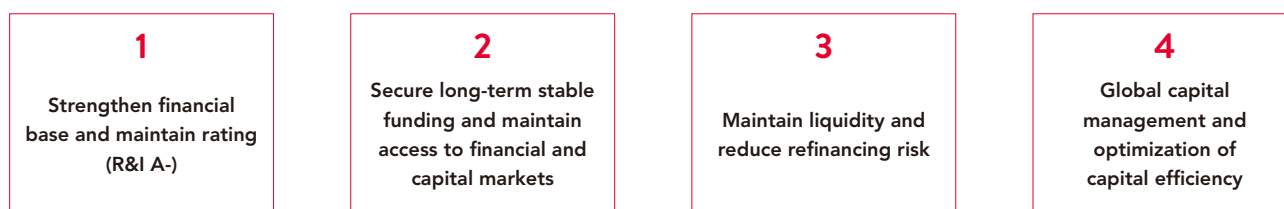


Financial Strategy

► Basic Financial Strategy

Our basic financial strategy is to secure liquidity to support our diverse business portfolio and its growth strategy, and to maintain a sound financial base. In addition, we will take a steady and flexible approach to financing, using cash on hand and operating cash flow to fund investment in growth as a principle, and for funding needs that exceed this, we will procure stable medium- to long-term funding from the financial and capital markets to avoid concentration of maturity dates and ensure that we are able to take advantage of growth opportunities. Furthermore, as part of our liquidity management efforts, we plan to maintain enough liquidity to cover unforeseen events, such as financial crises and major natural disasters, with respect to debt maturing within one year.

Policy for Maintaining Financial Soundness



Expanding on-hand liquidity

To improve our resilience to uncertainties stemming from the COVID-19 pandemic, we keep a close eye on our cash position and the financial market environment, and ensure sufficient liquidity by maintaining a high cash position. As we await greater clarity in the market environment, we have been expanding our on-hand liquidity (cash and deposits + short-term liquidity), which has tripled in the last three years. In addition, we have introduced the Global Cash Management System (GCMS), our in-house banking function, to manage the cash position of the entire Group, thereby optimizing cash efficiency and reducing financial costs.

	(billions of yen)			
	2017/12	2018/12	2019/12	2020/12
Short-term liquidity (unused)	24.0	34.0	42.0	78.0
Cash and deposits	22.2	46.8	52.7	67.2
On-hand liquidity ratio (times)	2.5	2.4	2.4	4.0

* On-hand liquidity ratio: Liquidity on hand (cash + deposits) / monthly sales (net sales / duration of consolidated accounting period in months)

Maintaining financial discipline with hybrid financing

We carried out M&A deals of about ¥180 billion in total over the four-year period leading up to 2020. In particular, when acquiring shares in Tokai COBEX in 2019 and Tokai COBEX

Savoie in 2020, we proactively used hybrid financing, which carries both equity and debt characteristics, and secured financial soundness and boosted our creditworthiness by obtaining an equity classification from Rating and Investment Information, Inc.

Aiming for a net debt-to-equity ratio of 0.0x

Under our medium-term management plan, T-2023, we aim to generate a total of ¥150 billion in operating cash flow over three years and improve capital efficiency through sustained profit growth. At the same time, we will increase our investment capacity for the future while securing liquidity on hand and reducing debt to achieve a net cash position. In addition, we will work to generate more cash by strengthening the profitability of our core businesses and focusing on prudent cash management. As a result of these efforts, we expect to lower our net debt-to-equity ratio from 0.2x to 0.0x.

	(billions of yen)			
	2017/12	2018/12	2019/12	2020/12
Adjusted net interest-bearing debt	(6.0)	2.9	70.3	56.5
Adjusted shareholders' equity	126.4	187.1	236.8	236.3
Adjusted net debt-to-equity (times)	(0.047)	0.016	0.297	0.239

* Adjusted net debt-to-equity: Net debt-to-equity that takes into account the equity classification of hybrid financing obtained from rating agencies.

Capital investment plan

Under T-2023, we plan to invest a three-year total of ¥66 billion (¥65 billion for the three-year period through 2020), mainly for facility upgrades, environmental equipment, and investment in growth. The breakdown is as follows.

Major capital investment plans

	Estimated investment (3-year total)	Business	Estimated amount (billions of yen)	2021	2022	2023
Equipment renewal and maintenance	¥29.0 billion	Graphite Electrodes	8.0	Renewal investment (productivity improvements)		
		Carbon Black	7.0	Renewal investment (productivity improvements)		
		Fine Carbon	9.0	Major repairs		
		Smelting and Lining	5.0	Productivity improvements		
Overall optimization	¥10.0 billion	Graphite Electrodes	7.0	Establish optimal production system for the Group		
		Smelting and Lining	3.0	Eliminating bottlenecks		
Facility expansion	¥6.0 billion	Fine Carbon	5.0	Expansion of materials, CVD-SiC furnaces, and high purification furnaces		
		Industrial Furnaces, etc.	1.0	Facility enhancements		
Environmental investment	¥16.0 billion	Graphite Electrodes	2.0	Continuous investment to reduce environmental impact		
		Carbon Black	10.0	North America and EPA compliance		
		Fine Carbon	2.0	South Korea, etc.		
		Smelting and Lining	2.0	Installation of exhaust gas facilities, etc.		
Other	¥5.0 billion	—	5.0	Development, software, etc.		
Total	¥66.0 billion			¥25.0 billion	¥24.0 billion	¥17.0 billion

Note: This investment plan does not include the capital investment plan associated with developing the Anode Materials business in Europe.

Stable and continuous shareholder returns

Our basic policy for shareholder returns is to pay stable and continuous dividends while targeting a payout ratio of 30%. Our forecast of annual dividend FY2021 is ¥30 per share, the same amount as FY2020. As we expect a full-fledged recovery in the global economy, along with an increase in net income per share, our consolidated dividend payout ratio, which is temporarily high today,

will be brought down to our target level of 30% from 2022 onward. In addition, we will flexibly carry out share repurchases as a part of our shareholder return policy, taking into account the management environment, financial environment, investment for growth, stock price, and other factors in a comprehensive manner.

Fiscal year	2015	2016	2017	2018	2019	2020	2021 (forecast)
Dividend per share (yen)	6	6	12	24	48	30	30
Dividend payout ratio	52%	—	21%	7%	32%	627%	71.2%

Long-Term Earnings Summary (2010–2020)

(Millions of yen)

Consolidated	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Statements of Income											
Net sales	107,679	104,924	98,704	100,935	114,576	104,864	88,580	106,252	231,302	262,028	201,542
Gross profit	24,348	23,958	18,560	15,267	18,651	19,960	16,529	27,451	99,378	92,840	49,555
Selling, general and administrative expenses	13,773	13,491	12,859	13,611	14,947	15,871	15,398	16,358	26,312	38,495	41,696
Operating income	10,575	10,467	5,700	1,655	3,703	4,088	1,131	11,093	73,065	54,344	7,858
Ordinary income	9,854	10,104	6,470	3,114	4,180	4,317	1,702	12,855	72,991	52,986	6,262
Net income before income taxes	9,211	9,336	3,992	2,926	4,345	6,726	(7,938)	15,533	95,811	51,226	6,116
Income taxes	3,232	2,937	2,142	1,802	1,749	4,345	(67)	2,740	21,543	17,175	2,283
Net income	5,630	6,119	1,993	1,213	2,562	2,484	(7,929)	12,603	74,268	34,050	3,833
EBITDA	19,357	18,923	16,084	12,470	13,845	14,581	10,616	17,740	85,130	77,053	35,262
Sales ratio (%)											
Gross profit	22.6	22.8	18.8	15.1	16.3	19.0	18.7	25.8	43.0	35.4	24.6
Selling, general and administrative expenses	12.8	12.9	13.0	13.5	13.0	15.1	17.4	15.4	11.4	14.7	20.7
Operating income - ROS	9.8	10.0	5.8	1.6	3.2	3.9	1.3	10.4	31.6	20.7	3.9
Ordinary income	9.2	9.6	6.6	3.1	3.6	4.1	1.9	12.1	31.6	20.2	3.1
Net Income before income taxes	8.6	8.9	4.0	2.9	3.8	6.4	(9.0)	14.6	41.4	19.5	3.0
Net income	5.2	5.8	2.0	1.2	2.2	2.4	(9.0)	11.6	32.1	13.0	1.9
EBITDA	18.0	18.0	16.3	12.4	12.1	13.9	12.0	16.7	36.8	29.4	14.3
Investment-related											
Capital expenditure	6,710	13,975	12,287	9,007	6,830	5,301	6,013	4,282	11,794	24,341	28,873
Depreciation	8,853	8,286	8,712	8,656	8,629	9,242	8,124	6,647	10,390	18,503	20,890
R&D expenses	2,012	1,956	1,961	1,800	1,882	1,822	2,249	1,482	1,883	2,460	2,682
Cash flow											
Cash flow from operating activities	18,586	12,771	8,828	11,606	11,983	20,613	17,505	10,543	44,109	41,664	55,022
Cash flow investment activities	(6,088)	(10,666)	(12,770)	(10,791)	(24,027)	3,189	(3,622)	(14,039)	(53,849)	(99,159)	(44,301)
Free cash flows	12,498	2,105	(3,941)	815	(12,043)	23,802	13,883	(3,496)	(9,740)	(57,495)	10,721
Cash flow from financing activities	(6,795)	2,629	(3,611)	1,441	9,728	(14,926)	(7,613)	(4,534)	29,677	64,568	927
Increase (decrease) in cash and cash equivalents	5,027	4,560	(6,674)	4,155	(1,307)	8,180	5,602	(6,376)	18,979	5,318	11,284
Exchange rate (USD/JPY)	87.81	79.84	79.82	97.65	105.85	121.05	108.85	112.19	110.43	109.05	106.82

*Corporate exchange rate

*Figures have been revised retrospectively.

(Millions of yen)

Consolidated	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Balance Sheet											
Total current assets	81,684	88,421	86,879	90,984	94,685	87,968	77,645	85,444	164,220	196,446	177,678
On-hand liquidity	12,076	16,572	11,891	16,048	14,862	23,045	28,528	22,152	46,797	52,695	67,174
Accounts receivables	31,494	28,543	28,259	30,075	33,972	26,897	24,220	30,265	55,137	50,648	41,438
Inventory	33,868	37,979	42,993	41,507	41,299	34,253	20,734	27,564	58,789	86,380	63,797
Other current assets	4,245	5,325	3,734	3,352	4,551	3,771	4,162	5,463	3,945	6,722	5,266
Total fixed assets	73,619	73,142	79,788	92,443	115,753	96,106	81,178	99,286	165,648	266,425	282,031
Tangible fixed assets	50,916	55,166	58,169	61,985	67,581	56,629	43,122	51,405	80,312	101,343	125,007
Intangible fixed assets	490	382	438	464	14,103	11,324	10,534	16,343	61,805	141,966	133,349
Investment and other assets	22,212	17,593	21,179	29,994	34,069	28,153	27,521	31,537	23,529	23,115	23,674
Total assets	155,304	161,563	166,668	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709
Total current liabilities	28,625	45,439	38,050	42,385	44,897	31,126	29,028	36,870	91,654	117,541	92,656
Short-term interest-bearing liabilities	6,272	19,471	14,636	20,718	21,576	9,537	12,910	14,074	41,709	68,363	51,878
Accounts payables	15,051	16,059	16,145	14,179	16,051	11,397	9,591	14,522	26,001	28,936	18,647
Other current liabilities	7,301	9,907	7,268	7,488	7,269	10,191	6,525	8,274	23,944	20,241	22,129
Total long-term liabilities	21,072	8,901	15,351	17,809	33,198	27,976	16,806	20,728	30,381	112,355	142,237
Long-term interest-bearing liabilities	12,162	1,747	6,191	5,044	16,713	14,398	4,137	2,068	8,000	79,666	106,764
Other long-term liabilities	8,910	7,154	9,160	12,765	16,484	13,577	12,669	18,660	22,381	32,689	35,473
Total liabilities	49,698	54,340	53,401	60,195	78,096	59,103	45,834	57,599	122,035	229,896	234,894
Total net assets	105,605	107,223	113,266	123,232	132,343	124,971	112,989	127,130	207,833	232,975	224,815
Shareholder's capital	102,200	106,606	106,887	106,807	108,006	108,910	99,693	110,089	179,500	203,819	196,543
Total liabilities and net assets	155,304	161,563	166,668	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709
Ratio analysis (%)											
ROA	6.4	6.4	3.9	1.8	2.1	2.2	1.0	7.5	30.0	13.4	1.4
ROE	5.4	5.9	1.9	1.0	2.0	2.0	(6.8)	10.4	46.8	16.0	0.5
Capital-to-asset ratio	66.6	64.5	66.1	66.0	61.8	66.8	69.9	68.4	56.7	45.8	43.8
Indicator per share											
EPS (JPY)	26	29	9	6	12	12	(37)	58	344	150	45
BPS (JPY)	485	488	516	567	610	577	521	593	878	994	999
Dividend (JPY)	8	8	7	6	6	6	6	12	24	48	30
Dividend payout ratio (%)	31	28	75	106	50	52	—	21	7	32	627

Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY2019	FY2020
Assets		
Current assets		
Cash and cash equivalents	52,695	67,174
Notes and accounts receivable	*4 50,648	*4 41,438
Merchandise and finished goods	20,227	14,890
Work in progress	35,116	30,638
Raw materials and supplies	31,036	18,269
Other	6,971	5,490
Allowance for doubtful accounts	(248)	(224)
Total current assets	196,446	177,678
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	23,092	25,150
Machinery, equipment, and vehicles, net	42,139	51,515
Furnaces, net	4,700	8,354
Land	7,315	7,604
Construction in progress	17,792	24,672
Other, net	6,302	7,709
Total tangible fixed assets	*1 101,343	*1 125,007
Intangible fixed assets		
Software	1,728	2,015
Goodwill	64,543	60,316
Customer-related assets	67,494	62,438
Other	8,200	8,579
Total intangible fixed assets	141,966	133,349
Investments and other assets		
Investment securities	*2 18,842	*2 17,492
Net defined benefit asset	2,633	2,729
Deferred tax assets	997	2,611
Other	693	890
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	23,115	23,674
Total fixed assets	266,425	282,031
Total assets	462,872	459,709

*1 The cumulative amount of depreciation of tangible fixed assets is as follows.

	FY2019	FY2020
	¥ 253,854 million	¥ 276,430 million

*2 Items associated with affiliates are as follows.

	FY2019	FY2020
Investment securities (Shares)	¥ 791 million	¥ 835 million

(Millions of yen)

	FY2019	FY2020
Liabilities		
Current liabilities		
Notes and accounts payable	*4 24,857	*4 15,500
Electronically recorded obligations	*4 4,078	*4 3,147
Short-term borrowings	*3 37,530	*3 3,065
Commercial paper	30,000	40,000
Current portion of long-term debt	833	8,813
Income taxes payable	3,658	3,094
Consumption taxes payable	359	289
Accrued expenses	2,813	2,880
Reserve for bonuses	1,550	1,754
Other	*4 11,859	*4 14,108
Total current liabilities	117,541	92,656
Fixed liabilities		
Corporate bonds	35,000	55,000
Long-term debt	44,666	51,764
Deferred tax liabilities	21,431	21,409
Net defined benefit liability	6,246	7,544
Reserve for directors' retirement benefits	86	82
Reserve for executive officers' retirement benefits	66	73
Provision for environment and safety measures	296	431
Other	4,561	5,932
Total fixed liabilities	112,355	142,237
Total liabilities	229,896	234,894
Net assets		
Shareholders' capital		
Common stock	20,436	20,436
Additional paid-in capital	17,333	17,338
Retained earnings	173,310	166,017
Treasury stock	(7,260)	(7,248)
Total shareholders' capital	203,819	196,543
Other accumulated comprehensive income		
Net unrealized gains/losses on other securities	8,415	7,436
Deferred gains or losses on hedges	34	(70)
Foreign currency translation adjustments	(1,671)	(3,529)
Cumulative remeasurements of defined benefit plans	1,239	887
Total other accumulated comprehensive income	8,019	4,723
Non-controlling interests	21,137	23,548
Total net assets	232,975	224,815
Total liabilities and net assets	462,872	459,709

*3 Overdraft facility agreements and commitment line agreements

The Company has overdraft facility agreements and loan commitment contracts with nine financial institutions to facilitate the efficient procurement of working capital. At the end of the consolidated fiscal year, the balance of unexecuted loans under these agreements was as follows.

	FY2019	FY2020
Total value of overdraft limits and loan commitment contracts	¥ 40,000 million	¥ 62,000 million
Executed loans	16,000	2,000
Unused balance	24,000	60,000

*4 Notes and electronically recorded obligations maturing at end of fiscal year

Notes and electronically recorded obligations maturing at the end of the fiscal year are accounted for as if they had been settled on their maturity dates.

Financial Statements

Consolidated Statement of Operations

(Millions of yen)

	FY2019	FY2020
Net sales	262,028	201,542
Cost of sales	*1, *4 169,188	*1, *4 151,987
Gross profit	92,840	49,555
Selling, general and administrative expenses		
Selling expenses	*2 10,418	*2 9,852
General and administrative expenses	*3, *4 28,076	*3, *4 31,843
Total selling, general and administrative expenses	38,495	41,696
Operating income	54,344	7,858
Non-operating income		
Interest income	289	214
Dividend income	558	514
Equity in income of non-consolidated subsidiaries and affiliates	123	124
Other	770	782
Total non-operating income	1,741	1,636
Non-operating expenses		
Interest expenses	536	952
Foreign exchange losses	344	282
Other	2,218	1,997
Total non-operating expenses	3,099	3,232
Ordinary income	52,986	6,262
Extraordinary income		
Insurance claim income	—	*5 1,067
Gain on sales of fixed assets	*6 56	*6 769
Gain on termination of retirement benefit program	53	—
Gain on liquidation of subsidiaries and affiliates	23	—
Total extraordinary income	133	1,836
Extraordinary losses		
Loss on disaster	—	*5 1,337
Impairment loss	*7 1,314	*7 643
Loss on sales of fixed assets	*8 3	*8 1
Loss on disposal of fixed assets	576	—
Total extraordinary losses	1,894	1,983
Net income before income taxes	51,226	6,116
Income taxes, inhabitants tax, and enterprise taxes	20,456	6,136
Income tax adjustments	(3,280)	(3,852)
Total Income taxes	17,175	2,283
Net income	34,050	3,833
Net income attributable to non-controlling interests	2,056	2,813
Net income attributable to owners of the parent	31,994	1,019

*1 Inventories at the end of the fiscal year are shown after reductions in book values to reflect declines in profitability, and the following inventory valuation losses are included in the cost of sales.

	FY2019	FY2020
	¥ 1,980 million	¥ 3,162 million

*2 Major items included in selling expenses and their amounts are as follows.

	FY2019	FY2020
Warehousing and shipping expenses	¥ 7,955 million	¥ 8,428 million
Selling expenses	2,155	1,421

*3 Major items included in general and administrative expenses and their amounts are as follows.

	FY2019	FY2020
Salaries and allowances	¥ 6,718 million	¥ 7,463 million
Additions to reserve for bonuses	375	209
Retirement benefit expenses	200	158
Additions to reserve for directors' retirement benefits	14	12
Additions to reserve for executive officers' retirement benefits	14	10
Depreciation and amortization	4,440	7,204
Research and development expenses	2,425	2,660
Amortization of goodwill	4,205	6,512
Rent expenses	794	754

*4 Total amount of research and development expenses included in general and administrative expenses and production costs

	FY2019	FY2020
	¥ 2,460 million	¥ 2,682 million

*5 Insurance claim income and loss on disaster

Previous fiscal year (January 1, 2019 to December 31, 2019)

Not applicable.

Current fiscal year (January 1, 2020 to December 31, 2020)

Expenses required for the dismantling, removal and restoration of production facilities at the Tanoura Plant, which was damaged by the heavy rain disaster that occurred in July 2020, and losses due to damage to inventories, etc. are recorded in "Loss on disaster." Moreover, casualty insurance money received is recorded in "Insurance claim income."

*6 Gains (losses) on sales of fixed assets were as follows.

	FY2019	FY2020
Buildings	¥ 5 million	¥ 1 million
Transport equipment	10	15
Land	35	751
Other	4	2
Total	56	769

*7 Impairment loss

The Group recorded impairment losses with respect to the asset groups below. For more details, please refer to pages 81-82 of the FY2020 Securities Report. <https://contents.xj-storage.jp/xcontents/AS04435/b217c537/6644/4912/bc02/e811f08ac71e/20210512103733748s.pdf>

Use	Type	Company name	Location	Impairment loss (Millions of yen)
Idle asset	Buildings and structures	Tokai Carbon Co., Ltd.	Ishinomaki-shi, Miyagi	129
	Land			
Idle asset	Buildings and structures	Tokai Carbon Co., Ltd.	Gotemba-shi, Shizuoka	387
	Land			
Idle asset	Buildings and structures	Tokai Carbon Co., Ltd.	Taketoyo-cho, Chita-gun, Aichi	9
	Land			
Idle asset	Buildings and structures	Tokai Carbon Co., Ltd.	Kitakyushu-shi, Fukuoka	117
	Land			

*8 Losses on sales of fixed assets were as follows.

	FY2019	FY2020
Machinery and equipment	¥ 0 million	¥ 1 million
Other	2	0
Total	3	1

Financial Statements

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019	FY2020
Cash flows from operating activities		
Net income before income taxes	51,226	6,116
Depreciation and amortization	18,503	20,890
Impairment loss	1,314	643
Loss (gain) on liquidation of subsidiaries and affiliates	(23)	—
Loss (gain) on sales of tangible fixed assets	522	(767)
Amortization of goodwill	4,205	6,512
Gain on termination of retirement benefit program	(53)	—
Increase (decrease) in allowance for doubtful accounts	(480)	(28)
Increase (decrease) in reserve for bonuses	0	270
Increase (decrease) in net defined benefit liability	2,514	168
Decrease (increase) in net defined benefit asset	(637)	(96)
Increase (decrease) in provision for environment and safety measures	(281)	(200)
Interest and dividend income	(847)	(728)
Interest expenses	536	952
Foreign exchange gain (losses)	108	36
Equity in losses (income) of non-consolidated subsidiaries and affiliates	(123)	(124)
Insurance claim income	—	(1,067)
Loss on disaster	—	1,337
Decrease (increase) in trade receivables	8,623	10,463
Decrease (increase) in inventories	(19,778)	26,145
Decrease (increase) in short-term guarantee deposits	—	3,084
Increase (decrease) in trade payables	730	(9,430)
Increase (decrease) in accrued expenses	(88)	(246)
Increase (decrease) in accounts payable-other	(61)	97
Decrease (increase) in advance payments	1,732	(9)
Increase (decrease) in accrued consumption taxes	(419)	(1,639)
Other	65	134
Subtotal	67,287	62,514
Interest and dividends received	891	798
Interest paid	(552)	(1,015)
Proceeds from insurance income	—	1,067
Payments associated with disaster loss	—	(244)
Income taxes paid	(25,961)	(8,098)
Net cash provided by (used in) operating activities	41,664	55,022

(Millions of yen)

	FY2019	FY2020
Cash flows from investing activities		
Payments into time deposits	(6,243)	(8,992)
Proceeds from withdrawal of time deposits	5,399	5,986
Purchase of tangible fixed assets	(23,984)	(26,839)
Proceeds from sales of tangible fixed assets	150	1,165
Purchase of intangible fixed assets	(649)	(391)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (73,643)	*2 (15,229)
Other	(187)	0
Net cash provided by (used in) investing activities	(99,159)	(44,301)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,975)	(33,167)
Net increase (decrease) in commercial paper	30,000	10,000
Proceeds from long-term debt	37,500	15,015
Repayment of long-term debt	(27,302)	(1,415)
Proceeds from issuance of bonds	35,000	20,000
Repayments of finance lease obligations	(371)	(600)
Dividends paid	(7,673)	(8,313)
Dividends paid to non-controlling interests	(666)	(608)
Other	57	17
Net cash provided by (used in) financing activities	64,568	927
Effect of exchange rate changes on cash and cash equivalents	(1,754)	(364)
Increase (decrease) in cash and cash equivalents	5,318	11,284
Cash and cash equivalents at beginning of period	41,124	46,443
Cash and cash equivalents at end of period	*1 46,443	*1 57,727

Financial Statements

*1 Reconciliation of balance of Cash and cash equivalents at the end of the period and those on consolidated balance sheet

	FY2019	FY2020
Cash and cash equivalents	¥ 52,695 million	¥ 67,174 million
Time deposits with original maturities of more than three months	(6,251)	(9,446)
Cash and cash equivalents	46,443	57,727

*2 Principal assets and liabilities of companies that became consolidated subsidiaries due to share acquisitions

Previous fiscal year (January 1, 2019 to December 31, 2019)

Principal assets and liabilities of Tokai COBEX HoldCo GmbH upon consolidation of the company along with its three group companies resulting from acquisition of its shares, as well as the relationship between the acquisition price of the shares of the company and expenditures (net) for its acquisition are as follows.

Current assets	¥ 22,281 million
Fixed assets	59,907
Goodwill	39,496
Current liabilities	(8,697)
Fixed liabilities	(37,356)
Foreign currency translation adjustments	165
Acquisition price for shares of Tokai COBEX HoldCo GmbH	75,797
Cash and cash equivalents of Tokai COBEX HoldCo GmbH	(2,153)
Net: Funds used for acquisition of shares of subsidiaries resulting in a change in the scope of consolidation	73,643

The above figures are amounts reflecting the significant revision of the initial allocation amount of acquisition costs due to finalization of provisional accounting treatments for the business combination.

Current fiscal year (January 1, 2020 to December 31, 2020)

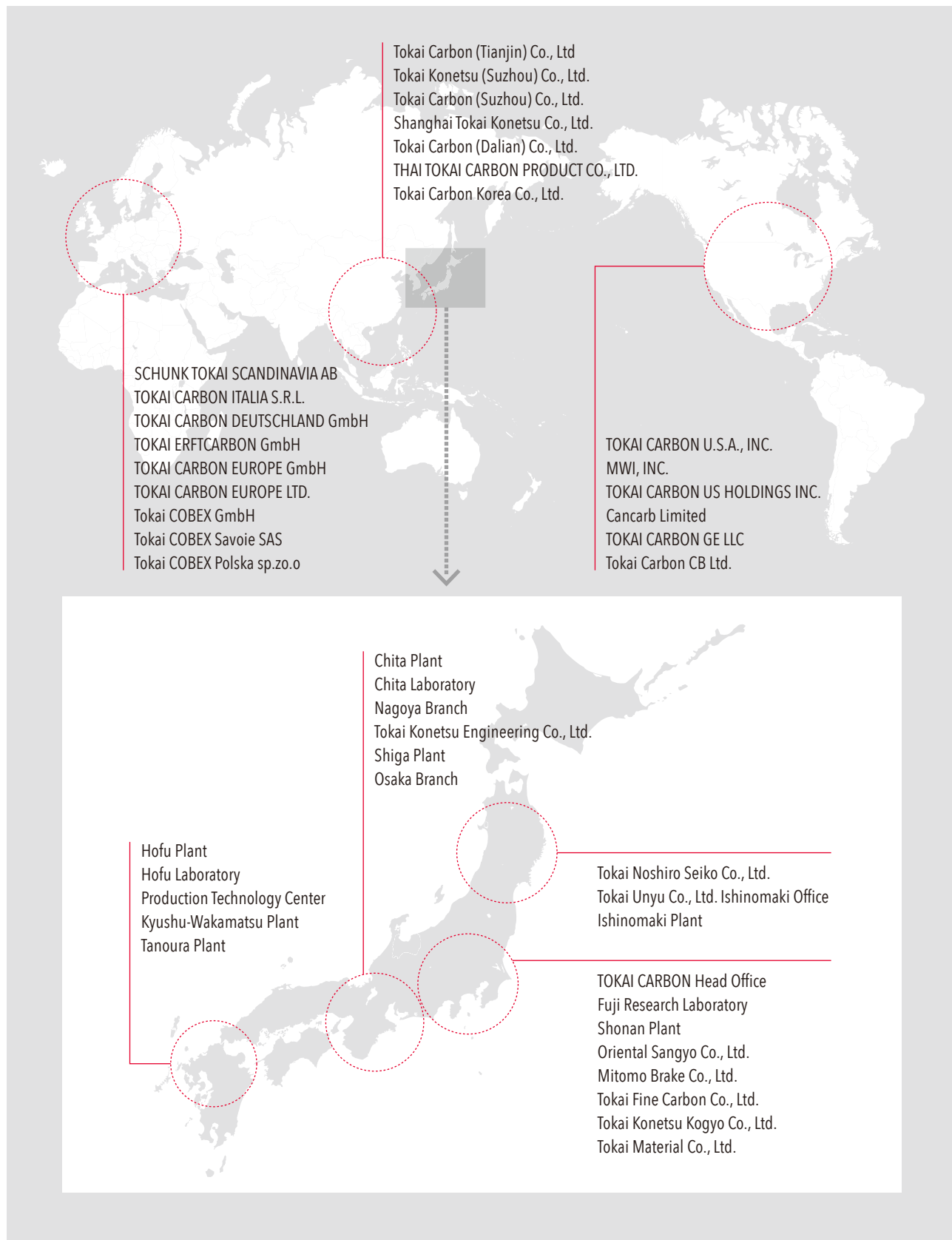
Principal assets and liabilities of Carbone Savoie International SAS upon consolidation of the company along with its one subsidiary resulting from acquisition of its shares, as well as the relationship between the acquisition price of the shares of the company and expenditures (net) for its acquisition are as follows.

Current assets	¥ 13,469 million
Fixed assets	11,706
Goodwill	1,429
Current liabilities	(3,243)
Fixed liabilities	(3,086)
Foreign currency translation adjustments	3
Acquisition price for shares of Carbone Savoie International SAS	20,278
Cash and cash equivalents of Carbone Savoie International SAS	5,049
Net: Funds used for acquisition of shares of subsidiaries resulting in a change in the scope of consolidation	15,228

Company Overview

Trade Name	TOKAI CARBON CO., LTD.
Head Office	Aoyama Building, 1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107- 8636, Japan Tel: +81-3-3746-5100 (Switchboard)
Established	1918
President & CEO	Hajime Nagasaka, President and CEO
Fiscal Year	Ending December 31
Capital Stock	20,436 million yen (as of December 2020)
Number of Employees	778 (4,178 consolidated) (as of December 2020)
Operations	Manufacture and sales of, Graphite Electrodes, Carbon Black, Fine Carbon, Smelting and Lining, Friction Materials, Anode Materials, Industrial Furnaces and Related Products
Offices	Head Office : Tokyo Research Laboratory : Fuji (Shizuoka), Chita, Hofu Sales Branch : Osaka, Nagoya Plant : Ishinomaki, Shonan, Chita, Shiga, Hofu, Production Technology Center, Kyushu-Wakamatsu, Tanoura
Main Banks	Bank of Tokyo-Mitsubishi UFJ

Group Companies



Head Office**TOKAI CARBON JAPAN**

Minato-ku, Tokyo

Laboratory**TOKAI CARBON Fuji Research Laboratory**

Sunto-gun, Shizuoka

TOKAI CARBON Chita Laboratory

Chita-gun, Aichi

TOKAI CARBON Hofu Laboratory

Hofu, Yamaguchi

Branch**TOKAI CARBON Osaka Branch**

Kita-ku, Osaka

TOKAI CARBON Nagoya Branch

Nagoya, Aichi

Graphite Electrodes Division**TOKAI CARBON Shiga Plant**

Oumihachiman, Shiga

TOKAI CARBON Hofu Plant

Hofu, Yamaguchi

TOKAI CARBON GE HOLDING LLC

Charlotte, U.S.A.

TOKAI CARBON GE LLC

Charlotte, U.S.A.

TOKAI CARBON GE FUND CORP.

Charlotte, U.S.A.

TOKAI ERFTCARBON GmbH

Grevenbroich, Germany

Carbon Black Division**TOKAI CARBON Ishinomaki Plant**

Ishinomaki, Miyagi

TOKAI CARBON Chita Plant

Chita-gun, Aichi

TOKAI CARBON Kyushu-Wakamatsu Plant

kita-Kyusyu, Fukuoka

Tokai Unyu Co., Ltd. Ishinomaki Office

Ishinomaki, Miyagi

Tokai Carbon CB Ltd.

Fort Worth, U.S.A.

TCCB US Ltd.

Fort Worth, U.S.A.

TCCB Genpar LLC

Fort Worth, U.S.A.

Cancarb Limited

Medicine Hat, Canada

THAI TOKAI CARBON PRODUCT CO., LTD.

Bangkok, Thailand

Tokai Carbon (Tianjin) Co., Ltd

Tianjin, China

Fine Carbon Division**TOKAI CARBON Tanoura Plant**

Ashikita-gun, Kumamoto

Tokai Fine Carbon Co., Ltd. Head Office

Chigasaki, Kanagawa

Oriental Sangyo Co., Ltd.

Kofu, Yamanashi

TOKAI CARBON U.S.A., INC.

Hillsboro, U.S.A.

MWI, INC.

Rochester, U.S.A.

TOKAI CARBON EUROPE GmbH

Grevenbroich, Germany

TOKAI CARBON EUROPE LTD.

West Midlands, U.K.

TOKAI CARBON ITALIA S.R.L.

Milano, Italy

TOKAI CARBON DEUTSCHLAND GmbH

Buchholz-Mendt, Germany

SCHUNK TOKAI SCANDINAVIA AB

Trollhättan, Sweden

Tokai Carbon (Dalian) Co., Ltd.

Dalian, China

Tokai Carbon Korea Co., Ltd.

Anseong-si, Korea

Industrial Furnaces and Related Products Division**Tokai Konetsu Kogyo Co., Ltd.****Head Office**

Minato-ku, Tokyo

Tokai Konetsu Engineering Co., Ltd.

Oumihachiman, Shiga

Shanghai Tokai Konetsu Co., Ltd.

Shanghai, China

Tokai Konetsu (Suzhou) Co., Ltd.

Suzhou, China

Smelting and Lining Division**Tokai COBEX HoldCo GmbH**

Wiesbaden, Germany

Tokai COBEX GmbH

Wiesbaden, Germany

Tokai COBEX Polska sp.zo.o

Raciborz, Poland

Tokai COBEX (shanghai) Ltd.

Beijing, China

Tokai COBEX Savoie SAS

Notre-Dame de Briançon, France

Other Divisions**TOKAI CARBON Shonan Plant**

[Friction Materials Division]

Chigasaki, Kanagawa

TOKAI CARBON Production Technology Center

[Anode Materials Division]

Hofu, Yamaguchi

Tokai Material Co., Ltd. Head Office/Plant

[Friction Materials Division]

Yachiyo, Chiba

Mitomo Brake Co., Ltd.

[Friction Materials Division]

Hiki-gun, Saitama

Tokai Noshiro Seiko Co., Ltd.

[Friction Materials Division]

Noshiro, Akita

Tokai Carbon (Suzhou) Co., Ltd.

[Friction Materials Division]

Suzhou, China

Other**TOKAI CARBON US HOLDINGS INC.**

Charlotte, U.S.A.

Stock Information

Stock Summary

Securities code	5301
Stock Exchange Listing	First Section of Tokyo Stock Exchange, Inc.
Fiscal Year	from January 1 to December 31
General Meeting of Shareholders	March
Shareholder Record Date	General Meeting of Shareholders : December 31 Year-End Dividend of Surplus : December 31 Interim Dividend : June 30 (when applicable)
Share Unit	100 shares
Shareholder Registry Administrator	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Method of Public Notice	Electronic notice (If unavoidable circumstances prevent notice from being given electronically, notice shall be posted in the Nikkei.)

Stock Figures

(as of December 31, 2020)

Total number of shares issued by the company	598,764,000
Total number of outstanding shares	224,943,104
Total number of shareholders	78,224

Major Shareholders

(as of December 31, 2020)

Name	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,726	12.07
Japan Custody Bank, Ltd. (Trust Account)	15,006	7.04
MUFG Bank, Ltd.	7,958	3.73
SMBC Nikko Securities Inc.	7,686	3.61
Mitsubishi Corporation	6,748	3.17
Mitsubishi UFJ Trust and Banking Corporation	6,290	2.95
The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900	2.77
Japan Custody Bank, Ltd. (Trust Account 9)	3,149	1.47
Japan Custody Bank, Ltd. (Trust Account 5)	3,102	1.46
Japan Custody Bank, Ltd. (Trust Account 6)	2,801	1.31

Notes 1. Tokai Carbon holds 11,771,000 shares of treasury stock but has not been listed among the major shareholders above.

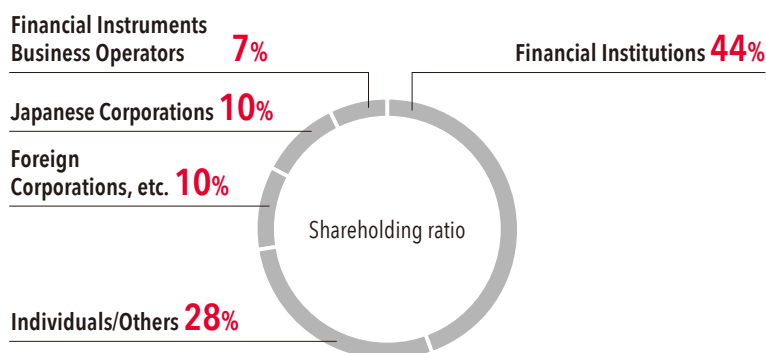
2. The shareholding ratio was calculated excluding treasury stock.

Share Owner Information

(as of December 31, 2020)

Shareholder	Number of shares held (1,000 shares)	
Financial Institutions	93,753	(44%)
Individuals/Others	59,878	(28%)
Foreign Corporations, etc.	22,218	(10%)
Japanese Corporations	21,528	(10%)
Financial Instruments Business Operators	15,792	(7%)
Total	213,171	(100%)

Note The shareholding ratio was calculated excluding treasury stock.



Dividend Policy

- The Company regards returning profits to shareholders to be one of its important management priorities in its efforts to increase corporate value over the medium and long term. Accordingly, the Company maintains its basic policy to pay dividends stably and continuously with a consolidated payout ratio of 30% as a target, while giving consideration to its operating results and forecasts, investment plans, and status of cash flows, etc. in each period.
- The Company's basic policy is to distribute dividends of surplus twice a year: an interim dividend and a year-end dividend. The decision-making body for such dividends of surplus is the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.
- Based on the policy outlined above, the Company decided to pay an annual dividend of ¥30 per share (including an interim dividend of ¥15 per share) for the fiscal year under review.
- The Company plans to allocate retained earnings to investments in areas that could become sources of future value, such as facility upgrades, environmental investments, growth-oriented investments, and strategic investments.
- The Company's articles of incorporation stipulate that "An interim dividend may be distributed with a record date of June 30 every year by the resolution of the Board of Directors."

Dividends per share and dividend payout ratio (consolidated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Dividends per share (yen)	8	8	7	6	6	6	6	12	24	48	30	30
Dividend payout ratio (%)	30.7	27.9	74.9	105.6	50.0	51.5	—	20.7	7.0	32.0	627.0	71.2

* 2021 = Forecast as of February 2021