



ANNUAL REPORT 2013

For the Year Ended December 31, 2013

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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.

Basic 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

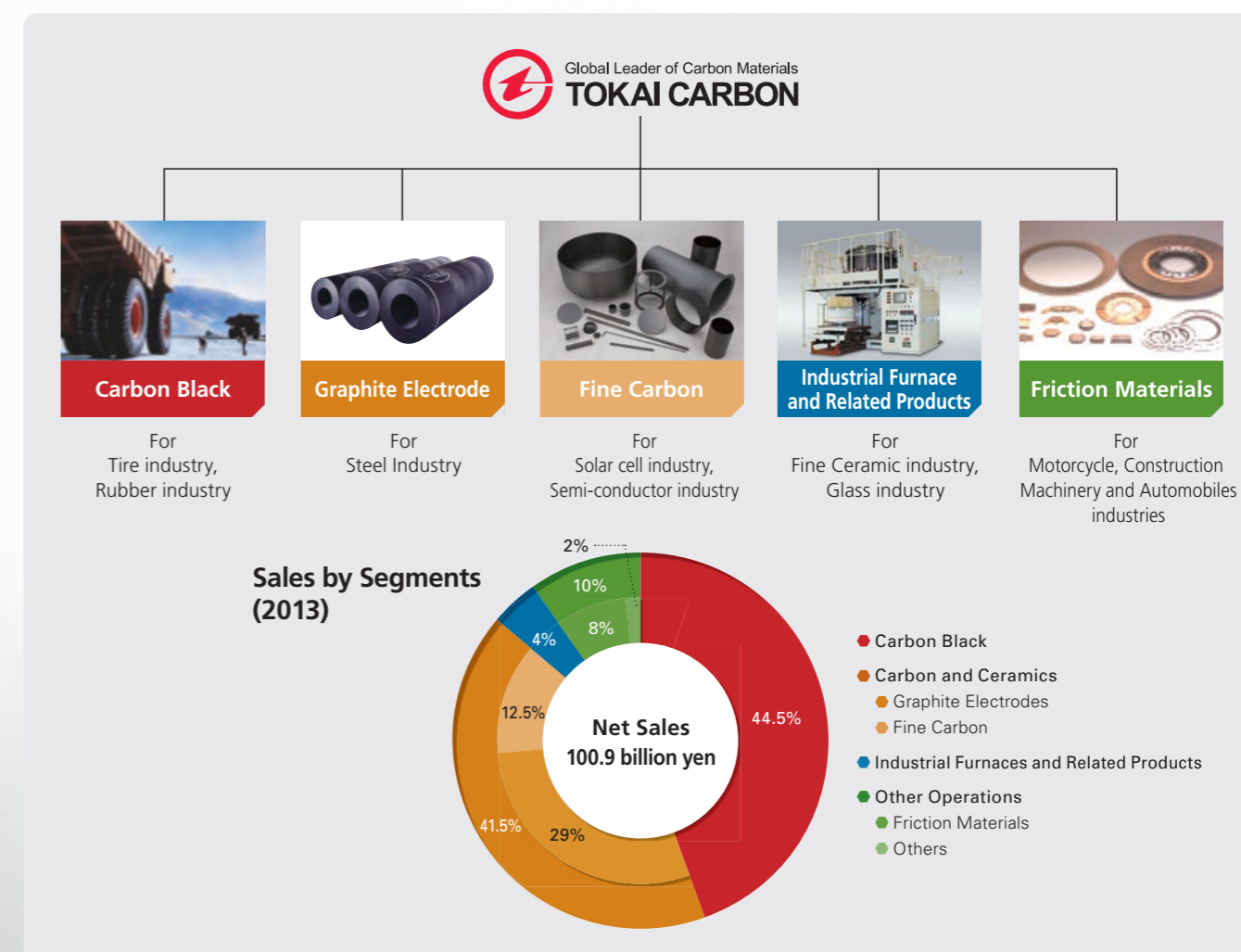
The Tokai Carbon Group commenced operations as a pioneer in the carbon industry in Japan in 1918.

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.



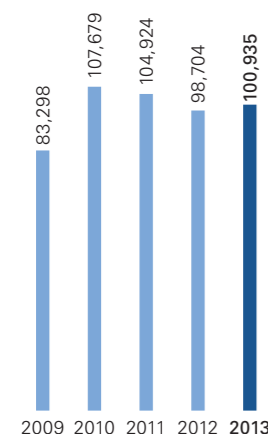
Five-Year Financial Highlights

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

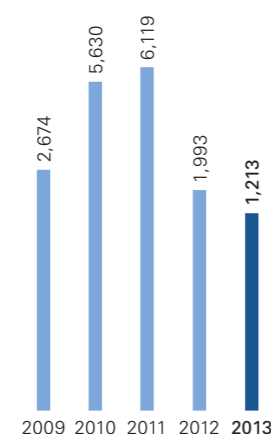
	Millions of Yen					Thousands of U.S. Dollars
	2009	2010	2011	2012	2013	2013
For the Year:						
Net Sales		¥107,679	¥104,924	¥98,704	¥100,935	\$957,736
Carbon Black	Tokai Carbon has changed its segmentations from FY 2011.	40,017	40,077	40,968	44,910	426,133
Carbon and Ceramics		53,020	49,858	44,616	42,024	398,750
Industrial Furnaces and Related Products		5,628	5,401	4,239	4,213	39,979
Other Operations		9,014	9,586	8,879	9,788	92,874
Gross Profit		24,348	23,958	18,560	15,267	144,865
Operating Income		10,575	10,467	5,700	1,655	15,707
Income Before Income Taxes and Minority Interests		9,211	9,336	3,992	2,926	27,767
Net Income		5,630	6,119	1,993	1,213	11,511
Depreciation and Amortization		8,853	8,286	8,712	8,656	82,136
Research and Development Costs		2,012	1,956	1,962	1,800	17,079
Capital Expenditures		6,710	13,975	12,287	9,007	85,464
At Year-End:						
Total Assets		¥155,304	¥161,563	¥166,668	¥183,427	\$1,740,468
Total Net Assets		105,605	107,223	113,266	123,232	1,169,363
Per Share Data:		Yen				U.S. Dollars
Net Income		¥ 26.05	¥ 28.66	¥ 9.34	¥ 5.68	\$0.05
Total Net assets		484.53	488.30	515.90	567.19	5.38
Cash Dividends Applicable to The Year		8.00	8.00	7.00	6.00	0.06
Financial Ratios: (%)						
Return on Assets		6.4%	6.4%	3.9%	1.8%	1.8%
Return on Equity		5.4	5.9	1.9	1.0	1.0
Equity Ratio		66.6	64.5	66.1	66.0	66.0

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥105.39=US\$1, the approximate rate of exchange at December 31, 2013.

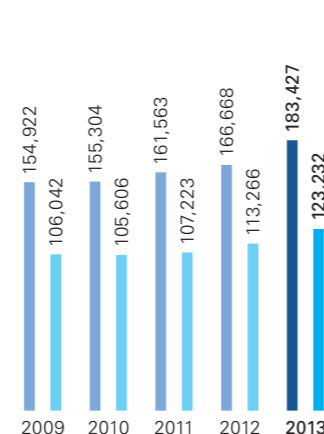
■ Net Sales (Millions of yen)



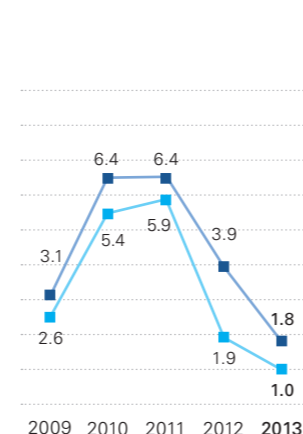
■ Net Income (Millions of yen)



■ 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, 2013

The world economy remained weak but was on an upward trend on the whole during 2013. Although there were effects from the prolonged economic stagnancy in Europe and economic slowdowns in China and other emerging countries, the steady U.S. economy contributed to keeping global economic conditions on track and European economies also began showing signs of recovery in the latter half of the year. Meanwhile, in Japan, the government's economic policies kept the yen on a depreciating trend and caused stock prices to rise and consumer spending to increase. Despite a delayed improvement in its income environment, the Japanese economy was on a moderate upward trend as seen by the recovered strength in capital investment activities and improvement in corporate earnings, backed by demand associated with restoration efforts following the Great East Japan Earthquake and improvement in export conditions.

Under these circumstances, the Tokai Carbon Group took initiatives to strengthen cost competitiveness, reorganize the domestic fine carbon business, mainly to enhance operating efficiency, expand overseas business, promote research and development, etc., during the fiscal year under review, which was the initial year of the Group's three-year medium-term management plan "T-2015," and achieved a certain level of progress. On the other hand, the industries in which the Group's customers operate (e.g., rubber products, steel, semiconductor, IT hardware, and industrial machinery) continued to face challenging operating conditions and experienced a recovery in demand that was generally in the automobile-related segments, while recognizing delays in recovery in other areas.

As a result, consolidated net sales in the fiscal year under review increased 2.3% year on year to ¥100,935 million. In terms of income, the Group worked to reduce costs in all aspects, temporarily suspended operations, applied for an employment adjustment subsidy, and took other measures. However, there was a significant impact mainly from the low operation rate caused by the response to the fall in sales volume and an increase in depreciation expenses associated with facility expansion, although there were positive effects from the weak yen. Consequently, operating income dropped 71.0% from a year earlier to ¥1,655 million, ordinary income decreased 51.9% year on year to ¥3,114 million, and net income came to ¥1,213 million, a year-on-year decrease of 39.1%.

Dividend Policy and 2013-14 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.

The Company plans to pay a year-end dividend of ¥3 per share, which is the same as the year-end dividend paid in the previous fiscal year. The year-end dividend will bring the total 2013 dividend, including the interim dividend, to ¥6 per share.

For 2014, 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.

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



Yoshinari Kudo
Yoshinari Kudo, President and CEO

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.

Issues to be Addressed by the Company

It is anticipated that the Japanese economy will continue to move on a recovery trend, against the backdrop of the positive effects of various measures implemented by the government and strong consumer spending, although there are concerns about an economic slowdown that might be caused by a reaction after a jump in demand before the consumption tax rate increase and downturns in overseas economies.

Under such circumstances, the Group continues to operate under its corporate philosophy, "Ties of Reliability," and the basic operating guidelines – ability to create value, fairness, ecology, and internationalism – as it pursues the path to become the "Global Leader of Carbon Materials." The Group is making concerted efforts to achieve its three-year medium-term management plan, "T-2015" in an aim to enhance corporate value.

The initiatives taken in connection with the acquisition of shares of Cancarb Limited, a Canadian carbon black manufacturer, which was approved at the meeting of the Company's board of directors on January 20, 2014, are part of a strong step taken to move forward with the Group's strategies. The Company also believes that such initiatives significantly contribute to expanding the business scope.

Furthermore, the Group is committed to paying even greater attention to the fundamentals of manufacturing companies – security assurance, quality control, and environmental protection – and it will continue making efforts to strengthen corporate governance and corporate social responsibility (CSR) activities. Additionally, the Group intends to reinforce its business infrastructure by implementing, assessing, and improving its internal control 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

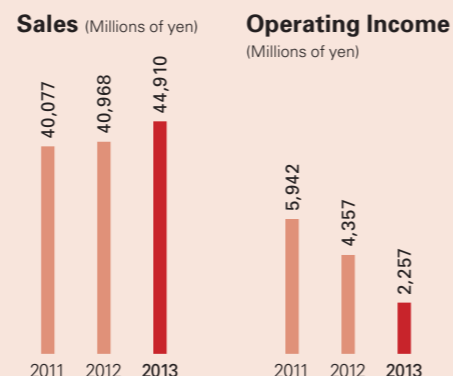
Carbon Black

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 in Japan for carbon black has been recovering gradually, primarily because tire production saw an upturn after slumping in the beginning of the year. Demand was strong in Thailand, supported by the growth in automobile and tire production. In China, new car sales by Japanese automakers have also been recovering on the back of favorable demand for automobiles. Meanwhile, although the Ishinomaki Plant resumed full production in June 2012 and the subsidiary in Thailand began operating its expanded facility in December 2012, the business was affected by the rising presence of low-price Chinese products distributed in Japanese and Thai markets, and the sales volume showed only a slight increase year on year. Additionally, sales prices were revised in response to the hike in crude oil prices.

As a result, although net sales in the Carbon Black segment increased 9.6% year on year to ¥44,910 million, operating income fell 48.2% from a year earlier to ¥2,257 million. This was due to a lower operation rate, an increase in depreciation expenses associated with facility reinforcement, and other factors.



Topic

Productive capacity extended construction of the Chinese plant was completed at the end of 2012.

As a result, the productive capacity which merged plants in Japan, Thailand and China became approximately 510,000 tons.

Carbon and Ceramics

Graphite Electrodes

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



Global crude steel production was above the level of the previous fiscal year on the whole, due to increases mainly in China and India. On the other hand, production dropped primarily in North America and Europe. In the segment of electric arc furnace steel, an industry where the Group's customers operate, production fell year on year in regions other than China and Oceania. Under such circumstances, the sales volume of graphite electrodes declined year on year, due mainly to the effects of sluggish demand in the principal regions of demand such as Europe, the U.S. and South Korea and the delayed recovery in demand in Japan. Furthermore, sales prices were weak both in Japan and overseas. As a result, despite the positive effects of the weak yen, net sales of graphite electrodes decreased 4.5% year on year to ¥29,465 million.

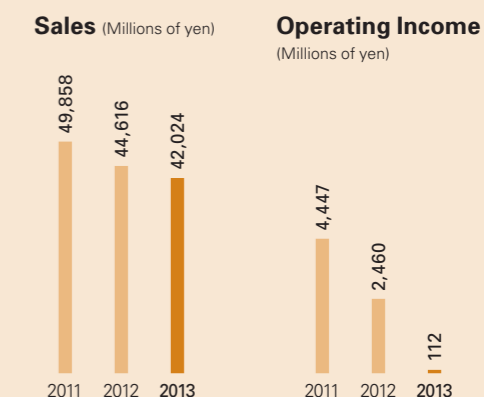
Fine Carbon

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.

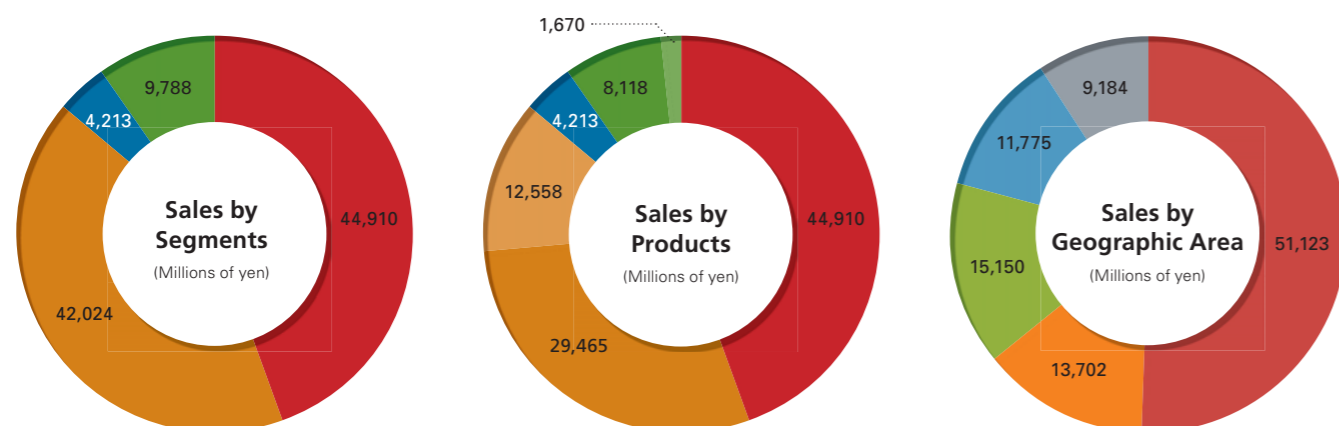


Overall sales of fine carbon were on a recovery path due to the relatively strong performance overseas, although there was a delay in recovery in Japan. While demand for applications in solar cells was generally slow, signs of recovery began to appear in the fourth quarter due mainly to the progress in inventory adjustments by demanders. Demand for fine carbon products for general industrial applications remained strong from early in the year. Consequently, despite the positive effects of the weak yen, net sales of fine carbon fell 8.8% year on year to ¥12,558 million.

As a result of the above, net sales in the Carbon and Ceramics segment decreased 5.8% year on year to ¥42,024 million, and operating income slumped 95.4% from a year earlier to ¥112 million, due mainly to the effects of a lower operation rate despite the positive effects of the weak yen.



Fiscal 2013 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

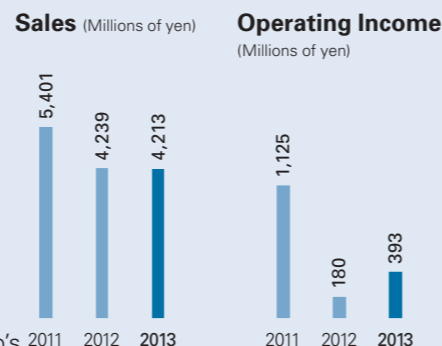
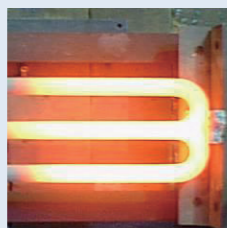
- Japan
- Thailand
- Asia
- Europe
- Others

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

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.



Topic

Tokai Konetsu Kogyo and Chinese local manufacturer have established a joint venture in China, September 2013.

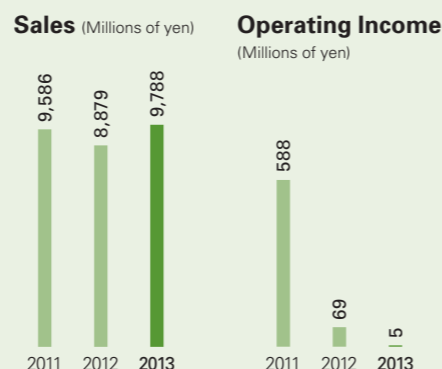
In the IT-related industries, which are the main sources of demand for the Group's products, overall conditions were not strong enough for companies to resume capital investments despite signs of a partial recovery. Consequently, net sales of industrial furnaces, the Group's core products, declined year on year. Although net sales of heating elements and other products increased year on year, supported by the recovery of demand in the electronic components industry and the Chinese glass market, a full-scale recovery has yet to be seen.

As a result, in the Industrial Furnaces and Related Products segment, net sales declined 0.6% year on year to ¥4,213 million; however, operating income surged 118.2% to ¥393 million, mainly due to a decrease in costs related to developed products.

Other Operations

Friction Materials

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



Topic

Tokai Carbon Co., Ltd. has established a new Company in the Suzhou District of China, a company for production and sales of friction material products used in construction machinery, agricultural machinery, and other industrial machinery.

As the first overseas expansion in its friction materials business, Tokai Carbon established a production and sales base in China. The Company will strive to expand the business in order to respond to its customers' production in China and to their local procurement, both of which are related to construction machinery and agricultural machinery.

Sales in the construction machinery markets, the main sources of demand, decreased because demand for use in mining machines has remained weak over a long period of time due to the effects of the worldwide slump in resource prices. As a result, net sales of friction materials declined 0.4% year on year to ¥8,118 million, although sales of friction materials for agricultural and industrial machines increased on the back of strong demand, while sales for two-wheel and four-wheel vehicles were also favorable.

Others

Net sales from property leasing and other businesses surged 128.6% year on year to ¥1,670 million as a result of growth in sales of anode material for rechargeable lithium-ion batteries. As a result of the above, net sales in the Other Operations segment increased 10.2% year on year to ¥9,788 million; however, operating income fell 92.7% to ¥5 million primarily due to the deterioration in earnings of friction materials.



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, 2013 came to ¥1,800 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 9,007 million yen for capital investment mainly in the Carbon Black business and Carbon/Ceramics business.

In the Carbon Black business, we spent 3,567 million yen to expand the carbon black manufacturing equipment

at Tokai Carbon (Tianjin) Co., Ltd. In the Carbon/Ceramics business, we invested 4,086 million yen primarily to expand the fine carbon manufacturing equipment at our Tanoura Plant. In the Industrial Furnaces and Related Products business, we invested 137 million yen mainly for the equipment at Shanghai Tokai Konetsu Kogyo Co., Ltd. In the Other Operations business, we invested 999 million yen mainly at the parent company.

Outlook for the Year Ending December 31, 2014

(as of February 10, 2014)

Assuming an exchange rate of ¥98 to the U.S. dollar, the Group forecasts 2014 consolidated net sales of ¥111,000 million, operating income of ¥3,800 million, ordinary income of ¥3,600 million, and net income of ¥2,300 million.

Furthermore, the Group forecasts that the balance of cash and cash equivalents at the end of the fiscal year will be approximately ¥10,000 million.

As announced in the "Announcement of Acquisition of Equity in Cancarb (Canadian Carbon Black Producer) and Related Assets" dated January 20, 2014, Tokai Carbon is currently examining the impact on its consolidated earnings forecast for the fiscal year of making Cancarb Limited a subsidiary and will make a timely disclosure should the need to revise the forecast arise.

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 eight Directors (of whom one is an external Director). 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 the Companies Act 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 the President and CEO and nine Executive Officers (of whom six serve concurrently as Directors) who take charge of business operations in different departments of the Company to accelerate operational decision making and clarify

b. Reason for Adoption of Corporate Governance System

The Company employs the current Audit & Supervisory Board Member 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

responsibilities. The President and CEO and Executive Officers in charge of different business operations have a Managing Executives Meeting once a month to deliberate on managerial matters. The Company appointed an external Director in March 2007 to strengthen the management supervision and checking function.

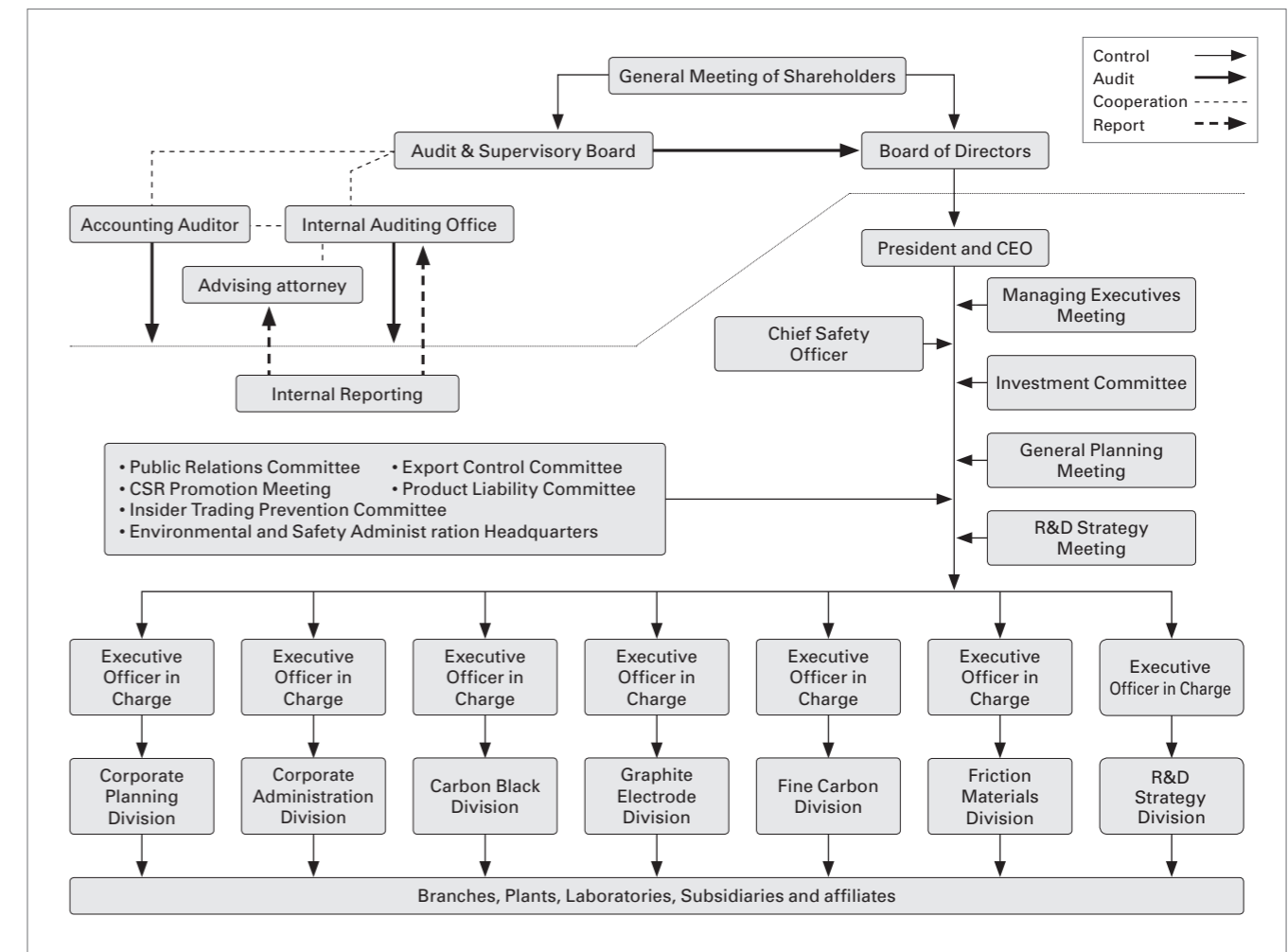
The Company has adopted the Audit & Supervisory Board Members system. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, two of whom are external members. Audit & Supervisory Board Members are required to conduct a fair and independent audit of the Company's business operations. They attend the Board of Directors 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 Meeting is usually held once a month and otherwise as required.

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

Executives Meetings. By voicing objective opinions at these meetings, the Audit & Supervisory Board Members enhance effective direction and oversight of the Company. Management considers that this system is amply sufficient to ensure the independence of audits and effective corporate governance given the scale and organizational structure of the Company.

Status of Corporate Governance

Tokai Carbon Corporate Governance Structure (Outline as of March 28, 2014)



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.

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

b. Internal Auditing and Audit & Supervisory Board Member's Audits

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 the internal control 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 President and CEO.

In addition to attending the Board of Directors' Meetings and other important meetings to listen to directors and Executive Officers report on the status of their duties 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 meeting was convened thirteen times during the fiscal year under review. The Audit & Supervisory Board Members also examine business

Status of Corporate Governance

practices and asset management within the head office and all other offices, request reports on operations from subsidiary companies when necessary, and closely audit the business practices of all Directors 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

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 control 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 external 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 positions to appoint candidates who have no risk of causing conflicts of interest with general shareholders.

External Director Masahiro Watanabe previously worked for Tohmatsu LLC, a limited liability audit corporation that conducts accounting audits of the Company, until December 2010. We pay an annual fee of 54 million yen as remuneration for the accounting auditing service to the corporation (actual amount as of December 2013). We believe that Mr. Watanabe has extensive knowledge and abundant experience as a certified public accountant and is able to provide supervision of our management team's business execution from an independent position. Also, he does not fall under any of the criteria stipulated in the abovementioned independence standard and disclosure requirement rules and has no risk of causing conflicts of interest with general shareholders.

External Audit & Supervisory Board Member Ryuichi Sato previously worked for Mitsubishi Chemical Corporation, with which the Company has a business relationship, until March 2008. The Company procures raw materials from Mitsubishi Chemical and sells final products to it; however the volume of this business accounts for just a fraction of our overall transaction volumes. Mr. Sato contributes to auditing our overall

communication links are maintained.

Audit & Supervisory Board Members cooperate with Accounting Auditors to establish auditing plans and attend the audits of the Accounting Auditors if necessary. They also receive reports and explanations regarding auditing processes and results, and audit consolidated accounts, account statements, and other necessary documents.

Audit & Supervisory Board Member Tsunehisa Samukawa has experienced being General Manager of the Company's Accounting Department and has 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: Five certified public accountants and seven other personnel.

business by making use of the rich management experience and knowledge that he acquired during his employment at a listed manufacturing company. Moreover, he does not fall under any of the criteria stipulated in the abovementioned 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 previously worked 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 3,528 million yen from the bank as of December 31, 2013. Mr. Sasao contributes to auditing our overall business by making use of the abundant business and management experience that he acquired at the 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 2.5% of all bank loans as of December 31, 2013, showing that the Company's dependence on the bank is low. Also, the ratio of the Company's shares held by the bank was 3.27% as of December 31, 2013, limiting its influence on the Company's management and making it unlikely that Mr. Sasao will have a risk of causing conflicts of interest with general shareholders.

At the Board of Directors' meeting, the external director and external Audit & Supervisory Board Members receive reports on the basic policy for establishing an internal control system, the status of these initiatives, and their results.

Moreover, the external Audit & Supervisory Board Members coordinate with the other Audit & Supervisory Board Members

through the Audit & Supervisory Board meeting to conduct audits from multiple perspectives through mutual coordination with the internal audit and the accounting audit and with the

3. Risk Management System

Tokai Carbon faces various risks in conducting its business, as noted in "2. Business Situation, 4. Business Risks." 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

departments responsible for internal control, as noted in "b. Internal Auditing and Audit & Supervisory Board Member's Audits."

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, Paragraph 1 and Article 423, Paragraph 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 Member. The limitations on responsibility as stipulated in these contracts apply only in the case where the external Director and the external Audit & Supervisory Board Member 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 Directors 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 a Director 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, Paragraph 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, Paragraph 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.

Status of Corporate Governance

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, Paragraph 2, of the Companies Act 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)	210	159	—	51	—	8
Audit & Supervisory Board Members (Excluding external Audit & Supervisory Board Members)	26	26	—	—	—	2
External Directors and External Audit & Supervisory Board Members	32	31	—	1	—	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 Directors 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 one Director who retired at the end of the 151st General Meeting of Shareholders held on March 28, 2013.

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.

Compliance

The Company has set forth basic policies, including the Corporate Philosophy, the Guidelines, and the Corporate Code of Ethics, and based on the principles within them, strives to conduct corporate activities with a highly ethical viewpoint while also complying with the relevant laws, rules, and regulations.

The Company recognizes that responding to the expectations

and demands of stakeholders and maintaining relationships of trust with them is the foundation of sustainable growth as a company that coexists with society. To this end, Tokai Carbon takes initiatives to ensure that each individual director and employee can increase their awareness of compliance.

Compliance Manual

The Compliance Manual was created based on Tokai Carbon's Corporate Code of Ethics and its Ethical and Compliance Standard. The manual outlines the standards of

behavior that all officers and employees should maintain as they carry out their everyday duties, and is intended to help everyone in the Company understand compliance properly.

Internal Reporting System

Tokai Carbon has an internal reporting system with both an internal contact point (the Internal Auditing Office) and an external contact point (an advising attorney). The system allows employees to make reports and receive consultation by various means including telephone, fax, email, and post.

When this system is used, the informant is clearly protected by the Company's Guidelines on Handling of Internal Reports. This is to ensure that, except for cases where the system is deliberately misused, informants will not be dismissed or subjected to unfair treatment if they are using the system.

Exclusion of Antisocial Elements

Tokai Carbon has a mutual understanding on the exclusion of antisocial elements with relevant authorities such as the police force, regional corporate protection associations, and lawyers. The Company strives to develop a strong cooperative relationship with these parties and to also focus

on gathering information about antisocial actions. Clauses have been added to Company contracts for basic trading agreements with business partners to exclude any links to criminal organizations.

Awareness-Raising and Education

Compliance training is held regularly for directors, managers, new recruits, and other employees. The training is facilitated

by trainers from inside and outside the Company, with a focus on current affairs.



Consolidated Financial Statements

Consolidated Balance Sheets

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
ASSETS			
Current assets			
Cash and cash equivalents	¥ 16,048	¥ 11,891	\$ 152,273
Notes and accounts receivable	30,075	28,259	285,374
Merchandise and finished goods	14,589	14,188	138,432
Work in process	15,666	16,233	148,650
Raw materials and supplies	11,251	12,571	106,761
Deferred tax assets	982	1,161	9,319
Other	2,624	2,627	24,900
Allowance for doubtful accounts	(253)	(54)	(2,405)
Total current assets	90,984	86,879	863,307
Fixed assets			
Tangible fixed assets			
Buildings and structures, net	16,548	15,543	157,020
Machinery, equipment and vehicles, net	25,258	24,692	239,671
Furnaces, net	1,355	1,701	12,863
Land	7,143	7,080	67,778
Construction in progress	10,614	8,089	100,717
Other, net	1,064	1,062	10,097
Total tangible fixed assets	61,985	58,169	588,149
Intangible fixed assets			
Software	417	408	3,964
Other	46	30	444
Total intangible fixed assets	464	438	4,408
Investments and other assets			
Investment securities	27,939	19,405	265,106
Deferred tax assets	346	396	3,290
Other	1,764	1,437	16,745
Allowance for doubtful accounts	(57)	(58)	(541)
Total investment and other assets	29,994	21,179	284,601
Total fixed assets	92,443	79,788	877,160
Total assets	¥183,427	¥166,668	\$1,740,468

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
LIABILITIES			
Current liabilities			
Notes and accounts payable	¥ 12,704	¥ 16,145	\$ 120,549
Electronically recorded obligations-operating	1,474	—	13,989
Short-term borrowings	19,267	13,784	182,822
Current portion of long-term debt	1,450	851	13,763
Income taxes payable	910	1,011	8,634
Consumption tax payable	271	18	2,576
Accrued expenses	1,350	1,091	12,811
Reserve for bonuses	163	155	1,554
Deferred tax liabilities	—	2	—
Other	4,792	4,988	45,475
Total current liabilities	42,385	38,050	402,178
Fixed liabilities			
Long-term debt	5,044	6,191	47,863
Deferred tax liabilities	6,627	3,911	62,888
Provision for retirement benefits	3,708	3,096	35,186
Reserve for directors' retirement benefits	130	146	1,234
Reserve for executive officers' retirement benefits	34	37	331
Provision for environment and safety measures	557	616	5,290
Other	1,706	1,352	16,190
Total fixed liabilities	17,809	15,351	168,986
Total liabilities	60,195	53,401	571,164
NET ASSETS			
Shareholders' capital			
Common stock	20,436	20,436	193,909
Additional paid-in capital	17,502	17,502	166,078
Retained earnings	76,014	76,082	721,267
Treasury stock	(7,146)	(7,134)	(67,808)
Total shareholders' capital	106,807	106,887	1,013,446
Other accumulated comprehensive income			
Net unrealized gains/losses on other securities	10,715	5,666	101,675
Deferred hedge gain/loss	—	(2)	—
Foreign currency translation adjustments	3,578	(2,381)	33,958
Total other accumulated comprehensive income	14,294	3,282	135,633
Minority interests	2,131	3,096	20,223
Total net assets	123,232	113,266	1,169,303
Total liabilities and net assets	¥183,427	¥166,668	\$1,740,468

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

Consolidated Statement of Operation

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net sales	¥100,935	¥98,704	\$957,736
Cost of sales	85,668	80,144	812,871
Gross profit	15,267	18,560	144,865
Selling, general and administrative expenses			
Selling expenses	4,551	4,112	43,188
General and administrative expenses	9,060	8,747	85,969
Total selling, general and administrative expenses	13,611	12,859	129,158
Operating income	1,655	5,700	15,707
Non-operating income			
Interest income	79	120	753
Dividend income	408	354	3,878
Rental income	241	284	2,295
Equity in income of non-consolidated subsidiaries and affiliates	—	84	—
Foreign exchange gains	1,558	849	14,788
Other non-operating income	572	724	5,434
Total non-operating income	2,861	2,418	27,149
Non-operating expense			
Interest expense	678	902	6,441
Expense on facilities for rent	203	146	1,927
Equity in losses of affiliates	6	—	58
Other non-operating expense	513	599	4,874
Total non-operating expense	1,401	1,648	13,301
Ordinary income	3,114	6,470	29,555
Extraordinary income			
Gain on step acquisitions	29	—	278
Total extraordinary income	29	—	278
Extraordinary losses			
Provision for environment and safety measures	131	—	1,246
Impairment loss	86*	2,140*	819
Business restructuring expenses	—	237	—
Loss on valuation of investment securities	—	100	—
Total extraordinary losses	217	2,478	2,066
Income before income taxes	2,926	3,992	27,767
Income taxes, inhabitants tax, and enterprise taxes	1,556	2,218	14,766
Income taxes adjustments	246	(75)	2,335
Total income taxes	1,802	2,142	17,101
Income before minority interests	1,124	1,849	10,665
Minority interests in loss	(89)	(144)	(845)
Net income	¥ 1,213	¥ 1,993	\$ 11,511

*Reference: p27

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Income before minority interests	¥ 1,124	¥1,849	\$ 10,665
Other comprehensive income			
Valuation difference on available-for-sale securities	5,052	2,127	47,938
Deferred gains or losses on hedges	2	(2)	23
Foreign currency translation adjustment	5,928	3,467	56,253
Share of other comprehensive income of associates accounted for using equity method	579	369	5,503
Total other comprehensive income	11,563	5,963	109,719
Comprehensive income	12,687	7,812	120,385
Comprehensive income attributable to owners of the parent company	12,225	7,599	116,000
Comprehensive income attributable to minority interests	¥ 462	¥ 212	\$ 4,384

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Capital

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

(millions of yen)

	Shareholders' capital				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital
Balance at the beginning of the period	¥20,436	¥17,502	¥76,082	¥(7,134)	¥106,887
Changes of items during the period					
Dividends from surplus			(1,281)		(1,281)
Net income			1,213		1,213
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' capital					
Total changes of items during the period	—	—	(68)	(12)	(80)
Balance at the end of the period	¥20,436	¥17,502	¥76,014	¥(7,146)	¥106,807

	Other accumulated comprehensive income				Minority interests	Total net assets
	Net unrealized gains/losses on other securities	Deferred hedge gain/loss	Foreign currency translation adjustments	Total other accumulated comprehensive income		
Balance at the beginning of the period	¥ 5,666	¥(2)	¥(2,381)	¥ 3,282	¥3,096	¥113,266
Changes of items during the period						
Dividends from surplus						(1,281)
Net income						1,213
Purchase of treasury stock						(13)
Disposal of treasury stock						0
Net changes of items other than shareholders' capital	5,048	2	5,960	11,012	(964)	10,047
Total changes of items during the period	5,048	2	5,960	11,012	(964)	9,966
Balance at the end of the period	¥10,715	—	¥ 3,578	¥14,294	¥2,131	¥123,232

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

(thousands of U.S. dollars)

	Shareholders' capital				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital
Balance at the beginning of the period	\$193,909	\$166,078	\$721,918	(\$67,693)	\$1,014,211
Changes of items during the period					
Dividends from surplus			(12,157)		(12,157)
Net income			11,511		11,511
Purchase of treasury stock				(123)	(123)
Disposal of treasury stock			(5)	8	3
Net changes of items other than shareholders' capital					
Total changes of items during the period	—	—	(650)	(114)	(765)
Balance at the end of the period	\$193,909	\$166,078	\$721,267	(\$67,808)	\$1,013,446

	Other accumulated comprehensive income				Minority interests	Total net assets
	Net unrealized gains/losses on other securities	Deferred hedge gain/loss	Foreign currency translation adjustments	Total other accumulated comprehensive income		
Balance at the beginning of the period	\$ 53,769	(23)	\$(22,601)	\$ 31,144	\$29,378	\$1,074,735
Changes of items during the period						
Dividends from surplus						(12,157)
Net income						11,511
Purchase of treasury stock						(123)
Disposal of treasury stock						0
Net changes of items other than shareholders' capital	47,906	23	56,559	104,489	(9,154)	95,334
Total changes of items during the period	47,906	\$ 23	56,559	104,489	(9,154)	94,568
Balance at the end of the period	\$101,675	—	\$33,958	\$135,633	\$20,223	\$1,169,303

Consolidated Financial Statements

Consolidated Statements of Cash Flows

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes	¥ 2,926	¥ 3,992	\$ 27,767
Depreciation and amortization	8,656	8,712	82,136
Impairment loss	86	2,140	819
Increase (decrease) in allowance for doubtful accounts	189	1	1,798
Increase (decrease) in reserve for bonuses	8	(25)	78
Increase (decrease) in provision for retirement benefits	36	495	342
(Increase) decrease in prepaid pension cost	(189)	(211)	(1,794)
Increase (decrease) in reserve for directors' retirement benefits	(16)	5	(153)
Increase (decrease) in reserve for executive officers' retirement benefits	(2)	(12)	(23)
Increase (decrease) in provision for environment and safety measures	(59)	(254)	(562)
Interest and dividends income	(488)	(474)	(4,631)
Interest paid	678	902	6,441
Foreign exchange (gain) loss	(709)	(198)	(6,733)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	6	(84)	58
Loss (Gain) on step acquisitions	(29)	—	(278)
(Gain) loss on valuation of investment securities	—	100	—
Business restructuring expenses	—	237	—
(Increase) decrease in trade receivables	(245)	1,195	(2,333)
(Increase) decrease in inventories	4,403	(3,523)	41,780
Increase (decrease) in trade payables	(2,778)	(416)	(26,363)
Increase (decrease) in accrued expenses	163	(227)	1,549
Increase (decrease) in accounts payable-others	157	52	1,493
(Increase) decrease in advance payment	240	79	2,278
Increase (decrease) in accrued consumption taxes	252	(30)	2,400
Other	39	(203)	370
Subtotal	13,325	12,249	126,440
Interest and dividends received	531	623	5,039
Interest paid	(679)	(604)	(6,450)
Income taxes paid	(1,569)	(2,619)	(14,896)
Proceeds from subsidy	—	500	—
Payment amount of loss on disaster	—	(1,321)	—
Net cash provided by (used in) operating activities	¥11,606	¥ 8,828	\$110,132

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash flows from investing activities:			
Purchase of tangible fixed assets	¥ (9,034)	¥(12,870)	\$ (85,726)
Purchase of intangible fixed assets	(168)	(213)	(1,594)
Proceeds from cancellation of insurance funds	—	325	—
Purchase of investments in capital of subsidiaries	(1,579)	—	(14,988)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	26	—	248
Other	(35)	(11)	(334)
Net cash provided by (used in) investing activities	(10,791)	(12,770)	(102,394)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	3,725	3,408	35,348
Proceeds from long-term debt	—	5,044	—
Repayment of long-term debt	(959)	(10,267)	(9,105)
Dividend paid	(1,281)	(1,708)	(12,157)
Proceeds from minority shareholders	110	—	1,050
Cash dividends paid to minority shareholders	(86)	(56)	(824)
Other	(66)	(31)	(635)
Net cash provided by (used in) financing activities	1,441	(3,611)	13,677
Effect of exchange rate changes on cash and cash equivalents	1,898	878	18,016
Increase (decrease) in cash and cash equivalents	4,155	(6,674)	39,431
Cash and cash equivalents at beginning of the period	11,891	18,565	112,829
Cash and cash equivalents at end of the period	¥ 16,046	¥ 11,891	\$ 152,260

Consolidated Financial Statements

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

I. Basis for Preparation of Consolidated Financial Statements

1. Basis of Preparation of 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 ¥105.39 to \$1, the approximate rate of exchange at December 31, 2013. 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.

2. Scope of consolidation

a. Number of consolidated subsidiaries: 25 companies

Names of the consolidated subsidiaries:

Tokai Konetsu Kogyo Co., Ltd., Tokai Material Co., Ltd., Tokai Fine Carbon Co., Ltd., Oriental Sangyo Co., Ltd., Tokai Noshiro Seiko Co., Ltd., Tokai Transportation Co., Ltd., Thai Tokai Carbon Product Co., Ltd., Tokai Carbon (Tianjin) Company Ltd., Tokai Carbon (Shanghai) Co., Ltd., Tokai Carbon (Suzhou) Co., Ltd., Tokai Carbon (Dalian) Co., Ltd., Tokai Carbon U.S.A., Inc., Tokai Carbon Electrode Sales Inc., Tokai Carbon Electrode Sales L.L.C., Tokai Erftcarbon GmbH, Tokai Carbon Europe GmbH, Tokai Carbon Europe Ltd., Tokai Carbon Italia S.R.L., Svensk Specialgrafit AB, Tokai Carbon Deutschland GmbH, Tokai Konetsu Engineering Co., Ltd., Shanghai Tokai Konetsu Co., Ltd., Tokai Konetsu (Suzhou) Co., Ltd., Mitomo Brake Co., Ltd., Daiya Tsusho Co., Ltd.

Effective April 1 of the fiscal year under review, part of the

Company's fine carbon production business along with the domestic sales business was transferred to Tokai Fine Carbon Machining Co., Ltd., the Company's consolidated subsidiary, and the subsidiary's name was changed to Tokai Fine Carbon Co., Ltd.

The equity-method affiliate Dalian Tokai-Jinqi-Fuji Carbon Co., Ltd. became a consolidated subsidiary after the Company acquired an additional stake in the affiliate, and the corporate name was changed to Tokai Carbon (Dalian) Co., Ltd. Carbon-Mechanik GmbH, which used to be a consolidated subsidiary, was excluded from the scope of consolidation as it was merged by absorption by Tokai Carbon Deutschland GmbH. Tokai Konetsu (Suzhou) Co., Ltd., a joint venture newly established by Tokai Konetsu Kogyo Co., Ltd., was included in the scope of consolidation.

b. Names of non-consolidated subsidiaries

Nagoya Green Club Co., Ltd. Lancom Toyo Co., Ltd.

Reason for exclusion from scope of consolidation

Each of the non-consolidated subsidiaries are small in corporate size, and their total combined assets, net sales, net income/loss (corresponding to the equity amount) and retained earnings (corresponding to the equity amount), etc., do not have

significant impact on the consolidated financial statements. For these reasons, the non-consolidated subsidiaries are excluded from the scope of consolidation.

3. Application of equity method

a. Number of non-consolidated affiliates accounted for by the equity method: 5 companies

Names of the affiliates:

Tokai Carbon Korea Co., Ltd., SGL Tokai Carbon Ltd., Shanghai, Heisei Ceramics Co., Ltd., MWI, Inc., SGL Tokai Process Technology PTE. Ltd.

b.

Since the impact of each of the non-consolidated subsidiaries not accounted for by the equity method (Nagoya Green Club Co., Ltd., and Lancom Toyo Co., Ltd.) on consolidated net income/loss and consolidated retained earnings, etc., is minor, and since, on the whole, the impact of both companies is insignificant. Therefore, they are excluded from the scope of application of the equity method.

c.

Of the companies accounted for by the equity method, for those that have a closing date that differs from the consolidated closing date, the financial statements for each such company's financial year are used.

4. Fiscal years, etc., of consolidated subsidiaries

The closing date of the consolidated subsidiaries coincides with the consolidated closing date.

5. Accounting standards

a. Valuation standard and valuation method for important assets

(1) Securities

Other securities

Securities with fair market value:

Stated at fair market value based on the quoted market price at fiscal year-end (any valuation differences are included in net assets in full, and cost of securities sold is computed by the moving average method).

Securities without fair market value:

Stated at cost determined by the moving average method.

(2) Inventories

The Company and its domestic consolidated subsidiaries adopt the cost method based on the monthly weighted average method (For figures shown on the balance sheet, values are written down to their book values based on their decreased

profitability). In addition, overseas consolidated subsidiaries mainly adopt the lower-of-cost-or-market method based on the first-in first-out method.

(3) Derivatives

Derivative instruments are valued by the market value method.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

b. Depreciation method of important depreciable assets

(1) Tangible fixed assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries mainly adopt the declining-balance method. However, they adopt the straight-line method to buildings (excluding facilities attached to the buildings) acquired on or after April 1, 1998. Overseas subsidiaries mainly adopt the straight-line method.

The main useful lives are as follows.

Buildings and structures	2–60 yrs
Machinery, equipment and vehicles	2–22 yrs
Furnaces	8–10 yrs

(2) Intangible fixed assets (excluding lease assets)

The straight-line method is adopted.

For software for internal use, the Company and its domestic consolidated subsidiaries adopt the straight-line method over the estimated useful life (five years).

(3) Lease assets

Lease assets are amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

Of non-ownership-transfer finance lease transactions,

accounting treatment based on ordinary lease transactions continues to be adopted to those for which the lease transaction start date is on or before December 31, 2008.

c. Recognition of important allowances

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on a reasonable standard such as the historical experience of bad debt for ordinary accounts. For

specific accounts such as doubtful accounts receivable, the collectability is determined individually, and the estimated uncollectible amount is recorded.

(2) Provision for retirement benefits

In providing for payments of employees' retirement benefits, the Company and its domestic consolidated subsidiaries record an amount based on the estimated retirement benefit obligations and estimated pension assets at the end of the fiscal year.

Actuarial differences are to be recognized in expenses from the following fiscal year as incurred using the straight-line

method over the average of the estimated remaining service years (10 years) of the employees when incurred in each fiscal year.

Past service liability is accounted for as an expense in lump sum in the fiscal year when is incurred.

(3) Reserve for directors' retirement benefits

The Company and its domestic consolidated subsidiaries provide the reserve for directors' retirement benefits at an amount deemed necessary to cover the total amount to be paid

pursuant to the internal regulations thereof at the end of the fiscal year under review.

Additional information

At the 144th General Meeting of Shareholders, which was held on March 30, 2006, the Company resolved to abolish its system of retirement benefits for directors and auditors, and to pay each director and auditor, upon each person's resignation, retirement benefits commensurate with the period during which

the incumbent directors and auditors served at their positions on and before March 30, 2006.

Accordingly, the balance thereof regarding the Company at the end of the fiscal year under review is the amount expected to be paid to incumbent directors and auditors.

(4) Reserve for executive officers' retirement benefits

The reserve for retirement benefits for executive officers, commissioners, senior counselors, junior counselors and fellows is provided at an amount deemed necessary to cover the total

amount to be paid pursuant to the internal regulations at the end of the fiscal year under review.

(5) Provision for environment and safety measures

The provision for environment and safety measures is provided at an amount that can be reasonably estimated at the end of the fiscal year under review to prepare for expenditures for

PCB disposal costs under the Special Measures Law for the Promotion of Proper Disposal of Polychlorinated Biphenyl ("PCB") Waste.

d. Standard for translation of important foreign-currency-denominated assets or liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and translation adjustments are treated as profits or losses. Furthermore, the assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen at the spot exchange rate on the consolidated closing date;

revenue and expenses are translated into Japanese yen at the average exchange rate for the fiscal year. The translation adjustments are included in the foreign currency translation adjustments account and in minority interests in the net assets section of the consolidated balance sheets.

E. Material hedge accounting method

(1) Hedge accounting method

As a general rule, deferral hedge accounting is adopted.

Furthermore, allocation treatment is adopted in forward exchange contracts that meet the allocation treatment requirements, and unified treatment (allocation treatment, special

accounting treatment) is adopted for interest rate and currency swaps that meet the unified treatment (allocation treatment, special accounting treatment) requirements.

(2) Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting was adopted in the fiscal year under review are as follows.

a) Hedging instruments:

Forward exchange contracts

Hedged items:

Foreign currency trade receivables and forecasted foreign

b) Hedging instruments:

Interest rate and currency swaps

Hedged items:

Foreign currency-denominated borrowings

(3) Hedging policy

In accordance with the internal regulation that prescribe the authority regulation and transaction limits for derivative transactions, risk of fluctuations in foreign exchange and interest rates pertaining to hedged items is hedged within a certain range.

(4) Method of assessing the effectiveness of hedges

The method for assessing the effectiveness of hedges is to check whether there is a high correlation between the hedged item's market fluctuation or cash flow fluctuation and the hedging instrument's market fluctuation or cash flow fluctuation.

However, the assessment of effectiveness is omitted for interest rate and currency swaps accounted for under unified treatment (allocation treatment, special accounting treatment).

Consolidated Financial Statements

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

(5) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in consolidated statements of cash flows comprise cash on hand, cash withdrawable at any time and easily converted into cash, and short-term variable value investments that have only an insignificant risk, while reaching due date within three months from their acquisition date.

(6) Other significant matters for the preparation of consolidated financial statements

Accounting for consumption taxes

The Company and its domestic consolidated subsidiaries adopt the tax exclusion method in accounting for consumption taxes.

II. Changes in Accounting Policies, etc.

Change in accounting policy, which is difficult to distinguish from a change in an accounting estimate

In accordance with the amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired on or after January 1, 2013 to the one provided in the revised Corporation Tax Act, effective the fiscal year under

review.

This change has minimal impact on consolidated operating income, ordinary income, and income before income taxes for the fiscal year under review.

III. Changes in Method of Presentation

Consolidated Statement of Operation

"Expense on facilities for rent," which was included in "Other non-operating expense" under "Non-operating expense" in the previous fiscal year is presented separately for the fiscal year under review, since it exceeded 10% of the total amount of non-operating expense. Account items in the consolidated financial statements for the previous fiscal year have been reclassified accordingly in order to reflect this change in the method of

presentation.

As a result, ¥746 million presented in "Other non-operating expense" under "Non-operating expense" in the Consolidated Statement of Operation in the previous fiscal year has been reclassified and presented as ¥146 million in "Expense on facilities for rent" and ¥599 million in "Other non-operating expense."

Consolidated Statements of Cash Flows

"Proceeds from sales of investment securities," which were presented separately under "Cash flows from investing activities" in the previous fiscal year are included in "Other" for the fiscal year under review as they have become immaterial in terms of monetary value. Account items in consolidated financial statements for the previous fiscal year have been reclassified accordingly in order to reflect this change in the method of

presentation.

As a result, ¥4 million in "Proceeds from sales of investment securities" presented under "Cash flows from investing activities" in the Consolidated Statements of Cash Flows for the previous fiscal year have been reclassified and included in "Other."

IV. Consolidated Statements of Operations

Impairment loss

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

In the fiscal year under review, the Group recorded impairment losses for the following asset groups.

(1) Assets with recognized impairment losses

Use	Type	Company	Location	Impairment loss	
				(millions of yen)	(thousands of U.S. dollars)
Idle assets	Land	Tokai Carbon Co., Ltd.	Gotemba City, Shizuoka	¥14	\$134
Idle assets	Buildings and structures; machinery, equipment and vehicles; furnaces	Tokai Carbon Co., Ltd.	Ashikita-gun, Kumamoto	62	589
Assets scheduled for retirement	Buildings and structures; machinery, equipment and vehicles; other	Tokai Carbon Co., Ltd.	Ashikita-gun, Kumamoto	10	95

(2) Reason for recognition of impairment loss

An impairment loss has been recognized for land in Gotemba City, Shizuoka, because it was in idle condition, its future use was undetermined, and its recoverable value fell below its book value.

An impairment loss has been recognized for the asset group of Tokai Carbon Co., Ltd. in Ashikita-gun, Kumamoto, because

it was in idle condition, its future use was undetermined, and its recoverable value fell below its book value. An impairment loss has been recognized for the assets scheduled for retirement, because retirement was determined in connection with the newly constructed factory building and the recoverable value fell below the book value.

(3) Impairment loss amounts and breakdown by type

Buildings and structures	¥8 million	\$82	Land	¥14 million	\$134
Machinery, equipment, and vehicles	¥10 million	\$101	Other	¥0 million	\$2
Furnaces	¥52 million	\$498			

(4) Overview of and grouping method for asset groups with recognized impairment losses

- Asset group
 - Idle assets of Tokai Carbon Co., Ltd.
 - Assets scheduled for retirement of Tokai Carbon Co., Ltd.

- Grouping method
 - The management accounting classifications are used as the grouping units. However, for lease assets, idles assets and assets scheduled for retirement respectively, the grouping is by each individual property.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

(5) Method of calculation of recoverable amount

The recoverable amount of the idle assets in Gotemba City, Shizuoka, is estimated from the net sales value and assessed by using the value computed based on the assessed value of fixed assets.

While the recoverable amount of the idle assets in Ashikita-

gun, Kumamoto is calculated by using the value in use, the assessment is performed based on the memorandum value since no future cash flow can be expected.

The assets scheduled for retirement in Ashikita-gun, Kumamoto are assessed based on the memorandum value.

V. 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, impervious graphite, 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, 2013 (January 1, 2013 to December 31, 2013)

(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	¥44,910	¥42,024	¥4,213	¥ 91,147	¥ 9,788	¥100,935	—	¥100,935
Inter-segment sales / transfer	62	121	308	492	—	492	(492)	—
Total	44,972	42,146	4,521	91,640	9,788	101,428	(492)	100,935
Segment income	2,257	112	393	2,763	5	2,768	(1,113)	1,655
Segment assets	55,629	72,216	4,869	132,715	11,046	143,762	39,665	183,427
Other items								
Depreciation and amortization	3,533	3,794	196	7,524	780	8,305	351	8,656
Impairment loss	—	72	—	72	—	72	14	86
Investment in equity-method affiliates	—	3,606	93	3,699	—	3,699	—	3,699
Increase in tangible and intangible fixed assets	¥ 3,565	¥ 4,086	¥ 137	¥ 7,789	¥ 999	¥ 8,788	¥ 218	¥ 9,007

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 ¥(1,113) million, includes ¥(1,106) 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 ¥39,665 million, includes ¥40,215 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, ¥14 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 ¥218 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.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2013 and 2012

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

(thousands of U.S. dollars)

	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	\$426,133	\$398,750	\$39,979	\$864,862	\$92,874	\$957,736	—	\$957,736
Inter-segment sales / transfer	590	1,156	2,922	4,669	—	4,669	\$ (4,669)	—
Total	426,723	399,906	42,901	869,532	92,874	962,406	(4,669)	957,736
Segment income	21,425	1,064	3,735	26,225	47	26,273	(10,566)	15,707
Segment assets	527,842	685,231	46,202	1,259,277	104,819	1,364,096	376,371	1,740,468
Other items								
Depreciation and amortization	33,524	36,001	1,867	71,393	7,409	78,802	3,334	82,136
Impairment loss	—	684	—	684	—	684	134	819
Investment in equity-method affiliates	—	34,217	883	35,100	—	35,100	—	35,100
Increase in tangible and intangible fixed assets	\$ 33,827	\$ 38,778	\$ 1,305	\$ 73,911	\$ 9,480	\$ 83,392	\$ 2,071	\$ 85,464

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 \$(10,566,000), includes \$(10,502,000) 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 \$376,371,000, includes \$381,582,000 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, \$134,000, 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 \$2,071,000, 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.

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

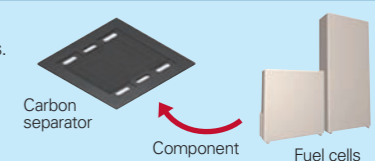
5. Disclose environmental data

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

Carbon is Used Here Too! Carbon is used in a wide range of environmental products.

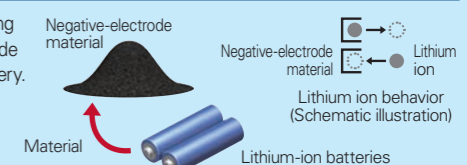
Fuel cells

Fuel cells generate electricity from the chemical reaction of hydrogen (H) and oxygen (O) combining to form water (H₂O). They are a clean energy generating device with a high generating efficiency and low CO₂ emissions. A carbon separator is used to conduct the electricity generated by the reaction inside the cell. Graphite is used for this purpose due to its characteristics of being highly chemically stable and a good electrical conductor.



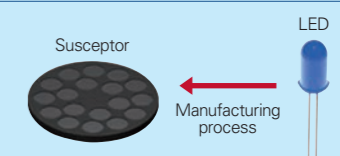
Rechargeable lithium-ion batteries

Lithium-ion batteries can be recharged and used over and over again, which means they are useful in reducing the consumption of resources. The batteries make use of the behavior of lithium ions. Negative-electrode carbon materials can draw in and discharge the lithium ions repeatedly to charge and discharge the battery. The structure and chemical stability of carbon are key attributes that are utilized during this process.



LED (light-emitting diodes)

LEDs contribute to energy conservation as a lighting system that lasts longer than incandescent bulbs and uses less power. LED light can be red, green, blue, or white. When adding this light emitting function, (by converting into semiconductors), various materials are adhered to a substrate (wafer) using the power of heat. This operation is carried out on a base plate comprising a carbon susceptor. Graphite is used for this application because of its thermal and corrosion resistance.



Board of Directors, Executive Officers and Audit & Supervisory Board Members (as of March 28, 2014)

Board of Directors

President and CEO	Yoshinari Kudo
Executive Vice President	Hajime Nagasaka
Senior Managing Executive Officer	Nobuyuki Murofushi
Executive Officers	Masanao Hosoya Toshiaki Fukuda Kanji Sugihara Ryoichi Hayashi
External Director	Masahiro Watanabe

Executive Officers

	Yuji Serizawa Kazuhide Kikuchi Yuji Yamake
Senior fellow	Toru Kida

Audit & Supervisory Board Members

	Seiichiro Sasao* Kiyonari Nakai Tsunehisa Samukawa Ryuichi Sato*
	*External Member

Corporate Data (as of December 31, 2013)

Company Name	TOKAI CARBON CO., LTD.
Established	April 8, 1918
Paid-in Capital	¥20,436 million (\$193,909,000)
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	1,916 (as a consolidated basis)
Branch Offices	Osaka Branch (Osaka) Nagoya Branch (Aichi) Fukuoka Branch (Fukuoka)

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

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 (Dalian) Co., Ltd.
● Shanghai Tokai Konetsu Co., Ltd.
● Tokai Carbon (Suzhou) Co., Ltd.
● Tokai Konetsu (Suzhou) Co., Ltd.

Affiliates Accounted for by Equity Method

● SGL Tokai Carbon Ltd.Shanghai

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, 2013)

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	19,246
Major shareholders	

Shareholders	Number of shares held	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,022,000	8.01
Japan Trustee Services Bank, Ltd. (Trust Account)	13,991,000	6.22
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
The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900,000	2.62
Deutsche Bank AG Frankfurt	4,504,000	2.00
The Nomura Trust and Banking Co., Ltd. (Trust Account)	4,452,000	1.98
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	4,044,000	1.80
BNP Paribas Securities (Japan) Limited	3,474,000	1.54

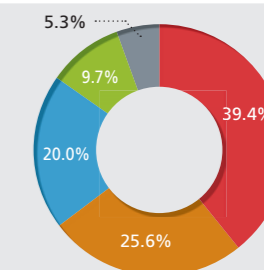
In addition to the above, Tokai Carbon Co., Ltd. holds treasury stock of 11,432,000 shares (5.08%).

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	88,500,000
● Japanese Individuals and Others	57,592,000
● Foreign Investors	45,056,000
● Other Japanese companies	21,846,000
● Japanese Securities Companies	11,949,000
Total	224,943,000

Notes: "Japanese Individuals and Others" contains 11,432,000 treasury stocks.





Leading the Way into the Future >>

TOKAI CARBON CO., LTD.

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