,073	2,012	1,956	1,962	22,661
Capital Expenditures	17,544	8,066	6,710	13,975	12,287	141,915
At Year-End:						
Total Assets	¥172,172	¥154,922	¥155,304	¥161,563	¥166,668	\$1,925,017
Total Net Assets	104,434	106,042	105,605	107,223	113,266	1,308,224
						U.S. Dollars
Per Share Data: (Yen)						
Net Income	¥ 50.43	¥ 12.28	¥ 26.05	¥ 28.66	¥ 9.34	\$ 0.12
Total Net assets	471.61	478.26	484.53	488.30	515.90	6.64
Cash Dividends Applicable to The Year	10.00	8.00	8.00	8.00	7.00	0.09
Financial Ratios: (%)						
Return on Assets	10.8%	3.1%	6.4%	6.4%	3.9%	6.4%
Return on Equity	10.4	2.6	5.4	5.9	1.9	5.9
Equity Ratio	59.7	67.2	66.6	64.5	66.1	64.5

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥66.58=US\$1, the approximate rate of exchange at December 31, 2012.

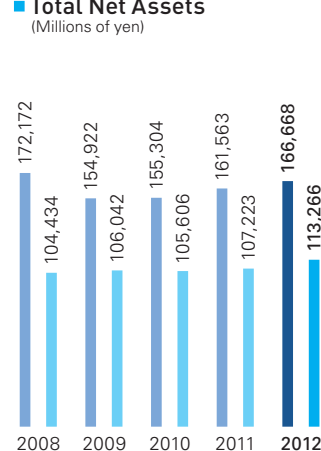
■ Net Sales (Millions of yen)



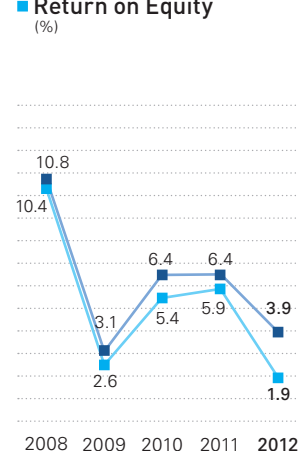
■ Net Income (Millions of yen)



■ Total Assets
■ Total Net Assets (Millions of yen)



■ Return on Assets
■ Return on Equity (%)



Message from President

Analysis of Business Results for Year Ended December 31, 2012

During 2012, the global economy continued to slow down in general, due primarily to economic stagnation in Europe amid the debt crisis and economic slowdowns in China and other emerging countries, though the U.S. economy was on a moderate recovery track. Meanwhile, the Japanese economy continued to recover gradually, backed by the demand for restoration following the Great East Japan Earthquake, improvements in production activity and capital investment, and rallied consumer spending as a result of the various economic measures taking effect. In the latter half of the year, however, Japan's economic recovery weakened, due mainly to the slowdown in the global economy and the prolonged appreciation of the yen.

Under these circumstances, the industries where Tokai Carbon Group's customers operate (e.g. rubber products, steel, IT hardware and industrial machinery) saw a general lack of strength in the recovery of demand, affected by economic slowdowns overseas and sluggish exports caused by the strong yen.

As a result, consolidated net sales in the fiscal year under review decreased 5.9% year on year to ¥98,704 million. Operating income fell 45.5% to ¥5,700 million and ordinary income declined 36.0% to ¥6,470 million. Net income decreased 67.4% to ¥1,993 million, due mainly to a recorded impairment loss of ¥2,140 million on facilities, etc. of consolidated subsidiaries under extraordinary losses. The fiscal year under review was the final year of the Company's "T-2012" three-year management plan. Although some numerical targets, including net sales, could not be achieved due to severe operating conditions, the Group made progress in initiatives taken to reduce costs and improve production efficiency.

Dividend Policy and 2012-13 Dividends

In the aim of increasing shareholder returns, enhancing corporate value, and strengthening the Group's operational foundation, the Company has adopted a policy of setting dividends based on its earnings status viewed from a medium-term perspective, while also maintaining sufficient retained earnings. The Company retains earnings to fund strategic investments in new businesses, including M&A, invest in improving existing operations' efficiency, solidify its financial condition, and maintain stable dividends.

Taking into account the outcome that the operating results fell short of the initial forecasts, the Company plans to revise the year-end dividend from ¥4 per share as announced in the previous forecast to ¥3 per share, a decrease of ¥1. The year-end dividend will bring total 2012 dividends to ¥7 per share.

For 2013, the Company plans to pay a total annual dividend of ¥6 per share, consisting of an interim dividend of ¥3 per share and a year-end dividend of ¥3 per share, in consideration of the continuing harsh conditions expected in the operating environment.

Medium-Term Management Strategies

The Group has formulated "T-2015," a new three-year management plan which begins in 2013, in the aim of clarifying the direction of the Group, defining medium- and long-term management strategies and continuously carrying out reforms. In this medium-term management plan, the Group has set specific numerical targets for 2015, which are to achieve net sales of ¥140 billion, ROS (operating income/net sales) of 11%, and ROA (ordinary income/total assets) of 8%. In addition, the Group plans on promoting the growth of existing businesses and development, deepening the strengths of each business, accelerating the global expansion of the businesses, and making use of M&A (mergers and acquisitions) and alliances to further expand its business fields.

Furthermore, as a mid-to-long term vision, the Group aims to achieve consolidated net sales of ¥200 billion (2018), the establishment of a distinguished competitive advantage, and CSR and the reduction of the environmental burden. The Group regards "T-2015" as the first step in driving further corporate growth, and in 2018, the year marking the 100th anniversary of the Company's founding, it strives to attain the capability to earn target net sales of no less than ¥200 billion as a truly global company with a 100-year history.



Yoshinari Kudo

Yoshinari Kudo, President and CEO

Issues to be Addressed by the Company

It is anticipated that the Japanese economy will head toward recovery, supported by the continuing demand for restoration from the earthquake and on the backdrop of positive factors such as the rectification of the yen's appreciation and economic measures implemented by the government. Considering, however, the elements of concern, including the European debt crisis, financial issues in the U.S., and economic slowdowns in emerging countries, an optimistic forecast the future of the economy cannot be made.

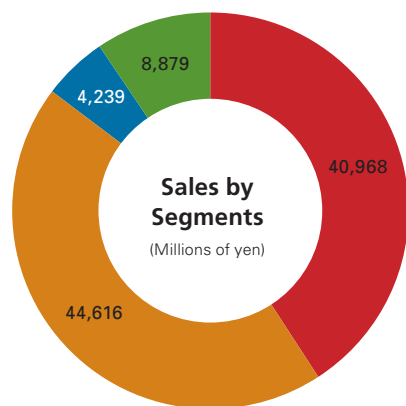
Under such circumstances, the Group continues to enhance its corporate value based on the corporate philosophy of Ties of Reliability and in accordance with the four guidelines (ability to create value, fairness, ecology and internationalism). In driving these efforts, the Group formulated its new three-year management plan, "T-2015," with 2013 as the initial year described above, and will focus on steadily achieving the goals set forth in the medium-term management plan. At the same time, the Group is committed to paying even greater attention to the fundamentals of manufacturing companies – namely, security assurance, quality control, and environmental protection – and it will continue to make efforts to strengthen corporate governance and corporate social responsibility (CSR) activities.

Furthermore, the Group also intends to strengthen its business infrastructure by implementing, assessing, and improving its internal control reporting system for financial reporting in compliance with the Financial Instruments and Exchange Act (J-SOX).

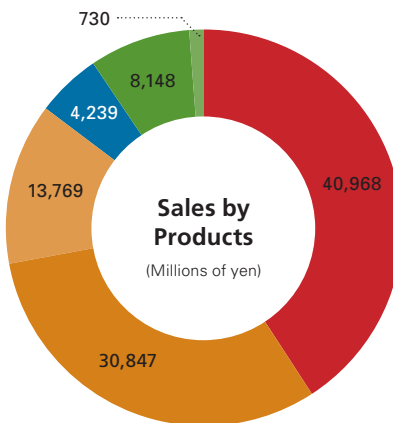
We hope for your continued support and encouragement.

Review of Operations

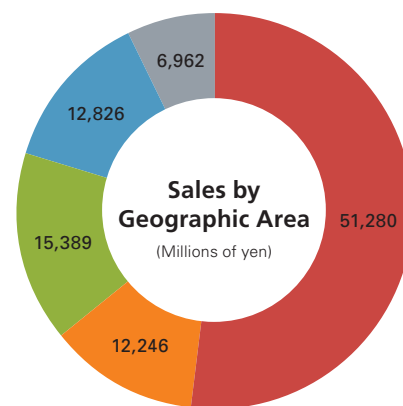
Fiscal 2012 Sales by Segments



- Carbon Black
- Carbon and Ceramics
- Industrial Furnaces and Related Products
- Other Operations



- Carbon Black
- Graphite Electrodes
- Fine Carbon
- Industrial Furnaces and Related Products
- Friction Materials
- Others



- Japan
- Thailand
- Asia
- Europe
- Others

Note: The revenue is based on the locations of the customers and is classified into countries or regions.

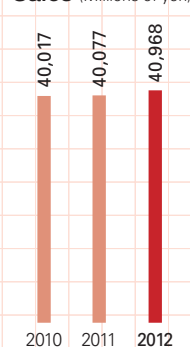
Carbon Black

Carbon black is mainly used as a reinforcing agent of industrial rubber products, typically auto tires. Among other important uses are electro conductive filler and coloring agent for printing inks, paints and plastics.

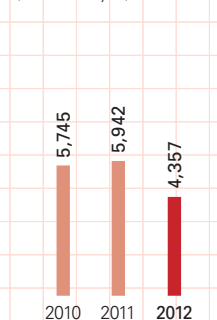


Demand for carbon black was on a declining trend both inside and outside Japan, mainly due to the lower production of tires caused by the slowdown in the global economy and the slump in domestic automobile production since early autumn. Although full-scale production was resumed at the Ishinomaki Plant in June, whose operations were suspended because of the earthquake, the overall sales volume of carbon black decreased year on year. In addition, the Company revised its sales prices in response to the rise in crude oil prices.

Sales (Millions of yen)



Operating Income (Millions of yen)



As a result of these factors, net sales in the Carbon Black segment increased 2.2% year on year to ¥40,968 million. Operating income was down 26.7% to ¥4,357 million, due primarily to lower sales volumes and higher depreciation expenses associated with the restart of operations at the Ishinomaki Plant.



Graphite Electrodes

Graphite electrodes function as conductors of electricity that are consumed in an electric furnace in the steelmaking process.

Global crude steel production in the first half of the fiscal year under review increased mainly in the Middle East, North America and China. However, due to stagnant conditions in the EU and Oceania and the reduced production in North America in the latter half of the year, the overall global crude steel production for the year was comparable to the previous year's level. Electric arc furnace steel production generally indicated a similar trend. On the other hand, sales volumes of electrodes decreased year on year, mainly due to the effects of reduced production in North America. In addition, the Company was affected by a decline in net sales caused by the strong yen although sales prices were revised in response to the rise in prices of raw materials. As a result, net sales of graphite electrodes fell 0.3% year on year to ¥30,847 million.

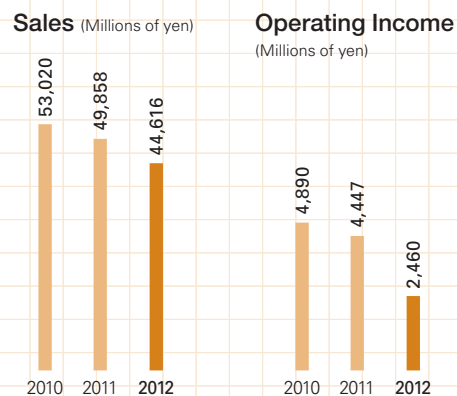
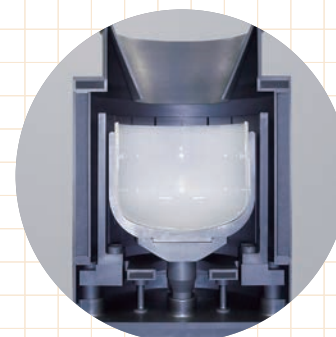


Fine Carbon

Fine carbon products are a wide variety of specialty graphites that are characterized by excellent electric conductance, high heat resistance, mechanical strength and lubricant ability, and are applied as key parts in the manufacturing processes of electric appliances, semiconductors, solar cells and LED, among other products.

Sales of semiconductors were stagnant, due to the sluggish growth in demand for semiconductors for PCs. Demand for application in solar cells was also slow as production adjustments for solar cells continued. Moreover, demand for fine carbon products for general industrial applications, which had been going strong in general, dropped in the latter half of the year, due to the effects of economic slowdowns. As a result, after being adversely affected by the appreciation of the yen as well, net sales of fine carbon decreased 27.2% year on year to ¥13,769 million.

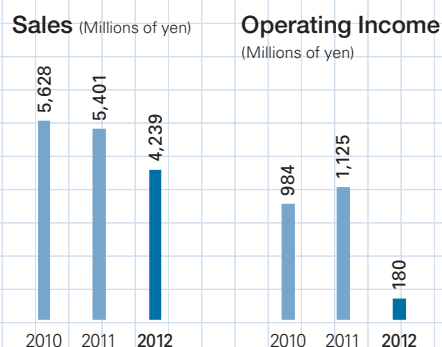
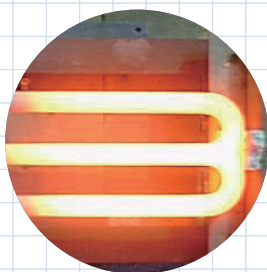
Due to these factors, net sales in the Carbon and Ceramics segment decreased 10.5% year on year, to ¥44,616 million, and operating income fell 44.7% year on year, to ¥2,460 million.



Review of Operations

Industrial Furnaces and Related Product

Industrial furnaces and heating elements are manufactured by Tokai Konetsu Kogyo Co., Ltd., which is a wholly subsidiary, for the purposes of heating, sintering, dissolving and heat-treating such objects as ceramics, electronic parts, metals, glass and powdered materials.



In the IT-related industries which are the main source of demand for the Group's products, restraint on capital investment tightened due to sluggish demand. Consequently, net sales of industrial furnaces, the Group's core products, declined year on year. In addition, factory-operating rates in the glass and electronic components industries fell, which led net

sales of heating elements and other products to decline year on year as well.

As a result of these factors, net sales in the Industrial Furnaces and Related Products segment decreased 21.5% year on year to ¥4,239 million, and operating income decreased 84.0% year on year to ¥180 million.

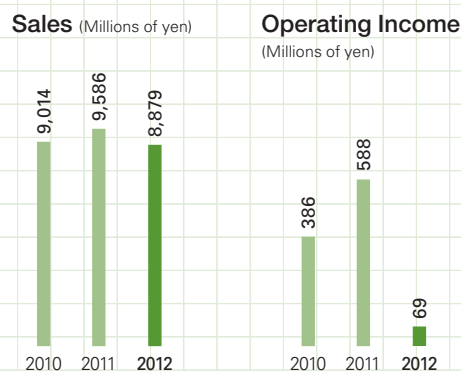
Other Operations

Friction Materials

Friction materials are widely used for clutches and brakes of automobiles, motorcycles, construction, agricultural, transportation and other industrial machinery.



Demand in the construction machinery markets, the main demanders, fell rapidly in the latter half of the year, due to slowdowns in the use of mining machines primarily in Indonesia. As a result, net sales of friction materials decreased 5.7% to ¥8,148 million although there was favorable demand for two-wheeled and four-wheeled vehicles as well as for agricultural machinery.



Others

Net sales from property leasing and other businesses decreased 22.4% year on year to ¥730 million.

Due to these factors, net sales in the Other Operations segment decreased 7.4% year on year to ¥8,879 million, with operating income decreasing 88.3% year on year to ¥69 million.

Research and Development

The Group's R&D activities (including those of the Company and its subsidiaries and affiliates) are mainly carried out at the Fuji Research Laboratory, Chita Laboratory, Chigasaki Laboratory, Hofu Laboratory and Tanoura Laboratory, all working in coordination with Tokai Carbon's Development and Technology divisions. We promote vigorous R&D activities including research into new products based on fundamental research, development of technology for industrial use, enhancement of existing products, and quality improvements.

Since it is difficult to associate individual R&D activities and the amounts spent on them with specific segments, they are disclosed on a whole-Group basis.



Main Research and Development Activities

Tokai Carbon considers fine carbon and fine ceramics to be growth fields. Our products offer outstanding material characteristics that make them suitable for a wide range of applications. Recent years have seen remarkable growth in high-tech needs relating to energy, semi-conductors, electronics, and environmental fields. We are responding to these changes by developing carbon products to satisfy this demand.

We are investing in R&D of products that leverage our accumulated technologies, including water-soluble carbon black for use as pigment in ink-jet printing ink, fuel cell separators, and negative-electrode carbon materials for use in lithium-ion batteries.

At Tokai Konetsu Kogyo Co., Ltd., the Group is forging ahead with multi-directional development. Projects targeting users in the energy industry include film formers for use in manufacturing thin-film photovoltaic cells, a prototype apparatus for heat treating lithium-ion battery electrode materials, and manufacture of heat-treatment furnaces for ceramic electrode components that combine new technologies with proprietary ones.

Moreover, Tokai Carbon is leveraging Tokai Konetsu Kogyo's proprietary technologies as a base for developing new products and applications. The focus technologies include silicon carbide heating elements, silicon carbide structural materials, ceramic resistors, and silicon nitride materials.

Research and Development Costs

Research and development costs for the fiscal year ended December 31, 2012 came to ¥1,961 million.

Capital Investment

The Tokai Carbon Group focuses on product areas that have growth potential from a long-term perspective, and conducts capital investment to promote labor saving and rationalization and to improve the products' credibility. During the fiscal year under review, the Company spent a total of 12,287 million yen for capital investment mainly in the Carbon Black business and Carbon/Ceramics business.

In the Carbon Black business, we spent 6,193 million yen primarily to upgrade the carbon black manufacturing

equipment at our Ishinomaki Plant and to expand the carbon black manufacturing equipment at Tokai Carbon (Tianjin) Co., Ltd. In the Carbon/Ceramics business, we invested 3,801 million yen to expand the fine carbon manufacturing equipment at our Tanoura Plant. In the Industrial Furnaces and Related Products business, we invested 150 million yen mainly for the equipment at Tokai Konetsu Kogyo Co., Ltd. In the Other Operations business, we invested 1,717 million yen mainly at the parent company.

Outlook for the Year Ending December 31, 2013

(as of February 12, 2013)

Assuming an exchange rate of ¥88 to the U.S. dollar, the Group forecasts 2013 consolidated net sales of ¥110,000 million, operating income of ¥4,000 million, ordinary income of ¥4,300 million, and net income of ¥2,700 million.

Furthermore, the Group forecasts that the balance of cash and cash equivalents at the end of the fiscal year will be

approximately ¥9,000 million.

For 2013, the Company plans to pay a total annual dividend of ¥6 per share, consisting of an interim dividend of ¥3 per share and a year-end dividend of ¥3 per share, in consideration of the continuing harsh conditions expected in the operating environment.

Status of Corporate Governance

I. Status of Corporate Governance

1. Corporate Governance System

a. Overview of Corporate Governance System

Tokai Carbon recognizes that the aim of managing a corporation should be to enhance the soundness and transparency of business management and ensure continual advancement of corporate value. With a top priority on strengthening corporate governance, we therefore strive to improve our management organization and our management supervision functions.

Tokai Carbon's basic management policies are determined by its Board of Directors, which consists of nine directors. The Board of Directors operates under a clear mandate as the body responsible for making decisions on strategy. Their meetings are usually held once a month and otherwise as necessary to make decisions on matters required by corporate laws and important business issues, or to share reports on the status of business operations. The Company introduced the Executive Officer System in March 1999. Under this system, the Board of Directors selects and appoints Executive Officers who take charge of business operations in different departments of the

Company to accelerate operational decision making and clarify responsibilities. The President and Executive Officers in charge of different business operations have a Managing Executives Meeting once a month to deliberate on managerial matters.

The Company has adopted the Audit & Supervisory Board Members system. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, two of whom are external members. Audit & Supervisory Board Members are required to conduct a fair and independent audit of the Company's business operations. They attend the Board Meeting, the Managing Executives Meeting, and any other important meetings to offer proposals and advice concerning directors' decision making and the execution of business. The Audit & Supervisory Board is usually held once a month and otherwise as required.

Tokai Carbon's corporate governance structure is shown in the figure below.

b. Reason for Adoption of Corporate Governance Structure

The Company employs the current Audit & Supervisory Board Members system to ensure effective corporate governance. The Audit & Supervisory Board Members include external members who maintain a certain level of independence from management. The Audit & Supervisory Board Members attend all important meetings including Board of Directors' Meetings and Managing Executives Meetings. By voicing objective

opinions at these meetings, the Audit & Supervisory Board Members help management to ensure effective direction and oversight of the Company. Management considers that this system is amply sufficient to ensure the independence of auditors and effective corporate governance given the scale and organizational structure of the Company.

2. Status of Company Functions and Internal Control System

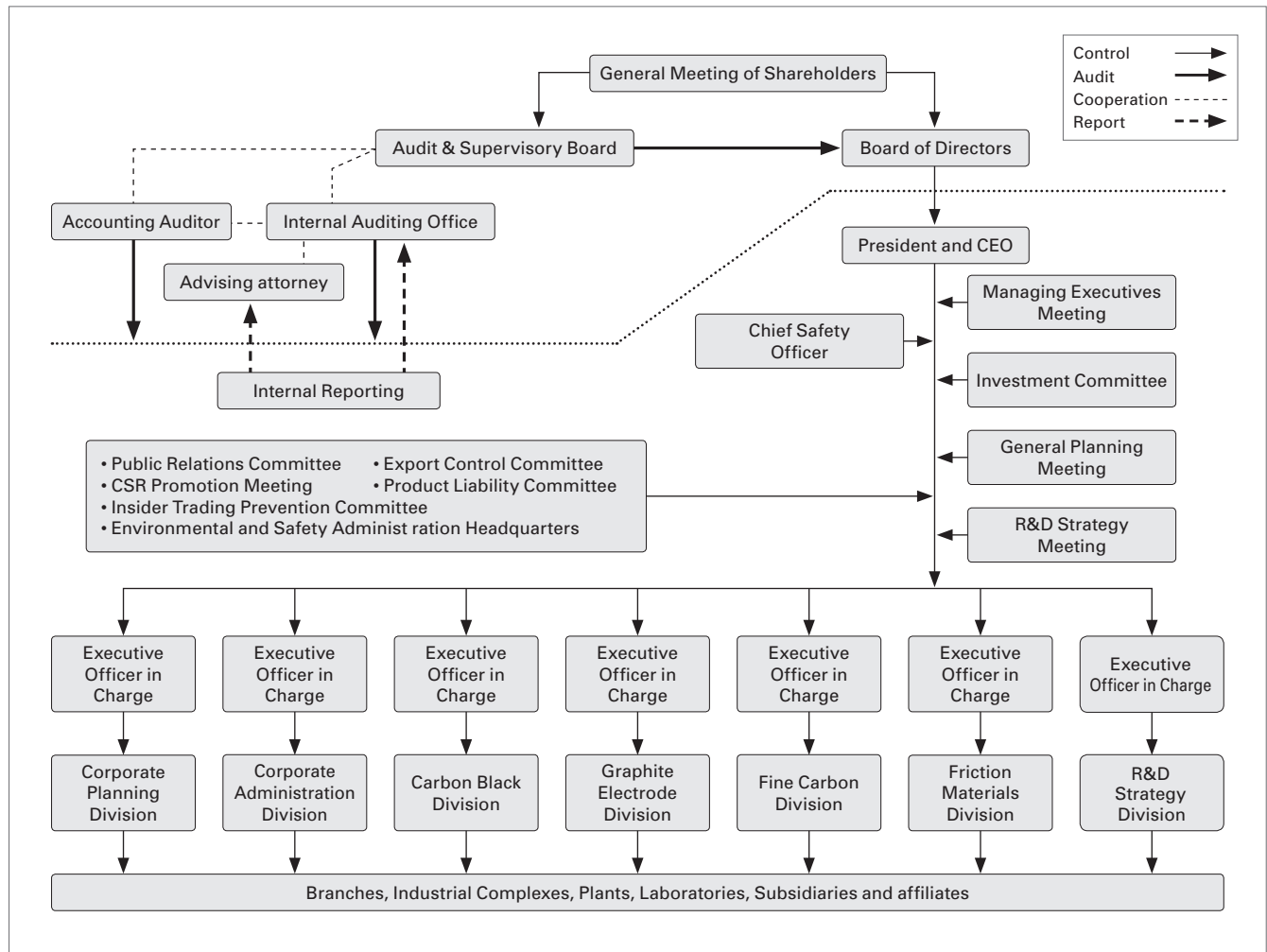
a. Internal Control System

"Fair business activities" represent one of our corporate policies, and this has led to the enactment of our Corporate Code of Ethics, which serves as a standard for behavior that must be strictly observed by all executives and other employees.

The code is designed to ensure both lawful and fair business practices on a daily basis. Moreover, we are also striving to raise awareness of compliance as a key initiative of our CSR Promotion Meeting.

Status of Corporate Governance

Tokai Carbon Corporate Governance Structure (Outline as of March 28, 2013)



Tokai Carbon has also enacted a wide range of internal regulations regarding the execution of our business affairs and clarified the organizations for performing operations, as well

as authority and responsibility. These measures are part of the Company's ongoing efforts to establish a system that ensures fair business practices and clear financial reporting.

b. Internal Auditing and Auditing System

The Company has established an Internal Auditing Office to serve as an internal auditing department, currently consisting of three personnel. The Internal Auditing Office is in charge of improving and enhancing all internal systems by performing internal audits on all business practices of the Company and the Group companies. The internal audits are rigorously followed up to ensure that all suggestions for improvement have been implemented. The results of these audits are reported to the representative director.

In addition to attending the Board Meetings and other important meetings in accordance with the auditing policies and work allocation prescriptions stipulated by the Audit & Supervisory Board, the Audit & Supervisory Board Members also peruse all documents relating to important decisions. The Audit & Supervisory Board was convened thirteen times during the fiscal year under review. The Audit & Supervisory

Board Members also examine business practices and asset management within the head office and all other offices, request reports from subsidiary companies when necessary, and closely audit the business practices of all Members of the Board and Executive Officers.

The Audit & Supervisory Board Members and Internal Auditing Office exchange information closely with each other. They hold meetings when necessary to examine each other and exchange opinions on the results of internal audits, recommendations and proposals.

Meetings are also held between the Audit & Supervisory Board Members and the Accounting Auditors when necessary to exchange information and generally ensure that communication links are maintained.

Audit & Supervisory Board Members cooperate with Accounting Auditors to establish auditing plans, receive reports and

Status of Corporate Governance

explanations regarding on auditing processes and results, and audit consolidated accounts, account statements, and other necessary documents.
Audit & Supervisory Board Members Tatsuo Abe and Tsunehisa

c. Accounts Auditing

Tokai Carbon has contracted the accounting audit firm Deloitte Touche Tohmatsu LLC to audit its accounts in accordance with Japan's Companies Act and Financial Instruments and Exchange Act. The Accounting Auditors audit all account statements and financial statements from the standpoint of an independent third party and report the results of the audit to Tokai Carbon. Arbitrary opinions on the results of surveys into internal systems, etc., are then exchanged, and improvements are implemented in accordance with recommendations. Tokai Carbon also submits information and data to the Accounting Auditors in order to guarantee an environment in which audits can be carried out both swiftly and accurately.

d. Relationship with External Director and External Audit & Supervisory Board Members

The Company appoints one external Director and two external Audit & Supervisory Board Members.

Although the Company has not stipulated any independence standards or policies concerning outside Directors and Audit & Supervisory Board Members, it refers to the independence standard and disclosure requirement rules of the Tokyo Stock Exchange when selecting candidates for the said positions to appoint those who have no risk of causing conflicts of interest with general shareholders.

External Director Masahiro Watanabe was working for Tohmatsu LLC of a limited liability audit corporation, which conducts accounting audit of the Company, until December 2010. We paid an annual fee of 56 million yen as remuneration for the accounting auditing service to the said corporation (actual amount as of December 2012). We believe that Mr. Watanabe has extensive knowledge and abundant experience as a certified public accountant and is able to supervise our management from an independent position in a management team engaged in business execution. Also, he does not fall under any of the criteria stipulated in the said independence standard and disclosure requirement rules and has no risk of causing conflicts of interest with general shareholders.

Audit & Supervisory Board Member (External Member) Ryuichi Sato was working for Mitsubishi Chemical Corporation, which the Company has a business relation, until March 2008. We procure raw materials from them and sell final products

Samukawa have both experienced being General Manager of the Company's Accounting Department and have significant knowledge of finance and accounting.

No special interests exist between Tokai Carbon and the accounting audit firm or the employees of the accounting audit firm who carry out the audit of Tokai Carbon's accounts. The names of the certified public accountants and the composition of the assistants involved in all auditing duties for the fiscal year under review are listed below.

Names of Certified Public Accountants Who Carried Out Auditing Duties:

Designated limited liability partner, engagement partner: Koichi Yano, Saori Yamaguchi

Composition of the Assistants Involved in Auditing Duties: 6 certified public accountants and 4 other personnel.

to them, but the business with them accounts for just a fraction of our overall transaction volumes. Mr. Sato is making a great contribution in auditing our overall business by taking advantage of his rich management experience and knowledge which he acquired at the said listed manufacturing company. Also, he does not fall under any of the criteria stipulated in the said independence standard and disclosure requirement rules and has no risk of causing conflicts of interest with general shareholders.

Audit & Supervisory Board Member (External Member) Sasao Seiichiro was working for Mitsubishi UFJ Trust and Banking Corporation, with which the Company has banking relationship, as an executive officer until March 2009. The Company has a bank loan of 2,888 million yen from the said bank as of end of December 2012. Mr. Sasao is making a great contribution in auditing our overall business based on his abundant business and management experience which he acquired at the said bank and its affiliated company. While the Company has banking transactions with several banks, the bank loan from Mitsubishi UFJ Trust and Banking only accounted for 2.2% of all bank loans as of end of December 2012, showing that the Company's dependence on the said bank is low. Also, the ratio of the Company's shares held by the said bank was 3.27% as of end of December 2012, limiting its influence on the Company's management, making it unlikely that he will have a risk of causing conflicts of interest with general shareholders.

3. Risk Management System

Tokai Carbon faces various risks in conducting its business. To minimize and avoid these risks, the Company ensures that all departments implement constant risk management. The Company also has a system that links related departments together to ensure that appropriate countermeasures can be

instituted swiftly and accurately.

The Legal Affairs Department in the Corporate Administration Division investigates all decisions that require legal judgment, and the Company also seeks advice from consumer attorneys if it is deemed necessary to obtain expert opinions.

4. Overview of Responsibility Limitation Contracts

Contracts limiting liability for damages based on Article #427, Clause #1 and Article #423, Clause #1 of the Companies Act

of Japan have been concluded between Tokai Carbon and the external Director (Masahiro Watanabe) and the external Audit &

Supervisory Board Member (Ryuichi Sato). The amount of the limit for liability stipulated in these contracts shall be determined in accordance with the law for both the external Director and the external Audit & Supervisory Board Members. The limitations on responsibility as stipulated in these contracts apply only in

the case where the external Director and the external Audit & Supervisory Board Members have discharged the duties that have made them responsible for damage in good faith, and without gross negligence.

5. Number of Directors

Tokai Carbon's articles of incorporation stipulate that the Company shall have no more than 13 Directors.

6. Appointment of Directors

The articles of incorporation stipulate that Members of the Board shall be appointed only by a resolution of a meeting of shareholders holding at least one third of the voting rights and being eligible to vote, where the motion to appoint said Member of the Board is passed by a majority of the voting rights. Moreover, the articles of incorporation further stipulate that a resolution to appoint a Director may not be decided by cumulative voting.

7. Acquisition of Treasury Stocks

The articles of incorporation stipulate that treasury stock may be acquired by a resolution of the Board of Directors as stipulated in Article #165, Clause #2, of the Companies Act. The objective of this is to enable the company to acquire its own stock via market transactions in order to promote a flexible capital policy to cope with changes in the business management environment.

8. Interim Dividends

The articles of incorporation stipulate that Tokai Carbon may pay out surplus funds as dividends (Interim Dividends) in accordance with Article #454, Clause #5, of the Companies Act upon a resolution of the Board of Directors. The objective of this is to provide a flexible return of profits to shareholders.

9. Requests for Extraordinary Resolutions during the General Meeting of Shareholders

The articles of incorporation stipulate that requests for extraordinary resolutions during the General Meeting of Shareholders as stipulated in Article #309, Clause #2, of the Corporate Law may be passed only by a resolution of a meeting of shareholders holding at least one third of the voting rights and

being eligible to vote, where the resolution is passed by a two-third majority. The objective of this is to facilitate the smooth running of the General Meeting of Shareholders by relaxing the quorum requirements for extraordinary resolutions during the General Meeting of Shareholders.

10. Executive Remuneration

a. Total Amounts of Remuneration Paid to Directors and Audit & Supervisory Board Members, Total Amounts of Each Type of Remuneration, and Number of Eligible Recipients

Classification	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of eligible recipients
		Basic remuneration	Stock options	Bonuses	Retirement allowances	
Directors (Excluding external Directors)	209	160	—	48	—	10
Audit & Supervisory Board Members (Excluding external Audit & Supervisory Board Members)	26	23	—	3	—	3
External Directors and External Audit & Supervisory Board Members	33	29	—	3	—	4

Note: (1) It was resolved at the 144th General Meeting of Shareholders held on March 30, 2006, that the maximum amount of remuneration paid to Members of the Board shall be less than ¥350 million per annum.
(2) It was resolved at the 144th General Meeting of Shareholders held on March 30, 2006, that the maximum amount of remuneration paid to Audit & Supervisory Board Members shall be less than ¥65 million per annum.
(3) The figures for total remuneration amount and numbers of eligible recipients include two Directors and two Audit & Supervisory Board Members, one of whom was external member, who retired at the end of the 150th General Meeting of Shareholders held on March 28, 2012.

Status of Corporate Governance

b. Method for Determining Amounts of Remuneration for Directors and Audit & Supervisory Board Members

In 2006 Tokai Carbon decided to abolish its director retirement bonus plan, which set amounts based mainly on the number of years of service, in favor of a system that links retirement bonus amounts to business performance.

The Company's policy is to pay a remuneration amount within

the limits for remuneration approved at the General Meeting of Shareholders, in consideration of business performance, returns to shareholders, employee bonuses and other factors, and in accordance with the timing and calculation method stipulated in the Company's internal regulations.

c. Total Amount of Consolidated Remuneration Paid to Individual Directors and Audit & Supervisory Board Members

Since no Directors or Audit & Supervisory Board Members received consolidated remuneration in excess of ¥100 million for the fiscal year under review, no data is disclosed.

11. Shares Held by the Company

a. Investment Securities Held by the Company for Purposes other than Pure Investments

Number of stocks: 75

Total value on the Balance Sheet: ¥15,705 million

II. Status of Corporate Governance

1. Accounting Auditor Remuneration

	Remuneration for audit certification services (Millions of Yen)	Remuneration for non-auditing services (Millions of Yen)
The Company	56	1
Consolidated subsidiaries	8	—
Total	64	1

2. Other Major Remuneration

Fiscal year ended December 31, 2011

Tokai carbon's consolidated subsidiaries paid ¥21million as remuneration for audit certification services and ¥14million as remuneration for non-auditing services to Deloitte&Touche, which belongs to the same network as Tokai carbon's Accounting Auditors.

Fiscal year ended December 31, 2012

Tokai carbon's consolidated subsidiaries paid ¥18 million as remuneration for audit certification services and ¥14 million as remuneration for non-auditing services to Deloitte&Touche, which belongs to the same network as Tokai carbon's Accounting Auditors.

3. Non-Auditing Services Performed by Accounting Auditors for the Company

Fiscal year ended December 31, 2011

Non-auditing services by Accounting Auditors for which the Company pays remuneration are mainly procedure services agreed for the survey report on raw material prices.

Fiscal year ended December 31, 2012

Non-auditing services by Accounting Auditors for which the Company pays remuneration are mainly application services to reduce renewable energy promotion charges.

4. Audit Remuneration Policy

Although Tokai carbon does not have a policy related to determining the amount of remuneration paid to Accounting Auditors, we take into consideration the number of days spent for auditing when we decide the amount.

Basic Policy on CSR

The Tokai Carbon Group's corporate activities are based on its corporate philosophy of "ties of reliability" with stakeholders.

Guided by this philosophy, the Group places importance on activities associated with corporate social responsibility

(CSR) including compliance, the environment, and contribution to society. The Group will contribute to the sustainable development of wider society by encouraging its individual employees to take personal ownership of CSR in their professional activities.

Environmental Philosophy

The Tokai Carbon Group has formulated an Environmental Philosophy and Environmental Policy to rigorously promote environmental protection activities and environmental management across all operations group wide.

Environmental Philosophy

The Tokai Carbon Group recognizes global environmental preservation as one of its most important management priorities. We will strive to achieve harmony between

corporate activities and the environment, and work towards achieving a sustainable, recycling-oriented society.

Environmental Policy

1. Enhance environmental management system

Strive to maintain and enhance the environmental management system, and promote care for the environment in corporate activities

2. Promote efficient use of resources and energy

Strive to preserve the global environment by conserving resources and energy, minimizing waste, and reducing emissions of greenhouse gases and harmful substances

3. Comply with environmental laws and regulations

Ensure that Group activities comply with laws, ordinances, and various pacts relating to the environment. Moreover, formulate internal management standards where necessary to preserve the environment

4. Raise environmental awareness and promote social contribution activities

Raise environmental awareness through education and other activities, participate in local environmental preservation activities, and strive to improve environmental protection and communication

5. Disclose environmental data

Disclose environmental information about corporate activities through public relations to ensure transparency to society



Consolidated Financial Statements

Consolidated Balance Sheets

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
ASSETS			
Current assets			
Cash and cash equivalents	¥ 11,891	¥ 14,572	\$ 137,341
Notes and accounts receivable	28,259	28,543	326,392
Securities	—	2,000	—
Merchandise and finished goods	14,188	10,138	163,872
Work in process	16,233	16,621	187,491
Raw materials and supplies	12,571	11,219	145,195
Deferred tax assets	1,161	884	13,410
Other	2,627	4,494	30,342
Allowance for doubtful accounts	(54)	(53)	(624)
Total current assets	86,879	88,421	1,003,453
Fixed assets			
Tangible fixed assets			
Buildings and structures, net	15,543	15,051	179,522
Machinery, equipment and vehicles, net	24,692	19,052	285,193
Furnaces, net	1,701	2,232	19,647
Land	7,080	7,053	81,774
Construction in progress	8,089	10,951	93,428
Other, net	1,062	824	12,266
Total tangible fixed assets	58,169	55,166	671,853
Intangible fixed assets			
Software	408	359	4,712
Other	30	23	347
Total intangible fixed assets	438	382	5,059
Investments and other assets			
Investment securities	19,405	15,712	224,128
Deferred tax assets	396	344	4,574
Other	1,437	1,593	16,597
Allowance for doubtful accounts	(58)	(57)	(670)
Total investment and other assets	21,179	17,593	244,618
Total fixed assets	79,788	73,142	921,552
Total assets	¥166,668	¥161,563	\$1,925,017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
LIABILITIES			
Current liabilities			
Notes and accounts payable	¥ 16,145	¥ 16,059	\$ 186,475
Short-term borrowings	13,784	9,216	159,205
Current portion of long-term debt	851	10,255	9,829
Income taxes payable	1,011	1,249	11,677
Consumption tax payable	18	49	208
Accrued expenses	1,091	2,116	12,601
Reserve for bonuses	155	180	1,790
Deferred tax liabilities	2	0	23
Other	4,988	6,311	57,611
Total current liabilities	38,050	45,439	439,478
Fixed liabilities			
Long-term debt	6,191	1,747	71,506
Deferred tax liabilities	3,911	2,541	45,172
Provision for retirement benefits	3,096	2,341	35,759
Reserve for directors' retirement benefits	146	140	1,686
Reserve for executive officers' retirement benefits	37	50	427
Provision for environment and safety measures	616	871	7,115
Other	1,352	1,209	15,616
Total fixed liabilities	15,351	8,901	177,304
Total liabilities	53,401	54,340	606,782
NET ASSETS			
Shareholders' capital			
Common stock	20,436	20,436	236,036
Additional paid-in capital	17,502	17,502	202,148
Retained earnings	76,082	75,798	878,748
Treasury stock	(7,134)	(7,130)	(82,398)
Total Shareholders' capital	106,887	106,606	1,234,546
Other accumulated comprehensive income			
Net unrealized gains/losses on other securities	5,666	3,539	65,442
Deferred hedge gain/loss	(2)	0	(23)
Foreign currency translation adjustments	(2,381)	(5,863)	(27,501)
Total other accumulated comprehensive income	3,282	(2,323)	37,907
Minority interests	3,096	2,940	35,759
Total net assets	113,266	107,223	1,308,224
Total liabilities and net assets	¥166,668	¥161,563	\$1,925,017

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

Consolidated Statement of Operation

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net sales	¥98,704	¥104,924	\$1,140,032
Cost of sales	80,144	80,965	925,664
Gross profit	18,560	23,958	214,368
Selling, general and administrative expenses			
Selling expenses	4,112	4,408	47,494
General and administrative expenses	8,747	9,082	101,028
Total selling, general and administrative expenses	12,859	13,491	148,522
Operating income	5,700	10,467	65,835
Non-operating income			
Interest income	120	101	1,386
Dividend income	354	384	4,089
Rental income	284	279	3,280
Equity in income of non-consolidated subsidiaries and affiliates	84	189	970
Foreign exchange gains	849	—	9,806
Other non-operating income	724	485	8,362
Total non-operating income	2,418	1,439	27,928
Non-operating expense			
Interest expense	902	531	10,418
Foreign exchange loss	—	535	—
Other non-operating expense	746	735	8,616
Total non-operating expense	1,648	1,802	19,034
Ordinary income	6,470	10,104	74,729
Extraordinary income			0
Gain on sales of investment securities	—	1,852	—
Compensation for removal	—	161	—
Total extraordinary income	—	2,013	—
Extraordinary losses			
Impairment loss	2,140	25	24,717
Business restructuring expenses	237	—	2,737
Loss on valuation of investment securities	100	—	1,155
Loss on disaster	—	2,682	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	55	—
Loss on valuation of membership	—	18	—
Total extraordinary losses	2,478	2,782	28,621
Income before income taxes	3,992	9,336	46,108
Income taxes, inhabitants tax, and enterprise taxes	2,218	3,041	25,618
Income taxes adjustments	(75)	(104)	(866)
Total income taxes	2,142	2,937	24,740
Income before minority interests	1,849	6,399	21,356
Minority interests in income of consolidated subsidiaries	(144)	279	(1,663)
Net income	¥ 1,993	¥ 6,119	\$ 23,019

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥1,849	¥6,399	\$21,356
Other comprehensive income			
Valuation difference on available-for-sale securities	2,127	(2,284)	24,567
Deferred gains or losses on hedges	(2)	(0)	(23)
Foreign currency translation adjustment	3,467	(1,377)	40,044
Share of other comprehensive income of associates accounted for using equity method	369	(102)	4,262
Total other comprehensive income	5,963	(3,764)	68,873
Comprehensive income	7,812	2,634	90,229
Comprehensive income attributable to owners of the parent company	7,599	2,513	87,769
Comprehensive income attributable to minority interests	¥ 212	¥ 121	\$ 2,449

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Capital

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
SHAREHOLDERS' CAPITAL			
Common stock			
Balance at the beginning of the period	¥ 20,436	¥ 20,436	\$ 236,036
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of the period	20,436	20,436	236,036
Additional paid-in capital			
Balance at the beginning of the period	17,502	17,502	202,148
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of the period	17,502	17,502	202,148
Retained earnings			
Balance at the beginning of the period	75,798	71,387	875,468
Changes of items during the period			
Dividends from surplus	(1,708)	(1,708)	(19,727)
Net income	1,993	6,119	23,019
Disposal of treasury stock	(0)	(0)	(0)
Total changes of items during the period	284	4,410	3,280
Balance at the end of the period	76,082	75,798	878,748
Treasury stock			
Balance at the beginning of the period	(7,130)	(7,126)	(82,352)
Changes of items during the period			
Purchase of treasury stock	(4)	(5)	(46)
Disposal of treasury stock	0	1	0
Total changes of items during the period	(3)	(4)	(35)
Balance at the end of the period	(7,134)	(7,130)	(82,398)
Total shareholders' capital			
Balance at the beginning of the period	106,606	102,200	1,231,301
Changes of items during the period			
Dividends of surplus	(1,708)	(1,708)	(19,727)
Net income	1,993	6,119	23,019
Purchase of treasury stock	(4)	(5)	(46)
Disposal of treasury stock	0	0	0
Total changes of items during the period	281	4,406	3,246
Balance at the end of the period	¥106,887	¥106,606	\$1,234,546

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OTHER ACCUMULATED COMPREHENSIVE INCOME			
Net unrealized gains/losses on other securities			
Balance at the beginning of the period	¥ 3,539	¥ 5,823	\$ 40,875
Changes of items during the period			
Net changes of items other than shareholders' capital	2,127	(2,284)	24,567
Total changes of items during the period	2,127	(2,284)	24,567
Balance at the end of the period	5,666	3,539	65,442
Deferred hedge gain/loss			
Balance at the beginning of the period	0	0	0
Changes of items during the period			
Net changes of items other than shareholders' capital	(2)	(0)	(23)
Total changes of items during the period	(2)	(0)	(23)
Balance at the end of the period	(2)	0	(23)
Foreign currency translation adjustments			
Balance at the beginning of the period	(5,863)	(4,541)	(67,718)
Changes of items during the period			
Net changes of items other than shareholders' capital	3,481	(1,321)	40,206
Total changes of items during the period	3,481	(1,321)	40,206
Balance at the end of the period	(2,381)	(5,863)	(27,501)
Total other accumulated comprehensive income			
Balance at the beginning of the period	(2,323)	1,282	(26,831)
Changes of items during the period			
Net changes of items other than shareholders' capital	5,606	(3,606)	64,749
Total changes of items during the period	5,606	(3,606)	64,749
Balance at the end of the period	3,282	(2,323)	37,907
MINORITY INTERESTS			
Balance at the beginning of the period	2,940	2,123	33,957
Changes of items during the period			
Net changes of items other than shareholders' capital	155	817	1,790
Total changes of items during the period	155	817	1,790
Balance at the end of the period	3,096	2,940	35,759
TOTAL NET ASSETS			
Balance at the beginning of the period	107,223	105,605	1,238,427
Changes of items during the period			
Dividends of surplus	(1,708)	(1,708)	(19,727)
Net income	1,993	6,119	23,019
Purchase of treasury stock	(4)	(5)	(46)
Disposal of treasury stock	0	0	0
Net changes of items other than shareholders' capital	5,762	(2,789)	66,551
Total changes of items during the period	6,043	1,617	69,797
Balance at the end of the period	¥113,266	107,223	\$1,308,224

Consolidated Financial Statements

Consolidated Statements of Cash Flows

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes	¥ 3,992	¥ 9,336	\$ 46,108
Depreciation and amortization	8,712	8,286	100,624
Impairment loss	2,140	25	24,717
Increase (decrease) in allowance for doubtful accounts	1	(8)	12
Increase (decrease) in reserve for bonuses	(25)	5	(289)
Increase (decrease) in provision for retirement benefits	495	37	5,717
(Increase) decrease in prepaid pension cost	(211)	(237)	(2,437)
Increase (decrease) in reserve for directors' retirement benefits	5	(85)	58
Increase (decrease) in reserve for executive officers' retirement benefits	(12)	(8)	(139)
Increase (decrease) in provision for environment and safety measures	(254)	(52)	(2,934)
Interest and dividends income	(474)	(485)	(5,475)
Interest paid	902	531	10,418
Foreign exchange (gain) loss	(198)	68	(2,287)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(84)	(189)	(970)
Loss (gain) on sales of investment securities	—	(1,852)	—
Compensation for transfer	—	(161)	—
Loss on disaster	—	2,682	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	55	—
(Gain) loss on valuation of investment securities	100	—	1,155
Business restructuring expenses	237	—	2,737
(Increase) decrease in trade receivables	1,195	2,524	13,802
(Increase) decrease in inventories	(3,523)	(5,209)	(40,691)
Increase (decrease) in trade payables	(416)	1,275	(4,805)
Increase (decrease) in accrued expenses	(227)	256	(2,622)
Increase (decrease) in accounts payable-others	52	543	601
(Increase) decrease in advance payment	79	(244)	912
Increase (decrease) in accrued consumption taxes	(30)	(328)	(347)
Other	(203)	(689)	(2,345)
Subtotal	12,249	16,078	141,476
Interest and dividends received	623	523	7,196
Interest paid	(604)	(531)	(6,976)
Income taxes paid	(2,619)	(3,008)	(30,249)
Proceeds from subsidy	500	—	5,775
Proceeds from compensation for removal	—	161	—
Payment amount of loss on disaster	(1,321)	(450)	(15,258)
Net cash provided by (used in) operating activities	¥ 8,828	¥12,771	\$ 101,964

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Cash flows from investing activities:			
Purchase of tangible fixed assets	¥(12,870)	¥(12,906)	\$ (148,649)
Purchase of intangible fixed assets	(213)	(143)	(2,460)
Proceeds from sales of investment securities	4	2,939	46
Purchase of stocks of subsidiaries and affiliates	—	(506)	—
Proceeds from cancellation of insurance funds	325	—	3,754
Other	(16)	(49)	(185)
Net cash provided by (used in) investing activities	(12,770)	(10,666)	(147,494)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	3,408	3,630	39,362
Proceeds from long-term debt	5,044	—	58,258
Repayment of long-term debt	(10,267)	(273)	(118,584)
Dividend paid	(1,708)	(1,708)	(19,727)
Proceeds from minority shareholders	—	1,023	—
Cash dividends paid to minority shareholders	(56)	(52)	(647)
Other	(31)	9	(358)
Net cash provided by (used in) financing activities	(3,611)	2,629	(41,707)
Effect of exchange rate changes on cash and cash equivalents	878	(174)	10,141
Increase (decrease) in cash and cash equivalents	(6,674)	4,560	(77,085)
Cash and cash equivalents at beginning of the period	18,565	14,005	214,426
Cash and cash equivalents at end of the period	¥ 11,891	¥ 18,565	\$ 137,341

Consolidated Financial Statements

Notes of Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

I. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKAI CARBON Co., Ltd. (the "Company") is incorporated and operates. The

translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥86.58 to \$1, the approximate rate of exchange at December 31, 2012. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate

Amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

II. Summary of Significant Accounting Policies

The consolidated financial statements as of December 31, 2012 include the accounts of the Company and its significant 24(23 in 2011) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 6 (6 in 2011) associated companies are accounted for by the equity method. Investments in the

remaining 2 (2 in 2011) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

III. 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 produce-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 three reportable segments are Carbon Black business, Carbon and Ceramics business, and Industrial Furnaces and Related Products business.

The major products of each reportable segment are as follow:

Reportable Segments	Major Products
Carbon Black	Carbon black (for rubber products, black pigments, and conductive materials)
Carbon and Ceramics	Artificial graphite electrodes for electric arc furnaces, fine carbon (specialty graphite products), carbon brush, pencil lead-cores
Industrial Furnaces and Related Products	Industrial electric furnaces, gas furnaces, silicon carbide heating elements/alumina refractory, heat-insulating refractory, 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 the same as those provided under the Basis for Preparation of Consolidated Financial Statements.

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

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

Fiscal year ended December 31, 2012 (January 1, 2012 to December 31, 2012)

(millions of yen)

	Reportable Segments				Other business *1	Total	Adjustment *2	Amount recorded in the consolidated financial statements *3
	Carbon black business	Carbon and ceramics business	Industrial furnaces and related products business	Total				
Net sales								
External sales	¥40,968	¥44,616	¥4,239	¥ 89,825	¥ 8,879	¥ 98,704	—	98,704
Inter-segment sales/ transfer	58	76	510	645	—	645	¥ (645)	—
Total	41,027	44,693	4,750	90,471	8,879	99,350	(645)	¥ 98,704
Segment income	4,357	2,460	180	6,997	69	7,067	(1,366)	5,700
Segment assets	50,815	68,723	4,990	124,529	10,979	135,508	31,160	166,668
Other items								
Depreciation and amortization	2,623	4,630	279	7,533	680	8,214	497	8,712
Impairment loss	1,634	19	423	2,078	—	2,078	62	2,140
Investment in equity-method affiliates	—	3,039	103	3,143	—	3,143	—	3,143
Increase in tangible and intangible fixed assets	¥ 6,193	¥ 3,801	¥ 150	¥ 10,145	¥ 1,717	¥ 11,862	¥ 424	¥ 12,287

Note: 1. The Other Business segment is a business segment that is not included in the reportable segments. It includes Friction Materials business and Property Leasing.

2. The adjustment amounts are as follows.

(1) The adjustment of segment income, which is ¥(1,366) million, includes ¥(1,354) million of corporate-wide expenses not allocated to each reportable segment. Corporate-wide expenses include research and development expenses that do not belong to the reportable segments.

(2) The adjustment of segment assets, which is ¥31,160 million, includes ¥31,767 million of corporate-wide assets that are not allocated to each reportable segment. The main components of the corporate-wide assets are surplus working funds (e.g., cash and deposits) and investment securities.

(3) The adjustment of impairment loss, ¥62 million, is the impairment loss of the corporate-wide assets not allocated to each reportable segment.

(4) The adjustment of the increase in tangible fixed assets and intangible fixed assets, which is ¥424 million, is the amount of capital investment of the corporate-wide assets that is not allocated to each reportable segment.

3. Segment income is adjusted with the operating income reported in the consolidated financial statements.

Board of Directors, Executive Officers and Audit & Supervisory Board Members (as of March 28, 2013)

Board of Directors

President and CEO	Yoshinari Kudo
Senior Managing Executive Officers	Hajime Nagasaka Kiyonari Nakai Nobuyuki Murofushi
Managing Executive Officer	Naoshi Takahashi
Executive Officers	Masanao Hosoya Yuji Serizawa Toshiaki Fukuda
External Director	Masahiro Watanabe

Executive Officers

Managing Executive Officer	Hideo Toko
Executive Officers	Eiichi Nishii Yoshikazu Matsuyama Makoto Itoi Kanji Sugihara

Audit & Supervisory Board Members

Tatsuo Abe
Seiichiro Sasao*
Tsunehisa Samukawa
Ryuichi Sato*

*External Member

Corporate Data (as of December 31, 2012)

Company Name	TOKAI CARBON CO., LTD.
Established	April 8, 1918
Paid-in Capital	¥20,436 million (\$262,876,000)
Head Office	Aoyama Bldg.2-3, Kita-Aoyama 1-Chome, Minato-ku, Tokyo 107-8636, Japan TEL: +81-3-3746-5100 FAX: +81-3-3405-7205 Web site: http://www.tokaicarbon.co.jp/
Number of Employees	1,872 (as a consolidated basis)
Branch Offices	Osaka Branch (Osaka) Nagoya Branch (Aichi) Fukuoka Branch (Fukuoka)

Laboratories	Fuji Research Laboratory (Shizuoka) Chita Laboratory (Aichi) Hofu Laboratory (Yamaguchi) Tanoura Laboratory (Kumamoto)
Industrial Complexes	Shonan Industrial Complex (Kanagawa) Chigasaki Plant (Kanagawa) Chigasaki Second Plant (Kanagawa)
Plants	Ishinomaki Plant (Miyagi) Chita Plant (Aichi) Shiga Plant (Shiga) Hofu Plant (Yamaguchi) Kyusyu Wakamatsu Plant (Fukuoka) Tanoura Plant (Kumamoto)
Representative Office	Singapore Representative Office

Group Companies and Affiliates

● Carbon and Graphite Products ● Industrial Furnaces and Related Products ● Other

EUROPE

United Kingdom

Consolidated Subsidiaries
● Tokai Carbon Europe Ltd.

Germany

Consolidated Subsidiaries
● Tokai Erftcarbon GmbH
● Tokai Carbon Europe GmbH
● Tokai Carbon Deutschland GmbH
● Carbon-Mechanik GmbH

Italy

Consolidated Subsidiary
● Tokai Carbon Italia S.R.L.

Sweden

Consolidated Subsidiary
● Svensk Special grafit AB

NORTH AMERICA

U.S.A.

Consolidated Subsidiaries
● Tokai Carbon U.S.A., Inc.
● Tokai Carbon Electrode Sales Inc.
● Tokai Carbon Electrode Sales LLC.
Affiliate Accounted for by Equity Method
● MWI, Inc.

ASIA

Japan

Consolidated Subsidiaries

- Tokai Konetsu Kogyo Co., Ltd.
- Tokai Material Co., Ltd.
- Tokai Fine Carbon Co., Ltd.
- Oriental Sangyo Co., Ltd.
- Tokai Unyu Co., Ltd.
- Tokai Noshiro Seiko Co., Ltd.
- Tokai Konetsu Engineering Co., Ltd.
- Mitomo Brake Co., Ltd.
- Daiya Tsusho Co., Ltd.

Affiliate Accounted for by Equity Method

- Heisei Ceramics Co., Ltd.

China

Consolidated Subsidiaries

- Tokai Carbon (Tianjin) Co., Ltd.
- Tokai Carbon (Shanghai) Co., Ltd.
- Shanghai Tokai Konetsu Co., Ltd.
- Tokai Carbon (Suzhou) Co., Ltd.

Affiliates Accounted for by Equity Method

- SGL Tokai Carbon Ltd. Shanghai
- Dalian Tokai-Jinqi-Fuji Carbon Co., Ltd.

Korea

Affiliate Accounted for by Equity Method

- Tokai Carbon Korea Co., Ltd.

Thailand

Consolidated Subsidiary

- Thai Tokai Carbon Product Co., Ltd.

Singapore

Affiliate Accounted for by Equity Method

- SGL Tokai Process Technology Pte. Ltd.

Investor Information (as of December 31, 2012)

Fiscal year end December 31

General Meeting of Shareholders March

Common Stock Authorized Shares: 598,764,000 shares
Outstanding Shares: 224,943,104 shares

Number of shareholders 15,391

Major shareholders

Shareholders	Number of shares held	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,726,000	6.55
Japan Trustee Services Bank, Ltd. (Trust Account)	13,285,000	5.91
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,958,000	3.54
Mitsubishi UFJ Trust and Banking Corp.	6,988,000	3.11
Mitsubishi Corp.	6,748,000	3.00
Deutsche Bank AG Frankfurt	6,097,000	2.71
The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900,000	2.62
The Nomura Trust and Banking Co., Ltd. (Trust Account)	5,361,000	2.38
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	4,044,000	1.80
Northern Trust Co AVFC Re Northern Trust Guernsey Irish Clients	3,479,000	1.55

In addition to the above, Tokai Carbon Co., Ltd. holds treasury stock of 11,393,000 shares (5.07%).

Stock Exchange Listing First Section of the Tokyo Stock Exchange

Securities code number 5301

Transfer agent Mitsubishi UFJ Trust and Banking Corp.

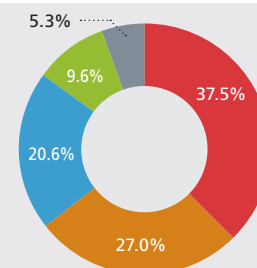
Head Office: 4-5 Marunouchi 1- Chome, Chiyoda-ku, Tokyo, Japan

Ownership and Distribution of Shares

● Japanese Financial Institutions	84,421,000
● Japanese Individuals and Others	60,735,000
● Foreign Investors	46,380,000
● Other Japanese companies	21,454,000
● Japanese Securities Companies	11,953,000
Total	224,943,000

Notes: 1. Stocks less than 1,000 are rounded down.

2. "Japanese Individuals and Others" contains 11,393,000 treasury stocks.



Leading the Way into the Future >>

TOKAI CARBON CO., LTD.

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