



Integrated Report 2021

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Building a Future of Technology and Trust

Tokai Carbon Group will contribute to a sustainable society by broadening the circles of value creation with advanced materials and solutions, that help to protect the environment and provides the answer to the customers' needs.



In Society



Aviation engine parts [Fine Carbon]

Graphite is used in the manufacturing process.

Steel frames of buildings and bridges [Graphite Electrodes]

Most steel frames are from the recycle process of electric arc furnaces using graphite electrodes.

Vehicles and wheels [Smelting and Lining]

Our cathodes are to support the growing demand of aluminum for lighter weight products.

Building glass [Industrial Furnaces and Related Products]

The surface is processed in industrial furnaces using EREMA heating elements.

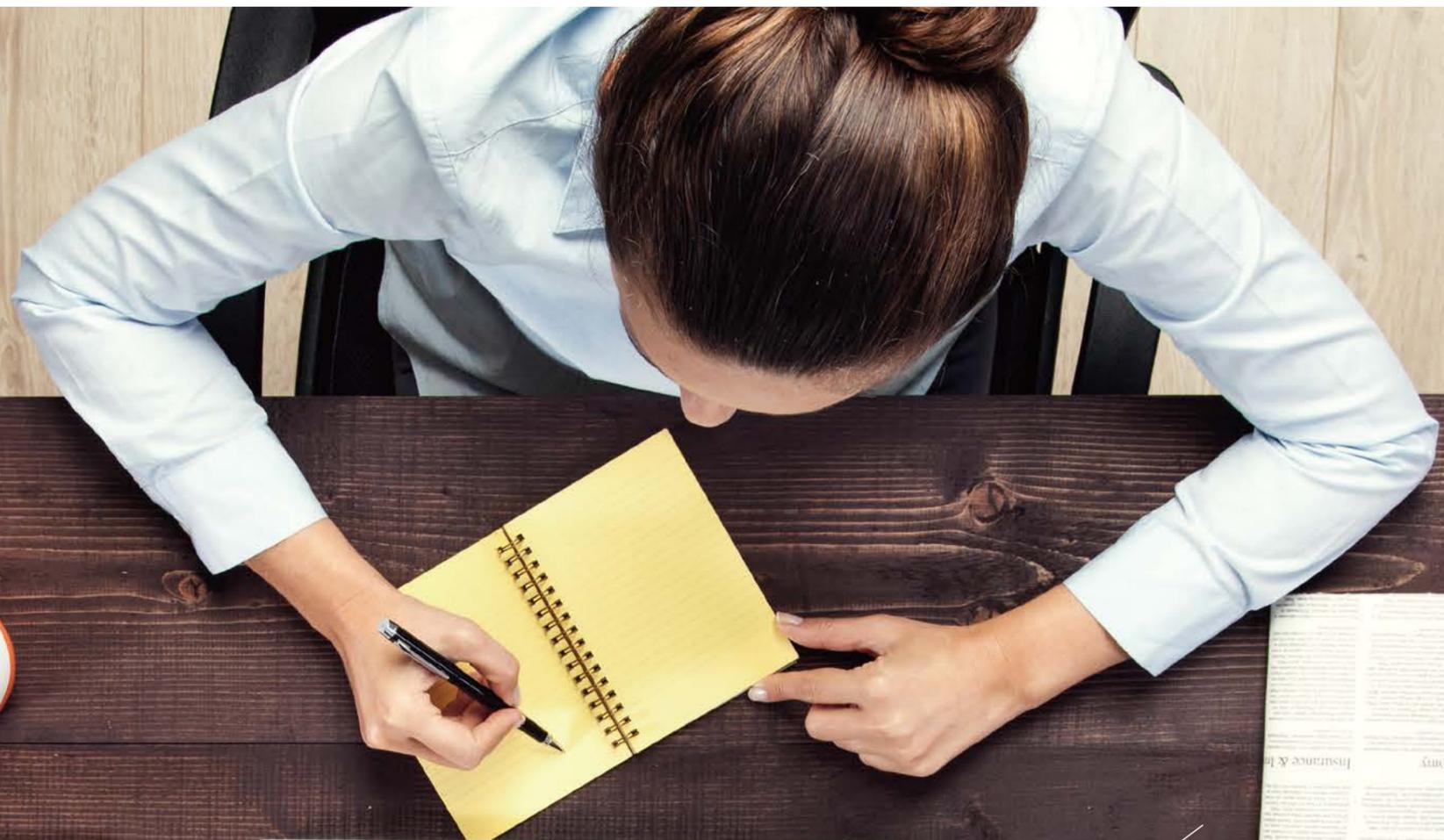
Automobile tires [Carbon Black]

Indispensable to make stronger and durable tires.

Electric vehicle batteries [Anode Materials]

Bringing better performance to the lithium-ion batteries that support the spread of electric vehicles.

In Life



Stainless steel scissors [Graphite Electrodes]

Stainless steel is also produced through electric arc furnace using graphite electrodes.

Computer parts [Fine Carbon]

Fine carbon is used in semiconductor industries and as a material for producing metal molds essential for the mass production of products.

Black ink for newspapers and others [Carbon Black]

A pigment ink for the newspapers that are read every day and for color toning of plastics around you.

Solar panels [Fine Carbon]

Widely used as a material for panels.

2021 Review on Tokai Carbon Group

Performance Data

Consolidated Financial Indicators	2020	2021
Net Sales (Millions of yen)	201,542	258,874
Operating Income (Millions of yen)	7,858	24,647
EBITDA (Millions of yen)	35,262	54,518
Net Income Attributable to Owners of the Parent Company (Millions of yen)	1,019	16,105
ROIC (%)	1.6	4.8
EPS (JPY)	4.78	75.55
Total Assets (Millions of yen)	224,815	256,570
Capital Investment (Millions of yen)	28,873	30,347

* Tokai Carbon ROIC = Operating Income after Taxes / Working Capital (Trade Receivables + Inventories) + Fixed Assets

Non-financial Indicators	2020	2021
No. of Employees (Consolidated)	4,178	4,289
Percentage of Non-Japanese Employees (Consolidated)	69%	70%
Percentage of Career-track Female Employees (Non-consolidated)	10.32%	10.17%
No. of Patents including Applications (Non-consolidated)	88	81
R&D Expenditures (Non-consolidated)	¥2.7 billion	¥2.8 billion
CO ₂ Emissions (Consolidated)	2,232 thousand tCO ₂	2,409 thousand tCO₂
Occupational Accident Frequency Rate (Non-consolidated)	0.53	0.00

Business Segment Indicators

(Millions of yen)

Graphite Electrodes	2020	2021
Net Sales	37,879	40,619
Operating Income	▲5,766	▲400
EBITDA	▲2,274	4,162

Carbon Black

	2020	2021
Net Sales	70,754	99,491
Operating Income	3,192	8,783
EBITDA	10,171	14,868

Fine Carbon

	2020	2021
Net Sales	31,775	39,125
Operating Income	6,647	9,611
EBITDA	11,802	15,199

Smelting and Lining

	2020	2021
Net Sales	36,421	49,696
Operating Income	1,161	1,925
EBITDA	11,564	14,097

Industrial Furnaces and Related Products

	2020	2021
Net Sales	13,873	18,019
Operating Income	3,765	5,396
EBITDA	3,997	5,701

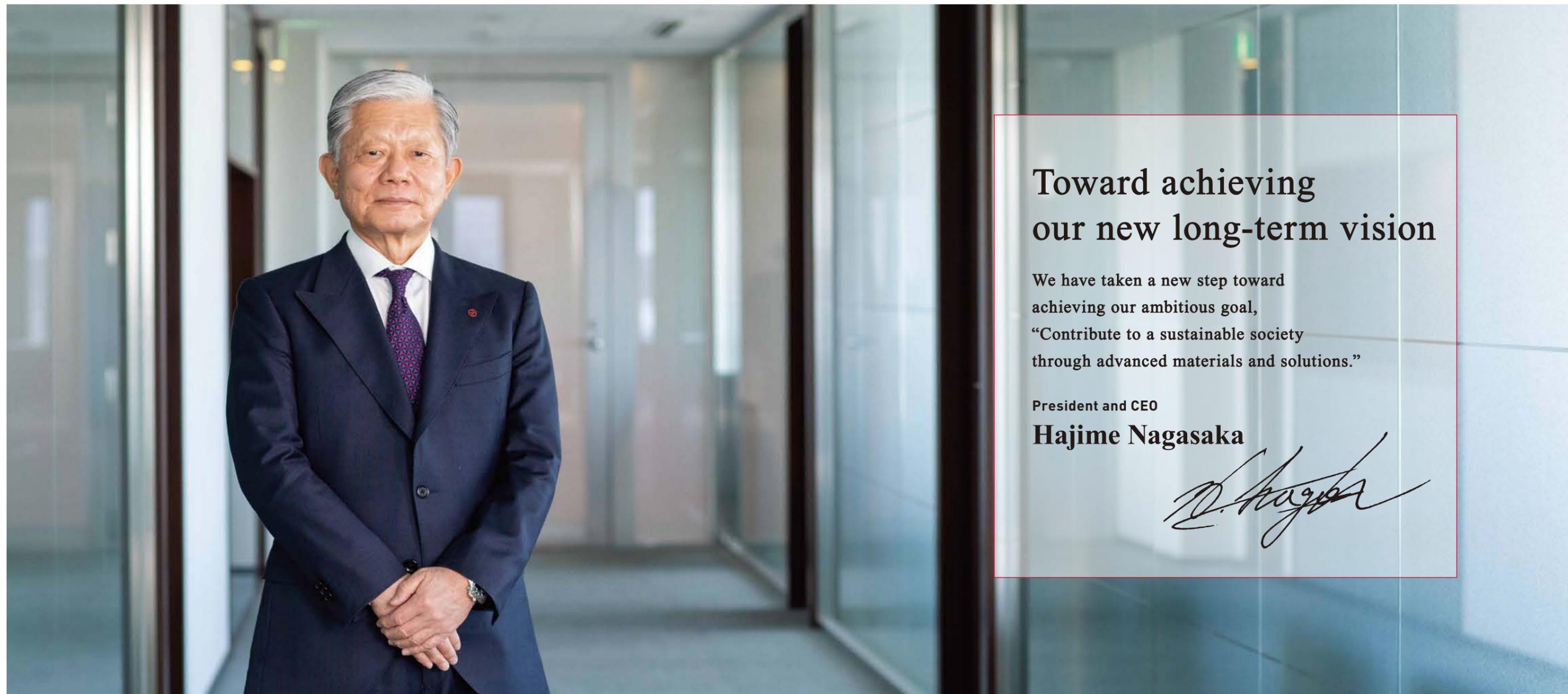
Other Businesses
(Friction Materials, Anode Materials)

	2020	2021
Net Sales	10,837	11,922
Operating Income	298	754
EBITDA	832	1,313

Contents

09	Top Message
15	Financial and Non-financial Highlights
17	To a Carbon-Neutral Society
19	Value Creation Story
23	Management Strategy
29	Business Strategy
35	Sustainability
53	Data
57	Independent Third-Party Assurance Report

Integrated Report 2021 Message from the President



Toward achieving our new long-term vision

We have taken a new step toward
achieving our ambitious goal,
“Contribute to a sustainable society
through advanced materials and solutions.”

President and CEO

Hajime Nagasaka

One step closer to a stable business portfolio

To look back and summarize 2021, it was a year when social and economic activity began to recover globally, albeit at a rather slow pace, from the effects of the COVID-19 pandemic, which is arguably one of the most unprecedented disasters in human history. As we operated amid social and economic uncertainties, such as the resurgence of COVID-19 due to the Omicron variant, supply chain disruptions and growing concern about inflation, we pursued the basic policies of our medium-term management plan T-2023, “returning core businesses to a path of growth,” “optimizing the business portfolio [selection and concentration]” and “strengthening the consolidated governance structure.”

While we posted a loss in the Graphite Electrodes business, one of our core businesses, for the second consecutive year as market conditions only recovered more slowly than we had expected, we recorded a significant increase in both sales and profit from the previous year in the Carbon Black business, backed by an early recovery in business conditions.

As part of our efforts to optimize our business portfolio [selection and concentration], we implemented a project to expand the lithium-ion battery anode materials business into Europe by working together with our European base. Meanwhile, we announced the divestiture of Tokai Carbon (Tianjin) Co., Ltd., a Carbon Black business subsidiary in China, in November 2021 and completed the sale in February 2022.

To strengthen our consolidated governance structure, we stepped up efforts to reinforce our internal control system. For

example, we advanced post-merger integration of the several overseas subsidiaries we have acquired over the past few years, despite travel restrictions due to the COVID-19 pandemic. In terms of governance in a broader sense, we took measures necessary in light of the principles set out in Japan’s revised Corporate Governance Code, such as enhancing diversity in the composition of the Board of Directors and the promotion of core human resources to managerial positions and disclosing climate change risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, as we confirmed that the Company satisfied the listing criteria for the Tokyo Stock Exchange’s Prime Market, one of the new segments established in the restructuring of the stock market, the Board of Directors resolved to select the Prime Market as the Company’s listing segment at its meeting held on

August 31, 2021. The segment transfer was completed in April 2022.

For our consolidated financial results for FY2021, we posted net sales of 258.8 billion yen, an increase of 28.4% from the previous year; operating income of 24.6 billion yen, an increase of 313.6% year on year; and net income attributable to owners of the parent company of 16.1 billion yen, an increase of 1,580.4% year on year, with return on sales (ROS), our key performance indicator, of 9.5%.

While we are still only halfway to putting our core businesses, the Graphite Electrodes and Carbon Black businesses, back on a growth path, we consider that we have come one step closer to building up a stable business portfolio that has a certain level of resilience to fluctuations in market conditions. This was a result of the overseas mergers and acquisitions we have implemented over the past few years.

Our determination and the reason for the existence of Tokai Carbon expressed in our new long-term vision

We have recently announced our new long-term vision, "Contribute to a sustainable society through advanced materials and solutions." This shows our determination to venture out of the business area of "carbon" and boldly take on the challenge of entering new areas as decarbonization gains momentum and calls for urgent action, while, at the same time, affirming that the reason for the existence of Tokai Carbon is "contributing to the realization of a sustainable society."

Obviously, carbon will likely remain the foundation of our core businesses even in the medium-term, including the Graphite Electrodes business with which the Company got its start. However, as the world pursues a sustainable society, a business portfolio that is dependent on fossil fuels poses substantial risks that can never be ignored. Accordingly, it is essential that we accelerate decarbonization efforts in our current businesses, while also adding new businesses that are free from fossil fuels to our portfolio.

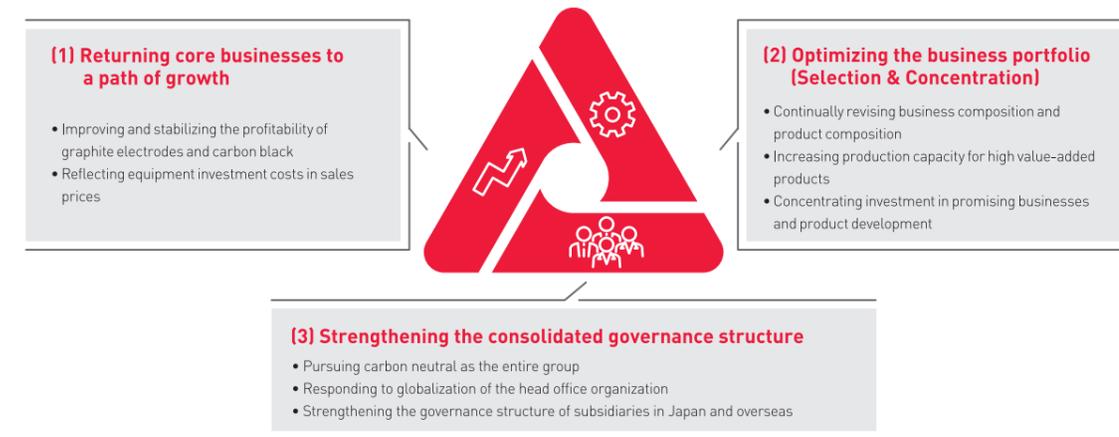
Increasing medium- to long-term competitiveness through sustainability efforts

We formulated our Sustainability Policy and announced it in November 2021 after a resolution by the Board of Directors and also established the Sustainability Committee as an advisory body to the Board of Directors in January 2022. Going forward, we will deeply explore how we should address and resolve sustainability issues as a company. Amid such discussions, we are expecting that the process will help us figure out new business areas we should venture into as we find ourselves in an unprecedented world living alongside COVID-19 and focused on decarbonization.

In May 2021, we launched the Carbon Neutral Project Team, of which I served as the head. In February 2022, we reorganized it into the Carbon Neutral Committee, a body to perform headquarters functions for the entire Tokai Carbon Group in terms of our efforts toward achieving carbon neutrality. Along with this, we established the Carbon Neutral Office to facilitate the committee. Although the recent Russian invasion of Ukraine, which is said to be the worst military crisis since World War II, has triggered supply chain disruptions and strains on the energy market, and some express concern about a possible adverse effect on the progress of decarbonization, we believe that the long-term momentum for decarbonization will not change despite these developments. We will address carbon neutrality not just as a risk but as a decisive issue that is highly likely to have a significant impact on our medium- to long-term competitiveness.

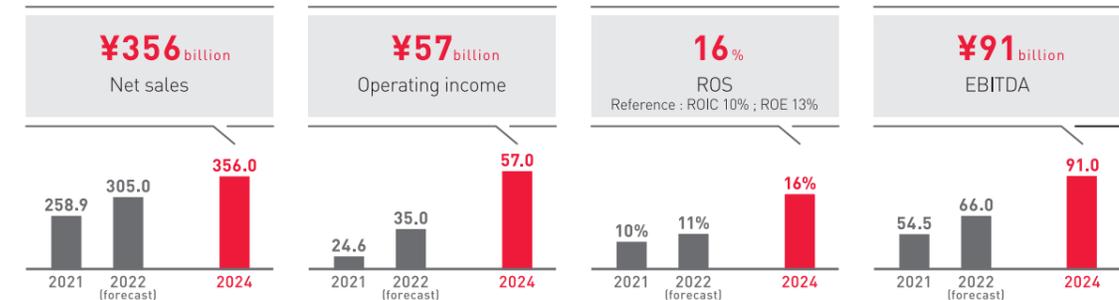
T-2024 Basic Policies

- 1) Return core businesses to a growth trajectory to stabilize the revenue base
- 2) Engage in a process of selection and concentration of businesses based on changes in the environment such as carbon neutrality and the pandemic
- 3) Strengthen the consolidated governance structure to respond to rapid progress in globalization



T-2024 Quantitative Targets

We aim to achieve targets by restoring profits from core businesses and continuing to invest in growth markets.



*ROS: Return on Sales = Operating income to net sales (operating income ÷ net sales)
 *Tokai Carbon ROIC = Operating Income after Taxes / Working Capital [(Trade Receivables + Inventories) + Fixed Assets]

Objectives of the medium-term management plan T-2024

We have recently announced our medium-term management plan "T-2024" for the period from 2022 to 2024 toward achieving our new long-term vision. Our end-user industries are expected to grow not only over the period of T-2024 but also in the medium- to long-term, including the electric arc furnace industry, which attracts attention for the low environmental impact of steel making process; the automotive industry and the tire industry, which anticipate a significant growth in demand for electric vehicles (EVs); and the

semiconductor industry, which witnesses advances in artificial intelligence (AI), the Internet of Things (IoT) and digitalization; as well as the aluminum industry, which addresses the need for reducing the weight of EVs and other vehicles. Taking full advantage of this management environment, under T-2024, we will aim to achieve the targets of net sales of 356 billion yen, operating income of 57 billion yen, ROS of 16% and EBITDA of 91 billion yen for FY2024, while continuing to pursue the basic policies of T-2023 announced in 2021: (1) returning core businesses to a path of growth, (2) optimizing the business portfolio (selection and concentration) and (3) strengthening the consolidated governance structure.

Returning core businesses to a path of growth

Further study is necessary to analyze the effects of the considerable uncertainty caused by the Russian invasion of Ukraine, a factor that was obviously beyond our projections at the time of the announcement of T-2024. But now, it is most important to effectively meet increasing demand from our end-user industries in both the Graphite Electrodes and Carbon Black businesses. In addition, it is also crucial to pass on the increasing raw material prices, as a result of the Ukraine crisis to selling prices to secure profitability. The two core businesses getting back on a growth path will raise the overall level of the company's performance.

Optimizing the business portfolio (selection and concentration)

In November 2021, the Board of Directors adopted a resolution on the Business Portfolio Management Policy and decided to deliberate on the direction of our business portfolio annually. All of the businesses will have targets for profitability and capital efficiency based on the Company's cost of capital. The portfolio will also examine the consistency with the long-term vision, medium- to long-term growth potential and other relevant viewpoints. The recent divestiture of the Carbon Black business subsidiary in China is part of our efforts to optimize our business portfolio. Going forward, we will continue to strive to build a business portfolio that enables continuous enhancement of our corporate value by advancing selection and concentration in terms of various aspects, such as business, product, product type and location, with the goal of increasing our return on invested capital (ROIC) from 4.8% for FY2021 to over 10% for FY2024.

Strengthening the consolidated governance structure

As a result of mergers and acquisitions, the number of overseas subsidiaries has increased in a short period of time. It remains imperative for us to strengthen the consolidated governance structure. We will work to carry out all possible measures, such as strengthening overseas subsidiaries' own governance structure, enhancing the cross-divisional functions of our head office organizations and increasing the number of employees dispatched overseas. Meanwhile, we expect that our efforts toward carbon neutrality, which also require Group-wide measures, could help make our consolidated governance structure stronger.

Tackling issues in each business by taking the management environment into consideration

In the Graphite Electrodes business, as business conditions are slow to recover, we will strive to secure reasonable profit through agile pricing in order to ensure that we can capture earnings opportunities which are significantly growing on the back of a global shift to electric arc furnaces driven by the momentum of decarbonization. Specifically, we will increase the proportion of supersized graphite electrodes, a segment in which we are in a strong position, to maintain our competitive advantage and meet customer demand.

In the Carbon Black business, we have withdrawn from the Chinese market and will focus our management resources on the U.S. and Asian markets, where steady growth is expected. As this

business is the largest CO₂ emitter in the Company, it will also be crucial to advance efforts toward carbon neutrality in collaboration with customers, such as through research and development for plant-derived raw materials and recycling of raw materials.

The Fine Carbon business is expected to remain strong, supported by 5G, IoT and the expansion of EVs. As our performance in this segment continues to be robust, led by Tokai Carbon Korea Co., Ltd., the production base for solid silicon carbide (Solid-SiC) focus rings, we will work to boost production and strive to grow faster than the market and increase our market share.

For the Smelting and Lining business, we estimate an operating income of zero for FY2022, taking into account of amortization of goodwill of approximately 10 billion yen per year while conservatively projecting increases in raw material and energy costs. We have some challenges to address, such as improvement of the profitability of our operations in France and the impact of the situation in Ukraine, including raw material procurement and the rise in energy costs. The business itself is highly promising in the long term as demand for aluminum is strong backed by the spread of EVs.

In the Industrial Furnaces business that we operate under Tokai Konetsu Kogyo Co., Ltd., we maintain high profitability, as in the Fine Carbon business, on the back of strong growth of the semiconductor market. We will work to expand production capacity and step up efforts to achieve further growth.

For the Friction Materials business, as we consider formulating a growth strategy to be rather difficult as long as we continue on the course we have taken, we will implement further substantial structural reform measures to strengthen competitiveness and drastically improve profitability.

In the Anode Materials business, we are working to expand into Europe, as mentioned earlier, and we need to win new customers, namely local battery manufacturers.

Outlook for capital expenditures and operating cash flow

During the three years of T-2024, we aim to generate an operating cash flow of 185 billion yen, out of which we plan to put 114 billion yen toward growth and business continuation investments. We also plan to invest 59 billion yen in facility renewals to be implemented from a medium- to long-term perspective, approximately 32 billion yen in facility expansions in the high-ROIC and high-growth Fine Carbon and Industrial Furnaces businesses and 20 billion yen in environmental investments.

Maintaining stable and continuous shareholder returns

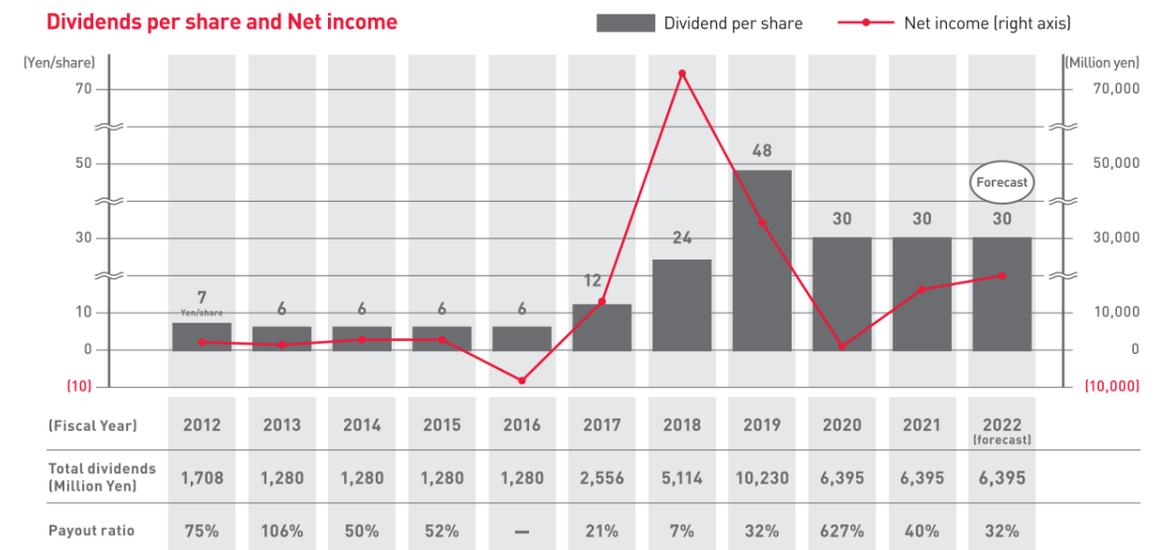
We have decided to pay an annual dividend of 30 yen per share for FY2021, the same level as for the previous year. While the outlook for the management environment remains unclear because of factors such as the spread of COVID-19 due to the Omicron variant and concerns about an economic downturn caused by heightened geopolitical risks, we would like to maintain annual dividends of 30 yen per share for FY2022, as well, from the perspective of stable and continuous shareholder returns.



Shareholder Return

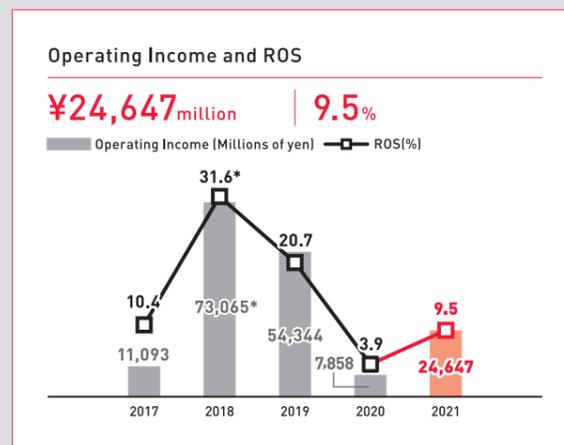
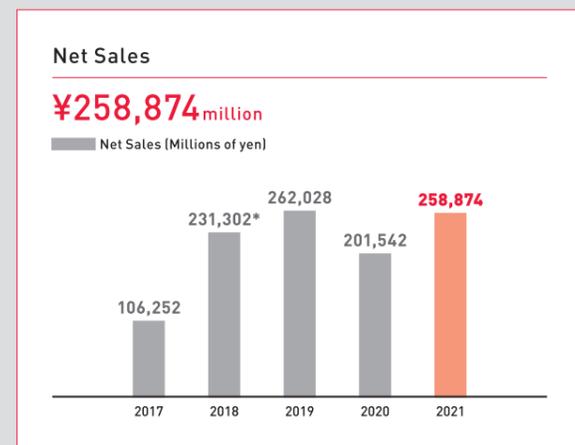
Tokai Carbon will focus on declaring stable, consistent dividends while setting the target dividend payout ratio of 30%. We will also consider using surplus cash flow to buy back the company's shares as dictated by collective consideration of the business environment, financial status, investment in growth, and the level of the stock price.

Dividends per share and Net income

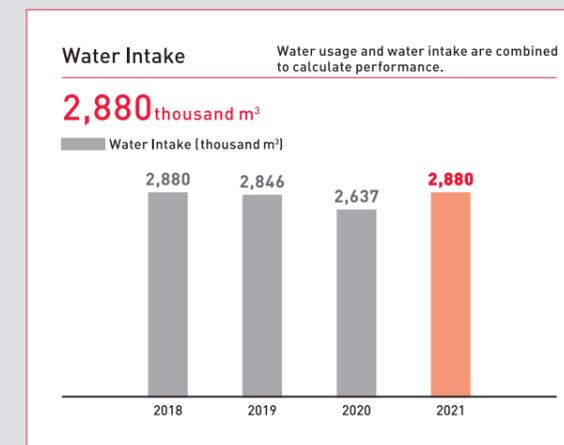
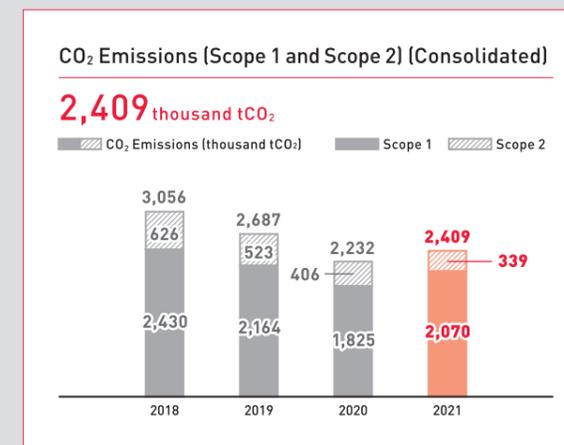


Financial and Non-financial Highlights

Consolidated Financial Indicators

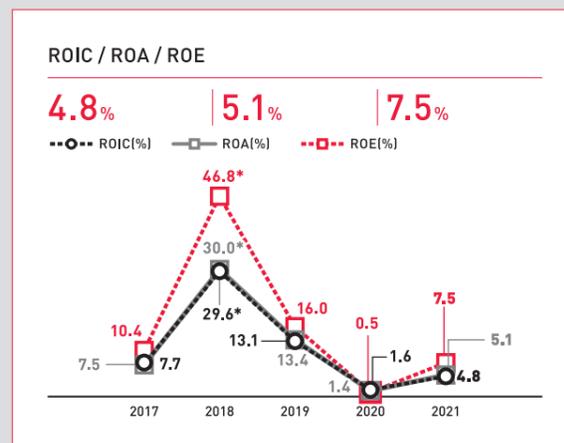
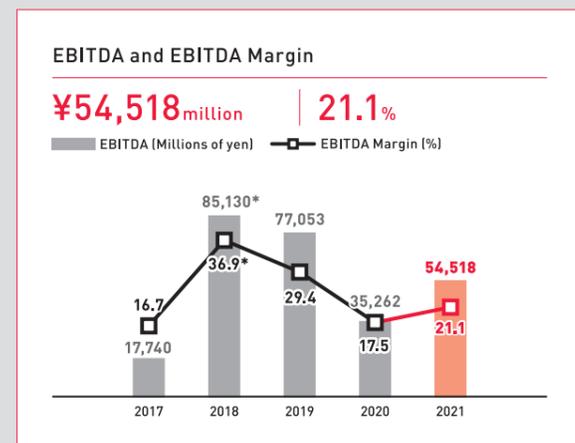


Non-financial Indicators

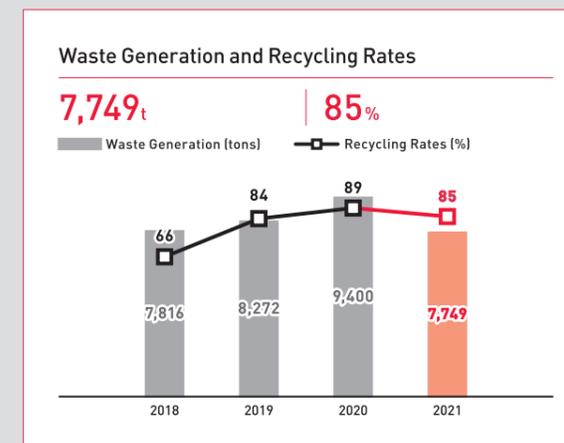


* See pages 17 and 18 for calculation details

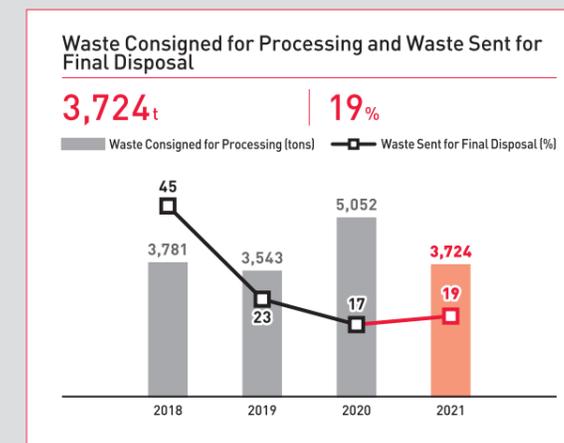
* Period of calculation: January to December yearly
* Scope: Tokai Carbon Co., Ltd.



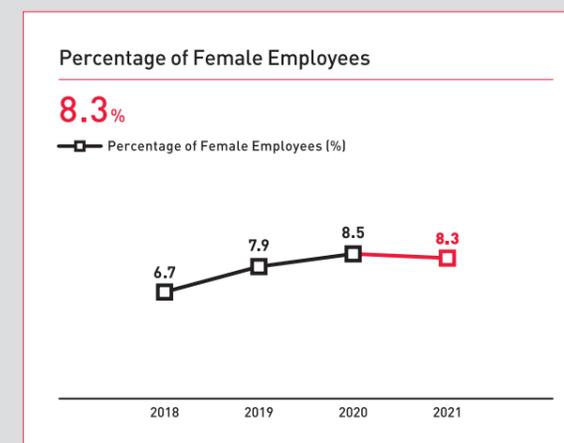
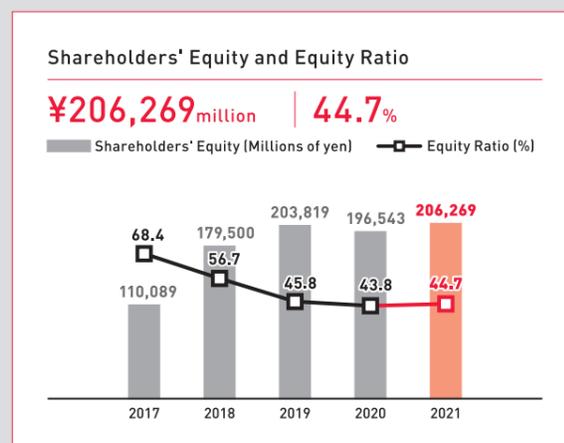
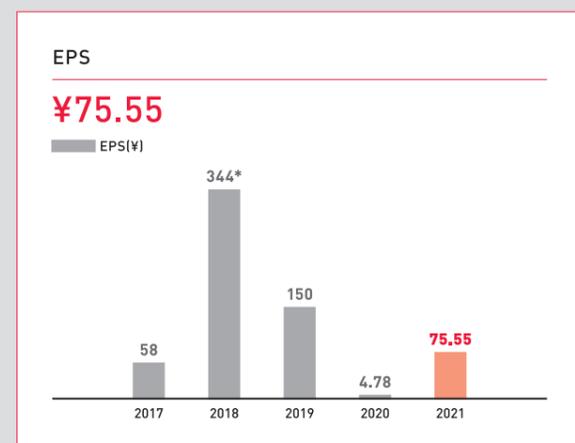
* Tokai Carbon ROIC = Operating Income after Taxes / Working Capital (Trade Receivables + Inventories) + Fixed Assets



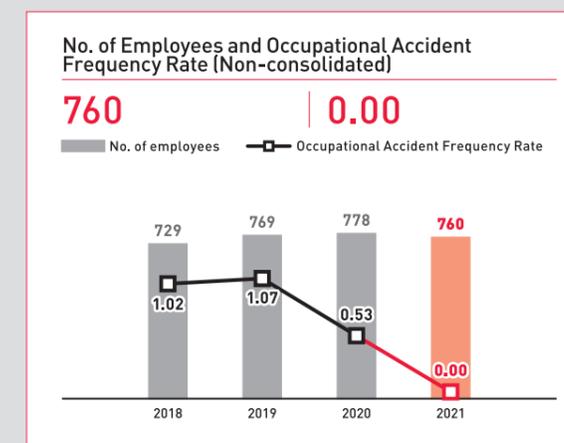
* Period of calculation: January to December each year
Scope: Tokai Carbon Co., Ltd. and its principal subsidiaries in Japan (i.e., Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., and Tokai Material Co., Ltd.)



* Period of calculation: January to December each year
Scope: Tokai Carbon Co., Ltd. and its principal subsidiaries in Japan (i.e., Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., and Tokai Material Co., Ltd.)



* Scope: Tokai Carbon Co., Ltd.
Excluding fixed-term workers



* Frequency rate: Injuries or deaths per million working hours

* FY2018 figures were retroactively revised due to the confirmation of provisional accounting treatment of the business combination of Tokai Carbon Korea Co., Ltd. and Tokai Carbon CB Ltd.

SPECIAL FEATURES

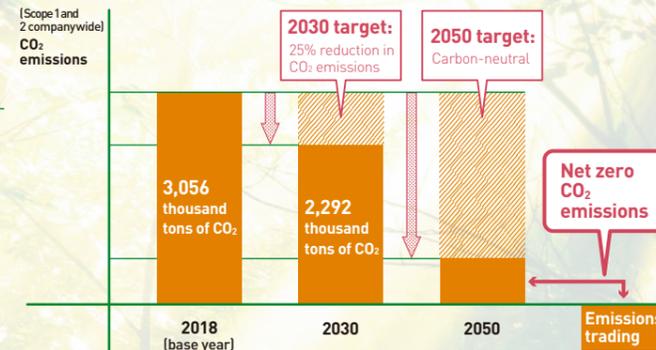
To a Carbon-Neutral Society

The Tokai Carbon Group recognizes that addressing climate change is an important management issue and is working to reduce total CO₂ emissions with a goal of carbon neutrality by 2050. In November 2021, the Group expressed its support for the Task Force on Climate-related Financial Disclosure (TCFD). We will take appropriate measures toward achieving a carbon-neutral society by assessing the impact of climate change on our business.

Tokai Carbon Group's CO₂ Emissions Reduction Target

Tokai Carbon Group targets reducing CO₂ emissions by 25% (VS 2018) before 2030 and achieving carbon-neutrality in 2050.

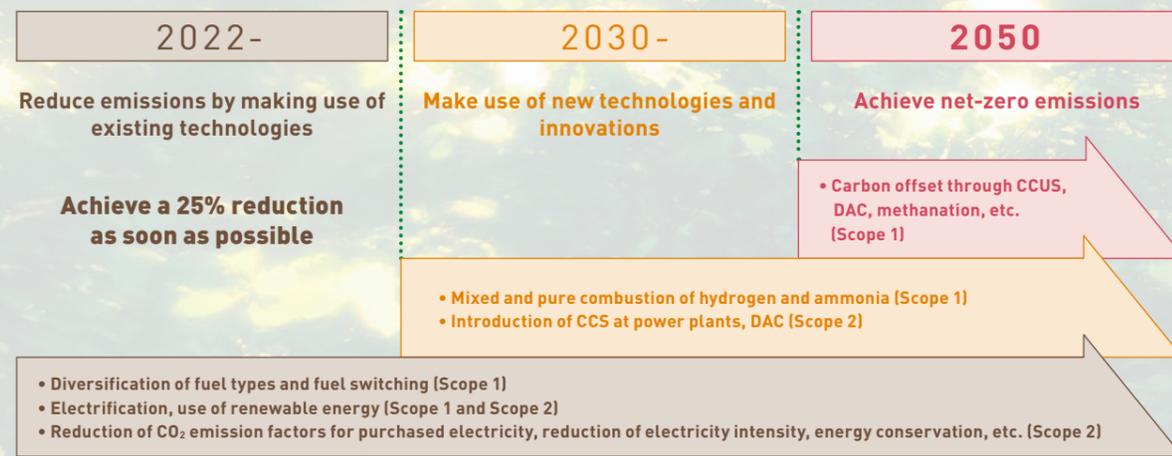
* The targets pertain to Scope 1 and 2 emissions from all consolidated production bases, head office, branches, and laboratories, excluding Tokai Carbon (Dalian) Co., Ltd., Tokai Carbon (Suzhou) Co., Ltd., Shanghai Tokai Konetsu Co., Ltd., Tokai Konetsu (Suzhou) Co., Ltd., and Tokai Carbon Italia S.R.L.



Roadmap to Carbon Neutrality

We will take steps to reduce CO₂ emissions using existing technologies to achieve a 25% reduction in CO₂ emissions by 2030, aiming for the earliest possible time. With respect to raw materials, we are considering introducing nature-derived and renewable resources. We will diversify from fossil fuels to electric energy and renewable energy for manufacturing. We will also make capital investments in energy conservation.

In addition, we will actively use new technologies and innovate towards net-zero carbon emissions in 2050. Amid revolutionary technological advances worldwide to reduce CO₂ emissions, we will actively introduce technologies that are likely to find full practical application.

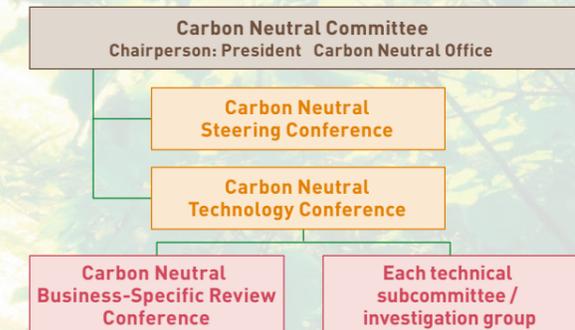


*CCS: Carbon dioxide Capture and Storage [Capturing and storing CO₂] *DAC: Direct Air Capture [Technology for directly capturing and using CO₂ in the air] *CCUS: Carbon dioxide Capture, Utilization and Storage [Technology to utilize CO₂ that has been isolated and stored]

CO₂net-0

Organization for Carbon Neutrality

We reorganized the Carbon Neutral Project launched in May 2021 into a Carbon Neutral Committee in February 2022 to reinforce the organization. Serving as a high-level command tower for our carbon neutral efforts, it plans companywide policies and strategies. It visualizes issues and actions and centrally controls them. Under the committee, we have set up different related meetings, technical subcommittees, and technical study groups to implement specific strategies and measures for increasing the Group's competitiveness cross-divisionally.



Response to Climate Change in Accordance with TCFD Recommendations

We analyze the impacts of climate change on our business in accordance with the TCFD recommendations and publish information specified as disclosure requirements in the TCFD recommendations and the results of scenario analysis on our website.

[Response to Climate Change https://www.tokaicarbon.co.jp/en/sustainability/climate-change.html](https://www.tokaicarbon.co.jp/en/sustainability/climate-change.html)

CO₂ emissions (consolidated)

★ Assured by a third party

	2018	2019	2020	2021
CO ₂ emissions (thousand tCO ₂)	3,056	2,687	2,232	2,409★
Scope 1 (thousand tCO ₂)	2,430	2,164	1,825	2,070★
Scope 2 (thousand tCO ₂)	626	523	406	339★

Calculation of Scope 1 and Scope 2 CO₂ emissions

Boundary

All the consolidated production sites, head office, branches, and laboratories, excluding Tokai Carbon (Dalian) Co., Ltd., Tokai Carbon (Suzhou) Co., Ltd., Shanghai Tokai Konetsu Co., Ltd., Tokai Konetsu (Suzhou) Co., Ltd., and Tokai Carbon Italia S.R.L.

Period covered

	Japan	Overseas
Energy sources	2018-2020: April to March (Tokai Konetsu Kogyo: January to December) 2021: January to December	January to December
Non-energy sources	January to December	January to December

Calculation Method

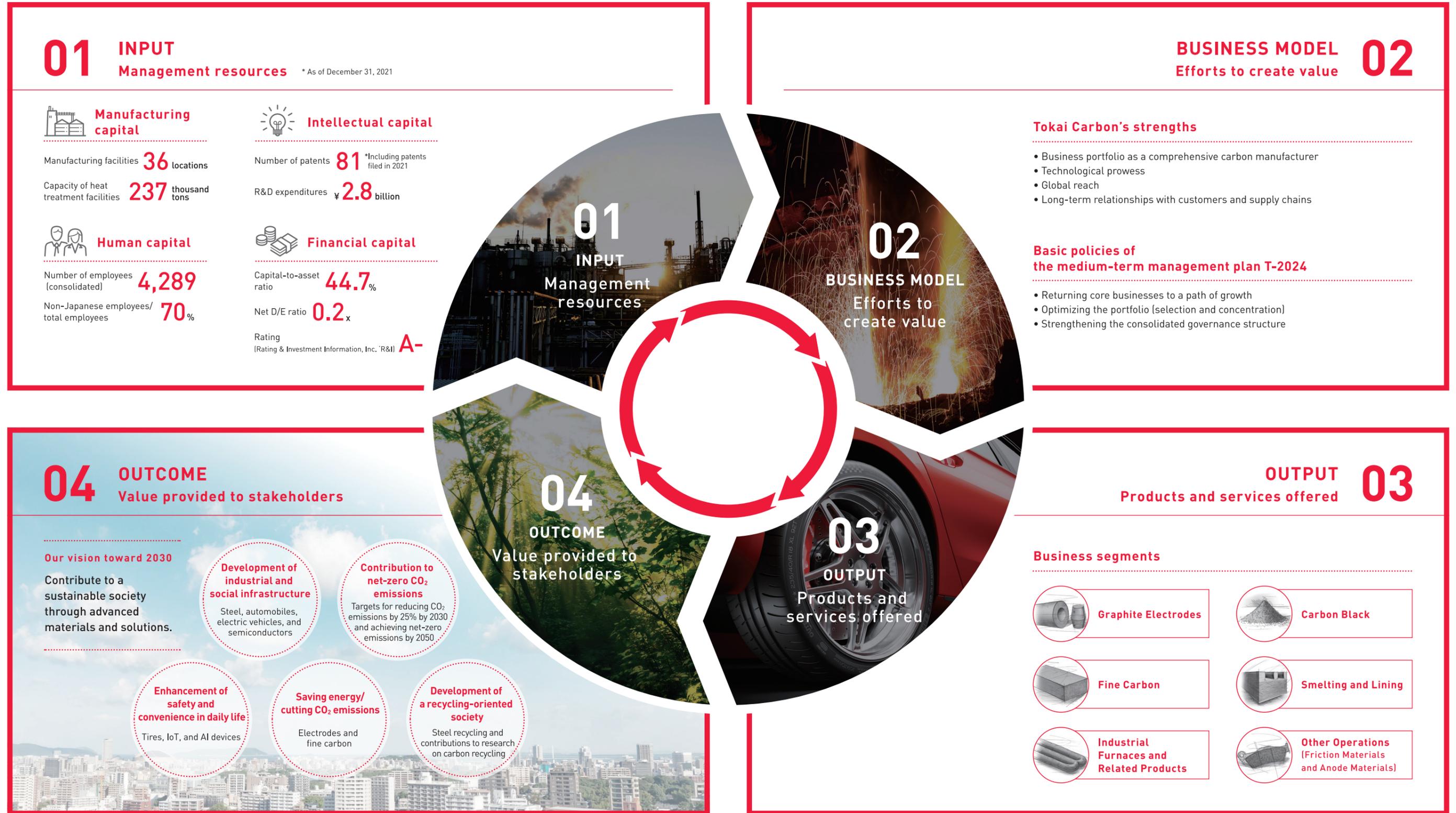
Scope 1: CO₂ emissions from energy sources and non-energy sources (excluding non-CO₂ greenhouse gas emissions from industrial processes) from corporate activities are calculated. CO₂ emissions from non-energy sources are calculated from raw and secondary materials' consumption and the balance of products and waste. (Those pertaining to certain overseas plants are from measured CO₂ concentrations and exhaust gas flow rate collected from the outlet and the duration of operation.)

Scope 2: Indirect CO₂ emissions associated with use of energy in corporate activities

• The market-based method in the GHG Protocol is used. For emissions in Japan, the emission coefficient by electricity utility under the Act on Promotion of Global Warming Countermeasures applies. For overseas emissions, emission coefficients published by electricity utilities are used, although the latest emission coefficients published by national and regional authorities are used for emissions from some plants.

Value creation process

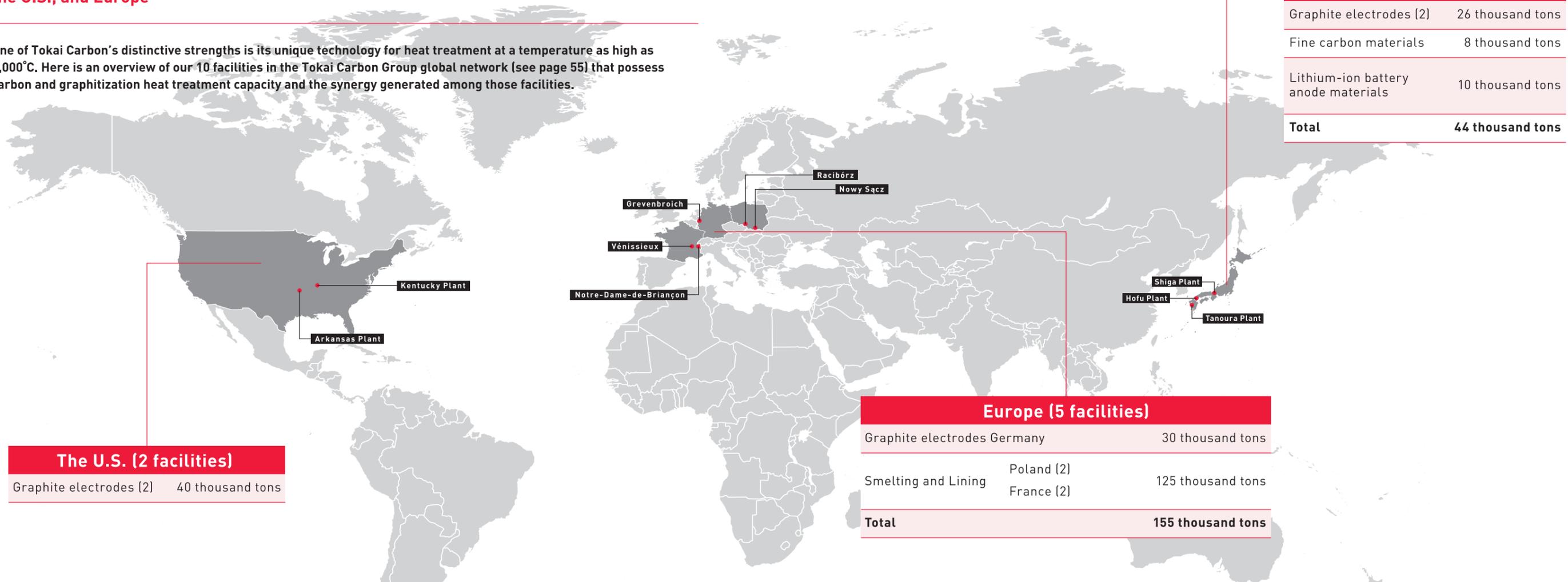
We consider the major changes we are experiencing in the external environment—life with COVID-19, acceleration of digital transformation (DX), the movement toward carbon neutrality, increasing geopolitical risks, respect for human rights, and diversity—as paradigm shifts to which we must pay special attention. Under these circumstances, we will strive to create various forms of value that contribute to a sustainable society by leveraging our management resources, which constitute the source of our competitive advantage, and build stronger ties of reliability.



Tokai Carbon's carbon and graphitization heat treatment facilities across the globe

Precisely meeting the growing global demand from our three regional operations in Japan, the U.S., and Europe

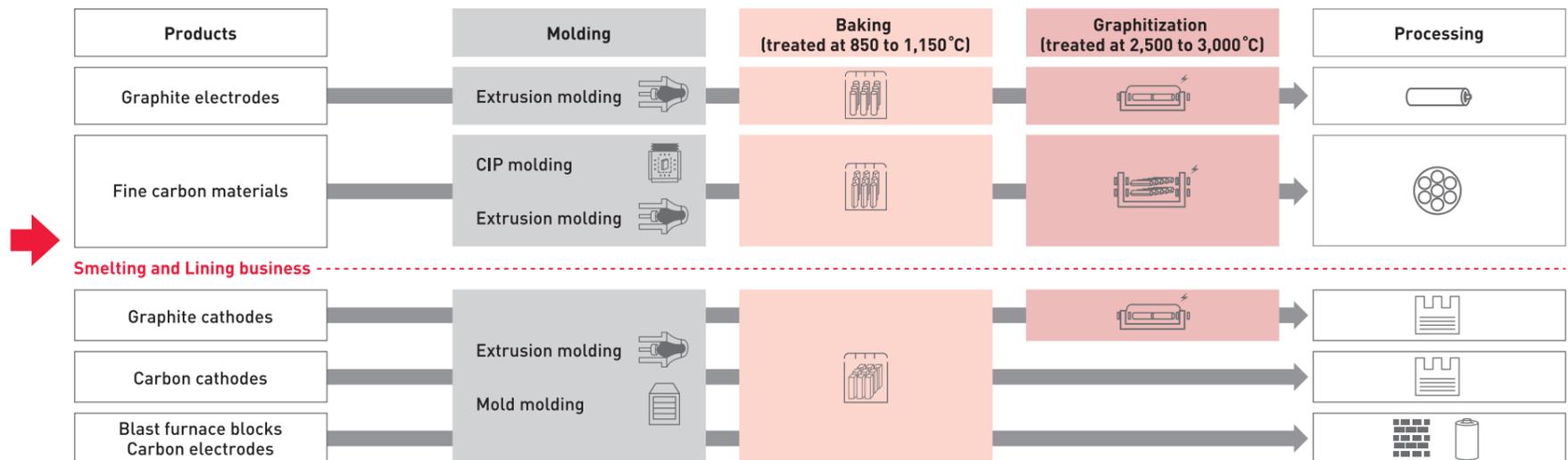
One of Tokai Carbon's distinctive strengths is its unique technology for heat treatment at a temperature as high as 3,000°C. Here is an overview of our 10 facilities in the Tokai Carbon Group global network (see page 55) that possess carbon and graphitization heat treatment capacity and the synergy generated among those facilities.



Synergy at heat treatment facilities

The Graphite Electrodes, Fine Carbon, and Smelting and Lining businesses are different from one another in terms of both products and target industries but have one thing in common: the heat treatment process. This enables us to generate technological synergy within the Group and flexibly adapt our production operations to changes in the business environment and social conditions in the future. Recently, as locally produced EV batteries are increasingly used in Europe, we have transferred our anode materials production technology from Japan to our heat treatment facilities in France to start local production of anode materials and generate synergy.

Outline of the heat treatment process



History of Tokai Carbon's transformation

Having established its revenue base through drastic structural reforms, the Tokai Carbon Group has shifted to a growth strategy and increased net sales by 2.5 times over the past several years. We will work to strengthen our governance system to maximize the synergy among our global locations, which we have expanded, and aim to become a company that contributes to a sustainable society.



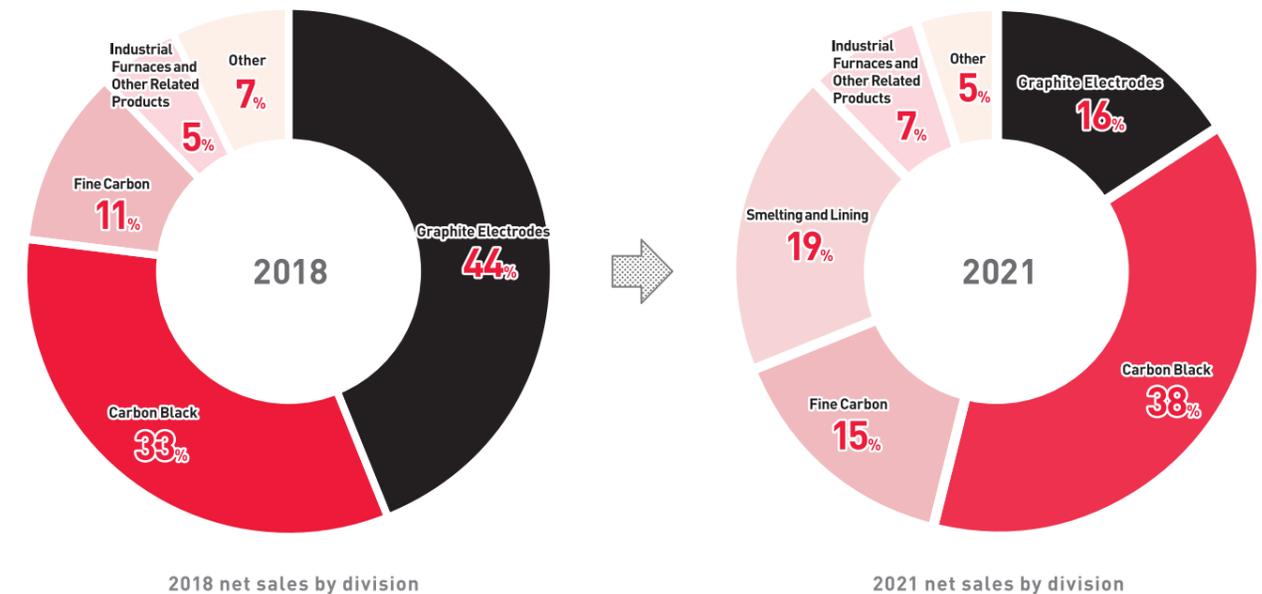
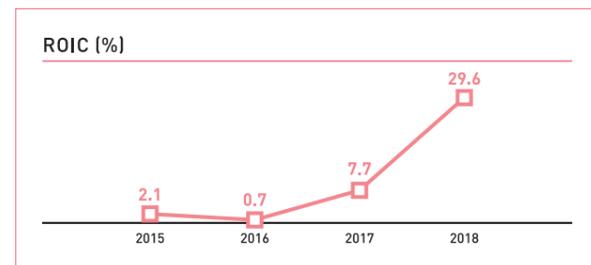
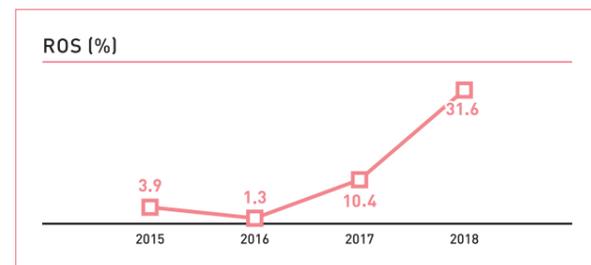
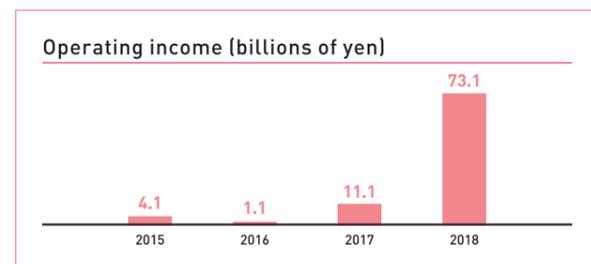
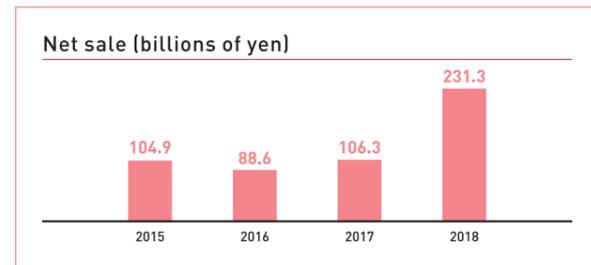
We underwent a period of low growth and low profitability because our response to rapid changes in the market was not fast enough. This brought overgrown assets and other management issues to the fore. Sharing an acute sense of crisis, in 2016, we implemented drastic structural reforms, including downsizing production capacity, optimizing the workforce, reducing fixed assets, and exiting from non-core businesses, as well as reducing inventories, to rebuild our business base.

We improved the profitability of the Graphite Electrodes and Fine Carbon businesses, which had been underperforming, and shifted to a growth strategy aimed at expanding into carbon black, industrial furnaces, and other business areas. We implemented M&As in the Graphite Electrodes, Fine Carbon, and Carbon Black businesses and achieved a significant improvement in net sales and operating income as well as in ROIC and other metrics, partly due to an upturn in the business environment.

To progress away from a business composition that is overly dependent on graphite electrodes, we strengthened our other existing businesses by investing in the North American operations of the Carbon Black business and making growth investments in the Fine Carbon business. We also launched the Smelting and Lining business through M&As in 2019 and carried out measures to strengthen the business in 2020. Through these efforts, we have increased sales and built a more robust business portfolio.

We will establish a system resilient against rapid changes in the business environment by making various growth areas our target markets and strive to enhance our corporate value over the medium- to long-term.

- Major measures**
- Workforce optimization (100 employees took early retirement.)
 - Inventory reduction (by approximately ¥13 billion across divisions)
 - Reduction of carbon black production capacity
 - Reduction of fine carbon production capacity
 - Sale of idle assets (by Tokai Konetsu Kogyo)
 - Exit from the Nagoya Green Club (golf driving range) business
 - Posting of impairment loss on the Graphite Electrodes business
 - Revitalization of human resources (cross-divisional assignment of personnel, mid-career recruitment of specialists)



(billions of yen)	2018	2019	2020	2021	2022 (estimate)	T-2024 (target)
Net sales	231.3	262	201.5	258.9	305	356
Graphite Electrodes	102.1	91.3	37.9	40.6	65	87
Carbon Black	76.9	101.8	70.8	99.5	114	123
Fine Carbon	25.4	30.4	31.8	39.1	41	51
Smelting and Lining	—	14.7	36.4	49.7	53	62
Industrial Furnaces and Other Related Products	11.4	12.6	13.9	18	20	21

* ROS: Return on Sales = Operating income to net sales ratio (= Operating income/Net sales)

* Tokai Carbon's ROIC = Operating income (after taxes)/(Working capital (= Trade receivables + Inventories - Trade payables) + Fixed assets)

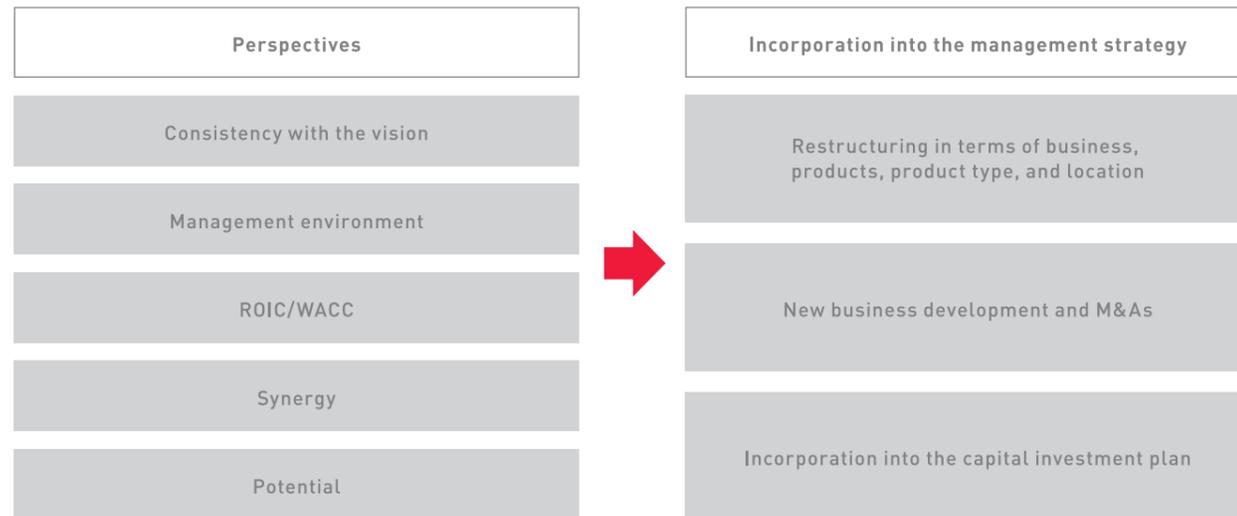
Business portfolio management

Our revenue streams are now diversified as we have worked to cast off a business composition overly dependent on core businesses by implementing growth investments and M&As aimed at building a more stable earnings structure. Meanwhile, the Board of Directors annually deliberates on optimizing management resource allocation across the Group. Through these efforts, we will strive to maximize our corporate value from a medium- to long-term perspective.

Business portfolio management

We will strive to maximize our corporate value from a medium- to

long-term perspective, with the Board of Directors deliberating on the total optimization of the Group management from various perspectives.



Capital efficiency management with ROIC

Since 2016, we have assessed capital efficiency for each business segment using ROIC as an indicator to drive improvement in each business's operating profit, productivity, CCC, costs, and other aspects. We place importance on ROIC when making decisions on

business portfolio management and management resource allocation. While we actively make capital investments in growth businesses, we aim to continuously improve our ROIC from a medium- to long-term perspective.

Long-term perspective (continuous improvement of capital efficiency)

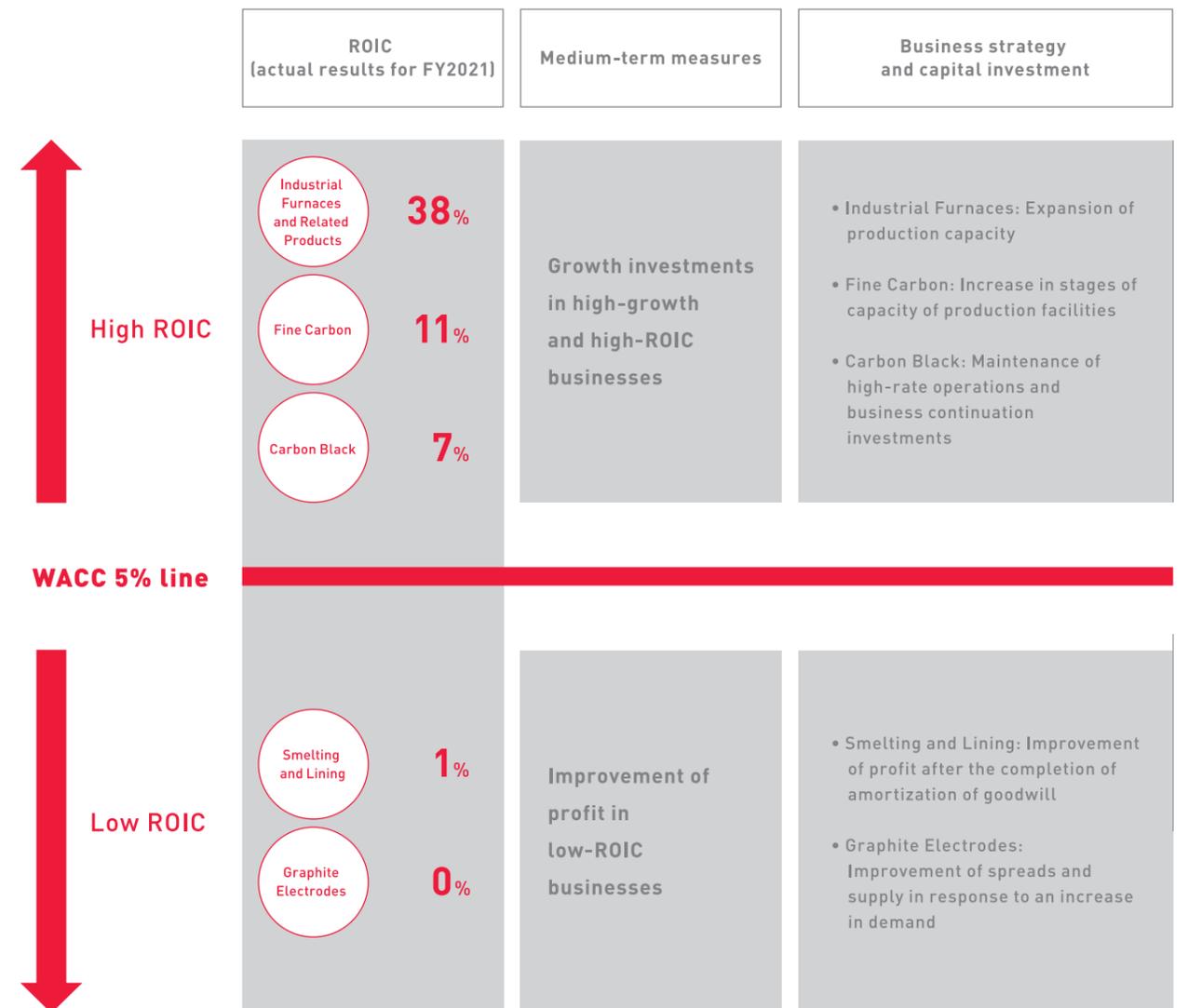
We will continue our efforts to optimize our business portfolio by leveraging the Group's strengths and the synergies generated among our businesses. As we pursue our efforts, we make it a

policy to analyze our technologies and the growth potential of markets and explore the possibilities of contributing to society through our products and technologies, including alliances with other companies. In particular, as the movement toward carbon neutrality increases, we will seek ways to contribute to a sustainable society, even venturing out of the areas of our carbon and other businesses.

Medium-term target for ROIC—achieving a ROIC of 10% by 2024 (under the medium-term management plan T-2024)

The Group's ROIC for FY2021 was 4.8%. It was negatively affected by a slow recovery in market conditions in the Graphite Electrodes business and amortization of goodwill in the Smelting and Lining business. In other business segments, however, capital efficiency is expected to remain high, as business conditions recovered from

the effects of the COVID-19 pandemic earlier than anticipated, and demand for semiconductors stayed strong. We aim to achieve an ROIC of 10%, a target under the medium-term management plan T-2024, by working to enhance the profitability of the Graphite Electrodes and Smelting and Lining businesses actively investing to increase production capacity in the Carbon Black, Fine Carbon, and Industrial Furnaces businesses, which are expected to realize high ROIC and high growth, and ramping up efforts to improve our performance.



Management resource allocation

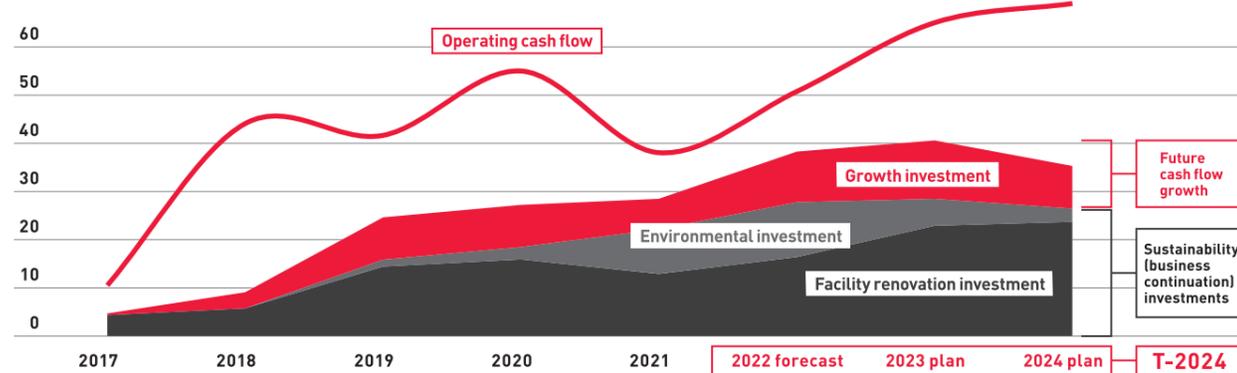
Continuously enhancing corporate value is essential to achieving our long-term vision. We will take steps to flexibly respond to changes in the business environment. We will work to optimize management resource allocation by continually reviewing how to allocate management resources across the Group and to each business segment and advancing selection and concentration in terms of business, products, product type, and location.

Outlook for capital expenditures and operating cash flow

During the three years of the medium-term management plan T-2024, we will put approximately 114 billion yen into growth and

Outlook for capital expenditures and operating cash flow

70 (billions of yen)



business continuation investments. In addition to medium- to long-term facility renovation investments, we plan to make growth investments of approximately 32 billion yen, primarily in high-ROIC businesses, and environmental investments of approximately 20 billion yen in the North American operations of the Carbon Black business, in the Smelting and Lining business, and others.

Capital investment plan

As for growth investments, we plan to invest to increase production capacity in stages in the Fine Carbon business, which is expected to continue to achieve high growth on the back of strong demand related to EVs, AI, and IoT, as well as in the Industrial Furnaces and Related Products business. In the Smelting and Lining business, we will invest to construct anode materials production facilities at our site in Europe to meet the demand for locally produced EV battery materials. By leveraging the anode materials production technology

cultivated in Japan and the large-scale heat treatment facilities located at the European site, while also drawing on support from the EU authorities through subsidies, we will produce low-cost, high-quality products. Supply is expected to be tight in the Carbon Black business, which is one of our core businesses, as demand for tires remains strong and the increase in geopolitical risks drives the use of locally produced goods. Given these circumstances, we plan to make facility renovation investments and environmental investments to ensure that we can continue to operate our existing facilities at full capacity.

List of major planned investments

	Estimated 3-year total amount of investment	Major target businesses for investment	Estimate (billions of yen)	Description of major investments
Growth investment	¥32 billion	Fine Carbon	16	Increase of graphite materials production capacity, capacity expansion at TCK, etc.
		Smelting and Lining	6	Development of the anode materials business in Europe (including the use of subsidies from EU authorities)
		Industrial Furnaces and Related Products	4	Expansion of production capacity
		Other Operations (Friction Materials and Anode Materials)	6	Optimization of overall operations, debottlenecking, product development, etc.
Environmental investment	¥20 billion	Carbon Black	12	Environmental measures primarily at the North American plants
		Smelting and Lining	3	Flue gas desulfurization facilities, etc.
		Carbon neutrality and others	5	
Facility renovation and regular maintenance	¥59 billion	Graphite Electrodes	13	Renewal of facilities and shift to high-value-added products
		Carbon Black	35	Regular renewal, replacement of large-scale facilities, etc.
		Fine Carbon	3	General repairs
		Smelting and Lining	6	General repairs
Other	¥3 billion	Other Operations (Friction Materials and Anode Materials)	2	General repairs
		Information systems and others	3	Streamlining of operations through digital transformation
Total	¥114 billion			

* The above planned investments reflect our medium-term strategy and other plans and are subject to major changes in the future due to various factors.

Financial management policy

Maintaining and improving our rating

Issuer credit rating: A- (Rating outlook: from "stable" to "positive") Rating & Investment Information, Inc. (R&I) changed the rating outlook for the Company from "stable" to "positive" in view of our improved business portfolio and enhanced financial base (as of May 31, 2022). The updated rating acknowledges the fact that we have the profitability and capability to generate cash flows that benefit A-category companies, keep financial risks under control by addressing the increase in interest-bearing debt due to acquisition of multiple companies and other factors while also utilizing hybrid financing, and the balance of debt and cash flows is improving due to the contributions of the effect of improved profitability and our management policy that stresses financial discipline.

Cash flow management

We aim to enhance our corporate value over the medium- to long-term by strengthening our capability to generate cash flows and increasing capital efficiency. With regard to improving capital efficiency, we aim to achieve an ROIC of over 10% by increasing EBITDA and pursuing further reforms of our cost structure. In addition, we will also make efforts to manage our balance sheet, such as ensuring inventories are kept at an appropriate level so that the CCC stands at 100 days or less.

	2019	2020	2021	T-2024
EBITDA (billions of yen)	77.1	35.2	54.5	91
CCC (days)	171	207	158	147
ROIC (%)	13.4	1.6	4.8	10.0

* Tokai Carbon's ROIC = Operating income (after taxes)/(Working capital (= Trade receivables + Inventories - Trade payables) + Fixed assets)

Reducing debt and aiming for a net D/E ratio of 0.0x

We will work to secure liquidity on hand and reduce debt to achieve

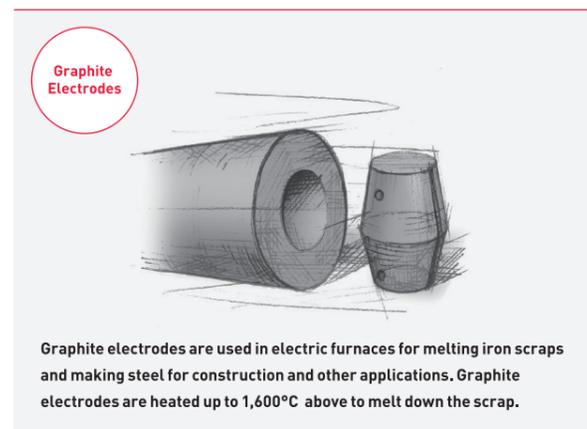
a net cash position while also increasing our investment capacity for the future. In addition, we will work to generate more cash by strengthening the profitability of our core businesses and focusing on prudent cash management. Through these efforts, we aim to lower our net D/E ratio to 0.0x.

	2017	2018	2019	2020	2021
Adjusted net interest-bearing debt (billions of yen)	(6)	2.9	70.3	56.5	54.4
Adjusted shareholders' equity (billions of yen)	126.4	187.1	236.8	236.3	264.2
Adjusted net D/E (times)	[0.047]	0.016	0.297	0.239	0.206

* Adjusted net D/E: A net debt-to-equity ratio that accounts for the equity classification of hybrid financing obtained from rating agencies.

Graphite Electrodes

Working to swiftly boost competitiveness amid the ongoing shift to electric furnace steelmaking with a minimal environmental footprint



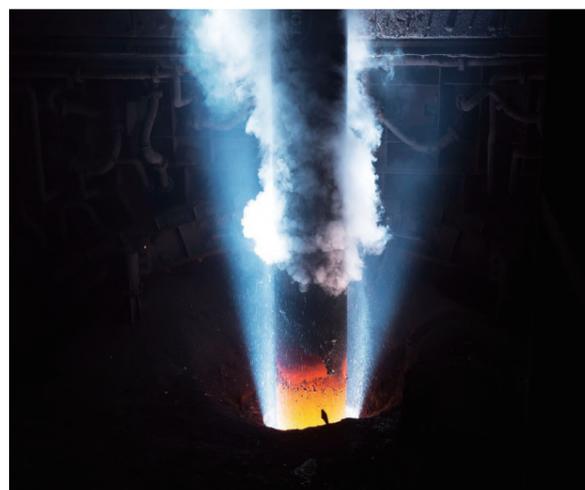
Kenji Enokidani General Manager, Graphite Electrodes Division

Review of 2021 and 2022 Outlook

The rise in raw material and energy costs lead to an operating loss in 2021. The global crude steel steadily recovered in the same period that the electrode market gradually rallied in the second half of the year and we expect to see a greater recovery in 2022 and beyond. While raw material and energy costs are expected to surge, we will set selling prices at levels that will secure appropriate profits, given stronger demand than in the previous year, to maintain stable operation and stable supply.

For Medium- and Long-Term Income Growth

Electric arc furnace (EAF) steelmaking melts iron scraps to recycle them into steel. It has the advantage of reducing CO₂ emissions from steelmaking to nearly one-fourth that of blast furnace steelmaking. Amid worldwide efforts toward carbon neutrality, the shift from blast furnaces to electric furnaces is gathering momentum, and a series of new EAF projects are planned. This shift will drive future growth in demand for graphite electrodes, which are essential as electric conductors for melting iron scraps. EAF replacing blast furnace would be a larger scale EAF that possesses higher productivity. Large capacity EAF requires high-quality large diameter electrodes. Given that we have strength in this area, a key issue is to build up an optimal production platform to capture the market growth potential. Since we obtained a facility in North America in 2017, we have been investing in replacing and strengthening different systems to optimize our existing tripolar structure consisting of Japan, Europe, and North America. We will continue working to optimize productivity throughout the Group adapting to the future market and the growing demand. We are to achieve an EBITDA margin of 30% by 2024 with continuous improvement of productivity, quality, cost and shorter processing time.

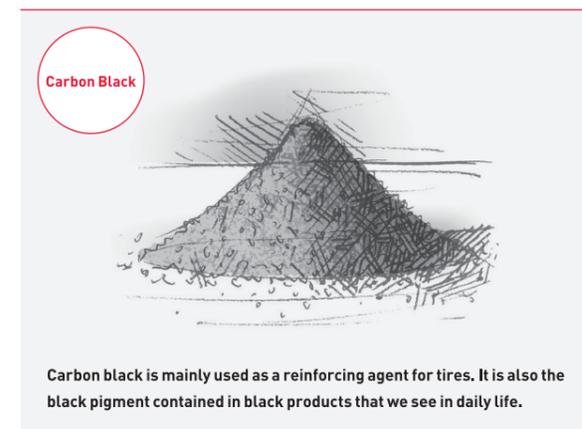


Graphite electrodes are used for melting iron scraps in EAF steelmaking. This method results in CO₂ emissions that are around one-fourth of those generated by the blast furnace method. The share of electric furnace steel is expected to increase to curtail environmental impacts, and mounting demand for graphite electrodes is anticipated.

(Millions of yen)	2020	2021
Net Sales	37,879	40,619

Carbon Black

Leveraging technological innovations to achieve carbon neutrality while capturing expanding demand for tires and new markets



Midori Hajikano General Manager, Carbon Black Division

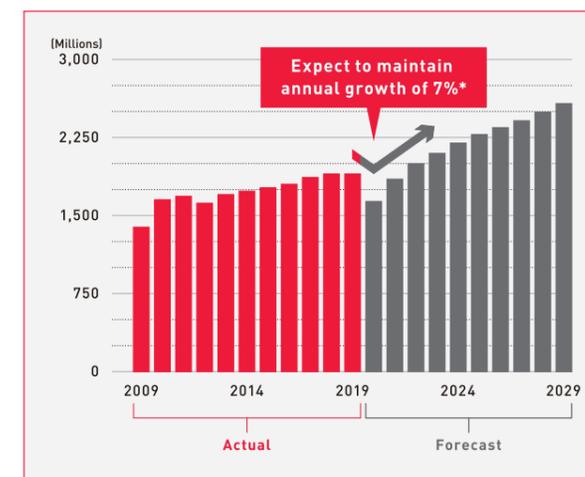
Review of 2021 and 2022 Outlook

In 2021, the global economic recovery resulted in a strong demand for tires and a recovery of carbon black sales, despite the impact of tumbling automobile production associated with shortages of semiconductors and other materials. We expect to return to an annual growth rate of 3% to 5% after a full recovery from the pandemic in 2022. If the shortages of automobile production materials are resolved, demand will grow further. It will be essential to boost the productivity of existing equipment and to develop a production and supply system by introducing environmental systems and replacing equipment for higher output.

For Medium- and Long-Term Income Growth

We will step up our efforts for carbon neutral and environmental considerations. In addition to using existing technologies to reduce CO₂ emissions, such as those for CO₂ recovery and the switchover to fuels with lower environmental impacts, we will change the raw material oil and develop technologies for recycled carbon black. Demand from the car and tire industries is expected to remain strong. Going forward, new markets for EV and battery material applications will emerge. Capitalizing on our strength in auto parts applications, we will make consistent efforts to increase demand and expand to new markets. Regarding manufacturing costs, hikes in raw material procurement costs and growth of investments in environmental equipment are likely, given soaring crude oil prices and stricter environmental regulations. Enjoying the benefit of demand growth, we will work to set selling prices at levels that allow us to secure proper margins. In addition, we will introduce new equipment to increase profitability and stabilize revenue.

Global Tire Production

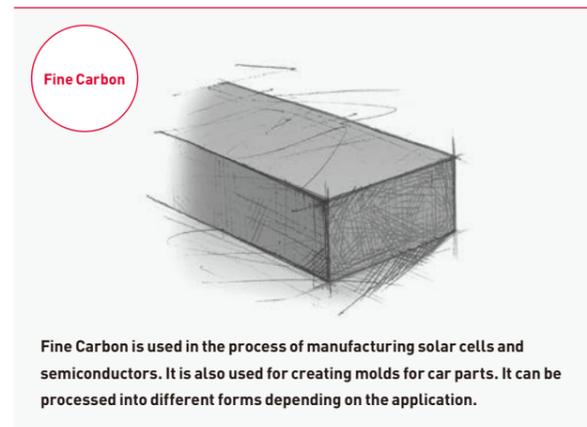


Our estimate based on automobile market forecasts and research company reports
* Annual growth forecast: 7% during 2021-2023, 3-5% for 2024 and after

(Millions of yen)	2020	2021
Net Sales	70,754	99,491

Fine Carbon

Bolstering the supply system to support the growth of the semiconductor market and shift to higher value-added materials to maintain high margin levels



Hideo Shin

General Manager,
Fine Carbon Division

Outstanding quality and performance and mass production technologies supporting products holding the world's largest market shares



Solid silicon carbide (SiC)

It is a high-purity SiC created by the chemical vapor deposition (CVD) method. We attained industrial production by increasing the thickness of SiC coating from around 100 microns (0.1 mm) with an original process.



Glassy carbon

Using our original technology, we became the world's first company to develop this product. We produce glassy carbon by carbonizing fired resins through heat treatment.

(Millions of yen)	2020	2021
Net Sales	31,775	39,125

Review of 2021 and 2022 Outlook

In 2021, our business achieved strong results against a backdrop of high demand in the semiconductor market. However, it is essential to address negative factors hindering growth, such as rising manufacturing costs, including raw material prices and marine transport disruptions. We will set selling prices that reflect the soaring manufacturing costs and transport expenses to maintain our sound business structure.

In 2022, the semiconductor market is set to see steady growth and we will actively strive to enlarge our business. The market is highly volatile, with a cycle of growth and stagnation, so we will closely analyze market trends and make investments in a phased manner. While taking risk control measures like these, we will pursue growth strategies from a medium- and long-term perspective.

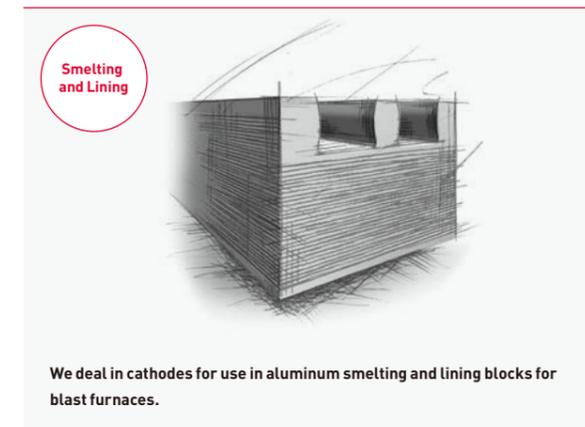
For Medium- and Long-Term Income Growth

The semiconductor market is seeing massive growth following the emergence of new lifestyles during the COVID-19 pandemic. We expect this trend to last for the foreseeable future. The rise of environmental awareness around the world increased the demand for solar cells as a leading renewable energy source and increased the demand for fine carbon products indispensable to solar cell production.

In preparation for the continued growth of the semiconductor market, we will increase our supply capacity of high-quality products. We believe that it is important to make efforts to maintain a high-margin structure, including creating synergies inside the Group and increasing the share of high value-added products. We will be aggressive in our production and sales activities, particularly for chemical vapor deposition silicon carbide (CVD-SiC), glassy carbon, and high-quality graphite products, where we have an advantage.

Smelting and Lining

We offer high-quality cathodes that maximize the energy efficiency of aluminum electrolytic furnaces in the world and the Ready-to-Use Cathode (RuC) with low environmental impact



Takashi Masaki

General Manager,
Smelting and Lining Division

Review of 2021 and 2022 Outlook

In 2021, net sales and income were close to initial forecasts despite travel restrictions and logistics disruptions in the pandemic. They were supported by continued demand for aluminum and by Tokai COBEX Savoie SAS (TCS), a France-based subsidiary we acquired in the previous year, which proved helpful to consolidated sales.

In 2022, solid sales are expected, excluding the impact of the conflict in Ukraine. Given sharp rises in raw materials and energy costs as well as in depreciation after a very large investment in the previous fiscal year, we expect sales to decline slightly from the 2021 figure. We prioritize boosting productivity and making positive upward revisions to selling prices after postponing these actions because of the pandemic.

For Medium- and Long-Term Income Growth

Amid progress in decarbonization efforts, enhancements in energy efficiency in aluminum smelting, which consumes a huge amount of electric power, is accelerating. In this context, our graphite cathode and the RuC®* cathode block are attracting attention. The first reduces power consumption per unit of production, while the second has a long service life and leads to power conservation in aluminum smelting. We will be better prepared to meet growing demand.

We were deemed eligible for subsidies regarding the battery development project by the European Commission and by the French government's recovery and resilience plan. Enjoying support for the local production of batteries for electric vehicles in Europe, we have been preparing for the local production of anode materials in France since 2021. We will transfer production technologies from Japan and make effective use of the production capacity of approximately 30 kilotons from the facilities we hold in France to reduce investment costs. We will also enjoy the advantage of using low-cost clean energy in France. We are planning to commence production by 2024.



Our high-quality cathode blocks accelerate efficient aluminum smelting and help fulfill growing aluminum demand in line with needs for weight reduction.



RuC®

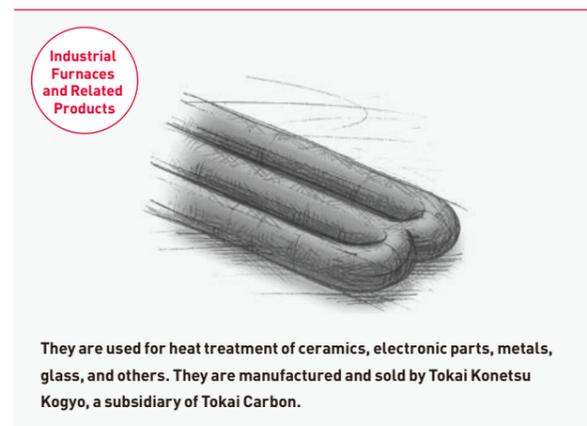
- Lowering power consumption per unit of production by 2% to 3% to help reduce CO₂ emissions
- Extending the service life of cathodes for one to three years
- Eliminating the need for customers to cast conducting bars

(Millions of yen)	2020	2021
Net Sales	36,421	49,696

* Ready-to-use Cathode (RuC®) is a revolutionary cathode solution that may be applied to all aluminum smelting technologies. It can be swiftly introduced, and it significantly lowers health and safety risks. It massively reduces the consumption of energy and lining materials.

Industrial Furnaces and Related Products

Boosting production capacity and utilizing our technological development capabilities to capture new markets and achieve sustained growth



Akihiko Sato

President,
Tokai Konetsu Kogyo Co., Ltd.

Supplying products to all sectors as a comprehensive manufacturer of heating elements and refractory materials requisite to industrial furnaces



Industrial furnaces for sintering lithium-ion batteries

Rollers inject materials to be heated into industrial furnaces. Many diverse kinds of materials are produced in large quantities.



Industrial furnaces for sintering of monolithic ceramic capacitor (MLCCs)

Materials to be heated are pushed through long tunnels to industrial furnaces. The furnaces are large enough to heat a large volume of materials at once.

(Millions of yen)	2020	2021
Net Sales	13,873	18,019

Review of 2021 and 2022 Outlook

In 2021, demand for our products in the electric parts industry and energy-related industry continued following a recovery from the COVID-19 pandemic. Sales of both industrial furnaces and heating elements outperformed the results of the previous fiscal year. The market is likely to stay brisk in 2022. Looking further ahead, we have defined a task of meeting expanding demand and advancing quality requirements and are therefore bolstering production capacity and preparing with the use of our technological development capabilities to capture next-generation demand. Viewing environmental issues as business opportunities, we will aim for further development.

For Medium- and Long-Term Income Growth

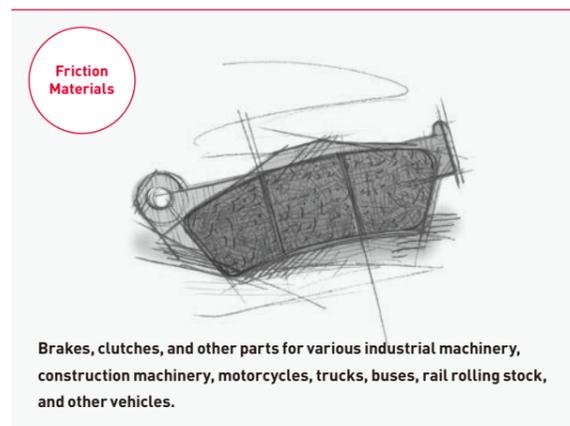
Going forward, the electronic parts industry will grow at an approximate annual rate of 10% in connection with 5G, electric vehicles (EVs), and autonomous driving. An increasing number of players will enter China. We expect that capital expenditure will be solid in the industries we serve. For instance, lithium-ion batteries will grow at an annual rate of 20-30% with the shift to EVs. We anticipate an increased demand based on the introduction of equipment. On the other hand, the quality and cost of electrode materials will change quickly, and requirements for industrial furnaces will develop. The market for next-generation solid-state batteries has already emerged.

To meet growing demand following the customers' market and advancing quality requirements, we will capitalize on our strength as a leading global player supplying both industrial furnaces and ceramic heaters. We will develop next-generation industrial furnaces in line with market trends.

Other Businesses (Friction Materials, Anode Materials)

Friction Materials

Monitoring changes in lifestyles to achieve solid growth



In 2021, our performance improved significantly after steadily responding to the recovery in demand associated with the COVID-19 pandemic. Especially given lifestyle changes under the pandemic, demand expanded for products for large motorcycles, in which we excel. Demand for products for mining machinery, construction machinery, agricultural machinery, and machine tools was also solid.

In each of these areas, demand will remain strong. We will work to capture it and achieve firm growth in performance. We will accelerate the automation of our production system to ensure high productivity.



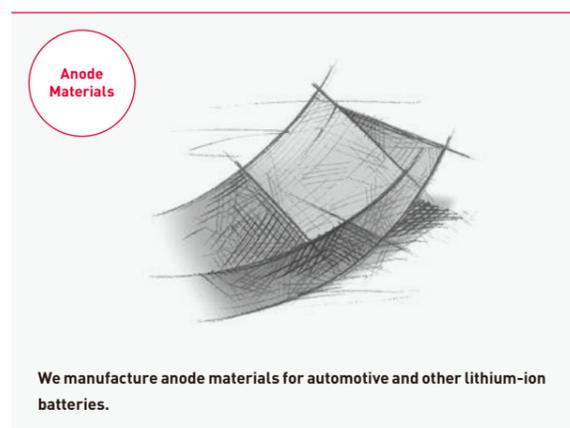
Hirofumi Masuda

General Manager,
Friction Materials Division

(Millions of yen)	2020	2021
Net Sales	6,510	8,880

Anode Materials

Taking advantage of technologies cultivated in Japan to capture mounting EV demand in Europe



In 2021, sales declined from the previous fiscal year amid intensifying competition in the market due to the emergence of competitors. We are currently working on the production of anode materials by leveraging the Group's base in France to share technologies cultivated in Japan. Europe aims for the local production of lithium-ion batteries for EVs produced in the region. As one of the few suppliers to Europe of anode materials as principal materials, we aim to start full-scale production in 2024.

(Millions of yen)	2020	2021
Net Sales	4,186	2,907

Tokai Carbon's Sustainability

The importance and urgency of efforts to realize a sustainable society is further increasing with the emergence of social issues surrounding the global environment, such as global warming and extreme weather conditions, as well as human rights abuses and poverty.

We have set "Contribute to a sustainable society through advanced materials and solutions" as our long-term vision toward 2030, and will contribute to global environmental and social issues, as summarized in the SDGs (Sustainable Development Goals), through our corporate activities.

Contents

37	Basic Policy and Structure
39	Environmental Management
41	Respect for Human Rights
42	Human Resource Development
43	Occupational Safety and Health
44	Reliable Supplies of Products / CSR Procurement
45	Community Contribution Activities
47	Corporate Governance
50	Compliance
51	Management

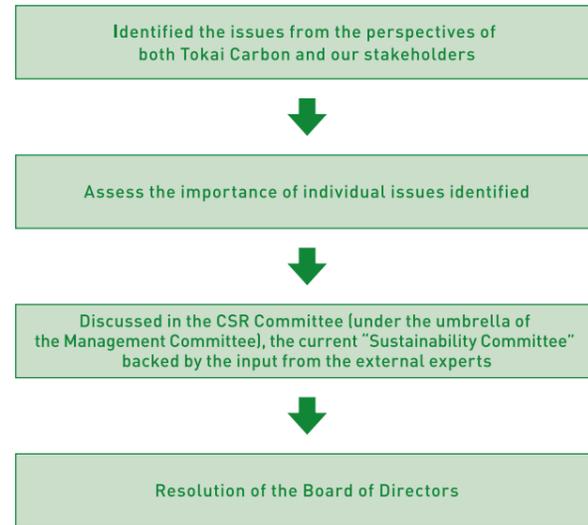
Basic Policy and Structure

Sustainability Policy

Tokai Carbon Group engages in corporate activities based on the corporate philosophy of "Ties of Reliability" with our stakeholders. Our management strategies are based on good consideration of ESG (Environmental, Social and Governance) and work to solve social issues through our business that will contribute to the sustainable society and enlarge our corporate value.

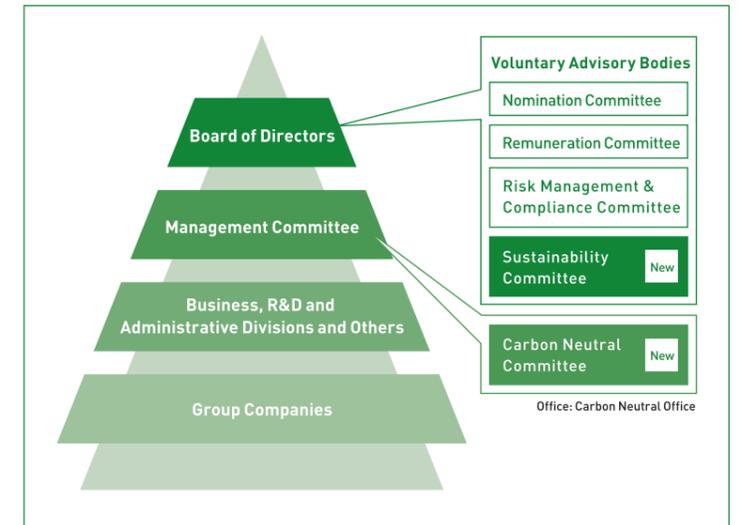
Materiality identification process

In November 2019, we specified our "Materiality" that we should focus on. We will sincerely face each materiality, contribute to the realization of a sustainable society, and appropriately disclose the status of its efforts.



Sustainability management structure

In January 2022, we set up the Sustainability Committee as a voluntary advisory body to the Board of Directors. Chaired by the President and CEO, it consists of the officer responsible for the General Affairs and Legal Affairs Department, the officer responsible for the Corporate Planning Department, the officer responsible for the Human Resources Department, the General Manager of the R&D Strategy Division, the General Manager of the Technology & Engineering Division, and General Managers of four principal business divisions. It meets on a quarterly basis, in principle, to discuss important matters related to sustainability, refer certain matters to the Board of Directors, submit reports to the Board of Directors, and supervise the disclosure of information on sustainability, including the creation of integrated reports.



Sustainability targets (KPIs) and results

Materiality		Goals	FY2021				FY2022		
Themes	Elements		Specific numerical targets	Scope*1	Results	Rating	Specific numerical targets	Scope*1	
Harmony with the global environment	Reducing environmental impact	Reduce greenhouse gas emissions	Reduce energy consumption per unit production (cut by 1% or more on an annual basis)	Domestic group	Target expected to be met through energy-saving effects, such as productivity improvements (target being met at approx. 97% YOY)	○	Reduce CO ₂ emissions by 25% (VS 2018) before 2030 and achieve carbon-neutral in 2050	Consolidated	
		Reduce pollution	Dispose of all low-concentration PCB waste by March 31, 2025		Almost on target with about 52% of low-concentration PCB waste having been disposed of	○	Dispose of all low-concentration PCB waste by March 31, 2025	Domestic group	
			Maintain zero environmental claims against the Company (contamination of air, water, etc.)		No environmental claims filed	○	Maintain zero environmental claims against the Company (contamination of air, water, etc.)	Consolidated	
	Reduce water consumption	—	—	—	—	—	Reduce water consumption (1% or more of reduction from FY2018)	TCJ*2	
Realizing a recycling-oriented society	Recycle waste	Recycle 80% or more of waste	Domestic group	85% of waste recycled	○	Recycle 80% or more of waste	Domestic group		
		Final disposal rate of 25% or lower		19% final disposal rate	○	Final disposal rate of 25% or lower			
Contributing to society through our business	Technological Innovation	Emphasize research and development	Devote 80% or more of development expenditures to reducing environmental burden	TCJ	92% of development expenditures devoted to reducing environmental burden	○	Devote 80% or more of development expenditures to reducing environmental burden	Domestic group	
			Devote 60% or more of development expenditures to reducing environmental burden	TKK	74% of development expenditures devoted to reducing environmental burden	◎	Devote 60% or more of development expenditures to reducing environmental burden	TKK*3	
			Make 80% or more of patent applications in areas related to reducing environmental burden	TCJ	92% of patent applications filed in areas related to reducing environmental burden	○	Make 80% or more of patent applications in areas related to reducing environmental burden	Domestic group	
			Make 60% or more of patent applications in areas related to reducing environmental burden	TKK	75% of patent applications filed in areas related to reducing environmental burden	◎	Make 70% or more of patent applications in areas related to reducing environmental burden	TKK*3	
	Supplying safe and secured products	Further elevate quality	Reduce electrode consumption rate*1 (3% reduction from 2019)	TCJ	Of target users to whom quality-improved products were shipped, 67% achieved a reduction of 3% or more. Although the reduction level remains the same for the remaining 33%, the overall target has been met.	○	Reduce electrode consumption rate [3% reduction from FY2021]	Consolidated	
			Supply chain management	Raise supplier awareness of CSR	Make all key suppliers in the Tokai Carbon Group aware of the Group's procurement policies	Consolidated	Report on the analysis results of a survey conducted on six key domestic suppliers in 2020 has been issued. In addition, five key suppliers at overseas bases have been selected.	○	Disseminate procurement policy to new suppliers on a consolidated basis Conduct CSR survey
	Reduce CSR risks at suppliers	Roll out CSR surveys to key suppliers in the Tokai Carbon Group		○	Conduct CSR survey of key suppliers on a consolidated basis				
	Respect for human rights	Raise employee awareness of human rights	Implement harassment training based on the results of a harassment awareness survey	TCJ	Harassment training conducted (attendance rate: 94%)	○	Revise Harassment Manual and conduct harassment training at domestic subsidiaries	Domestic group	
			Implement human rights due diligence training	Domestic group	Training on global human rights policy and human rights due diligence has been conducted. Post-training questionnaire indicates a certain level of understanding has been achieved. Target has been met.	○	Conduct annual human rights due diligence		
			Improve understanding of global human rights policy		○	Improve understanding of global human rights policy			
Contribution to community	Actively engage in community contribution activities	—	Consolidated	Total amount of donations and activity spending: approx. 21.9 million yen Community contribution activities: cleanups, forest maintenance, food donations to food banks, etc.	—	Enhance disclosure of community contribution activities	Consolidated		
Strengthening Corporate Governance	Establish a consolidated governance system	—	Consolidated	Promotion of internal controls, North American operations holding company's functional upgrading, subsidiary management, etc., have been conducted as planned	—	—	Consolidated		
Strengthening our management base	Ensuring compliance	Maintain ethical standards, regulatory compliance	Commit no serious regulatory violations	Consolidated	No serious regulatory violations	○	Commit no serious regulatory violations	Consolidated	
			Formulate a global code of conduct (tentative name) and inform subsidiaries around the world about it		Formulation of global code of conduct (tentative name) targeted for 2022	△	Formulate a global code of conduct (tentative name) and inform subsidiaries around the world about it		
	Developing diverse human resources	Increase women employees	Increase percentage of career-track female employees (Tokai Carbon Japan)	TCJ	Ratio of female career-track employees as of the end of December 2021 on a non-consolidated basis: 10.17% (10.32% as of the end of December 2020)	△	Double the number of female employees in managerial positions (by the end of 2024)	TCJ*2	
			Percentage of new female graduates hired for career-track positions: 30% on a non-consolidated basis		Percentage of new female graduates hired for career-track positions in FY2021: 66.7% on a non-consolidated basis	○	New career-track female graduate hiring ratio of 30% (Tokai Carbon Japan)		
			—		—	—	—		Increase number of non-Japanese employees in managerial positions (by the end of 2024)
	—	—	—	—	—	—	Raise the ratio of mid-career hires in managerial positions (by the end of 2024)		
Effectively implement training	Total training hours planned by head office (new-hire training / specialist training)	Domestic group	Domestic group	New-hire training in FY2021: 1,252 hours, specialist training: 1,674 hours	○	Total training hours planned by head office (New-hire training / specialist training)	Domestic group		
Promoting occupational safety and health	Reduce occupational accidents	Reduce frequency rate (0.98 or lower)	Domestic group	Frequency rate: 0.39	○	Reduce frequency rate of occupational accidents (1.8 or lower)	Consolidated		
		Reduce severity rate (0.007 or lower)		Severity rate: 0.002					

*1 Domestic group: Tokai Carbon Japan + major domestic subsidiaries (Tokai Konetsu Kogyo, Tokai Fine Carbon, Tokai Material) *2 TCJ: Tokai Carbon Japan *3 TKK: Tokai Konetsu Kogyo

Environmental Management

The Tokai Carbon Group treats the protection of the global environment as one of its highest management priorities. To harmonize our business activities with environmental needs, we have implemented an environmental management system based on the ISO 14001 international standard. In order to achieve harmony between corporate activities and the environment and to realize a sustainable society, we are working to understand and evaluate the impact of our various business activities on the earth qualitatively and quantitatively, and are making various efforts to reduce such impact.

Environmental Philosophy

The Tokai Carbon Group views the protection of the global environment as one of its highest-priority management issues. We work to achieve harmony between business activities and the environment, and conduct activities towards the realization of a sustainable society.

Environmental Policy

1. Comply with environment-related laws and regulation

In consideration of the impact of corporate activities on ecosystems and biodiversity, we will strive to protect the environment by ensuring compliance with environmental laws, ordinances, and agreements, as well as by establishing self-management standards as necessary.

2. Promote efficient use of resources and energy

We will preserve the global environment by conserving resources and energy, minimizing waste, and reducing emissions of global warming and hazardous substances. In particular, we will strive to reduce CO₂ emissions to achieve carbon neutrality, as well as to use water efficiently and manage wastewater appropriately.

3. Enhance environment management system

We will maintain and improve our environmental management system and develop our corporate activities in consideration of the global environment within the framework of appropriate governance.

4. Promote environmental awareness and social contribution activities

We will raise the environmental awareness of each and every employee and make group-wide efforts to preserve the global environment.

5. Disclosure of environmental information

We will disclose environment-related information related to our corporate activities in a timely and appropriate manner to fulfill our accountability to our stakeholders.

Environmental objectives

In advancing its environmental activities, Tokai Carbon undertakes initiatives focused on the following four targets.

1. Legal compliance

We carefully confirm the requirements of relevant laws, ordinances, community treaties, and agreements and properly comply with them. In 2021, we had no business locations in violation of key regulatory limits or standards, and we had no cases of environmental lawsuits or penalties.

2. Zero environmental claims

Even when within standards outlined in relevant laws, ordinances, community treaties, and agreements, we appropriately respond to any incidents that could cause trouble for the local community. No significant environmental claims were made against Tokai Carbon in 2021.

3. Reduction of energy consumption per unit

Tokai Carbon works to cut its emissions of CO₂ and other greenhouse gases by reducing its energy consumption per unit production. As a mid-term target, we aim to achieve an S-class rating by reducing the annual energy consumption by 1%, following the standards of the Energy Conservation Law.

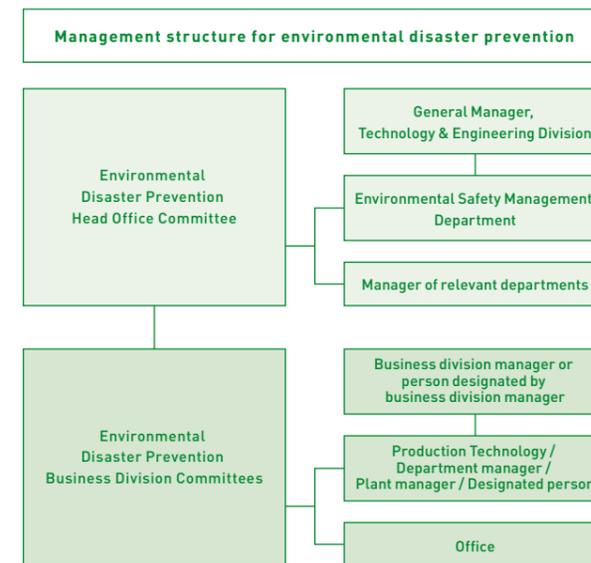
4. Reduction of industrial waste

In 2021, Tokai Carbon furthered its recycling efforts by searching for and hiring a new company to process valuable waste items and as a result, a reduction in the volumes of industrial waste sent out for consigned treatment or final disposal has been achieved. Having targeted a recycling rate of 80% or higher and final disposal rate of 25% or less, we achieved a recycling rate of 85% and final disposal rate of 19%. We will continue targeting a recycling rate of 80% or higher and final disposal rate of 25% or less for 2022. Going forward, we will redouble our efforts to separate waste by category and recycle whenever possible to further reduce the amounts of waste handled through consigned treatment or final disposal.

Management structure for advancing environmental disaster prevention

Tokai Carbon has established an environmental management structure consisting of the Environmental Disaster Prevention Head Office Committee and the Environmental Disaster Prevention Business Division Committees, through which Group companies participate.

The Environmental Disaster Prevention Head Office Committee establishes major strategies and policies, and each business division pursues activities in line with the ISO14001 international standard for environmental management. Moving forward, we aim to take on challenges, the achievement of which will have progressively greater benefits for the environment.



ISO 14001-based environmental management system

The ISO 14001 international standard is critical for pursuing business activities in an environmentally friendly manner. Tokai Carbon has obtained ISO 14001 certifications for all of its plants in Japan. As of October 2020, 80.7% of Tokai Carbon Group's major manufacturing sites, including those overseas, have the certification.

We are striving to enhance the effectiveness of our environmental protection activities through regular audits internal audits performed by designated Company auditors and external audits performed by independent certification bodies. There were no material findings from the external audits conducted.

Basic ideas for water resource

Water is essential for Tokai Carbon's business activities, and we are also aware that it is a vital resource in the local communities where our company's plants, etc. are located. Because of that, we are promoting efficient use of water companywide through water recycling and manufacturing process improvements.

Water consumption reduction target

From 2022, the Company is targeting an annual reduction in water consumption of 1% or more per year from FY2018 levels by firmly grasping water consumption required for its production and suppressing excessive water use.

*Scope: Tokai Carbon Co., Ltd.

Water risk assessment

At Tokai Carbon, we use WRI Aqueduct to identify water-stressed regions. In 2019, we conducted a survey that targeted all 45 of our domestic and international bases^{*1}, including our Head Office, branches, and group companies. Among these targets, one base was determined to have high water stress^{*2}, but after conducting a detailed survey of the conditions that led to the occurrence of floods and droughts in the past as well as water usage^{*3}, we have confirmed the risk to be low.

*1 As of July 2019

*2 A region that comes under "Overall Water Risk," one of the WRI Aqueduct risk categories.

*3 This base does not take water from underground and river sources, but uses a monthly average of approximately thirty thousand tons of industrial water, which is within the water-use rights concluded with local government agencies.

Activities for reducing environmental burden based on voluntary standards

To reduce our environmental burden at Tokai Carbon, we not only take measures required by various laws but also strive to reduce environmental pollutants based on our voluntary standards that are stricter than current laws. As for low-density PCB waste, we have set a target of disposing of all low-density PCB waste owned by the end of March 2025, two years ahead of the legally specified deadline. We have disposed of 52% by volume as of 2021 and the remainder (48%) will be continuously disposed of to achieve the target. As for industrial waste, we will focus on further reduction of consignment disposal volume and overall disposal volume, by thoroughly separating waste and recycling.

Environmental education and awareness

To promote the Company's environmental initiatives, it is important for each employee to increase their understanding of environmental issues and act with environmental awareness. Tokai Carbon outlines environmental education and awareness activities in our environmental policy and proactively conducts various education and awareness activities related to the environment.

Under our environmental management system, we have established structures and procedures to identify the potential for an environmental pollution accident, engage in environmental pollution prevention and, in the event of an emergency, minimize the environmental impact.

We also systematically conduct educational activities to ensure the development of credentialed environmental engineers, including the pollution prevention managers and energy management technicians, required for our business activities.

Respect for Human Rights

At Tokai Carbon, we believe that consideration for human rights is important in order to realize our corporate philosophy of “Ties of Reliability”. The Universal Declaration of Human Rights declares the “common standards that all peoples and all countries must achieve” in order to respect and ensure human rights and freedoms, and we support this declaration.

Global Policy on Human Rights

In order to fulfill our corporate responsibility to respect human rights, we conduct business activities with a high sense of ethics based on the Guiding Principles for Business and Human Rights. In July 2020, based on these international regulations on human rights, we established the Tokai Carbon Group Global Policy on Human Rights. Under this policy, we will further promote to respect human rights as Tokai Carbon Group. The Tokai Carbon Group Human Rights Promotion Committee plays a central role in promoting this global policy and the concept of respect for human rights.

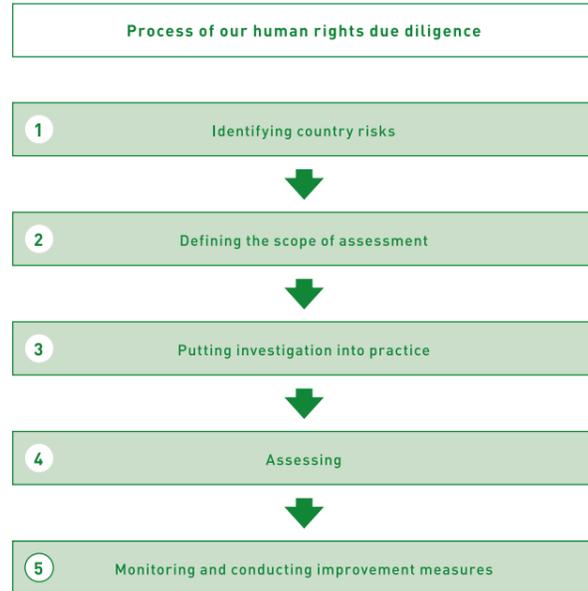
We support the “Children’s Rights and Business Principles”, too, because we believe that special consideration is needed regarding children’s human rights since they are vulnerable to violations of their rights. We are also engaged in social contribution activities to avoid violations of children’s rights in our business and to realize children’s rights.

- Provisions of Tokai Carbon Group Global Policy on Human Rights**
- 1) Compliance with laws and regulations
 - 2) Prohibition of discrimination
 - 3) Prevention of child labor and slave labor
 - 4) Support for basic labor rights
 - 5) Reduction of excessive working hours and securing right to wages
 - 6) Health and safety standards
 - 7) Prohibition of harassment
 - 8) Respect of privacy
 - 9) Prevention and mitigation of negative impacts on human rights
 - 10) Response to human rights violations

WEB Tokai Carbon Group Global Policy on Human Rights
https://www.tokaicarbon.co.jp/en/sustainability/pdf/human_rights.pdf

Human rights due diligence

The Tokai Carbon Group conducts human rights due diligence to ensure corporate respect for human rights in order to identify and assess, as well as prevent and address, potential human rights risk arising from the entire value chain and corporate-related human rights-issues. Such issues shall be identified based on the engagement with our stakeholders including employees, suppliers and business partners.



Initiatives for human rights awareness

Tokai Carbon conducts group-wide and division-specific training to instill an awareness of human rights in its employees.

Based on the Global Human Rights Policy of the Tokai Carbon Group, training focuses on reinforcing an understanding of the basic way of thinking about Respecting Human Rights. In doing so, it uses present-day examples, including ones addressing discrimination, harassment, violations of the rights of people with disabilities, and violations of the rights of people from other countries.

Human rights training is conducted for employees who have been newly hired or promoted to management. Particularly when promoted to management, they are educated on human rights issues such as bullying and harassment, including incident numbers and examples of measures taken in each case.

In 2021, human rights training was conducted for management personnel, with the participation of 121 employees at Tokai Carbon and 111 employees at Group companies in Japan. Based on our awareness that human rights are the foundation of sustainability, we have joined human rights organizations for businesses in Tokyo, Osaka, and Nagoya. We use our memberships in these organizations to share information on and expand our understanding of human rights to ensure that respect for human rights remains a key aspect of our corporate culture.

Human Resource Development

Tokai Carbon guarantees fair employment opportunities for all individuals and considers only aptitudes and strengths in making hiring decisions. We make no distinctions based on race, geographic origin, nationality, age, gender, sexual orientation, or disability. In hiring recent college graduates, we seek goal-oriented, self-directed individuals who welcome challenges, are problem solvers, and will cooperate with others. When it comes to mid-career hires, we look for people who have skills that respond to our overseas business development, technical development, and other business needs.

Initiatives for Human resource development

Certification and ranking system

Tokai Carbon operates a certification and ranking system that differs depending on the career development track, as defined by responsibilities, department assignment, and rotation. This system allows career development tracks to be changed based on Company needs or employee preferences and opens the door to the rapid promotion of outstanding individuals.

Evaluation system

We employ a goal management system that outlines performance goals and topics to clarify target goals for each employee. Each employee participates in a meeting during which they set specific goals and are given progress evaluations to increase individual motivation, promote personnel development, and ensure performance management. To promote understanding of the personnel evaluation system and goal management system and to eliminate inconsistency in evaluations, we provide training for employees who become new evaluators to ensure the effective implementation of the system.

Self-assessment

Tokai Carbon has a system under which employees — mainly general career-track employees whose professional education includes position rotations — annually assess the volume and quality of their work and express desires for current and future positions and locations. This information is communicated to the Human Resources Department by employees in personal interviews. It is used by the department as basic input for making career development and training decisions, and for assessing individual positions and workplace environments.

Education and training

1. Specialized training

Training to study languages abroad, for next-generation leadership and for executive management based on selection, was introduced as specialized training in 2017 to secure future management candidates. In 2021, an executive management training course was conducted over a period of six months to managerial staff members selected from each business department. However, the two-month study abroad language training was called off due to the COVID-19 crisis and was replaced by programs that could be attended in Japan for candidates for an overseas posting selected from the younger staff of each business department. In 2022, we will be conducting six-month next-generation-leader training for medium-level staff selected from each business department. Note that study abroad language training will be conducted after a style of training compatible with living with COVID-19 is developed. The training participants will conduct presentations on their achievements for the president and business division leaders.

2. Stratified training

In terms of stratified training, training for general managers, managers, management leaders, and senior staff is conducted as training courses

for managerial staff, while leadership training, cafeteria training (where the participants freely select a program for skills that are useful for their work), global training, career design training, step-up training, second-year training, and new hire training are conducted for the younger generation. Training for managerial staff accepts trainees from group companies if so requested. New hire training has been enhanced from 2019, with on-site training at plants, in addition to head office introductory training for approximately three months, in order to provide new hires with basic knowledge regarding safety and production management, etc. required of employees of a manufacturing company.

Work-life balance

Tokai Carbon allows employees to take childcare leave for up to two years following the birth of a child, and nursing care leave for a total of 93 days per family. Employees may also work shortened hours up to the time their children complete the third grade of elementary school. These benefits exceed statutory standards and give employees a relatively high level of flexibility in meeting family needs.

Opportunities for women

In our general employer action plans based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace for promoting the careers of women formulated in 2022, we set our goals over a three-year period beginning April 2022 to increase the hiring of female new graduates to at least 30% of people taken on for career-track positions, to increase the number of females in managerial positions to six by the end of 2024, and to attain a 70% or higher acquisition rate of annual paid holidays. The percentage of females to the total number of new graduates taken on for career-track positions hired in 2022 reached 66%.

Expanding hiring of people with disabilities

Based on our stance of providing job opportunities for people with disabilities and helping to build an inclusive society, we will continue our efforts to provide worker-friendly environments and actively employ people with disabilities. As of June 1, 2021, employees with disabilities made up 2.55% of our workforce, above the legally mandated level.

TOPICS

Employing persons with disabilities in TOKAI farm



We began working to cultivate vegetables with special needs individual using a corporate farm. Two farm managers and six staff members are engaged in a hydroponics facility in an indoor farm. We can harvest leafy vegetables, such as pine and vegetables, in about one month after sowing. The harvested vegetables are distributed to employees.

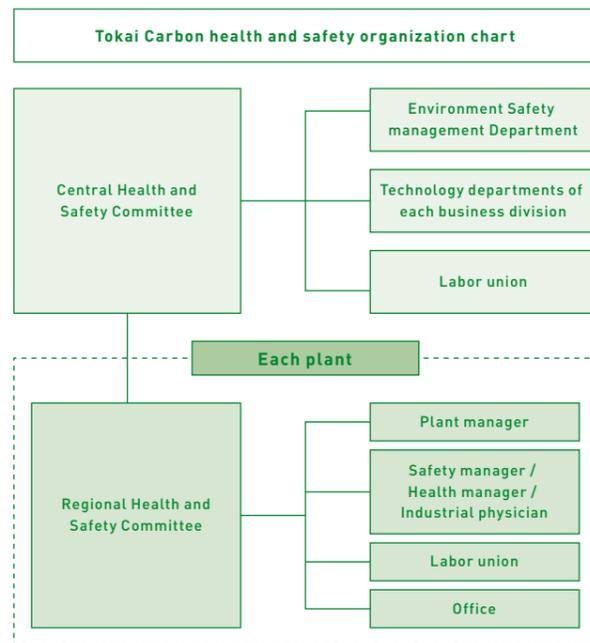
Occupational Safety and Health

Occupational safety and health are one of our highest priorities and a key concern of management. Aiming to keep our operations free of occupational accidents, we strive to ensure that everyone working in our facilities is aware of potential dangers.

Health and safety management structure

We believe a united front between labor and management is vital to eliminating labor accidents. To confirm the status of health and safety activities at each plant and to deliberate and outline core initiatives related to health and safety, we convene Central Health and Safety Committee meetings attended by labor and management representatives, including executives responsible for occupational safety. Every year, we set policies for enhancing occupational safety and health at Central Health and Safety Committee meetings in order to keep improving occupational safety and health going forward. From 2022, the scope will be expanded to cover consolidated companies with the frequency rate management value set to 1.8 or less.

At Tokai Carbon, the Board of Directors supervise occupational safety and health risk, and the board member in charge of risk reports important matters such as occupational accidents to the Board of Directors as necessary.



Improving occupational safety and health

At Tokai Carbon, we continually engage in full-participation safety management and regularly conduct accident-prevention activities, give presentations of near misses, and hold KYT (hazard prediction training). When new production facilities are installed or expanded, risk assessment is conducted from the facility design phase, and if disaster risk is considered high, we

eliminate the factor in advance to reduce the risk. We conduct the risk assessments from the designing phase of installing a new or additional production facility. Any high disaster risk is removed at this stage by improving the design.

In 2021, there were no accidents resulting in lost workdays. When an accident resulting in lost workdays occurs, we first analyze the situation with on-site verification, thoroughly understand the root cause through further analysis, and then develop recurrence prevention plans. Moreover, we not only draw up those countermeasures, but also visit plants to do safety inspections and check the effectiveness of the recurrence prevention plans. We also encourage the information sharing among all our workplaces to prevent similar accidents from occurring and strive to strengthen the foundations of our safety through a workplace system of safety measure inspections.

In addition to these initiatives, we conduct safety education to enhance safety awareness. To motivate workers to have higher alertness to danger, we have introduced training given by an external organization. In 2021, 79 workers, including new hires, participated in this training. Furthermore, we have conducted safety training to put safety rules in the workplace and to thoroughly instill prevention plans to avoid the recurrence of occupational accidents that happened in the past. In 2021, 79 employees who have joined the company within the 5 years have taken this training course.

Labor relations

The Tokai Carbon Group respects the rights of employees, including the freedom of association and the right to collective bargaining. Tokai Carbon has signed a union shop agreement with the Tokai Carbon Labor Union. Union membership includes 79.4% of Tokai Carbon employees (as of the end of December 2021.)

Labor and management discuss matters concerning labor relations and business activities in meetings of the Labor Committee, Work Committee, and Expert Committee on Human Resources Systems. Working from a foundation of trust and cooperation, labor and management fulfill their respective responsibilities and strive to implement policies that promote positive interaction.

When it seeks to implement organizational and employment policy changes, management consults with the union before finalizing decisions.

Working hours and wages

With regard to working hours, we comply with all labor-related laws. We also aim to restrict overtime and reduce it in consideration of the work-life balance of our employees and the maintenance and improvement of their health.

We comply with all labor-related laws as they pertain to wages, too. After considering factors such as a living wage, we set a basic policy of paying employees the minimum wage or higher.

Reliable Supplies of Products / CSR Procurement

Serving a customer base spanning a wide array of industries and sectors, the Tokai Carbon Group's products are used in a broad range of fields related to automobiles, steel, electronic components, agricultural and industrial machinery, lithium-ion batteries, and other sectors. We are aware that our basic duty is to maintain a stable supply of high-quality products. As a company that forms part of the supply chains of our customers, we comply with numerous laws, regulations, and social norms and also make continuous efforts to minimize the environmental impact of our manufacturing operations.

Diversified Plant Location, Local Production

The Tokai Carbon Group used to center on production in Asia, and in the 1990s, we began expanding our operations to the global market. In 2004, we launched a carbon black plant in China, which was sold off in February 2022. Then, in 2005, we acquired TOKAI ERFTCARBON GmbH, a German graphite electrode manufacturer. In 2014, we acquired Cancarb Limited, a carbon black manufacturer based in Canada. We have thus created production bases in multiple locations. In 2017 and 2018, we acquired North American bases for the graphite electrode and carbon black businesses, enabling us to produce and sell products close to high-demand areas and reliably supply quality products to customers as a global player in both businesses.

Stable Procurement of Raw Materials

We procure principal raw materials for our carbon black products and electrode products from tar distillers and oil refiners. Suppliers are limited around the world, but we build close relationships with our suppliers to constantly procure raw materials and supply products and fulfill our duty to customers and all other stakeholders. We aspire to prosper and attain good results together with our suppliers while striving to build a sustainable society.

The supply of raw material oil for carbon black and needle coke as one of the key raw materials for electrodes is becoming tighter as demand for these products grows. We select suppliers of the raw material oil for carbon black with careful consideration of the balance between the quantity required, price and types. Needle coke is currently procured separately by our plants in Japan, the United States, and Europe. For stable procurement, we will explore the future possibility of integrated purchases for the three bases, aiming to develop an optimal procurement system for the whole Group.

CSR Procurement Policy

In order to face global environmental and social issues as a concerned party, we will contribute to the realization of a sustainable society together with our suppliers through the "Tokai Carbon Group Procurement Policy".

 **WEB Tokai Carbon Group Procurement Policy**
https://www.tokaicarbon.co.jp/en/sustainability/pdf/pdf_procurement.pdf

Implementation of CSR procurement survey for our business partners

For our new and priority business partners, we request they agree with our Group Procurement Policy and respond to the CSR Procurement Survey to confirm their compliance status. Its major survey items are determined in accordance with the Procurement Policy.

Major survey items in the CSR Procurement Survey	
1) Corporate responsibility	Availability of policies and educational training on corporate social responsibility, and the number of violations of compliance for the last three years, etc.
2) Transparency	The status of how suppliers monitor environmental and social problems
3) Respect for human rights	International covenants on human rights they support, and the status of measures to prevent human rights abuses and human rights seminars
4) Employment and labor	Policies and frameworks for the prevention of work-related human rights violations including forced labor, child labor, slave labor, human trafficking, and various other harassments; and the number of legal violations
5) Environment	Policies and frameworks for the prevention of environmental pollution, effective use of resources, climate change, and the number of legal violations concerning environmental issues
6) Quality and safety	Policies and frameworks for securing quality and safety, and the number of legal violations
7) Fair business operations	Policies and frameworks for ensuring sound and fair operations, including prevention of corruption and bribery, prevention of violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, compliance with export administration-related laws and regulations, and the number of legal violations

The process is characterized by assessing business partners based on the survey result and requesting them to take necessary improvement actions.

In fiscal 2020, we conducted a survey on our priority six raw material suppliers located in Japan to assess the status of existing business partners. The survey found a company that had committed employment, labor, and environmental legal violations during the past three years. We will promptly verify the improvement plan, etc. of the company in question and urge them to prevent recurrence by taking necessary measures, including inspection visits.

Community Contribution Activities

Through our community contribution activities, we aim for partnerships and harmony with our local communities. We strive to fulfill our responsibilities as a member of local society and we work to strengthen Ties of Reliability and relationships with local communities through domestic and international communication.



Hofu Plant

Participating in Hands-on Activities for Forest Development to protect water

As members of the Hofu Area Industrial Water Users Council, 11 people participated in "hands-on activities for forestation to protect water" (organized by the Yamaguchi Prefecture Agriculture, Forestry and Fisheries Office) and worked on forest maintenance.



Participation in cleanup activities of a fishing cooperative

A total of 18 employees from the Tanoura Plant participate in cleanup activities organized by the Tanoura Fishery Cooperative Association to beautify the environment around the plant.



Tanoura Plant



Tanoura Plant

Plant tour for elementary school students

We invited 28 students from Tanoura Elementary School for a plant tour. As a part of social education, we provide a learning opportunity for children.

Visiting lecturers

Our staff participated as lectures in the Science Talk organized by NPO Taketoyo. We shared the fun of chemistry with local children through experiments.



Chita Laboratory



Tokai COBEX



Children's participation in safety activities

We asked employees' children to appear on Safe Plant Children, a video project to increase safety awareness at workplaces.

Tree planting

Twenty trees were donated to the City of Medicine Hat (Alberta, Canada) and were voluntarily planted by Cancarb staff.



Cancarb



Cancarb

Food bank project

Cancarb staff working from home during the COVID-19 pandemic drove their own cars to deliver food to households in need, in collaboration with the local food bank. They delivered more than 1,000 packages of food.

Donating vegetables grown on the premises to the food bank

Cancarb set a greenhouse on free space within its plant premises, and volunteer staff grew nearly 300 kilograms of tomatoes to the local food bank.



Cancarb

Corporate Governance

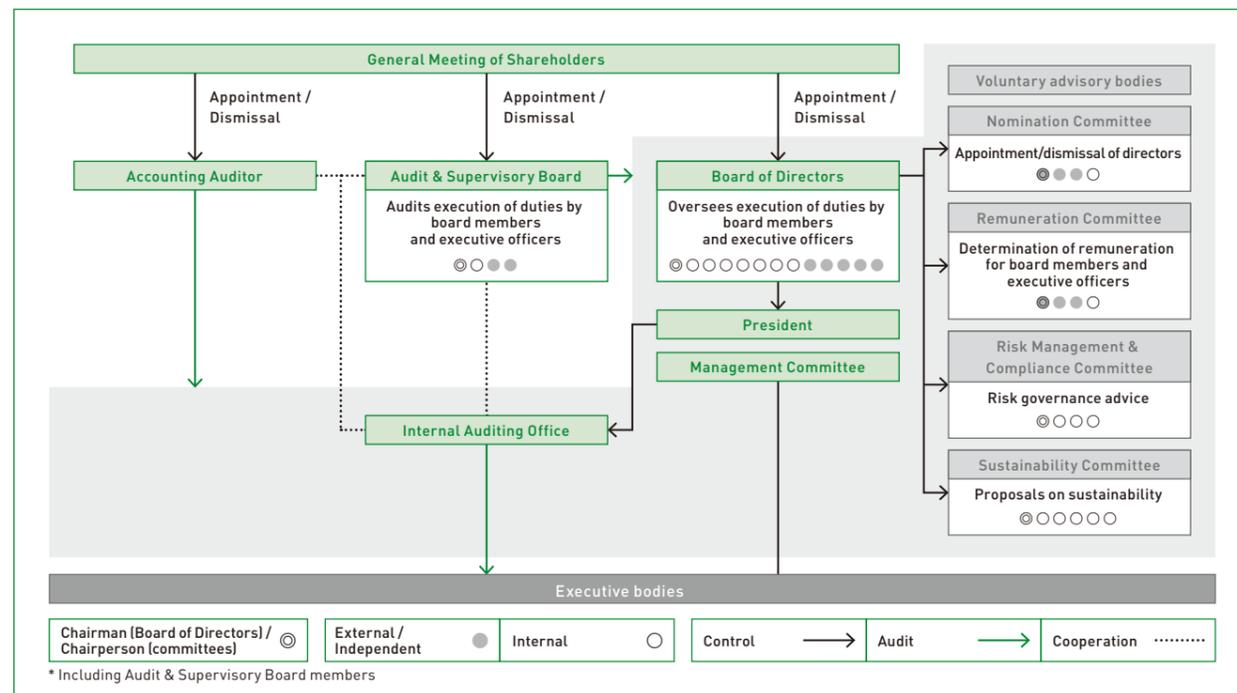
Tokai Carbon recognizes that enhancing medium- to long-term corporate value is the most important management objective. We believe that responding to the expectations of all stakeholders, including customers and shareholders, and building favorable relationships, is essential in achieving this objective. To this end, we embrace the corporate philosophy of Strength in Trust. Through this philosophy and the policies and values outlined in our Guidelines and Corporate Code of Ethics, we are working to develop an effective corporate governance structure.

Corporate governance system

As a company with an Audit & Supervisory Board, Tokai Carbon focuses on enhancing the effectiveness of audits by Audit & Supervisory Board members and our internal audit functions. At the same time, we work to strengthen the management supervision functions of the Board of Directors by appointing

multiple external directors and establishing voluntary committees to realize an appropriate corporate governance structure. Furthermore, to clarify the functions and responsibilities of corporate officers engaged in business execution, we have adopted an executive officer system and established a Managing Executives Meeting to enhance and strengthen the business execution functions of the organization.

Corporate governance system



Board of Directors

The Board of Directors is responsible for making decisions on important management matters and overseeing business execution. In principle, the Board meets monthly. As of April 1, 2022, there are eight directors, including three external directors. We have set up four voluntary advisory bodies to the Board of Directors. On the Nomination Committee and the Remuneration Committee, outside directors hold a majority. The Risk Management & Compliance Committee and the Sustainability Committee each comprise chiefly internal officers.

Audit & Supervisory Board members and the Audit & Supervisory Board

As a general rule, the Audit & Supervisory Board of the Company meets monthly. As of April 1, 2022, there are four Audit & Supervisory Board members, of whom two are External Audit & Supervisory Board members. Audit & Supervisory Board members perform audits based on the auditing policies and audit plan adopted

by the Audit & Supervisory Board. Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings and investigate the status of business operations and assets to confirm the status of business execution by directors.

Management Committee

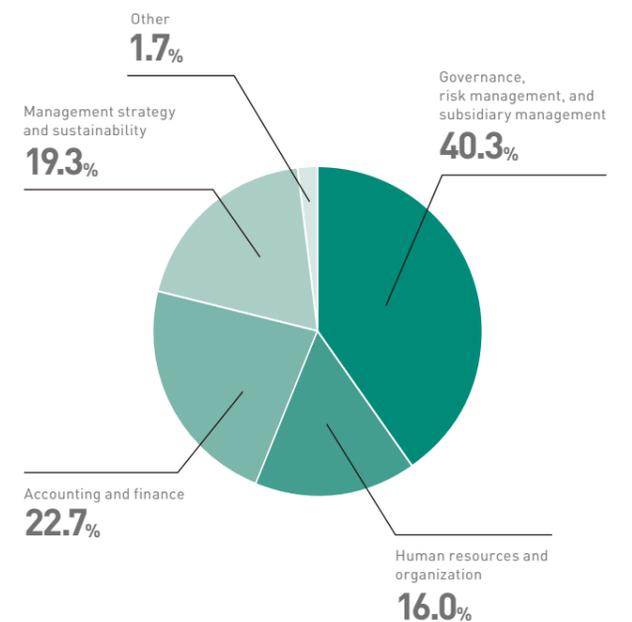
The Company has established the Management Committee under the Board of Directors. This committee deliberates and makes decisions on important management matters per basic policies adopted by the Board of Directors. The Management Committee meets once a week, in principle, with participation from executive officers and Audit & Supervisory Board members, etc. To assist the Management Committee with its work, we have also established committees to deliberate certain matters and report their findings to the Management Committee for higher-level consideration.

WEB Corporate governance report (as of March 30, 2022)
<https://contents.xj-storage.jp/xcontents/AS04435/e9adce76/9217/4377/81c1/993fda338794/20220722104726954s.pdf>

Subjects discussed at the Board of Directors in fiscal 2021

Subject category	Topic
Governance, risk management, and subsidiary management	Analysis and evaluation of the effectiveness of the Board of Directors
	Reports on financing, investments, and market risk management
	Reports on the state of internal control and internal audits
	Risk Management & Compliance Committee reports
	Transfer of shares of specified subsidiaries
Human resources and organization	Board member and executive officer candidates
	Revision to regulations
Accounting and finance	Financial statements
	Annual budget plans
Management strategy and sustainability	Formulation of medium-term management plans
	Formulation of the Business Portfolio Management Policy
	Decision on the Climate and Decarbonization Action Policy and reports on progress
	Formulation of the Sustainability Policy and reports on ESG activities and sustainability targets

Subject category



Strengthening the effectiveness of the Board of Directors

In 2016, Tokai Carbon established the Nomination Committee, Remuneration Committee, Management Committee, and Risk Management & Compliance Committee to ensure strong governance led by the Board of Directors. Specifically, our three outside directors actively attend important meetings other than meetings of the Board of Directors to deepen their understanding of significant subjects. The effectiveness evaluation reported that the outside director's impartial and objective comments were of great assistance in improving the supervisory functions of the Board of Directors.

The new governance structure has largely been established. Evaluations show that its initial results are positive and that the effectiveness has increased.

Establishing an internal control system

To ensure that Tokai Carbon Group properly executes business operations per relevant laws, regulations, and the Articles of Incorporation, the Company continuously improves its internal control system. Improvements are undertaken following the "Basic Policy for Establishing an Internal Control System," which was adopted at the May 2006 meeting of the Board of Directors and revised as necessary.

Management Appointment Process

The appointment of Directors, Audit & Supervisory Board Members and Executive Officers begins with the formulation of recommendations by the Nomination Committee, which is an advisory body to the Board of Directors and consists of one

internal board member and three external board members. The Nomination Committee prepares its recommendations by comprehensively considering the experience, knowledge, expertise, and other qualities of internal and external candidates. After approval by the Board of Directors, candidates for Director and Audit & Supervisory Board positions are submitted to the General Meeting of Shareholders for approval.

The Company discloses the reasons for nominating internal and external candidates for Director and Audit & Supervisory Board positions in reference materials provided for the General Meeting of Shareholders.

Executive remuneration

At Tokai Carbon, executive remuneration is composed of basic remuneration, which is a fixed amount, and performance-based remuneration, which varies depending on performance. For directors with executive responsibilities, the proportion of total remuneration is variable and designed to rise with executive rank. Consideration is therefore given to the significance of a manager's responsibilities.

Revisions and decisions regarding the executive remuneration system and the performance evaluations and remuneration for individual executives, are based on deliberations by the Remuneration Committee, which is chaired by an external director and includes external officers as members. In addition, at the March 2020 Annual Meeting of Shareholders, a proposal was approved for the payment of compensation to targeted directors, none of whom are external directors. This compensation is part of a plan to provide the targeted directors with restricted stock as a form of remuneration separate from the existing total remuneration approved at a previous Annual Meeting of Shareholders.

Corporate Governance

Skills matrix

Name	Gender	Term of office (years)	Knowledge and experience expected									
			Corporate management	Finance and accounting	Legal affairs and compliance	Overseas business	Manufacturing and technology	Sales and marketing	Personnel and HR development	Governance and risk management	ESG and sustainability	
President and CEO Hajime Nagasaka	Male	16	●			●				●	●	●
Member of the Board/ Executive Officer Yuji Serizawa	Male	9	●		●					●	●	●
Member of the Board/ Executive Officer Masafumi Tsuji	Male	5	●			●			●	●	●	
Member of the Board/ Executive Officer Katsuyuki Yamaguchi	Male	3					●					●
Member of the Board/ Executive Officer Shunji Yamamoto	Male	3				●	●					
Member of the Board (external/independent) Nobumitsu Kambayashi	Male	6	●			●			●	●	●	
Member of the Board (external/independent) Mayumi Asada	Female	1			●					●		●
Member of the Board (external/independent) Toshiro Miyazaki	Male	—	●	●						●		
Audit & Supervisory Board Member (full-time) Masanao Hosoya	Male	3		●	●	●				●		
Audit & Supervisory Board Member (full-time) Kazuyuki Kakehashi	Male	6			●		●					●
Audit & Supervisory Board Member (external/independent) Kaoru Ogashiwa	Male	2		●	●							
Audit & Supervisory Board Member (external/independent) Motokazu Hiura	Male	1		●	●							

Attendance at meetings of the Board of Directors, Audit & Supervisory Board, and committees (attendance/meetings) in FY2021

* Positions as of end-December 2021
* The (◎) symbol denotes chair or chairperson

Position	Name	Board of Directors	Audit & Supervisory Board	Nomination Committee	Remuneration Committee	Risk Management & Compliance Committee
Member of the Board	Hajime Nagasaka	◎ (15/15)	—	○ (3/3)	○ (2/2)	
	Yuji Serizawa	○ (15/15)	—	—	—	◎ (4/4)
	Masafumi Tsuji	○ (15/15)	—	—	—	○ (4/4)
	Katsuyuki Yamaguchi	○ (15/15)	—	—	—	○ (1/1)
	Shunji Yamamoto	○ (15/15)	—	—	—	
	Hirofumi Masuda	○ (15/15)	—	—	—	
	external/independent Nobumitsu Kambayashi	○ (15/15)	—	◎ (3/3)	◎ (2/2)	
	external/independent Junichi Tanahashi	○ (15/15)	—	○ (3/3)	○ (2/2)	
external/independent Mayumi Asada	○ (11/11)	—	○ (3/3)	○ (1/1)		
Audit & Supervisory Board members	Masanao Hosoya	○ (15/15)	◎ (11/11)	—	—	○ (4/4)
	Kazuyuki Kakehashi	○ (15/15)	○ (11/11)	—	—	○ (4/4)
	external/independent Kaoru Ogashiwa	○ (15/15)	○ (11/11)	—	—	
	external/independent Motokazu Hiura	○ (15/15)	○ (11/11)	—	—	

Compliance

In line with our Basic Policy of “Ties of Reliability” and our Guidelines of “ability to create value,” “fairness,” “ecology,” and “internationalism,” we have drawn up the Corporate Code of Ethics and other regulations for implementing fair business activities. We are working to conduct corporate activities with a high sense of ethics while also complying with the relevant laws, rules, and regulations.

Management Structure

The Risk Management and Compliance Committee, an advisory body, discuss important matters concerning risk and compliance, such as risk countermeasures for the entire company. At the same time, it advises to relevant departments and sections based on the outcome of the discussion, reports the progress, and proposes, for example, countermeasures to the Board of Directors.

In addition, we have created a Compliance Manual based on our Corporate Code of Ethics and our Ethical and Compliance Conduct Standards. This guidebook provides for behavioral standards required by all our officers and employees in conducting their day-to-day duties. It is of some help to entrench the strict practice of compliance in the company.

Internal reporting system

We have introduced an internal reporting system for receiving reports from employees who have found out about legal violations or fraud (or signs thereof), including any acts linked to corruption such as bribery, etc., by executive officers or employees. We have established in-house contact points (Legal Affairs Department, Audit & Supervisory Board Member) and external contact points (legal advisors) to receive reports or requests for advice by phone, fax, email, letter, etc. Reports can also be made anonymously. In addition, we also have a system allowing us to respond to reports from external third parties, reports received in a foreign language, and those received by persons other than the prescribed points of contact.

The Company’s Guidelines on Handling Internal Reports clearly state that, apart from cases when the system is deliberately misused, informants will not be dismissed or subjected to unfair treatment under this system, thereby ensuring the appropriate implementation of the system. Specifically, our company’s Legal Affairs Department Manager is responsible for investigating facts reported by an informant while strictly maintaining the confidentiality of the informant. If it becomes clear after an investigation that an illegal act was committed, we will take corrective action and recurrence-prevention actions and impose punishment under the employment regulations. At the same time, we have a system whereby all our employees and stakeholders can report to an external point of contact without worries. We are making efforts to increase everyone’s awareness of this system by including it in the Compliance Manual and internal rules and announcing it using various tools, including in-house seminars, an in-house message board, and in-house newsletters.

Prevention of corruption

Prevention of bribery and other corrupt behavior

Our Code of Ethics states that we will conduct business activities through fair competition and maintain sound and normal relations with politicians, government officials, suppliers, etc. It also states that we will comply with all laws and conduct business activities based on social norms and common sense. Because of this, we prohibit and strive to prevent acts of bribery or acts that could arouse suspicion of bribery, such as proposing or delivering benefits as compensation for others and demanding or receiving benefits such as cash, excessive business entertainment, amusement, or other services. We also prohibit corruption in the form of conspiracy to embezzle company funds or commit money laundering.

In FY2021, there was no exposure of corrupt behavior and no fines or monetary penalties paid. There was no disciplinary action taken against any employee due to corrupt behavior. We did not offer any political donations.

Supervision of the Board of Directors against corruption

The Board of Directors oversees initiatives on compliance, including the prevention of bribery and other corruption, and receives reports from the Risk Management & Compliance Committee.

Education and Enlightenment

To raise awareness of our comprehensive ban on corruption, including bribery, we make our anti-corruption policy known to employees in training. We continually provide compliance training for officers, personnel in managerial positions, and new employees, with both internal and external instructors. We also distribute compliance message videos internally and publish related articles in our in-house magazine to improve compliance awareness among our officers and employees.

Management (As of April 1, 2022)

Member of the Board



Hajime Nagasaka
President & Chief Executive Officer

Date of Birth January 9, 1950

Career Summary

April 1972 Joined Tokai Electrode Mfg. Co., Ltd. (currently the Company)
March 2006 Member of the Board/Executive Officer
Deputy General Manager, Carbon Black Division
March 2008 Member of the Board/Managing Executive Officer
Deputy General Manager, Carbon Black Division
March 2010 Member of the Board/Managing Executive Officer
General Manager, Carbon Black Division
March 2011 Member of the Board/Senior Managing Executive Officer
General Manager, Carbon Black Division
March 2012 Member of the Board/Senior Managing Executive Officer in charge of Carbon Black Division and Graphite Electrode Division
March 2013 Representative Member of the Board/Senior Managing Executive Officer in charge of Carbon Black Division and Graphite Electrode Division
March 2014 Representative Member of the Board/Executive Vice President in charge of Carbon Black Division, Graphite Electrode Division, and Raw Material Procurement Department
February 2015 Representative Member of the Board/President & Chief Executive Officer (incumbent)



Yuji Serizawa
Member of the Board
Executive Officer

Date of Birth December 27, 1959

Career Summary

April 1984 Joined the Company
March 2006 Executive Officer
Deputy General Manager, Fine Carbon Division
March 2009 Executive Officer
General Manager, Fine Carbon Division
March 2012 Executive Officer in charge of Fine Carbon Division
General Manager, Fine Carbon Division
March 2013 Director
Executive Officer
General Manager, Tanoura Laboratory
General Manager, Tanoura Plant
March 2014 Executive Officer
General Manager, Graphite Electrode Division
March 2015 Director
Executive Officer
General Manager, Graphite Electrode Division
January 2016 Director
Executive Officer
General Manager, Corporate Planning Division
March 2017 Director
Executive Officer responsible for Human Resources Department, General Affairs Department, and Legal Affairs Department (incumbent)



Masafumi Tsuji
Member of the Board
Executive Officer

Date of Birth January 10, 1963

Career Summary

April 1984 Joined the Company
March 2014 Business Director
General Manager, Carbon Black Division
Executive Officer
General Manager, Carbon Black Division
January 2016 Executive Officer
General Manager, Graphite Electrode Division
January 2017 Executive Officer
General Manager, Fine Carbon Division
March 2017 Director
Executive Officer
General Manager, Fine Carbon Division
January 2020 Director
Executive Officer
Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
February 2020 Director
Executive Officer
Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
April 2020 Director
Executive Officer responsible for Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
General Manager, Corporate Planning Department (incumbent)



Katsuyuki Yamaguchi
Member of the Board
Executive Officer

Date of Birth March 29, 1964

Career Summary

April 1988 Joined the Company
September 2015 General Manager, Engineering Department, Technology & Engineering Division
December 2016 Business Director
General Manager, Technology & Engineering Division
March 2018 Executive Officer
General Manager, Technology & Engineering Division
March 2019 Director
Executive Officer
General Manager, Technology & Engineering Division
June 2019 Director
Executive Officer
General Manager, Technology & Engineering Division
March 2020 Director
Executive Officer
General Manager, Technology & Engineering Division
March 2021 Director
Executive Officer
General Manager, R&D Strategy Division
General Manager, Intellectual Property Department (incumbent)



Shunji Yamamoto
Member of the Board
Executive Officer

Date of Birth March 8, 1962

Career Summary

April 1985 Joined the Company
March 2013 General Manager, Kyushu-Wakamatsu Plant
June 2015 General Manager, Production & Technology Department, Carbon Black Division
March 2016 Director, Managing Director, Thai Tokai Carbon Product Co., Ltd.
March 2018 Executive Officer, the Company
Director, Managing Director, Thai Tokai Carbon Product Co., Ltd.
March 2019 Director
Executive Officer
Director, Tokai Carbon CB Genpar LLC (incumbent)



Nobumitsu Kambayashi
Member of the Board

Date of Birth May 28, 1948

Career Summary

April 1971 Joined Kawasaki Heavy Industries, Ltd.
October 2002 Director, Kawasaki Shipbuilding Corporation
June 2005 Managing Director, Kawasaki Shipbuilding Corporation
April 2008 Managing Executive Officer, Kawasaki Heavy Industries, Ltd.
Director/Senior Vice President, Kawasaki Shipbuilding Corporation
June 2009 Senior Vice President, Kawasaki Heavy Industries, Ltd.
April 2010 President & Representative Director, Kawasaki Shipbuilding Corporation
Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd.
October 2010 Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd.
President, Ship & Offshore Structure Company
April 2013 Director, Kawasaki Heavy Industries, Ltd.
June 2013 Senior Advisor, Kawasaki Heavy Industries, Ltd.
June 2015 Chairman, Japan Ship Technology Research Association (incumbent)
March 2016 External Director, the Company (incumbent)
June 2017 Outside Director, Inui Global Logistics Co., Ltd. (incumbent)



Mayumi Asada
Member of the Board

Date of Birth February 5, 1968

Career Summary

October 2002 Registered as an attorney-at-law and joined Hiranuma Takasaki Law Office
July 2013 Member of the committee for medical dispute settlement, the Tokyo Metropolitan Medical Association (incumbent)
January 2014 Representative, Marunouchi Building Aoi Law Office (incumbent)
March 2014 Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine
April 2015 Member of the council for disclosure and personal information protection, Meguro-ku (incumbent)
June 2017 Member of the external audit committee for medical safety at Juntendo University Hospital
April 2018 Reconciliation officer at Tokyo Family Court (incumbent)
April 2020 Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent)
March 2021 External Director, the Company (incumbent)
July 2021 Assistant Professor, part-time, Juntendo University (incumbent)



Toshiro Miyazaki
Member of the Board

Date of Birth August 21, 1949

Career Summary

April 1972 Joined Mitsui Shipbuilding & Engineering Co., Ltd. (currently Mitsui E&S Holdings Co., Ltd.)
October 2002 General Manager, Corporate Planning Dept., Mitsui Shipbuilding & Engineering Co., Ltd.
March 2005 Corporate Auditor (part-time), MODEC, Inc.
June 2005 Associate Officer, General Manager, Corporate Planning Dept., Head of Asset Management Project Office, Mitsui Shipbuilding & Engineering Co., Ltd.
June 2007 Director, Finance, Accounting, and Investor Relations and Communications, Mitsui Shipbuilding & Engineering Co., Ltd.
March 2008 Director, MODEC, Inc.
March 2011 Representative Director, President, MODEC, Inc.
March 2019 Director, Chairman of the Board, MODEC, Inc.
March 2020 Executive Advisor, MODEC, Inc. (incumbent)
March 2022 External Director, the Company (incumbent)

Audit & Supervisory Board Members



Masanao Hosoya
Audit & Supervisory Board Member (full-time)

Date of Birth August 27, 1955

Career Summary

April 1979 Joined The Mitsubishi Bank, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
March 2008 Executive Officer
March 2009 Executive Officer
General Manager, Corporate Administration Division
March 2010 Member of the Board/Executive Officer in charge of Corporate Administration Division
General Manager, Corporate Administration Division
March 2015 Member of the Board/Managing Executive Officer
General Manager, Corporate Administration Division
March 2017 Member of the Board/Managing Executive Officer
Responsible for Accounting & Finance Department and Information System Department
January 2019 Member of the Board/Managing Executive Officer
Responsible for Accounting & Finance Department and Information System Department
March 2019 Audit & Supervisory Board Member (full-time) (incumbent)



Kazuyuki Kakehashi
Audit & Supervisory Board Member (full-time)

Date of Birth December 7, 1951

Career Summary

April 1975 Joined Toyo Carbon Co., Ltd. (currently the Company)
March 2001 General Manager, Production & Technology Department, Fine Carbon Division
March 2004 General Manager, Tanoura Plant
March 2009 General Manager, Shinan Office
General Manager, Chigasaki Plant
Industrialization Group Manager, R&D Strategy Division
August 2009 Assistant to General Manager, Fine Carbon Division
September 2009 Assistant to General Manager, R&D Strategy Division
March 2010 General Manager, R&D Planning Department, R&D Strategy Division
August 2010 Member of the Board, Tokai Konetsu Kogyo Co., Ltd.
March 2015 Managing Executive Officer, Tokai Konetsu Kogyo Co., Ltd.
March 2016 Audit & Supervisory Board Member
November 2018 Audit & Supervisory Board Member (full-time)
March 2019 Audit & Supervisory Board Member
May 2019 Audit & Supervisory Board Member (full-time) (incumbent)



Kaoru Ogashiwa
Audit & Supervisory Board Member

Date of Birth January 7, 1967

Career Summary

October 1990 Joined Research Center Management Consulting Institute, New Japan Securities Co., Ltd. (currently Japan Investor Relations and Investor Support, Inc.)
December 1992 Registered as a Certified Tax Accountant
Representative, Ogashiwa Kaoru Certified Tax Accountant Office (incumbent)
June 2005 Corporate Auditor, Senkon Logistics Co., Ltd.
June 2017 External Director and Audit and Supervisory Committee Member, Senkon Logistics Co., Ltd. (incumbent)
May 2019 External Auditor, the Company (incumbent)



Motokazu Hiura
Audit & Supervisory Board Member

Date of Birth February 15, 1955

Career Summary

April 1977 Joined Daichiseika Color & Chemicals Mfg. Co., Ltd.
April 2014 Manager, Corporate Finance & Accounting Department, Daichiseika Color & Chemicals Mfg. Co., Ltd.
April 2015 General Manager, Corporate Finance & Accounting Division, Daichiseika Color & Chemicals Mfg. Co., Ltd.
March 2019 Retired Daichiseika Color & Chemicals Mfg. Co., Ltd.
April 2020 Audit & Supervisory Board Member, the Company (incumbent)

Executive Officers

Hirofumi Masuda

Executive Officer
General Manager, Friction Materials Division
President & Chief Executive Officer, Tokai Noshiro Seiko Co., Ltd.
General Manager, Tokai Carbon (Suzhou) Co., Ltd.

Kazuhiro Kataoka

Executive Officer
General Manager, Japan Operations of Graphite Electrodes

Takeshi Nakashima

Executive Officer
Strategic Integration Officer, Tokai COBEX GmbH

Kazuyoshi Haino

Executive Officer
General Manager, Production & Technology Department, Graphite Electrode Division

Hiroshi Takahashi

Executive Officer
CEO & Chairman of the Board, Tokai Carbon Korea Co., Ltd.

Kouji Miura

Executive Officer
General Manager, Chita Laboratory

Akira Yamada

Executive Officer
General Manager, General Affairs Department
General Manager, Legal Affairs Department

Keiichiro Machihara

Executive Officer
General Manager, Technology & Engineering Division

Takashi Masaki

Executive Officer
General Manager, Smelting & Lining Division
Member of the Board, Tokai COBEX HoldCo GmbH
Chairman of the Board, Tokai COBEX Savoie SAS

Kenji Enokidani

Executive Officer
General Manager, Graphite Electrode Division
Member of the Board, Tokai ErftCarbon GmbH
Chairman of the Board, Tokai Carbon GE LLC

Akihiko Satoh

Executive Officer
Responsible for Accounting & Finance and Information System Department
General Manager, Accounting & Finance Department

Long-Term Earnings Summary (2011–2021)

Consolidated	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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Statements of Income

(Millions of yen)

Net sales	104,924	98,704	100,935	114,576	104,864	88,580	106,252	231,302	262,028	201,542	258,874
Gross profit	23,958	18,560	15,267	18,651	19,960	16,529	27,451	99,378	92,840	49,555	70,732
Selling, general and administrative expenses	13,491	12,859	13,611	14,947	15,871	15,398	16,358	26,312	38,495	41,696	46,085
Operating income	10,467	5,700	1,655	3,703	4,088	1,131	11,093	73,065	54,344	7,858	24,647
Ordinary income	10,104	6,470	3,114	4,180	4,317	1,702	12,855	72,991	52,986	6,262	24,770
Net income before income taxes	9,336	3,992	2,926	4,345	6,726	(7,938)	15,533	95,811	51,226	6,116	23,354
Income taxes	2,937	2,142	1,802	1,749	4,345	(67)	2,740	21,543	17,175	2,283	3,248
Net income	6,119	1,993	1,213	2,562	2,484	(7,929)	12,603	74,268	34,050	3,833	20,106
EBITDA	18,923	16,084	12,470	13,845	14,581	10,616	17,740	85,374	77,053	35,262	54,518

Sales ratio (%)

Gross profit	22.8	18.8	15.1	16.3	19.0	18.7	25.8	43.0	35.4	24.6	27.3
Selling, general and administrative expenses	12.9	13.0	13.5	13.0	15.1	17.4	15.4	11.4	14.7	20.7	17.8
Operating income - ROS	10.0	5.8	1.6	3.2	3.9	1.3	10.4	31.6	20.7	3.9	9.5
Ordinary income	9.6	6.6	3.1	3.6	4.1	1.9	12.1	31.6	20.2	3.1	9.6
Net Income before income taxes	8.9	4.0	2.9	3.8	6.4	(9.0)	14.6	41.4	19.5	3.0	9.0
Net income	5.8	2.0	1.2	2.2	2.4	(9.0)	11.6	32.1	13.0	1.9	7.8
EBITDA	18.0	16.3	12.4	12.1	13.9	12.0	16.7	36.9	29.4	17.5	21.1

Investment-related

Capital expenditure	13,975	12,287	9,007	6,830	5,301	6,013	4,282	11,794	24,341	28,873	30,347
Depreciation	8,286	8,712	8,656	8,629	9,242	8,124	6,647	10,390	18,503	20,890	22,900
R&D expenses	1,956	1,961	1,800	1,882	1,822	2,249	1,482	1,883	2,460	2,682	2,823

Cash flow

Cash flow from operating activities	12,771	8,828	11,606	11,983	20,613	17,505	10,543	44,109	41,664	55,022	38,072
Cash flow investment activities	(10,666)	(12,770)	(10,791)	(24,027)	3,189	(3,622)	(14,039)	(53,849)	(99,159)	(44,301)	(35,282)
Free cash flows	2,105	(3,941)	815	(12,043)	23,802	13,883	(3,496)	(9,740)	(57,495)	10,721	2,790
Cash flow from financing activities	2,629	(3,611)	1,441	9,728	(14,926)	(7,613)	(4,534)	29,677	64,568	927	1,211
Increase (decrease) in cash and cash equivalents	4,560	(6,674)	4,155	(1,307)	8,180	5,602	(6,376)	18,979	5,318	11,284	6,707
Exchange rate (USD/JPY)	79.84	79.82	97.65	105.85	121.05	108.85	112.19	110.43	109.05	106.82	109.80

*Corporate exchange rate

*Figures have been revised retrospectively.

Consolidated	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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Balance Sheet

(Millions of yen)

Total current assets	88,421	86,879	90,984	94,685	87,968	77,645	85,444	164,220	196,446	177,678	215,149
On-hand liquidity	16,572	11,891	16,048	14,862	23,045	28,528	22,152	46,797	52,695	67,174	78,858
Accounts receivables	28,543	28,259	30,075	33,972	26,897	24,220	30,265	55,137	50,648	41,438	56,668
Inventory	37,979	42,993	41,507	41,299	34,253	20,734	27,564	58,789	86,380	63,797	72,479
Other current assets	5,325	3,734	3,352	4,551	3,771	4,162	5,463	3,945	6,722	5,266	7,143
Total fixed assets	73,142	79,788	92,443	115,753	96,106	81,178	99,286	165,648	266,425	282,031	297,353
Tangible fixed assets	55,166	58,169	61,985	67,581	56,629	43,122	51,405	80,312	101,343	125,007	144,165
Intangible fixed assets	382	438	464	14,103	11,324	10,534	16,343	61,805	141,966	133,349	123,349
Investment and other assets	17,593	21,179	29,994	34,069	28,153	27,521	31,537	23,529	23,115	23,674	29,838
Total assets	161,563	166,668	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709	512,503
Total current liabilities	45,439	38,050	42,385	44,897	31,126	29,028	36,870	91,654	117,541	92,656	130,418
Short-term interest-bearing liabilities	19,471	14,636	20,718	21,576	9,537	12,910	14,074	41,709	68,363	51,879	74,710
Accounts payables	16,059	16,145	14,179	16,051	11,397	9,591	14,522	26,001	28,936	18,648	26,229
Other current liabilities	9,907	7,268	7,488	7,269	10,191	6,525	8,274	23,944	20,241	22,129	29,478
Total long-term liabilities	8,901	15,351	17,809	33,198	27,976	16,806	20,728	30,381	112,355	142,237	125,514
Long-term interest-bearing liabilities	1,747	6,191	5,044	16,713	14,398	4,137	2,068	8,000	79,666	106,764	93,539
Other long-term liabilities	7,154	9,160	12,765	16,484	13,577	12,669	18,660	22,381	32,689	35,473	31,974
Total liabilities	54,340	53,401	60,195	78,096	59,103	45,834	57,599	122,035	229,896	234,894	255,932
Total net assets	107,223	113,266	123,232	132,343	124,971	112,989	127,130	207,833	232,975	224,815	256,570
Shareholder's capital	106,606	106,887	106,807	108,006	108,910	99,693	110,089	179,500	203,819	196,543	206,269
Total liabilities and net assets	161,563	166,668	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709	512,503

Ratio analysis (%)

ROA	6.4	3.9	1.8	2.1	2.2	1.0	7.5	30.0	13.4	1.4	5.1
ROE	5.9	1.9	1.0	2.0	2.0	(6.8)	10.4	46.8	16.0	0.5	7.5
Capital-to-asset ratio	64.5	66.1	66.0	61.8	66.8	69.9	68.4	56.7	45.8	43.8	44.7

Indicator per share

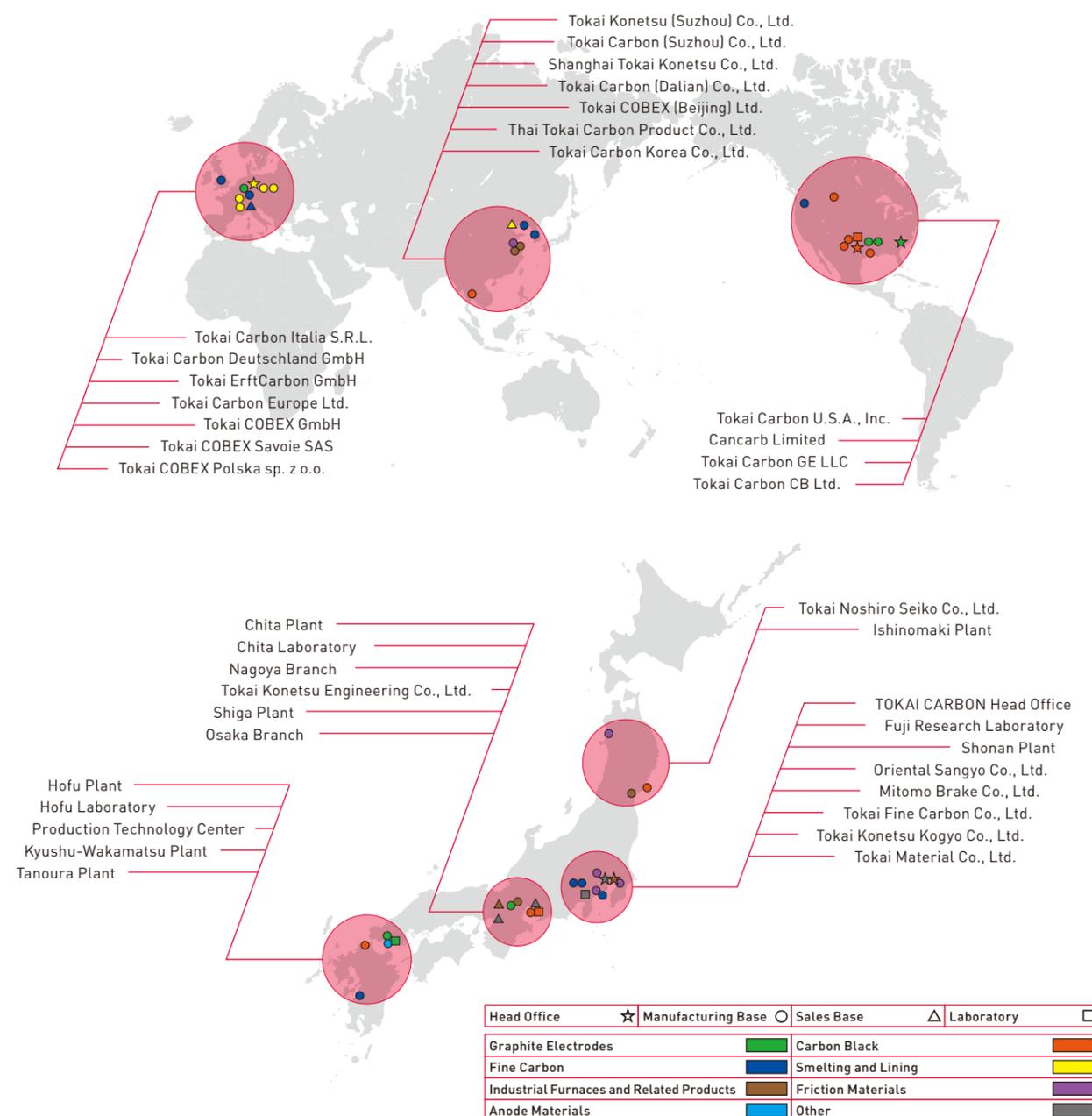
EPS (JPY)	29	9	6	12	12	(37)	58	344	150	4.78	75.55
BPS (JPY)	488	516	567	610	577	521	593	878	994	944.16	1,075.19
Dividend (JPY)	8	7	6	6	6	6	12	24	48	30	30
Dividend payout ratio (%)	28	75	106	50	52	—	21	7	32	627	40

Company Overview (As of April 1, 2022)

Company Overview

Trade Name	TOKAI CARBON CO., LTD.	Fiscal Year	December
Head Office	Aoyama Building, 1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107- 8636, Japan Tel: +81-3-3746-5100 (Switchboard)	Capital Stock	20,436 million yen
		Number of Employees	760 (4,289 including group companies) (as of December 2021)
Established	1918	Operations	Manufacture and sales of, Graphite Electrodes, Carbon Black, Fine Carbon, Smelting and Lining, Friction Materials, Anode Materials, Industrial Furnaces and Related Products
Representative	Hajime Nagasaka, President and CEO		
Accounting Period	Ending December 31		

Group Companies



Stock Information (As of December 31, 2021)

Stock Summary

Stock Exchange Listing	Prime Market of Tokyo Stock Exchange, Inc.
Securities code	5301
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	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

Total number of shares issued by the company	598,764,000
Total number of outstanding shares	224,943,104
Total number of shareholders	73,406

Major Shareholders

Name	Number of shares held (1,000 shares)	Shareholding ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	44,714	20.97
Custody Bank of Japan, Ltd. (Trust Account)	23,958	11.24
MUFG Bank, Ltd.	7,958	3.73
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
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	3,684	1.73
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,426	1.14
STATE STREET BANK WEST CLIENT - TREATY 505234	2,374	1.11
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,221	1.04
Meiji Yasuda Life Insurance Company	2,032	0.95

[Note 1] Tokai Carbon holds 11,762,000 shares of treasury stock but has not been listed among the major shareholders above. [Note 2] The shareholding ratio was calculated excluding treasury stock. * Ratio of the number of shares owned to the total number of issued shares (excluding treasury stock)

Share Owner Information

Shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)*
Financial Institutions	111,497 (52%)	<ul style="list-style-type: none"> Financial Institutions 52% Individuals/Others 24% Foreign Corporations, etc. 13% Japanese Corporations 5% Financial Instruments Business Operators 5%
Individuals/Others	51,496 (24%)	
Foreign Corporations, etc.	28,699 (13%)	
Japanese Corporations	11,374 (5%)	
Financial Instruments Business Operators	10,113 (5%)	
Total	213,180 (100%)	

[Note] The shareholding ratio was calculated excluding treasury stock. * Ratio of the number of shares owned to the total number of issued shares (excluding treasury stock)

Independent Third-Party Assurance Report



Independent Assurance Report

To the President and CEO of Tokai Carbon Co., Ltd.

We were engaged by Tokai Carbon Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental performance indicators marked with a star ★ (the “Indicators”) for the period from January 1, 2021 to December 31, 2021 included in its Integrated Report 2021 (the “Integrated Report”) for the fiscal year ended December 31, 2021.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Integrated Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Integrated Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Integrated Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s Chita Plant selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Integrated Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Integrated Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan
August 30, 2022



The road to carbon neutrality
continues...

Issue Date August 2022

Reporting Scope This report applies to Tokai Carbon Co., Ltd. and affiliated companies. The scope of applicability for reports with a limited reporting scope shall be indicated separately.

Reporting Period Excluding content with specific dates, this report reflects activities between January 1, 2021 and December 31, 2021.

 Our website presents the latest information and details on our businesses and on environmental and social matters. We invite you to visit it to learn more about Tokai Carbon.
<https://www.tokaicarbon.co.jp/en/>