



Integrated Report

2023



Carbon Black

Carbon Black/Tires/Rubber Products

Bringing safety to the joy of driving.

Bringing greater comfort and safety to daily driving. Carbon black is a critical raw material that accounts for about 30% of the weight of a tire. We support automotive safety and performance worldwide by delivering products to the influential tire manufacturers in North America, Thailand, and Japan. Carbon black is also used as a black pigment in many of the black-colored products you daily come across.

Challenging the future of semiconductors.

Supporting the rapidly changing semiconductor industry with our diverse product lineup. As one of the few companies in the world that manufactures fine carbon, we develop and supply the components for manufacturing equipment responsible for the evolution of semiconductors.



Fine Carbon

Fine Carbon/Semiconductors/Solar Cells/Molds

The potential of aluminium, soaring across the globe.

Demand for aluminum is growing worldwide to reduce the weight of electric vehicles (EVs) as well as aircrafts, trains, and other transportation application. We hold the top global share of products that are essential to the production of aluminum.

Smelting & Lining
Smelting & Lining/Aluminum





Strength and
flexibility supports
the infrastructure.

Steel scrap is recycled in an electric arc furnace (EAF) using graphite electrodes and then transformed into structural materials, as buildings, bridges, and much more. Tokai Carbon graphite electrodes produced in Japan, Germany, and the United States are indispensable items for the global infrastructure.

Graphite Electrode

Graphite electrode/Steel Frames of Buildings and Bridges

Technology that counts to daily life.

An industrial furnace is used for heat treatment of multilayer ceramic capacitors (MLCCs) contributing to a smaller and lighter smartphones and other mobile devices. We support the development of mobility as autonomous driving and electrification. Our development in technology support the cutting-edge fields in various industries around the world.



Industrial Furnace

Industrial Furnaces and Related Products/
Electronics/Lithium-ion Batteries

Editorial Policy

We view the integrated report as a media to encourage a constructive dialogue with all stakeholders. This report was made to provide a comprehensive and easy-to-understand story telling of how our value creation journey relates to the current business platform and where are we heading for, along with current issues and measures. In this report, we also displayed how our core values, long-term vision, materiality and strengths are incorporated into our business strategy.

<Outlook Disclaimer>

This report contains statements such as plans and management strategies concerning future business performance outlook. They are based on our assumptions and forecasts derived from information currently available. In the future, the results of outlook may differ significantly due to factors such as changes in social and economic conditions. The Company assumes no obligation to update information regarding changes in its outlook.

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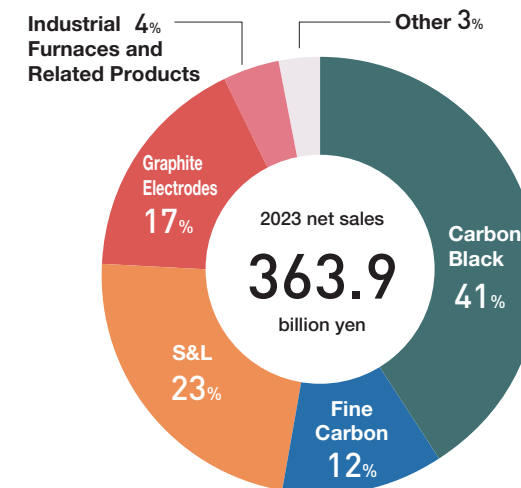
TOKAI CARBON at a glance

We are a material manufacturer that has been handling graphite and other carbon materials to all industries and expanding the possibilities of many products around the world for over 100 years. Changing the world more abundantly with advanced materials and solutions.

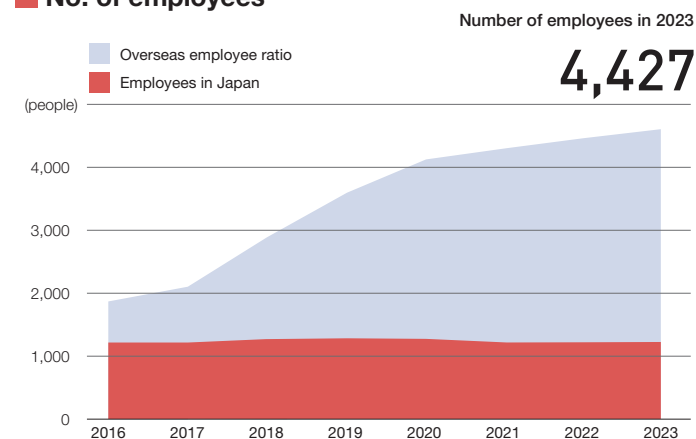
Consolidated Data for 2023

Net sales	Operating income	EBITDA (Margin)	Net income attributable to owners of the parent company
363.9 billion yen	38.7 billion yen	75.9 billion yen (23%)	25.4 billion yen
ROS*¹	ROE*²	ROIC (Adjusted)*³	ROA*⁴
11 %	9 %	12 %	4 %
Overseas sales ratio	Net assets	Capital-to-asset ratio	Dividend (yen/share) payout ratio
79.6 %	360.1 billion yen	50.7 %	36 yen/share (30%)

Net Sales (By Segment)



No. of employees



*1 ROS: Return on Sales = Operating income to net sales (operating profit / net sales)

*2 ROE: Return on Equity = Rate of return on equity (profit for the period / shareholders' equity)

*3 ROIC (adjusted): Return on Invested Capital = net operating profit after tax / (working capital + non-current assets); ROIC (adjusted) is ROIC considering amortization of goodwill, etc.

*4 ROA: Return on Assets = current net income / total assets

Top Message

Daring to take on challenges for the future

“Ties to Reliability” is the keyword for Tokai Carbon’s sustainable growth. By looking to the future, making changes and boldly taking on challenges, we will take Tokai Carbon’s business to a higher level.

Hajime Nagasaka President and CEO



Steadfast Conviction opens up the Future



Ties of Reliability

Tokai Carbon created this basic philosophy more than 20 years ago in anticipation of the 21st century. The basic philosophy embodies our belief that all of our stakeholders from our customers and shareholders to our business partners, employees, and society are essential partners of the Company and our wish for mutual prosperity. In 2022, Tokai Carbon announced its long-term vision to “contribute to a sustainable society through advanced materials and solutions” as its “vision for 2030,” which clarified our emphasis on sustainability as one facet of management. Even before this though, we have valued the concept of sustainability through our basic philosophy.

When I became president in 2015, Tokai Carbon’s business performance was stagnant. Although we were in a position to play a part in the automobile industry, we had been content with consolidated sales of around 100 billion yen and had been stagnating. I felt a strong sense of crisis about this situation, and decided that 2016, my second year as president, would be the year for fundamental structural reform. I worked to change the company’s attitude by promoting personnel exchanges between business divisions, hiring outside talent, and reforming governance. At the same time, I took decisive steps to thoroughly eliminate all accumulated waste within the company, such as withdrawing from non-core businesses

and unprofitable products, reducing excess production capacity and downsizing. I buckled down that a decrease in short-term sales and profits would be unavoidable. In fact, in 2016, our company recorded an extraordinary loss of over 10 billion yen, and our net income for the period was in the red by a large margin, which caused some people around me to express concern.

The structural reforms that I had pushed forward with such conviction began to pay off. By 2017, we pivoted from reform to growth strategies. To address the need to diversify our businesses and production sites, we strategically invested approximately 180 billion yen for about three years into five M&As overseas. As a result, our core Graphite Electrode and Carbon Black businesses acquired their first production bases in the United States. We also developed the Smelting and Lining business while strengthening the Fine Carbon business. As time goes by, compared to 2014, before I became president, our business scale in 2023 will have grown significantly, with consolidated sales approximately three times larger and consolidated operating profit approximately ten times larger. The proportion of overseas sales, which was just under 50%, has expanded to 80%. Even looking back now, I know I made the right decision to diversify our businesses and production sites. Without them, our company would probably be in a much tougher place than it is now.

However, we are also seeing changes in our current

business environment. The performance of each business in 2023 was up and down. The core Carbon Black business realized profits surpassing forecasts now that its United States subsidiary is finally finding more solid footing after ongoing turmoil due to an upswing in environmental investment costs, equipment trouble and other such problems as well as successfully executing large price increases. However, our other businesses have been struggling due to fluctuations in the global economy and a lack of semiconductors. The Graphite Electrodes and Smelting and Lining businesses find themselves in a particularly harsh business environment. Graphite Electrodes remained stable in the United States but could not pull itself out of its slump in Germany and Japan over the last several years. One reason for this is the slowdown in global steel markets, but we also cannot ignore the flood of cheap products from companies in emerging nations such as China and India. Even in the Smelting and Lining business, Chinese competitors have been able to push farther into our market despite the clear separation of these markets. Competitors have also taken some of the overwhelming focus ring share that TOKAI CARBON KOREA Co., Ltd. has been proud to hold. The landscape of the current face-to-face markets before the COVID-19 pandemic has completely changed.

I believe we have to take decisive action to address these changes in the business environment. Considering

carbon neutrality and other major downstream business trends, I have great expectations for the latent potential of each Tokai Carbon business.

Observe, orient and take firm actions

2023 has been a difficult year. We can also assume 2024 will be another tough year with the core Graphite Electrodes and Smelting and Lining businesses forced to plan actions to tackle a deficit. In particular, the significant changes in the Graphite Electrodes business environment are not temporary. That is why I am prepared to carry out more structural reforms. To realize sustainable growth in the future, 2024 is a year that we must begin again and become fully committed to put in the work to make it happen.

The three-year Medium-term Management Plan “T-2026” that runs from 2024 to 2026 announced in February 2024 positions “strengthening the earnings power of core businesses,” “enhancing business portfolio management,” and “pursuing sustainability management” as our basic policies. We aim to reach 458 billion yen in consolidated net sales and 53 billion yen in operating profit with a return on sales (ROS) of 12% and 104 billion



yen in earnings before interest, taxes, depreciation, and amortization (EBITDA) by 2026, which is the final year of this mid-term management plan.

1) Strengthening the revenue base of core businesses

We aim to build a structure that will enable us to generate stable profits from our core businesses, including the two business segments mentioned above, which are currently in difficult situations. First, we will give top priority to restructuring our Graphite Electrode business. In addition, in our Carbon Black and Fine Carbon businesses, we will respond to strong demand while improving the added value of our products. In the Carbon Black business, we will not only ensure stable operations at our U.S. bases, but also accelerate the horizontal expansion of specialty carbon black, which

is used as a filler for tires and a reinforcing material for other rubber products, and complete a project to build a new plant in Thailand. Additionally, in the Fine Carbon business, which has the greatest future growth potential, we believe that expanding production capacity to meet the needs of the rapidly expanding power semiconductor market will be a key point.

2) Enhancing business portfolio management

Since I became president, I have withdrawn from non-core businesses, reformed our business structure through M&A, and worked on the subsequent growth strategy. From now on, I will work to further improve our management methods in order to “achieve management considering capital costs and stock prices.” Specifically, we will visualize the capital return and growth potential of each business, identify high-profit and growth businesses, and concentrate management resources there. We have been carrying out PMI* for the subsidiaries we have acquired through M&A in order to maximize the benefits of integration. However, we are still only halfway there. As the global economy becomes increasingly uncertain, we believe that quickly recovering investment funds is also an important issue.

In terms of financial indicators, the targets are a net D/E ratio of around 0.35 times and a net interest-bearing debt/EBITDA ratio in the range of 1.0 times. Our approach to balance sheets has changed dramatically over the last nine years. We had been aiming for a net D/E ratio of 0.0 times as the Company had maintained virtually debt-free management. However, as we shifted toward a growth strategy driven by M&As, the structure of our corporate

balance sheet completely changed due to actively raising funds through both indirect and direct finance. Although we are currently working to complete the PMI, we should not miss those really good opportunities to further diversify and expand our business portfolio.

*PMI: Post Merger Integration

Solid Organization and Strong Human Resources

In aiming for the long-term vision toward 2030, it is necessary to share the basis for the daily actions and decisions of all group members. The idea of renewing the five action guidelines to “Integrity,” “Innovation,” “Challenge,” “Co-creation,” and “Agility was one of its measures. As stated in the long-term vision, an approach pioneering innovation is essential for our advanced next-generation materials and solutions to contribute to society. Tokai Carbon has had its customer base since long ago, which may be why our employees are generally diligent and hardworking, which of course in itself is one of our strengths. On the other hand, it might be true that this culture is tend to encourage conservative ideas and actions. I often feel we lack a strong offensive approach founded in autonomous thought and a willingness to take risks. I believe that this is a very important guideline for building an organization that can survive in today’s era, when common sense of the past is no longer applicable and change is the norm. I feel like I share this with

employees from our Group companies worldwide on an almost daily basis.

I am also more aware than ever of the importance in investing in human capital. Not too long ago, it was common to think that human resources could only be trained by enduring severe trials and environments, but times have clearly changed. To secure the excellent human capital said to be the source of corporate competitiveness, the company itself must change. Based on this approach, in 2023, Tokai Carbon (non-consolidated) conducted an employee engagement survey for the first time. Through this, we will foster an organization and culture in which employees with diverse values and backgrounds want to work together.

Guidelines

Integrity

Innovation

Challenge

Co-creation

Agility



Daring to Take on Challenges for the Future

Clear and Proactive Initiatives For the Sustainable Society

Tokai Carbon uses fossil fuels as a principle raw material and utilizes production processes that emit a considerable amount of CO₂. It goes without saying that initiatives toward carbon neutrality are essential to survive in a carbon-neutral society. The goal to realize a carbon-neutral society is a lofty one as we cannot expect to succeed simply through the extension of modern technologies. However, we will work with our customer and other external partners in efforts to overcome various challenges, such as the use of renewable energies, product recycling, exploration of raw biomass materials, and the collection and storage of CO₂, while taking advantage of government grants and subsidies. We are already underway with initiatives towards our targets that first aim to reduce CO₂ emissions throughout the entire Group 25% (VS 2018) by 2030 before becoming carbon neutral in 2050.

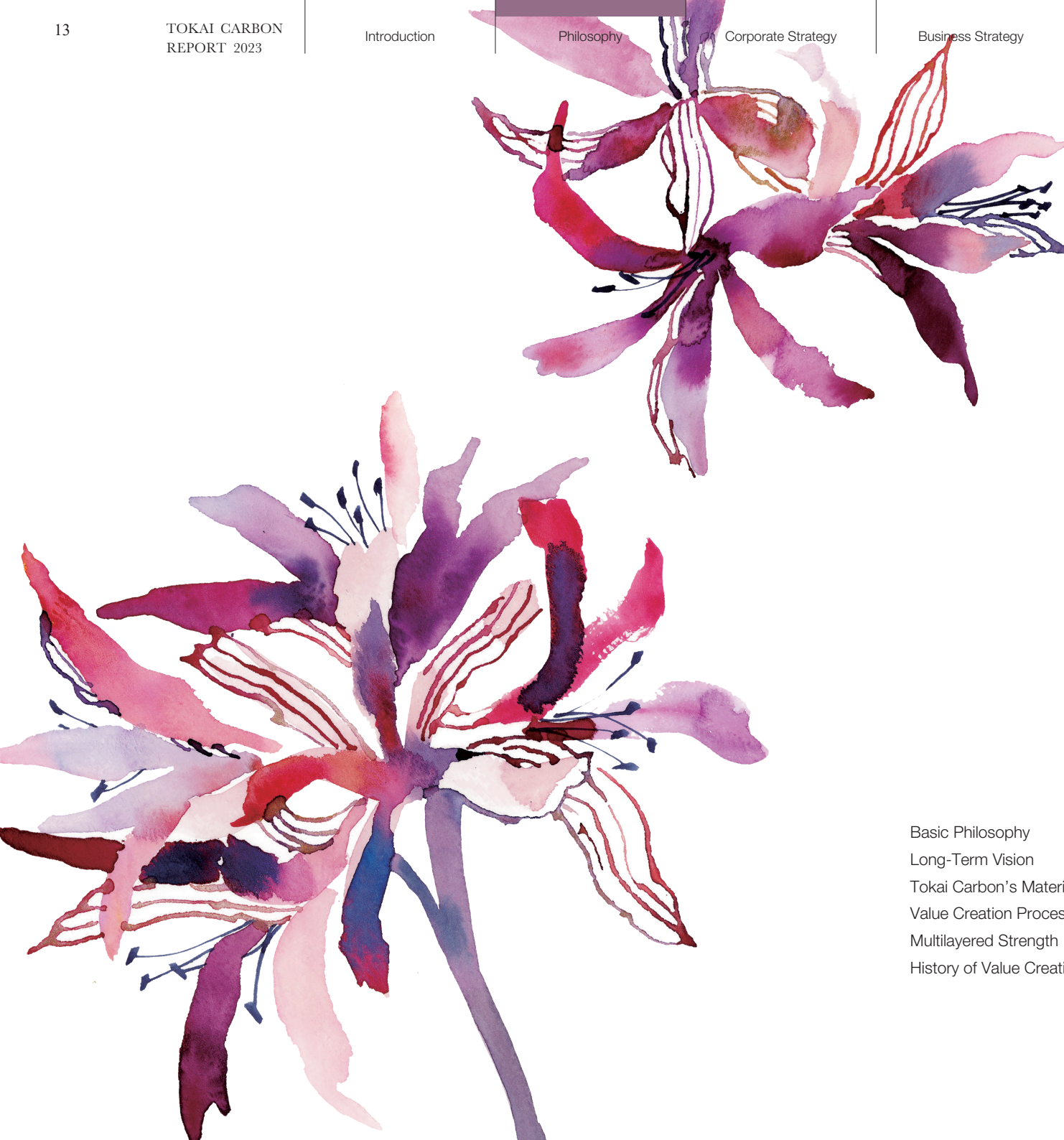
Sustainable management encompasses both investments into human capital as well as carbon neutral efforts. As I said at the beginning, Tokai Carbon has striven in CSR activities to co-exist and co-prosper with society based on our basic philosophy. With even stronger recognition of the need to more actively help address environmental and social issues at a global scale like the SDGs, we have been ramping up ESG/sustainability initiatives since 2019. Our long-term vision drafted in 2022 reflects the fruits of these efforts. As more and more social issues appear throughout the world from global warming and other global environmental issues to human rights violations and poverty, I feel there is even greater importance and urgency for initiatives to realize a sustainable society.

Our company's sustainability management is being promoted through repeated discussions centered around the Sustainability Committee, of which I serve as chair. I will take the lead in addressing this issue, asking myself what kind of contribution our company can make to the realization of a sustainable society.

As mentioned above, 2024 is a year of fresh start, in which we must quickly respond to the changes in the business environment that are immediately upon us. My most urgent and important mission as president is to compile the necessary reform plans as quickly as possible and implement them without hesitation in order to lay a solid foundation for future growth.

In a tough business environment, the consolidated sales and operating income targets that we have set for the final year of our medium-term management plan are quite challenging, but I personally have a strong desire to take our business scale to an even higher level in the not-too-distant future. For the sake of the next generation who will be responsible for Tokai Carbon in the future, I want to do everything I can now to make Tokai Carbon a company that is trusted and recognized by society. This is my dream.

Please look forward to Tokai Carbon's bold efforts as we continue to take on new challenges towards the future.



Philosophy

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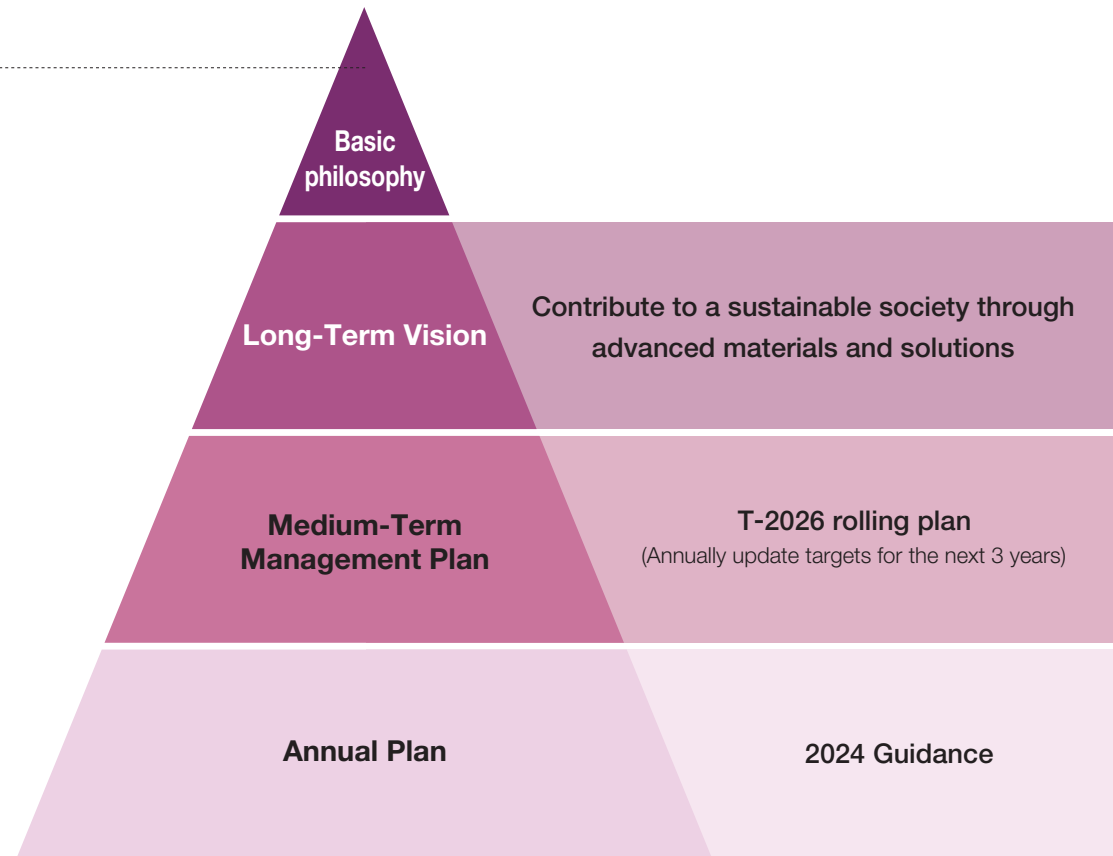
Corporate philosophy

Ties of Reliability

The Tokai Carbon Group has nurtured “Ties of Reliability” for over a century by continually heightening quality and providing the materials that are essential to steel, aluminum, semiconductors and other lifelines.

Our stakeholders, including customers, shareholders, business partners, employees, and society, are indispensable partners for the Company to contribute to the realization of a sustainable society through our corporate activities. Coexistence and co-prosperity with our stakeholders are the Company’s earnest wishes, and the key of “co-creation” that creates new value together with our stakeholders, are trusting relationships.

These relationships guide us in a variety of ways whether in direct aspects like our technologies and solutions, in the high-quality and stable supply unseen in the background, or friendly M&As and the subsequent integration. Our greatest bliss is knowing stakeholders feel “everything will go well if it’s Tokai Carbon.”



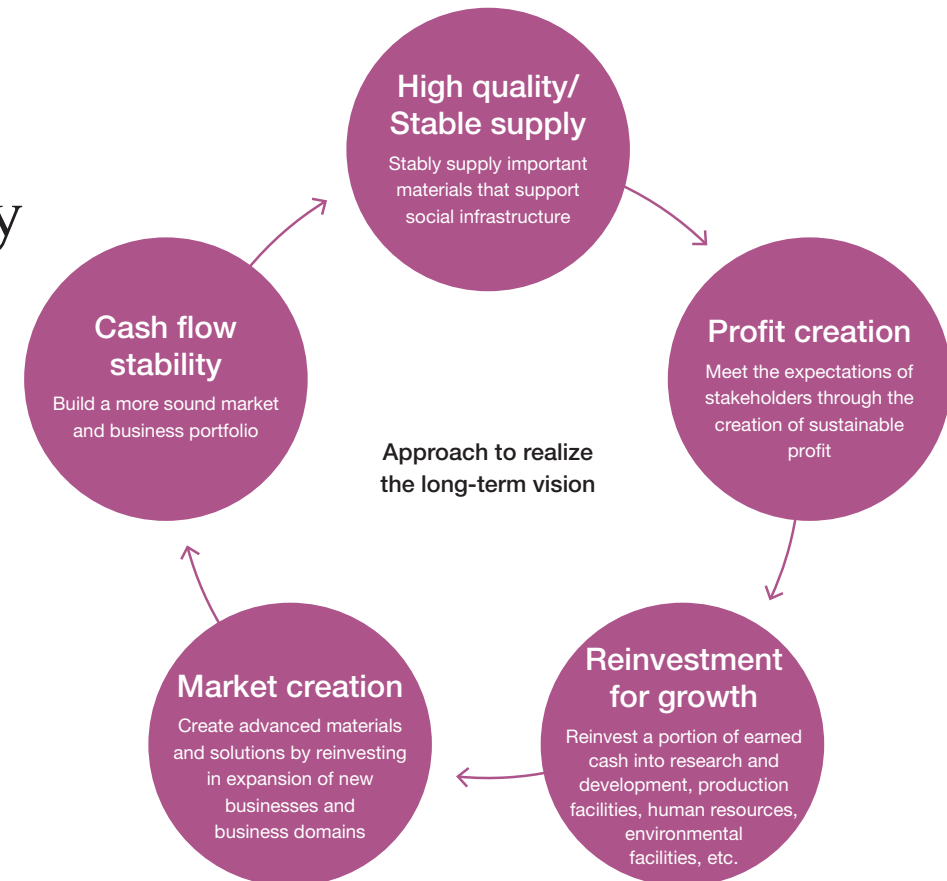
Long-Term Vision

Contribute to a Sustainable Society through Advanced Materials and Solutions

Contribute to a sustainable society through advanced materials and solutions

—This is our long-term vision toward 2030.

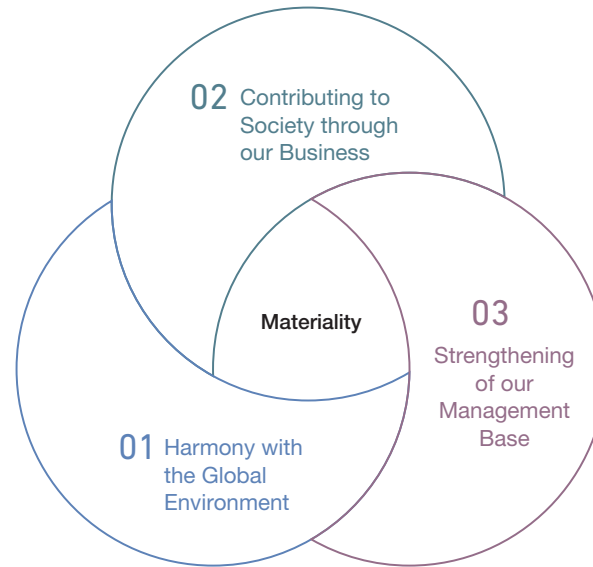
Amid the trend toward carbon neutrality,
this statement demonstrates our resolve to boldly take on the challenge of entering
new business areas and clarifies the reason for the existence of Tokai Carbon.



Materiality

Tokai Carbon's Materiality

Tokai Carbon has established a long-term vision in which the ideal form of the company “contributes to a sustainable society through advanced materials and solutions” through co-creation with its stakeholders. We have identified materiality (priority subjects) by prioritizing issues that pertain not only to the Company but also to society. We will sincerely face each materiality, contribute to the realization of a sustainable society, and appropriately disclose the status of its efforts.



Materiality identification process



01 ■ Reducing environmental impact ■ Realizing a recycling-oriented society

Impact on Tokai Carbon/Society

- Reduce climate change risks and contribute to a carbon-neutral society
- Reduce environmental impacts through research, development, and products
(Graphite Electrodes: Contribute to the reduction of CO₂ emissions during steel production)
- Prevent resource depletion
- Preserve the natural ecosystem
- Mitigate the impact of climate change risks on business
- Increase sales through the co-creation of new businesses
- Respond to stricter environmental regulations
- Reduce the risk of operational declines due to the depletion of raw materials and energy

02 ■ Technological innovation ■ Supplying safe and secure products ■ Supply chain management ■ Respect for human rights ■ Contribution to community

Impact on Tokai Carbon/Society

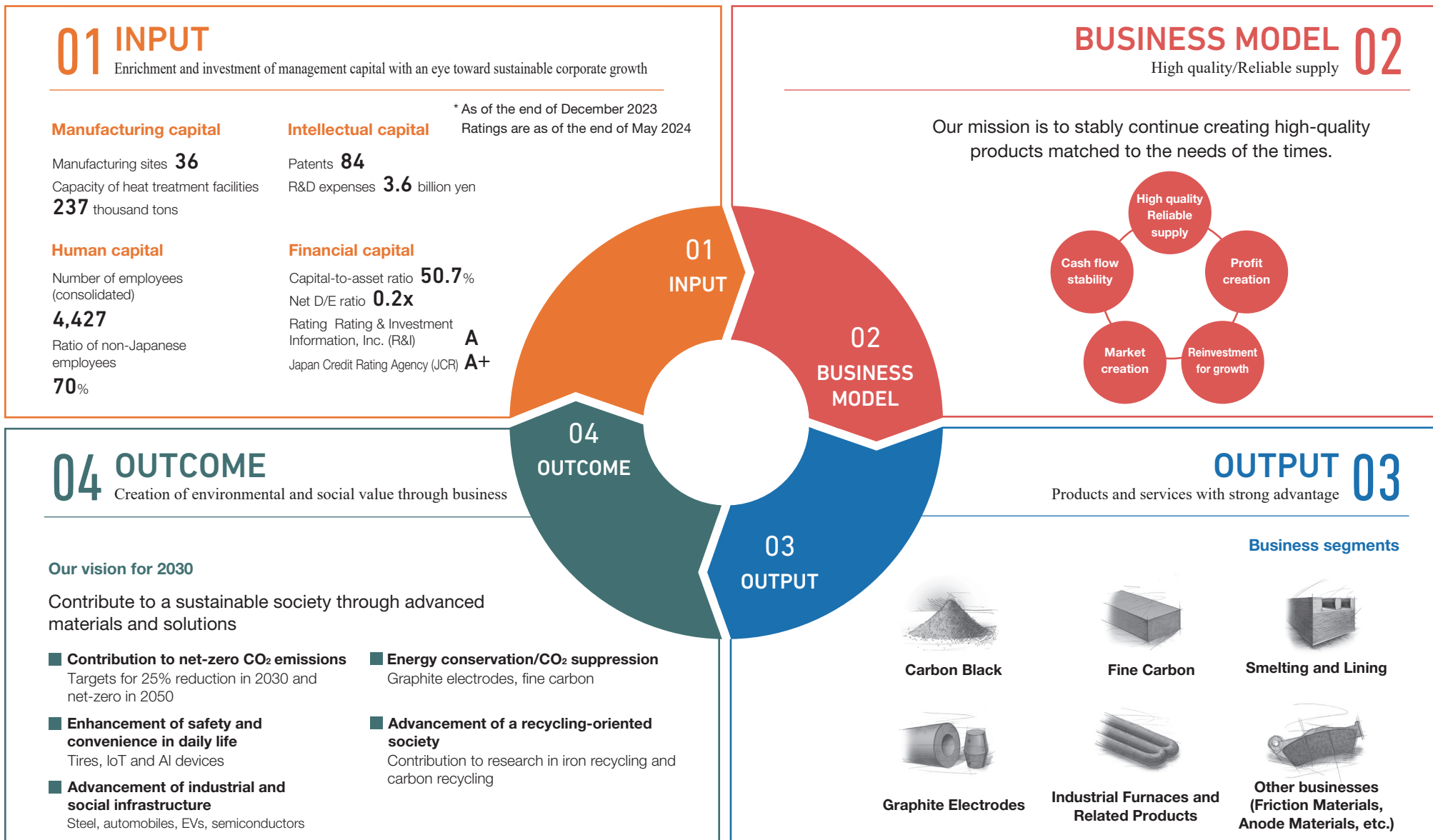
- Contribute to research and development as well as industry growth through products
(CB: Support automotive safety and performance; FC: Support the advancement of the semiconductor industry; S&L: Support the development of the aluminum industry)
- Realize a diverse society
- Create local employment
- Increase sales through innovative technologies and new products
- Prevent human rights violations and other scandals
- Build good relationships with suppliers

03 ■ Strengthening corporate governance ■ Ensuring compliance ■ Develop diverse human resources ■ Promoting occupational health and safety

Impact on Tokai Carbon/Society

- Nurture human resources who can contribute to a sustainable society
- Mitigate the risk of scandals
- Secure employee health and safety as well as a basic standard of living
- Improve employee engagement through a work-friendly and motivating workplace environment

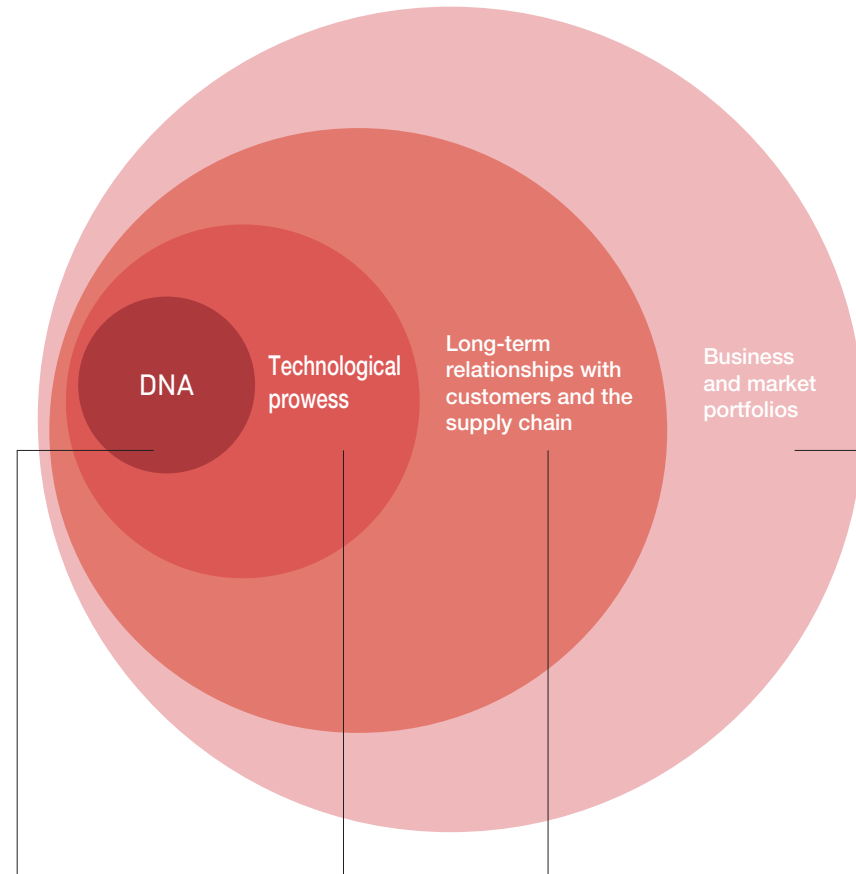
Value Creation Process



Multilayered Strength

Management Resources Amassed for More than a Century

Tokai Carbon has boldly taken on the challenge of social issues since its founding. It is part of our DNA dedicated to “Mono-zukuri” (as a manufacturer). We have been sincere with our customers and worked closely with raw material manufacturers throughout our history developing various businesses, whether the creation of the Graphite Electrodes business, the first industrialization of carbon black in Japan, or the subsequent launch of the Fine Carbon business. As we incorporate third-party technology through M&As and other various strategies, Tokai Carbon has refined and built trust for its core technologies. The aggregation of this technical knowledge has also become the driving force to bring about next-generation materials. Tokai Carbon manufacturing sites help not only satisfy local consumption and production needs but also share the regional risks by advancing manufacturing and development while building a broader global network. The expansion of the market strengthens each and every one of our businesses while providing an abundant amount of layered management resources.



Ties of Reliability

Our company began its history effectively using resources and contributing to each country and region.

Going beyond satisfying the needs

Co-creation to overcome the challenges faced by customers refines technologies and develops new materials and products.

Consistently providing high quality

The primary reasons our products have been widely used by our customers over the years is their trust in our stable supply of high-quality materials.

Diversifying and balancing risk

Our products support the foundation of all industries, which in turn greatly influences the trends of each industrial market. Diversification and rehabilitation of our business portfolio are essential themes to improve the resilience of the entire company.

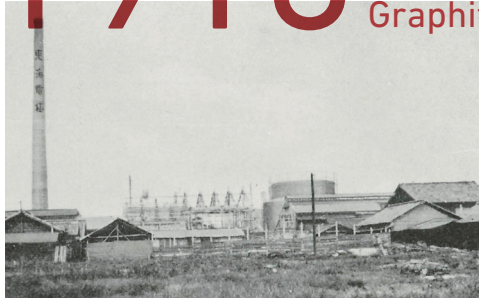
History of Value Creation

Carbon history in Japan
Began with Tokai Carbon

Origin

1918

Graphite Electrode

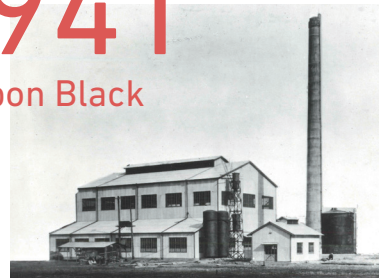


Founded with an conviction to solve the issue and cover the needs for that time and for the future

Japan considered steelmaking a national project. A projects expand and build new iron and steel plants with electric arc- furnaces (EAF) were underway, an issue the country faced then was how to obtain self-sufficiency in electrodes for steel making. Tsunesada Sangawa, our founder, believed that addressing the insufficient quality and unstable supply of graphite electrodes was vital to the advancement of the electric steelmaking business. At the same time, he foresaw the growth in sectors in need of carbon products, such as the EAF, electrochemical and electric machine industries. The establishment of Tokai Electrode Mfg. Co., Ltd., planned from a broad perspective that included solving the issue of consumption of excess electricity in the Chubu region, further attracted great attention, with the offer of shares quickly achieving its full amount.

1941

Carbon Black



Start of first manufacturing of carbon black in Japan

To make effective use of pitch oil, a by-product of the production of pitch coke as a raw material for graphite electrodes, we began manufacturing carbon black at the Kyushu-Wakamatsu Plant, a first in Japan.

1935-1989 Business foundation

1987

Establishment of local office in New York



To strengthen our overseas sales activities, we took early action among carbon manufacturers in addressing globalization. This triggered the creation of a joint venture with MWI in the Fine Carbon business, part of the foundation for the global expansion of Tokai Carbon today.

1951

Fine Carbon



Horizontal expansion of our graphite electrode manufacturing know-how

We applied our electrode manufacturing technology primarily in the semiconductor market to provide advanced ceramic product components. To cultivate this as a "third pillar" of business, the Tanoura Plant has produced only fine carbon since 1986.

Industrial furnaces and related products
Industrial Furnace



Applied development of high-temperature treatment technology

We deployed SiC heating elements (current EREMA heating elements) downstream and added industrial furnaces and resistors to our portfolio.

1990-2011 Globalization

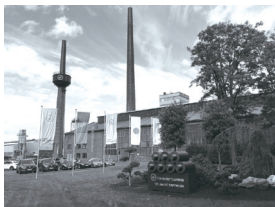
2012- Structural reform and growth



1990-2000

Establishment of Thai Carbon Product (current Thai Tokai Carbon Product)

In response to the entry into Asia by Japanese tire manufacturers, we undertook capital participation in a Thailand-based carbon black manufacturing site. We acquired management rights in 2000 and made the company a wholly owned subsidiary in 2017. It developed into a plant with the Group's greatest single-plant production capacity.



2005

First overseas manufacturing site for graphite electrodes

We acquired our electrode business' first overseas manufacturing site through the purchase of ERFT CARBON (current Tokai ERFTCARBON), the market share leader in Germany. This enhanced our presence in Europe.

1996

Merger with South Korean site for fine carbon

Tokai Carbon Korea was established as a joint venture with KC Tech and other companies (with 50% ownership by the Company).

SiC coating capital investment in the United States

We expanded our SiC coating business into the United States (current Tokai Carbon USA), where semiconductor manufacturers are concentrated.



2019



Smelting & Lining

Tokai Cobex GmbH We acquired Tokai Cobex GmbH and added its smelting and lining business to our portfolio.

2023 Net sales reached 364 billion yen

2020

Expansion of the Smelting and Lining business through the acquisition of Tokai Carbon Savoie

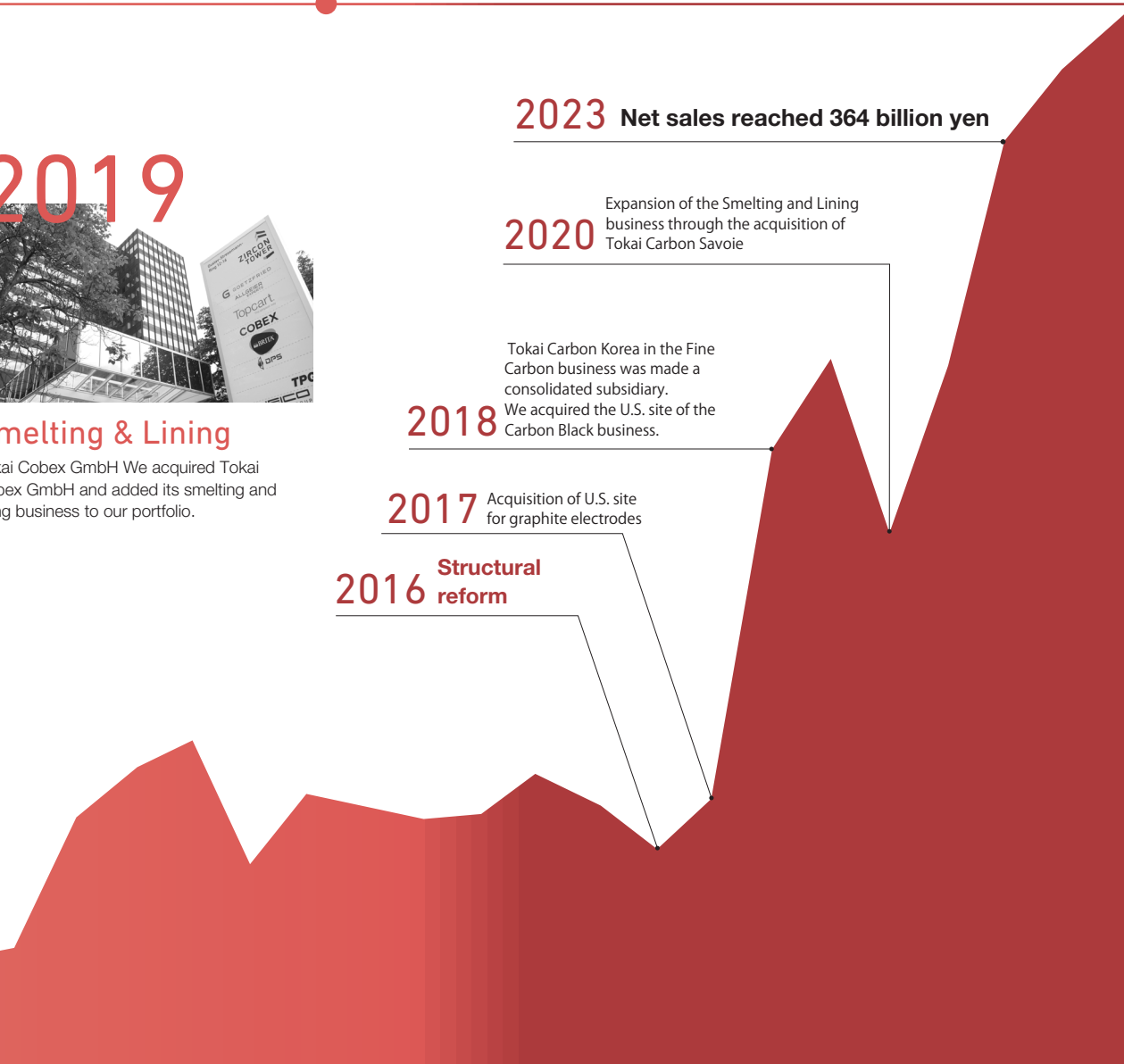
2018

Tokai Carbon Korea in the Fine Carbon business was made a consolidated subsidiary. We acquired the U.S. site of the Carbon Black business.

2017

Acquisition of U.S. site for graphite electrodes

2016 Structural reform



Corporate Strategy

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Medium-term Management Plan “T-2026”

Our mid-term management plans are rolling management plans that will be updated annually over three years. The basic policy of the Medium-term Management Plan “T-2026” this fiscal year remains mostly the same as the previous plan (T-2025), but target themes have been revised in the light of changes in the business environment.

The target theme to “strengthening the earnings power of core businesses” will create stable growth for the Carbon Black business that supported our business performance in 2023. It will also increase the production capacity of the Fine Carbon business to respond to the tremendous demand for SiC semiconductors. The 2024 outlook for the Graphite Electrodes business has had to forecast a deficit, but we will restructure the business so that it can generate stable earnings.

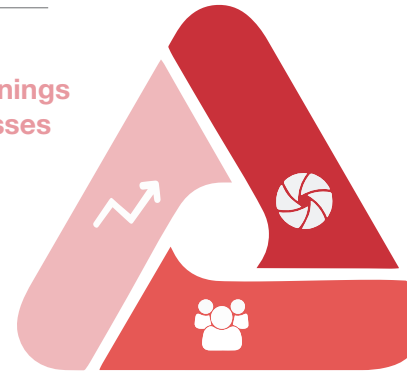
Our next target theme is “enhancing business portfolio management.” Management has continued its business selection and concentration efforts by withdrawing from non-core businesses and undertaking M&As since 2015. We now aim to employ more advanced management techniques to visualize the return on capital and growth of each business before concentrating the investment of management resources in growth businesses so that the value generated exceeds capital costs.

Our last target theme is “pursuing sustainability management.” We set “building an ESG management foundation” as a priority measure in 2019 and have been working to achieve this goal. As a result, Tokai Carbon has earned its place on the “FTSE4Good index Series,” “MSCI Japan ESG Select Leaders Index” and other renowned ESG indices. However, we have not set any other sustainability goals than the urgent challenge of carbon neutrality. We will continue to work to reach that goal in the future.

Basic Policies

Strengthening the earnings power of core businesses

- Reforming the structure of the Graphite Electrodes business
- Increasing high-added value and production capabilities of carbon black and fine carbon



Enhancing business portfolio management

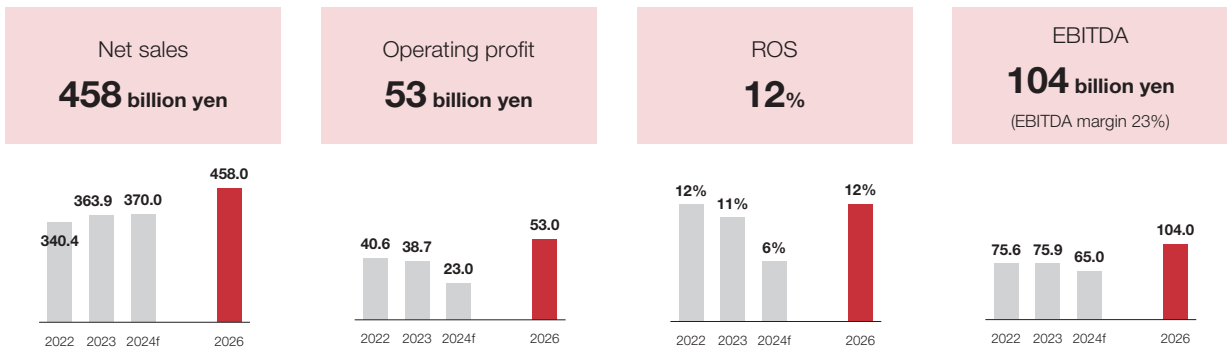
- “Selection and concentration” considering growth and the return on capital

Pursuing sustainability management

- Pursuing carbon neutral as the entire group
- Promoting the development of innovative technologies that contribute to a recycling-oriented society
- Strengthening the governance system
- Improving employee engagement

T-2026 performance targets

Strengthening the earning power of core businesses, enhancing business portfolio management, and pursuing sustainability management aim to achieve our performance targets for fiscal 2026.



* ROS Return on Sales = Operating income to net sales foperating (income+net sales)

* EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization that calculates the operating profit that includes depreciation and goodwill amortization.

* Assumed exchange rate for T-2026: 1 USD = 135 JPY; 1 EUR = 148 JPY *f = forecast (Outlook)

T-2026 Priority Measures

We have set three T-2026 priority measures: “reform the electrode production system,” “actively invest in growth businesses,” and “pursue sustainability measures.” The Graphite Electrodes business anticipates an increase in demand in the future following the shift to electric arc furnaces (EAFs) driven by carbon neutrality. Due to the current global stagnation in EAF steel production, we face the ongoing structural challenge of an excess supply from China and India in the market, which makes reforms to our production system more urgent. As structural reforms to our electrodes business are the biggest challenge for this fiscal year, we will move forward with investments into fine carbon, industrial furnaces, and other growth businesses. Our sustainability measures will focus on pursuing carbon neutrality and strengthening human capital among other initiatives, while looking to maximize corporate value through business portfolio management.

1

Priority measures

Reforms to the Electrode Production Systems

The industry faces structural issues with continued oversupply from China and India, while global EAF steel production stagnates. We urgently need to review our production system, including evaluating options for how to utilize existing surplus capacity, while closely monitoring a future shift to EAF.

2

Priority measures

Active Investments in Growth Businesses

We will seize growth opportunities in face-to-face industries and expand markets for Fine Carbon and Industrial Furnaces by increasing production capacity, tapping into new markets, and building a global distribution network.

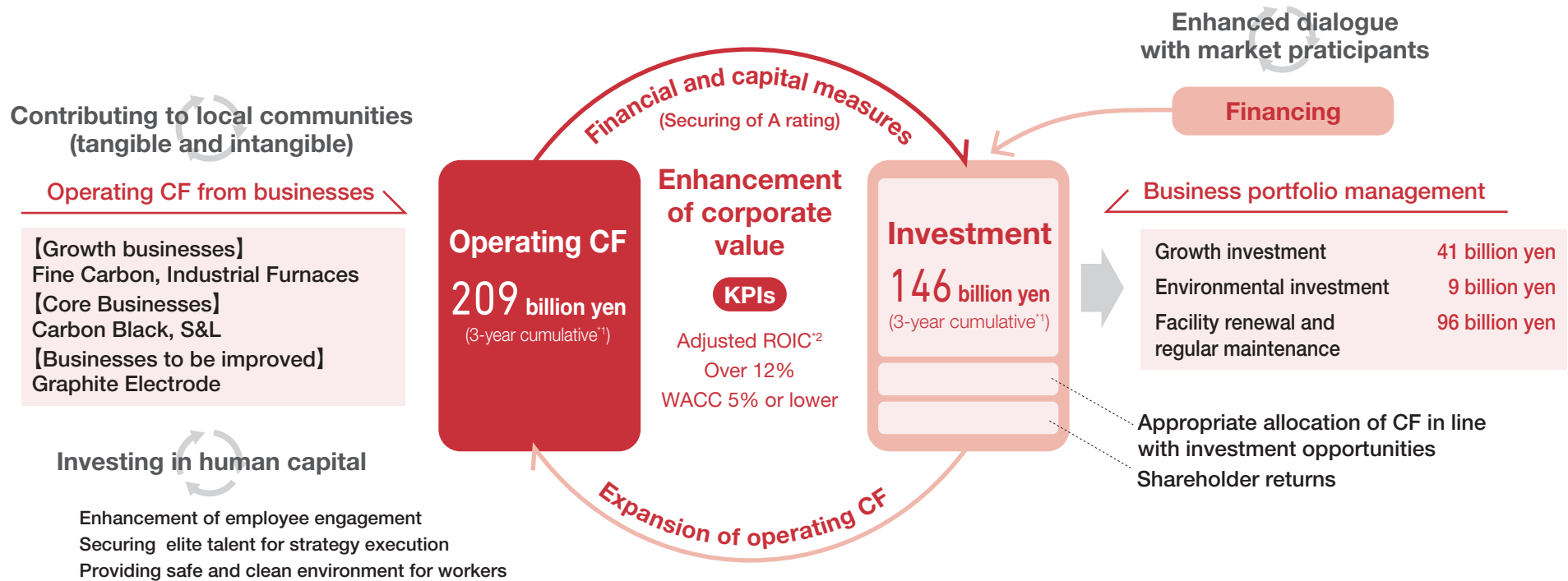
3

Priority measures

Sustainability Measures

We will conduct management that is conscious of the cost of capital through, business portfolio management; promote carbon neutral; strengthen the risk management and governance structure; enhance human capital; utilize ICT; and follow TNFD recommendations.

Overall Loop to Enhance Corporate Value

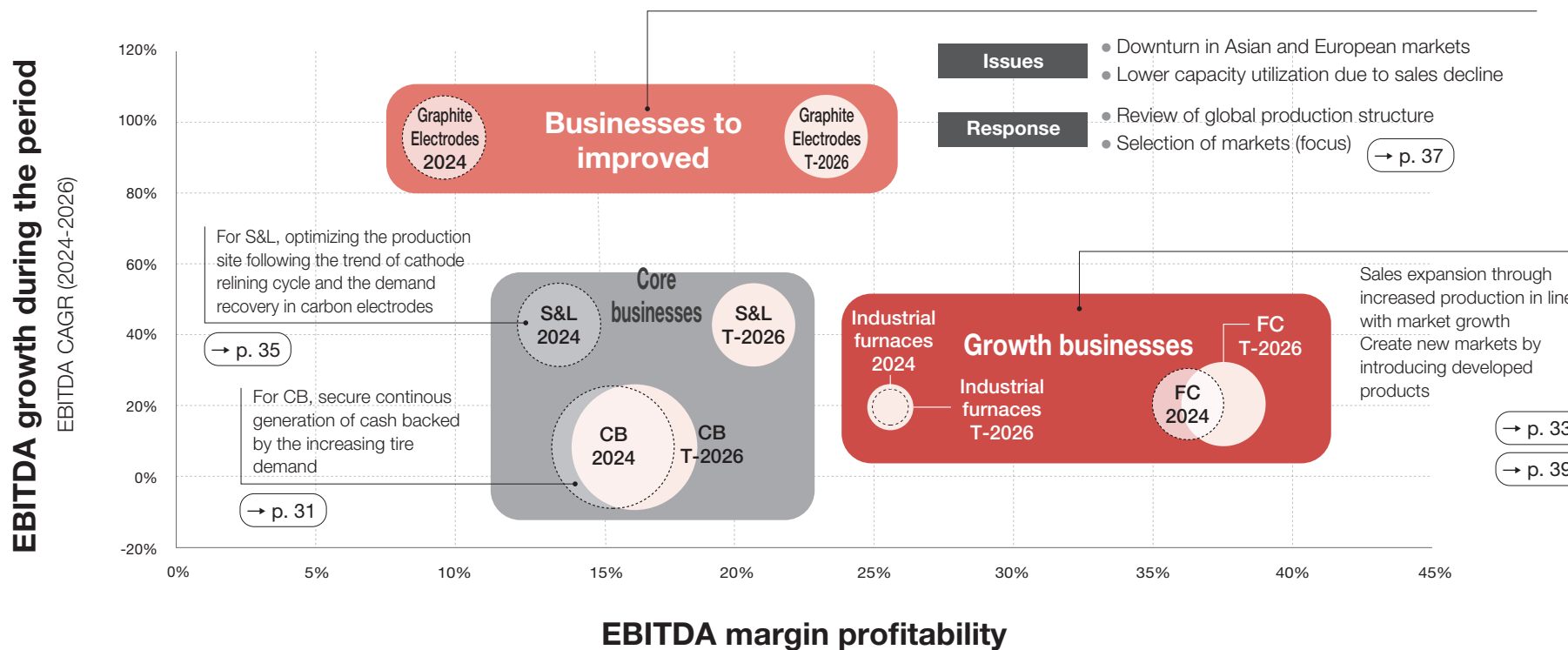


*1 3-year cumulative: The 3-year cumulative total for 2024 to 2026, the period of T-2026

*2 Adjusted ROIC: Adjusted ROIC is used as a KPI, after adjustment for goodwill, goodwill amortization, etc.

We will maintain financial soundness toward improving corporate value and expect to generate total operating cash flows of 209 billion yen over the three-year T-2026 plan. Tokai Carbon will also appropriately allocate growth and environment investments based on business portfolio management. Although it depends on the cash flow trends, we also aim to properly allocate other funds toward inorganic growth, new businesses, carbon neutrality, and other investment opportunities with the aim of stability generating and expanding operating cash flows. The adjusted ROIC has been set to over 12% and WACC to 5% or less as KPI for expanding the loop to improve this corporate value.

Maximize operating CF with strategies tailored to business issues



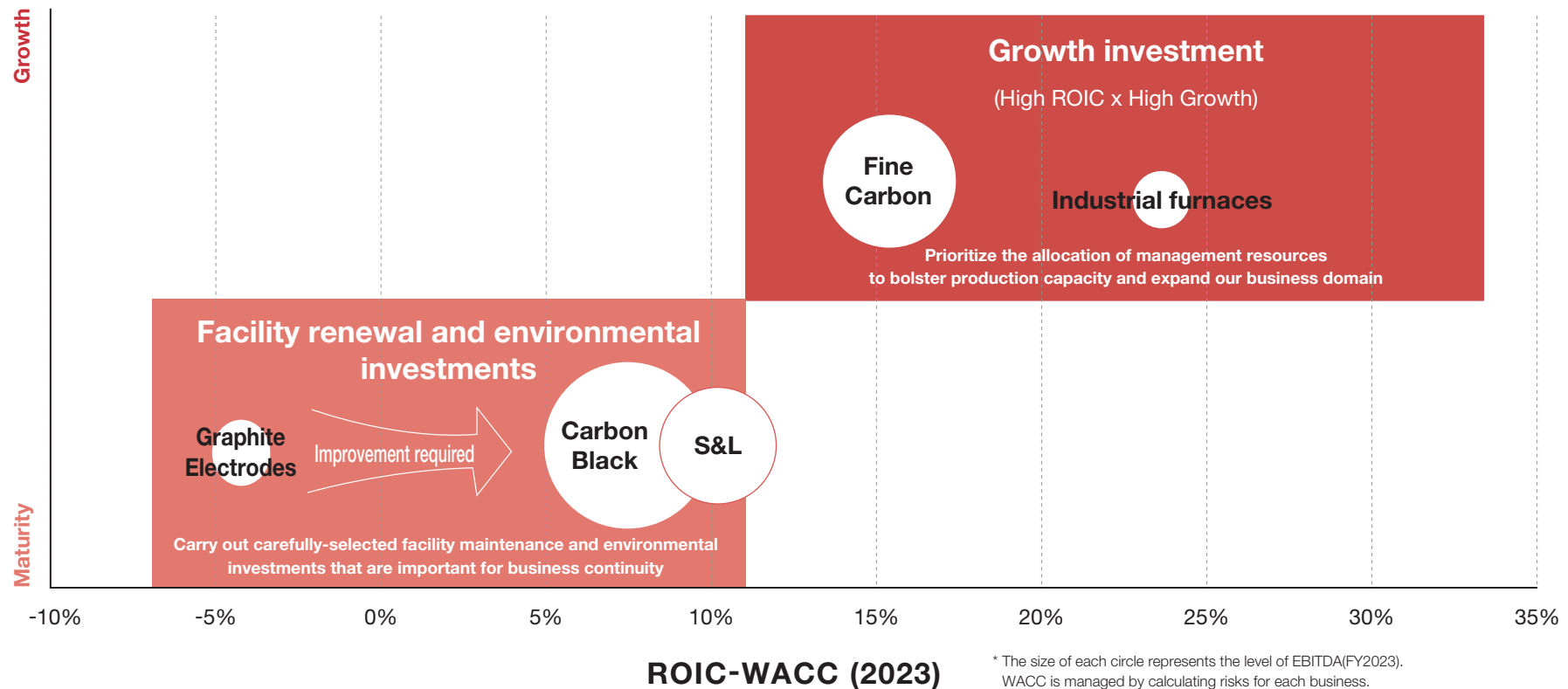
The vertical axis shows the growth and the horizontal axis the profit. We aim to maximize the operating cash flows (CF) toward 2026 by segmenting our core businesses into “Core businesses,” “improvement businesses,” and “growth businesses” to execute the strategies that fits to the issues carried by each business.

Business Portfolio Management (Capital Allocation Guidelines)

To enhance corporate value, Tokai Carbon evaluates its businesses using the ROIC spread of each business. We will continue to be proactive in allocating the appropriate management resources to fine carbon and industrial furnaces, which are positioned in the higher growth and higher ROIC spread. The Graphite Electrodes, Carbon Black, and Smelting and Lining should generate stable profits as businesses in mature markets. The investment toward these businesses will be to ensure the stability of production and to be responsible for sustainable environment. Graphite Electrodes is positioned as a business to improve the ROIC spread therefore requiring drastic measures as structural reforms.

Allocation Guidelines for Operating Cash Flows

Aim to allocate management resources in a way that maximizes economic profit [(ROIC-WACC) x invested capital], calculated by multiplying excess profit by invested capital, while maintaining and improving business ROIC spreads, thereby enhancing corporate value.



* The size of each circle represents the level of EBITDA(FY2023).
WACC is managed by calculating risks for each business.
ROIC uses adjusted ROIC that takes in account goodwill and goodwill amortization.

Major Planned Investments

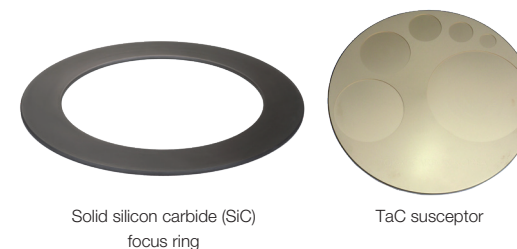
Our capital allocation guidelines aim to maximize the use of management resources. 41 billion yen will be injected to the growth investments mainly focusing on the Fine Carbon business. 9 billion yen will be injected to environmental investments and 96 billion yen to Carbon Black business that has to cover up the relocation of its manufacturing plant in Thailand. This equates to a total of 146 billion yen in investments.

Capital investments and maintenance costs are essential to continuously provide trustworthy quality and stable supply to the market building up trust between each customer.

Graphite Electrodes	15	Regular maintenance, Renewal of facilities, etc.
Carbon Black	49	Regular maintenance, migration of the Thailand plant, etc.
Fine Carbon	11	General repairs
Smelting & Lining	8	General repairs
Others	13	General repairs, DX/streamlining of operations, etc.



Facility renewal
Regular maintenance
96.0 billion yen



Growth investment
41.0 billion yen

Capital investments for expanding the business focused to the Fine Carbon and Industrial Furnaces segment that are high in ROIC and growth potential.

Fine Carbon	30	Increase of graphite materials production capacity Support for Power semiconductor market, etc.
Carbon Black	4	Support for Carbon-neutral
Industrial Furnaces	2	Expansion of production capacity
Others	5	Automation, product development, etc.



Environmental investment
9.0 billion yen

The large-scale environmental investments in the Carbon Black business reached an interim milestone in 2023. Future investments will take responsibility to focus on effective reduction of environmental impacts toward a sustainable society.

Carbon Black	4	Environmental measures primarily at the North American plants
Smelting & Lining	2	Flue gas desulfurization facilities, etc.
Carbon-neutral, etc.	3	

Financial/Capital Policies (Optimal Capital Structure)

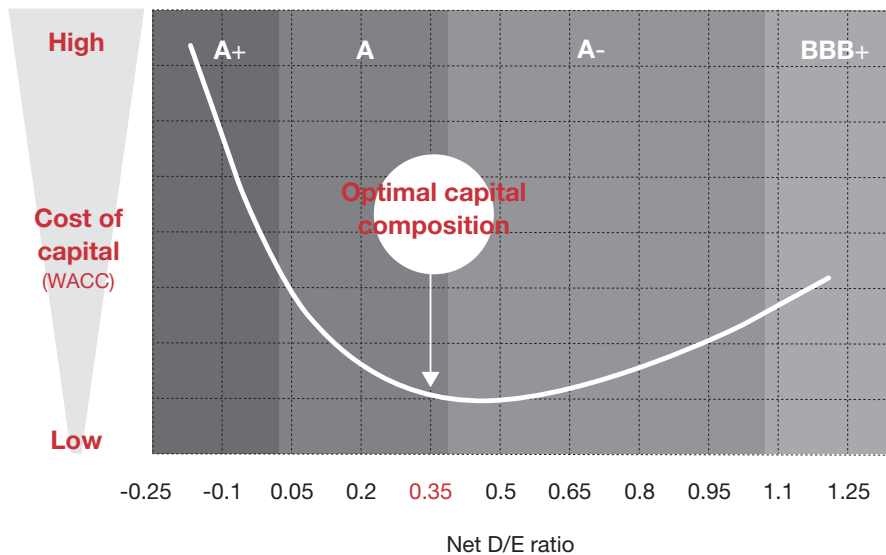
Our basic financial and capital policy is to ensure sufficient financial soundness and readiness of core segments for the changing business environment to enhance corporate value. The Medium-term Management Plan “T-2026” lays out the capital structure to balance financial soundness and capital efficiency based on business/investment plans. We will allocate capital and funds in line with liquidity, fundraising, and the return to shareholders based on these strategies.

As specific metrics, a precondition to these strategies is an A rating in the assessments important to financial institutions and bond investors. An awareness of

capital costs is also important from the perspective of stock investors. In addition to an A trust rating, our aim is to have a capital structure with a low weighted average cost of capital (WACC). The T-2026 sets a net D/E ratio of 0.35 times as the proper standard for financial leverage to accomplish this goal.

These metrics will help us understand our financial and investment reserves. We will also make other financial considerations, such as investments, retained earnings, debt reduction, returns to shareholders as well as other capital allocation and fundraising methods.

Balance between financial soundness (A trust rating) and minimization of capital costs (WACC)

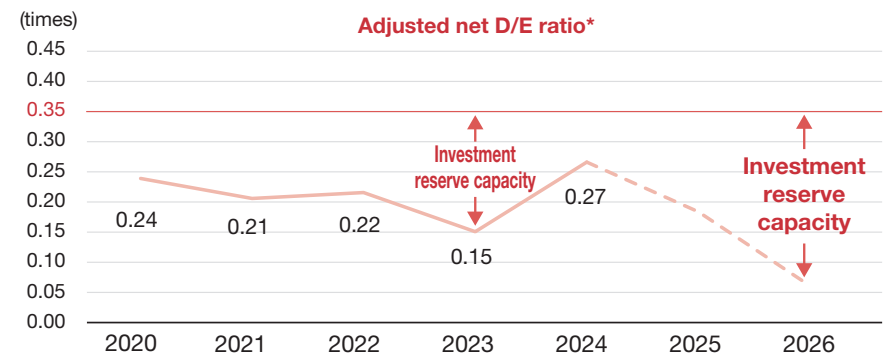


The net D/E ratio should aim to be 0.35 times in an ideal capital structure that balances financial soundness (A rating or higher) and minimizes capital costs (WACC).

Metrics and Targets for Financial Soundness and Capital Efficiency

Net D/E ratio	Approx. 0.35 times
Net interest-bearing debt/EBITDA	Approx. 1.0 times
WACC	5% or less

The allocation of capital based on a hurdle rate within a range of the investment reserves that considers the ideal capital structure aims to increase business revenues.



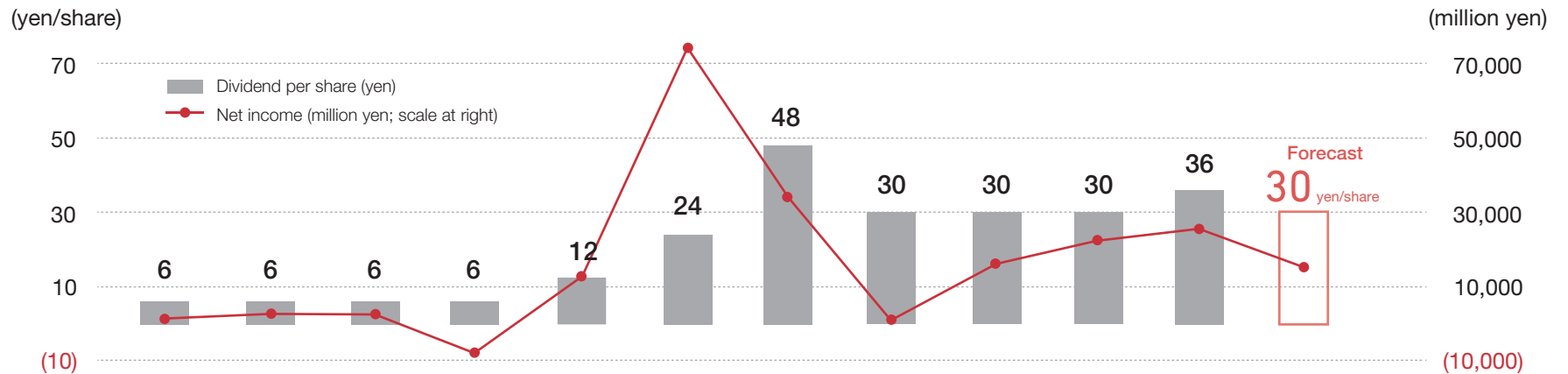
* Adjusted net D/E ratio: A net debt-to-equity ratio that accounts for the equity classification of hybrid financing obtained from rating agencies (debt to capital ratio).

Shareholder Returns

Our dividends policy remains to provide “consistent, stable dividends while setting a target payout ratio at 30%.” In terms of our forecast for dividends in 2024, our dividend policy goes beyond this to increase dividends to 30 yen per year, which is a payout ratio of 43%, based not only on annual performance but also medium-term performance, cash flow forecasts, and our financial strategies.



Dividends per share and net income



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024f
Dividend payout ratio	106%	50%	52%	-	21%	7%	32%	627%	40%	28%	30%	43%
Total dividends (million yen)	1,280	1,280	1,280	1,280	2,556	5,114	10,230	6,395	6,395	6,395	7,674	6,395

*f = forecast

Business Strategy

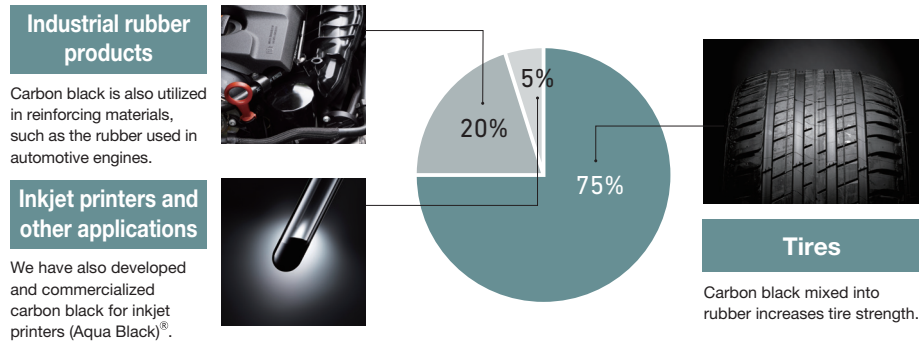
Carbon Black	.....	31
Fine Carbon	.....	33
Smelting & Lining	.....	35
Graphite Electrodes	.....	37
Industrial Furnaces and Related Products	.....	39

Carbon Black

Operations

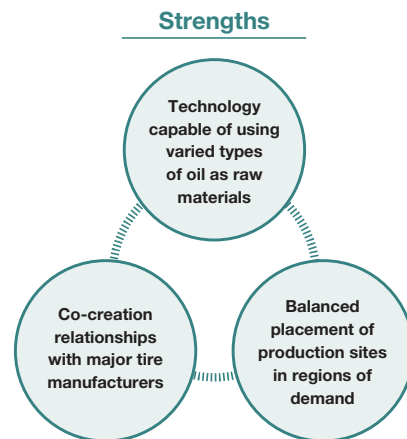
Carbon black is used in most black rubber products as a rubber reinforcing agent. Approximately 70% of the use is for tires. Adding carbon black to rubber reinforces its strength. Carbon black is an important raw material that accounts for nearly 30% of the weight of tires. Our four manufacturing bases in Japan, Thailand, America, and Canada support tire production throughout the world.

Product Breakdown (2023)



Our strengths

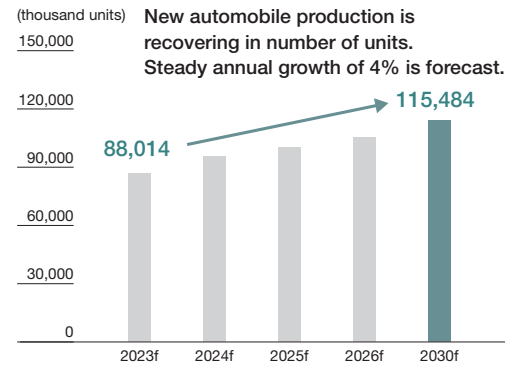
Pitch oil is a by-product from producing pitch coke for the raw materials of electrodes. Carbon black finds its origins in efforts to figure out ways to use pitch oil, which is the heaviest tar oil. Ever since Tokai Carbon successfully manufactured carbon black for the first time in Japan, we have mastered and amassed technologies to refine various types of oil into raw materials. Today, this is the foundation that gives us a competitive advantage. Our strength is a global expansion founded in trusting relationships with our customers. This has given us a network of production sites for local production and consumption in markets bringing together major tire manufacturers. Our unique precision control founded in the data and expertise that we have gained has captured the attention of the world.



Market environment

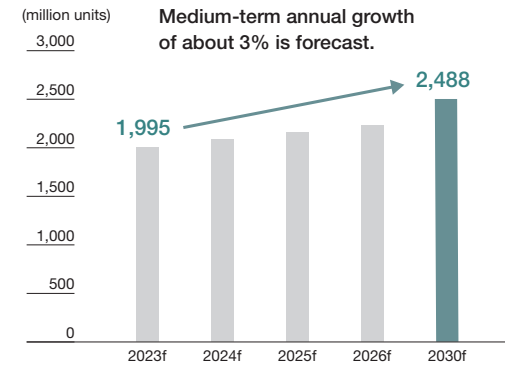
Carbon black demand is mainly driven by the tire production since 70% of the application is for tire. Tire demand is categorized into tires for new vehicles and aftermarket (replacement) tires, and the combined growth is expected to around 3% per annum. Tire manufacturers are currently lowering the production of replacement tires due to concerns of an economic recession, but forecasts anticipate a return once the inventory adjustments are completed aligned with the growth of actual demand itself.

Automobile production



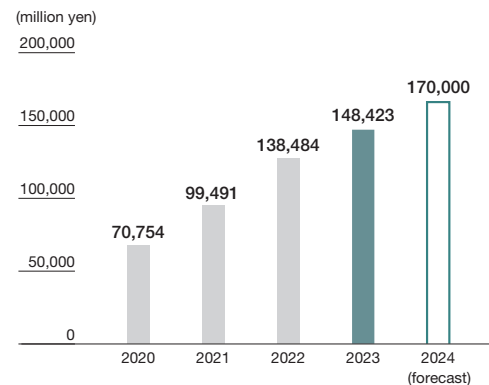
Source: Notch Consulting, Inc. *f = forecast (outlook)

Tire production

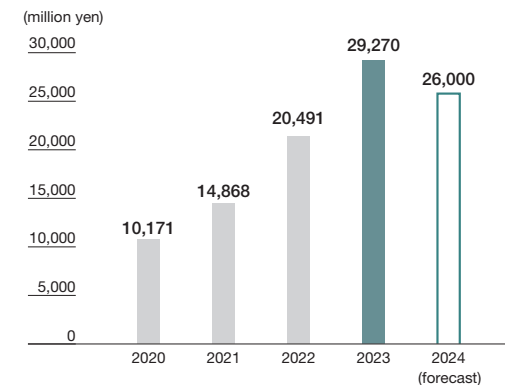


Earnings summary

Net sales



EBITDA



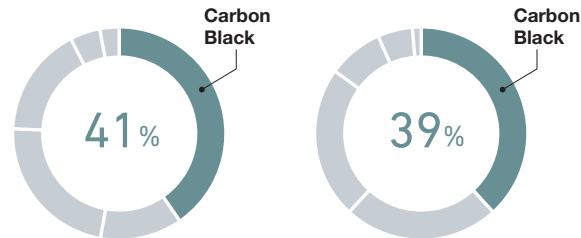
■ Medium-term Management Plan “T-2026”

Large price increases primarily in United States markets in 2023 have fostered growth in businesses that can secure profits. As forecasts estimate ongoing growth in the tire industry, the barrier to entry has been the large costs of supporting environmental equipment. We expect demand for carbon black tires will continue to grow. Until 2023, our operating rate was unstable due to the spread of COVID-19, the impact of cold waves at our U.S. bases, and production adjustments due to the introduction of large-scale equipment for environmental reasons. Our basic policy will be stable operations from 2024. Necessary maintenance investments will help us respond to the tremendous tire demand. In addition, from the perspective of sustainability, we are preparing our own land with room for expansion for our manufacturing base in Thailand, and we are planning to relocate and start operations at the end of 2025. We aim to reduce our environmental impact and improve productivity and quality as soon as possible.

Our technological development will strive to develop highly functional carbon black to contribute from a material standpoint toward guaranteed tire quality, which gives the world-leading tire manufacturers who are our customers a competitive advantage in development. We will drive forward the development of products that anticipate the elements necessary for the tire performance of electric automobiles, which will grow in popularity. Internal and external cooperation efforts will research how to reuse spent tires and reduce CO₂, which will in turn help realize a recycling-oriented society.

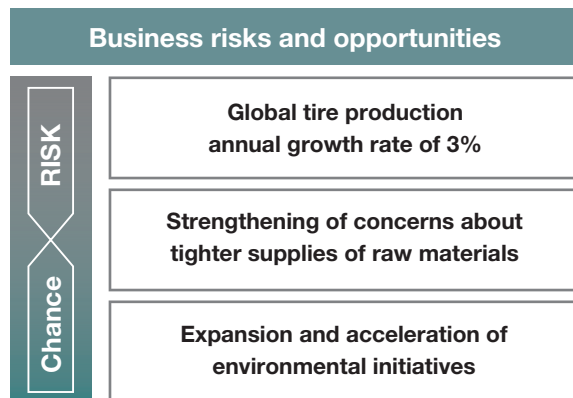
Performance metrics

Net sales composition (2023) EBITDA composition (2023)



	2023	2024f	T-2026
Net sales	148.4	170.0	184.0
Operating profit	21.3	16.0	15.0
ROS	14%	9%	8%
ROIC (adjusted)	12%	7%	6%
EBITDA	29.3	26.0	32.0
CAPEX	27.2	29.0	11.0

(billion yen)



COLUMN

Adoption of Production Equipment to Lower Environmental Impacts

The global tire industry is expected to grow about 3% per annum, which will also steadily increase the demand for carbon black. The Tokai Carbon Group subsidiary Tokai Carbon CB, Ltd. (TCCB) is a carbon black manufacturing base located in America alongside the major tire manufacturers. While the demand is extremely high in America, it also has very strict environmental regulations. The number of production bases is limited as the industry shuts carbon black plants that have been unable to satisfy these environmental standards. In this business environment, TCCB actively invested in environmental equipment to completely renew its production facilities. This facility began operations in 2024. Our stable production system will satisfy the tremendous demand in America.

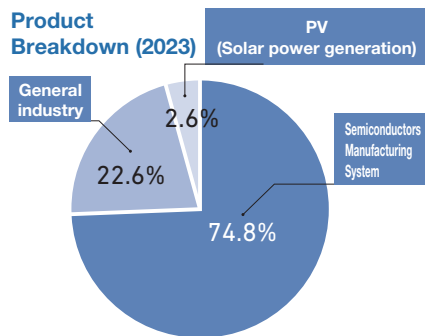
Points of Sustainability at Tokai Carbon CB Ltd. (TCCB)

- point 1 Significantly reduced emissions of nitrogen oxides (NOx) and sulfur dioxide (SO₂) generated during the manufacturing process
- point 2 Introduced a system that generates electricity using waste heat produced in plant
- point 3 Improved production efficiency, safety and quality

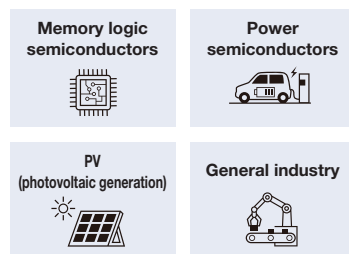
Fine Carbon

Operations

Fine carbon is a material intended to respond to the intricate needs of semiconductor manufacturing and other such fields which is illustrated by materials like the special carbon materials evolved from the pursuit of an ideal raw material blend or super high-purity silicon carbide (SiC). Although opportunities to see these materials first hand are rare because each is used in manufacturing processes for various products, the comforts of our modern lifestyle from smartphones to satellites would not be possible without fine carbon. Fine carbon has a broad range of applications. The most common application for our products is in the semiconductor market, which makes up over 70% of our total sales. These products are essential to various processes throughout the value chain, such as semiconductor single crystal silicon ingot pullers or semiconductor manufacturing equipment.

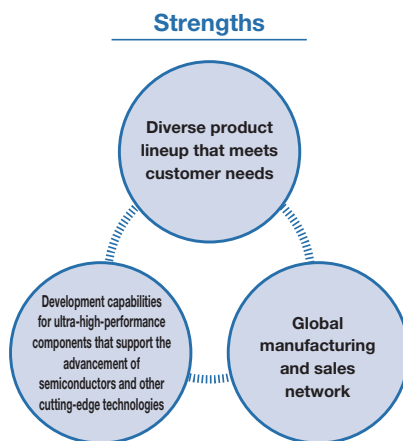


Face-to-face markets



Our strengths

Only a few manufacturers worldwide are able to produce high-quality special carbon products. Our technological capabilities are at the top of the industry. This technological prowess is the foundation of our strength and has earned us more than half of the market share in solid SiC. The carbon black material first mass produced at a plant in Japan provides the ideal specifications for customer applications in Japan and the rest of the world. Our manufacturing and sales network covers the demand in each region worldwide and responds to customer needs through a diverse product lineup. Our process to co-create and develop necessary new things with our customers has expanded our business regions while building trusting relationships. This level of passion and technological expertise has a synergistic effect that gives us a competitive advantage.

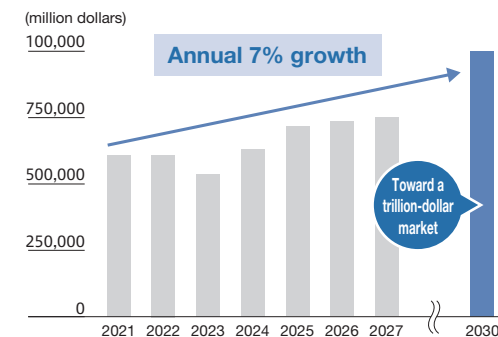


Market environment

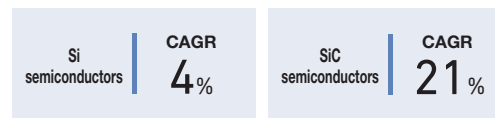
Forecasts anticipate the size of the market to shrink compared to 2023 in light of the fall in demand for computers and smartphones. The growth trajectory is expected to recover after 2024 and grow into a \$1 trillion market by 2030.

The outlook also anticipates an increase in the demand for power semiconductors for renewable energy, electric vehicles, and appliances. SiC semiconductors in particular will see a rise in inverter applications for electric automobiles. We expect the market to roughly double by 2025 and about quintuple by 2030. (VS 2022)

Growth outlook for semiconductor market



Average growth rate up to 2030 (estimate by Tokai Carbon)

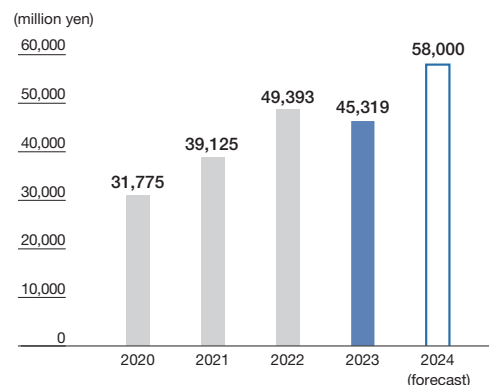


* CAGR is an acronym for compound annual growth rate (2022-2030).

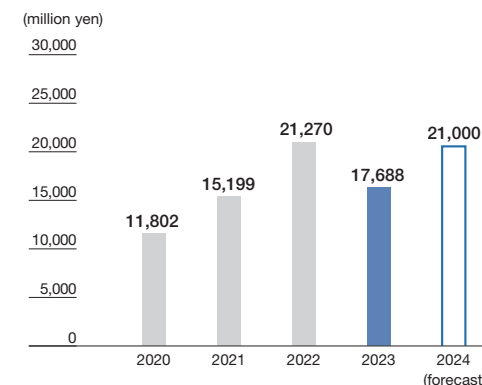
The semiconductor market should continue to grow in every field from AI/data technologies, communications, and automobiles to industrial electronics and appliances.

Earnings summary

Net sales



EBITDA

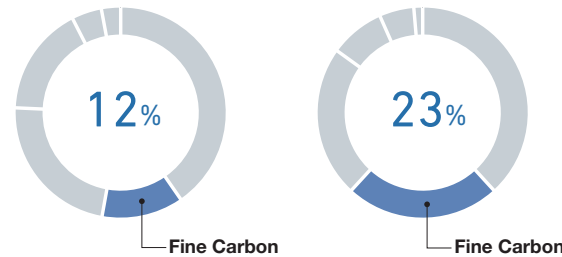


■ Medium-term Management Plan “T-2026”

We have the top market share in solid SiC and have acquired an overwhelming share of focus rings used for etching systems in upstream semiconductor manufacturing processes as the pioneer who successfully commercialized the first in the world. Focus rings positioned around the semiconductor wafers inside etching systems concentrate the plasma on the wafer to protect equipment from the plasma. State-of-the-art equipment consisting of circuits etched deep with 3D-NAND or other stacked architecture that have numerous layers often use solid SiC focus rings, which are largely responsible for the success of our fine carbon business. The T-2026 highlights the SiC power semiconductor market as one expected to see significant growth. We will generate sustainable growth and optimize our product portfolio by distributing the dependency on solid SiC focus rings. We will carry out a total of 30 billion yen in strategic and growth investments during the T-2026 plan to secure the technological capabilities necessary to grow the semiconductor market. In addition to reinforcing its technological base in isotropic graphite materials, Tokai Carbon will put in place a global supply and sales system for the high-purity and solid SiC products expected to evolve. In the final year of the T-2026, our targets aim to double sales and increase the EBITDA to about 1.8 times by 2026 (VS 2023 results).

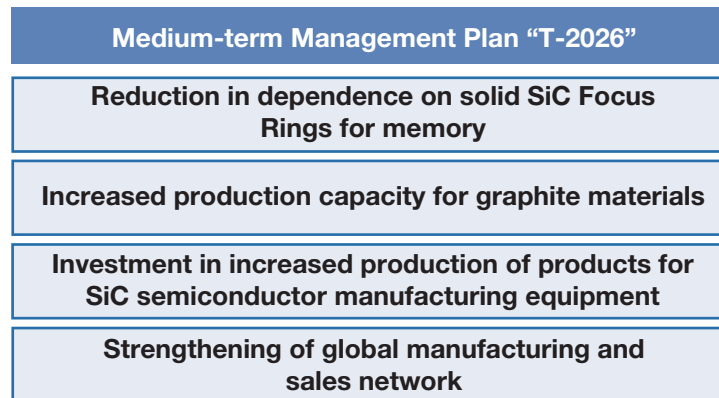
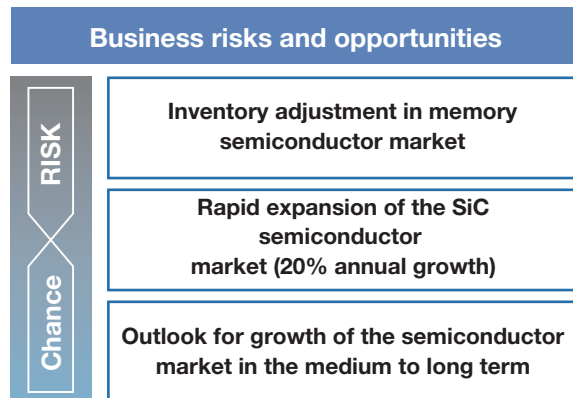
Performance metrics

Net sales composition (2023) EBITDA composition (2023)



	2023	2024f	T-2026
Net sales	45.3	58.0	81.0
Operating profit	10.6	11.0	19.0
ROS	23%	19%	23%
ROIC (adjusted)	21%	19%	26%
EBITDA	17.7	21.0	30.0
CAPEX	10.6	30.0	7.0

(billion yen)



COLUMN

Contributing to the Advancement of Power Semiconductors through Super High-purity Fine Carbon Materials

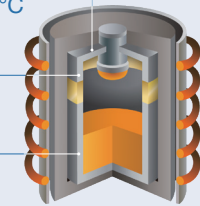
Power semiconductors are necessary to power conversion and benefit everything from electric vehicles and appliances to power transmission systems and trains. A technological revolution is also happening in this market. This is especially true with the broader adoption of SiC semiconductors as next generation components necessary to reduce not only weight and size but also the time required for charging demanded of EV batteries. Manufacturing systems for SiC semiconductors need high-quality materials that can withstand even higher temperature regions than standard semiconductor production processes. We have developed and are providing tantalum carbide (TaC) coated products offering superior heat resistance. Only a few manufacturers in the world can supply these types of high-quality materials that contribute to technologies and solutions.

SiC single crystal manufacturing system (sublimation)

Gas sublimations starts at 2,200°C

TaC-coated graphite

Graphite crucible



The system injects high-purity powdered SiC into the bottom of the graphite crucible, heats and sublimates it at a high temperature to grow SiC single crystals under the seed crystals at the top of the crucible.

Smelting & Lining

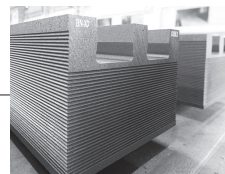
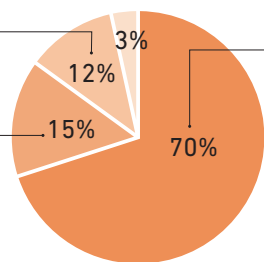
Operations

The Smelting and Lining business consists of three main products. Cathode blocks are used as negative electrodes (cathodes) in the aluminum electrolysis cells to produce aluminum from alumina. Furnace lining plays an important role as a refractory material in the lining of the blast furnaces that melt iron ore to produce pig iron. Carbon Electrodes are used as electrical current conductors in submerged arc furnaces (SAFs) for production of silicon metals, ferroalloys, phosphorus, lead, nickel, copper and recycling applications. We supply these three products throughout the world according to demand from four production sites based in Europe.

Product Breakdown (2023)

Carbon Electrodes

Carbon Electrodes are used as electrical current conductors in submerged arc furnaces (SAFs) for production of silicon metals, ferroalloys, phosphorus, lead, nickel, copper and recycling applications.



Aluminum electrolysis cathodes

The cathodes are laid in the bottom of electrolysis cells for primary aluminum production, of which Tokai Carbon is a leading supplier.

Furnace Lining

Blast furnaces use these blocks as a refractory material in the lining. It is used in places that have a high temperature load inside the blast furnace. Tokai Carbon holds the top share in the industry.



Our strengths

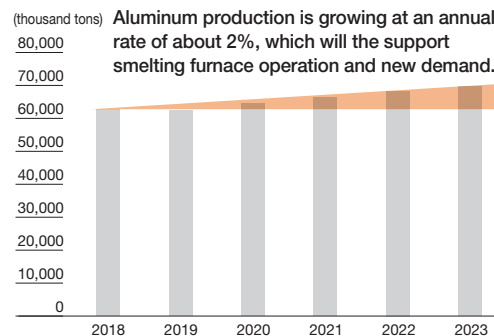
Our strengths are represented by our "overwhelming market presence and intelligence (information gathering capability)" that we have built over our long history. We have the world's top share of the cathodes and furnace lining markets, and carbon electrode now holds the top market share, surpassing a Russian company, and are leaders for innovative solutions and technologies. In particular, the performance and reliability of our aluminum electrolysis cathodes and furnace linings are key, as they are used continuously for many years as important components of furnaces. Another competitive advantages is our established organizational culture, allowing us to immediately apply front-line sales information to our production and sales strategies, making it difficult for others competitor to imitate.



Market environment

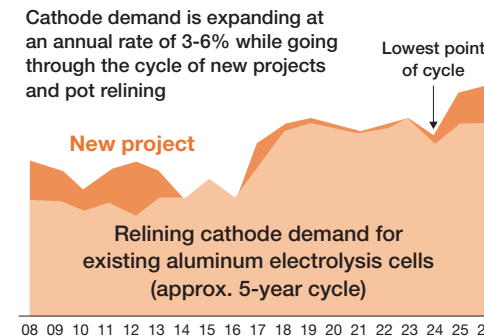
Aluminum production, which influences the demand for cathodes, is forecasted to grow 2-3% per annum, supporting the cathode demand. However, since the relining cycle of cathodes in electrolysis cells are about five to six years, short-term demand for cathodes are influenced by new investment projects of the aluminum smelters and its relining schedule. Year 2024 will be in the down cycle of this relining, thus we are expecting a decrease of cathodes demand. Demand of furnace lining depends on relining cycle of blast furnace averaging around 15-25 years, and in 2024, firm demand for furnace linings is expected. As for the carbon electrodes, the demand is expected to gradually improve from the second half of 2024 due to the expectation of recovery in the silicon metal production.

Primary aluminum production volume



Source: International Aluminium Institute and estimate made by Tokai Carbon

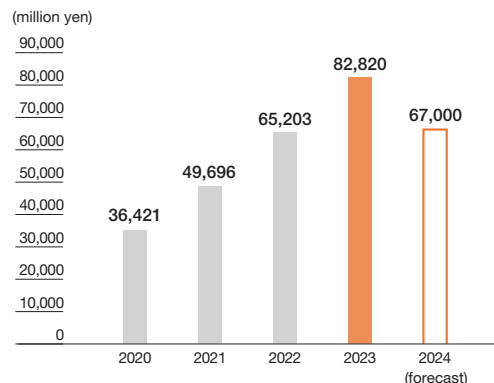
Graphitized cathode demand cycle (excluding China)



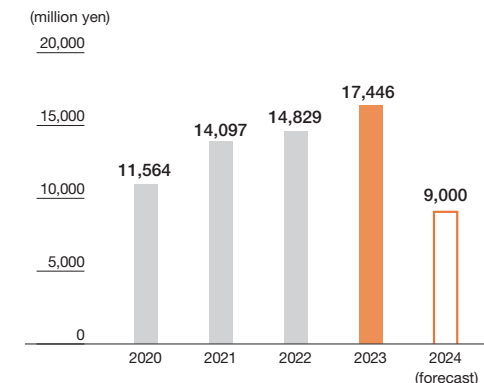
Source: estimates based on Tokai Carbon customer data

Earnings summary

Net sales



EBITDA

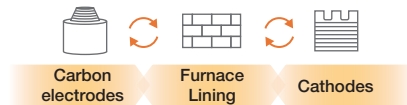


Medium-term Management Plan “T-2026”

Year 2024, which is the first year of the T-2026 plan, began in a very harsh business environment. There are two manufacturing sites each in Poland and France, which had a competitive advantage in terms of energy and labor costs. However, the situation has changed dramatically after the conflict between Ukraine and Russia began, increasing energy costs in Europe. In addition to energy price remaining high and profits deteriorating, pot relining cycle also hit the bottom in 2024, therefore sales volume and price adjustments are anticipated. While the outlook expects profits in terms of EBITDA, we foresee a deficit in 2024 in terms of the operating profit due to heavy goodwill amortization and other depreciation. Tokai Carbon will optimize manufacture products to reduce production costs during this time to encourage growth in 2025 when the demand for cathode recovers. What is expected as mid-term outlook is to fully develop RuC® as a next-generation cathode that reduces the environmental impact. We will build a mass production system over the three-years of the mid-term plan and further solidify our presence in the market to enhance our sustainability of our business.

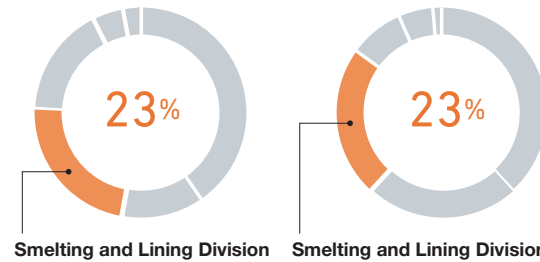
Usage of swing capacity

Swing capacity optimizes production according to demand by diverting and adjusting production capacity to other products.



Performance metrics

Net sales composition (2023) EBITDA composition (2023)



	2023	2024f	T-2026
Net sales	82.8	67.0	83.0
Operating profit	2.3	(6.0)	4.0
ROS	3%	-	5%
ROIC (adjusted)	14%	6%	14%
EBITDA	17.4	9.0	19.0
CAPEX	8.3	5.0	3.0

(billion yen)

COLUMN

Strategic product for aluminum electrolysis cathode RuC®

We developed RuC® as a next-generation ready-to-use cathode product. Ready-to-use means that the product is delivered with collector bar already mounted to the cathode so that customers no longer need to cast collector bars on their own. A ready-to-use product mitigates the risks associated with dangerous casting work and reduces the costs as well. RuC® uses copper collector bar which improves the conductivity and reduces power consumption about 3% compared to conventional products. This next-generation product will significantly reduce the environmental impact by lowering the energy consumption of electrolytic cells.



* RuC® is abbreviation for 'Ready-to-use Cathode', which is a patented product that reduces the environmental impact.

Business risks and opportunities

RISK

Bottom of the cathode relining cycle for cathodes

Adjustment in customer inventories of carbon electrodes due to weak demand-supply balance

Energy costs remaining high at European sites

Firm demand for furnace lining

Chance

Medium-term Management Plan “T-2026”

Maintenance and enhancement of market presence

Optimization of manufactured products through swing capacity

Proliferation of next-generation cathodes that mitigate environmental impact

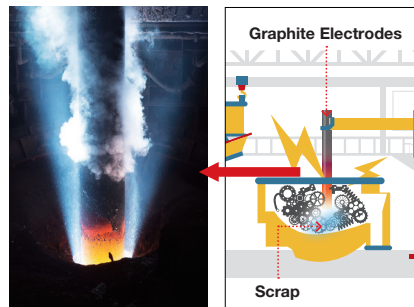
Graphite Electrodes

Operations

Graphite electrodes are used as conductors for electric arc furnaces (EAF) that recycle steel frames and other metal materials by melting iron scrap. The material “graphite” is used as a material due to its high electric conductivity and superior heat resistance. It is used in the furnaces at around 1,600°C and the temperature at the tip of electrode will reach above 3,000°C. Graphite electrodes are consumed from the tip and get shorter during use with 1.7kg of vaporization per ton of steel production. We are supplying high-quality graphite that has lower consumption rate to the EAF around the world for more than 100 years.

Graphite electrodes melt scrap in EAF by arc discharge

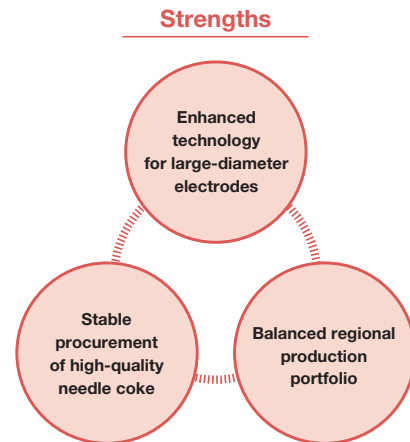
Need to consume 1.7kg of electrode to produce one ton of steel



Electrode manufacturing process and usage (movie): <https://www.tokaicarbon.co.jp/en/products/graphite/>

Our strengths

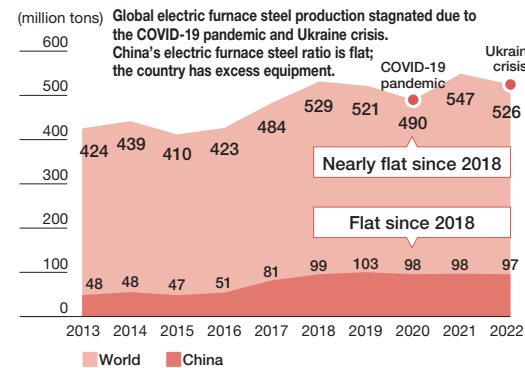
As the pioneer of graphite electrodes, Tokai Carbon leveraged its technological prowess to establish the first technology in Japan to produce 24-inch electrodes and the world’s largest 32-inch diameter electrodes afterwards. These initiatives were backed by our long-term co-creation activity with raw material suppliers and customers to create a reliable high quality graphite electrode with less trouble and consumption. In 2005, we included our German base and in 2017, our U.S. base in the group. We have been sharing the technical expertise that each has developed over its long history, and still today our technological capabilities and quality are kept on being refined. The well-balanced worldwide production location covering the three major markets of Asia, Europe, and North America, allow us to build trust between customers in the light of stable business foundation and diversification of regional risks.



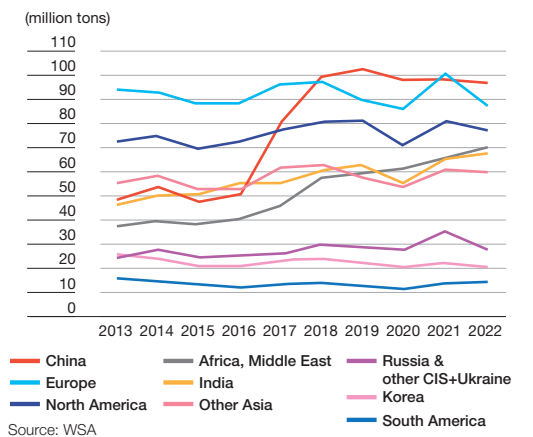
Market environment

The demand for electrodes slowed down with the global stagnation of EAF steel production due to the COVID-19 pandemic in 2020 and the Ukrainian crisis in 2022. Use of the surplus electrode inventory and the shift of production from blast to electric arc furnaces in China did not realized. Without an increased utilization of EAFs in China, the expanded capacity of graphite electrode induced the influx of cheap Chinese graphite electrodes to the Asian market. This triggered the downturn of global graphite electrode market. The shift from blast to electric arc furnaces will expand the graphite demand in a long run although, the business environment will remain challenging in the short term.

Electric furnace steel production, global and China

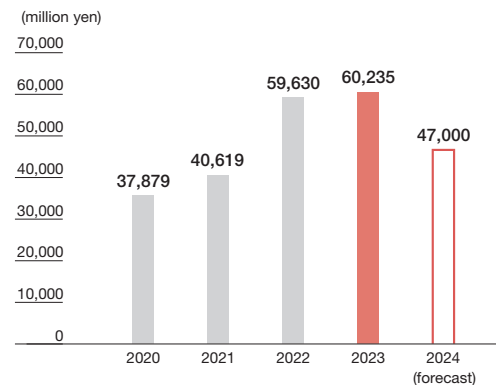


Electric furnace steel production by region

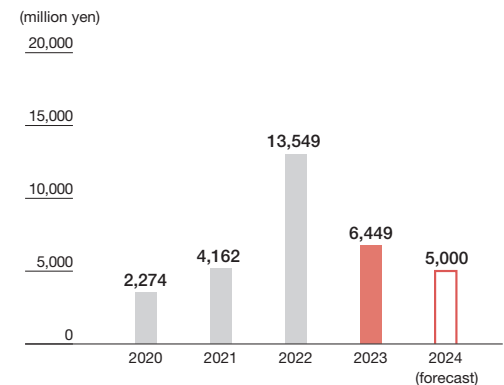


Earnings summary

Net sales



EBITDA

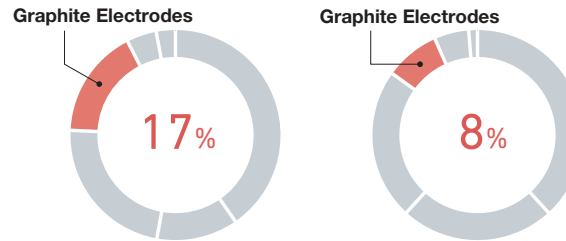


Medium-term Management Plan “T-2026”

In T-2026, we will restructure our electrode business and embark on a fundamental review of our production system. The current business environment is structurally challenged by the continuing graphite electrode oversupply from China and India amid the global stagnation of EAF steel production. We have determined that we will not be able to respond in time to the situation by taking the conventional extension measures. In particular, the market has plummeted due to the continued low level of EAF operations in China, with excess Chinese electrodes flowing into Asia at low prices, and Indian companies following up on this trend. Although demand for electrodes is expected to increase in the future as production shifts from blast furnaces to EAF, it is not expected to be in full swing until 2026 or later, so we aim to increase our competitive advantage by then to maximize ROIC. The concrete action plan will be disclosed once it is ready, but the concept will be to revitalize the business by reducing costs through a review of the production system and focusing on markets where we can add value. In particular, to capture the gradually increasing demand for large-diameter (super-size) electrodes for the coming large EAF, we will establish a super-size mass production system and increase the sales ratio of super-size electrodes to more than 50% of our total sales volume since the super-size electrodes are one of the markets where we can demonstrate our competitive advantage in quality. By ensuring cost competitiveness for the future, we aim to achieve net sales of 73 billion yen, operating income of 11 billion yen, and adjusted ROIC of 11% in 2026, the final year of T-2026.

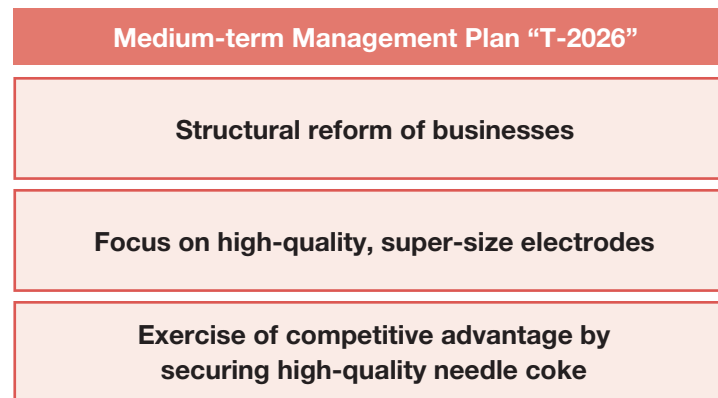
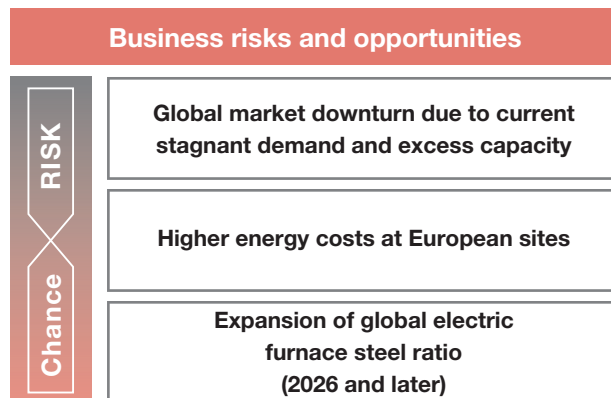
Performance metrics

Net sales composition (2023) EBITDA composition (2023)



	2023	2024f	T-2026
Net sales	60.2	47.0	73.0
Operating profit	0.8	(1.0)	11.0
ROS	1%	-	15%
ROIC (adjusted)	2%	-	11%
EBITDA	6.4	5.0	17.0
CAPEX	5.1	7.0	5.0

(billion yen)



COLUMN

Graphite electrodes supporting the EAF steel production to reduce CO₂ emissions

There are two methods of steel production: The blast furnace method and the EAF method. In the blast furnace method, pig iron is produced through a process of reducing iron ore, while in the EAF method steel scrap is melted in an electric arc furnace and recycled as steel products. The EAF method cut the CO₂ emissions to one-fourth of the blast furnace method. From the perspective of carbon neutrality, there is a global shift from blast furnaces to EAF. That said, steel production using the EAF method is said to increase from the current 500 million tons to 700 million tons by 2030. Graphite electrodes supports this trend as an indispensable item for EAF operation.

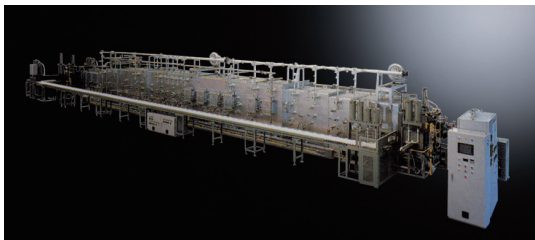


Industrial Furnaces and Related Products

Operations

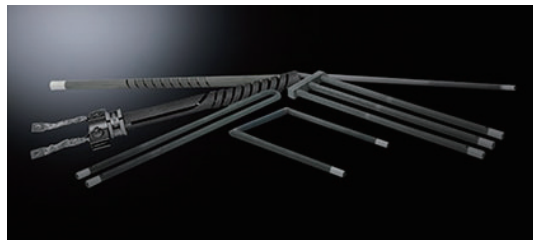
Tokai Kohnetsu designs and supplies full custom-made industrial furnaces for heat treatment of ceramics, glass, metals, powders, rechargeable battery materials, electronic components, and other materials. Tokai Kohnetsu Kogyo, a member of the Tokai Carbon Group, is responsible for the sales, production and R&D of the industrial furnaces and heating elements. The company's product lineup, which includes the world's top-level Elema heating elements and a variety of other high-quality products in a wide range of shapes, has become indispensable in cutting-edge fields in various industries worldwide. The main markets for our products are the processing furnace of multilayer ceramic capacitors (MLCC) as well as raw material for lithium-ion batteries, and heaters for manufacturing sheet glass.

Industrial Furnaces



Industrial furnaces process ceramics, electronic components, secondary battery materials, glass, and powders at a predetermined temperature.

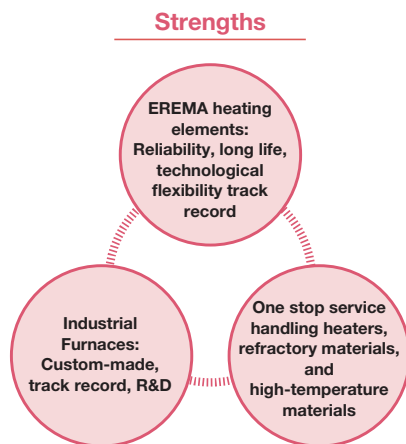
EREMA heating elements



This energy-saving, clean, high-temperature, quality ceramic heater is used for sintering, melting, and heat treatments.

Our strengths

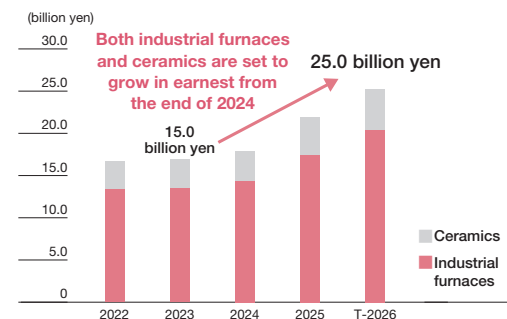
Industrial furnaces are custom-made to suit each customer's needs. They literally evolve as various functions are added on for the next order. We have been trained through a corporate culture to thoroughly respond to customers' customization requests, and have accumulated technical capabilities and achievements that are recognized among the industry's top manufacturer. Another major strength is the overwhelming quality superiority of Elema heating elements (silicon carbide heating elements). These strengths are also creating synergies that enhance new design capabilities for industrial furnaces.



Market environment

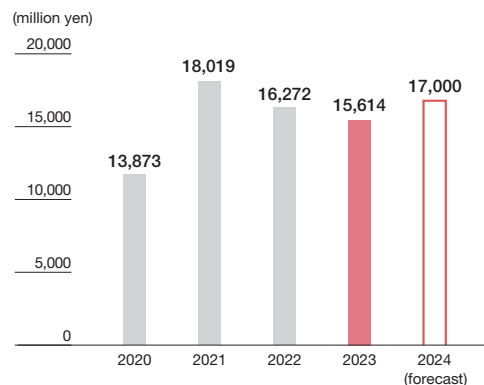
The electronic parts industry (MLCC, etc.) is a market that is expected to grow at an annual rate of 5-10%, as the number of MLCC installed in a single vehicle is rapidly increasing due to the shift to electric vehicles. In second half of 2022, there was inventory adjustments for PC and smartphone production, which has had a negative impact on our orders. Bottoming out was already seen in 2023, although the speed of recovery is slow. Full-fledged recovery will be expected from 2025. The market for lithium-ion battery (LiB) industry is expected to expand at an annual rate of 10-20% based on the expansion of the electric vehicle market.

Sales growth forecast

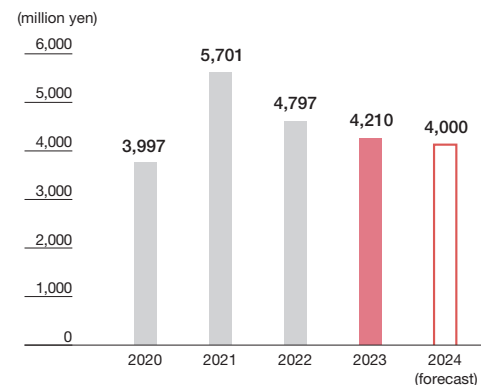


Earnings summary

Net sales



EBITDA

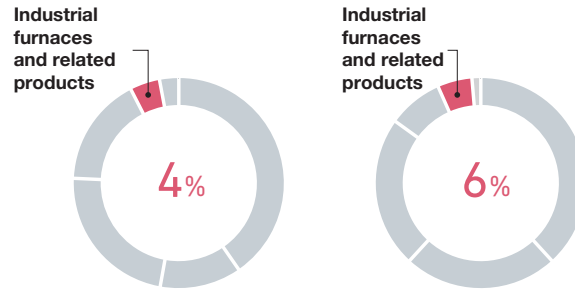


■ Medium-term Management Plan “T-2026”

This business segment has continued to grow about 10% annually. However, slowdown in computer and smartphone demand and LiB market growth has required a temporary adjustment in 2023. In 2014, LiB market remains soft although the MLCC down cycle hits the bottom and expected to recover gradually. More specifically, we foresee an annual growth rate between 5% to 10% driven by 5G for electronic components, shift to more electric components in automobiles and enhanced function of autonomous driving. Markets for LiB and other battery materials should also sustain a certain level of growth with about a 10% per annum up to 2026. During the three years period of T-2026, we plan to increase our production capacity to keep up with the market expansion. We will also seek rolling out to the North American growing LiB market. For sustainable growth of the industrial furnace business, it is essential to continue to develop and propose furnaces with a view to the next generation. The development of order-made furnaces that reduce environmental impacts and respond to the production needs of customers will build up our trust to become their one and only partner. In this way, we can strengthen our position in the existing markets in one hand and actively taking on the challenge of expanding business domains in the other hand to solidify our market position as a leader.

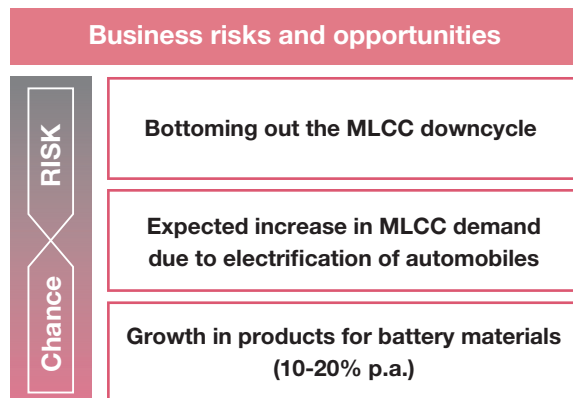
Performance metrics

Net sales composition (2023) EBITDA composition (2023)



	2023	2024f	T-2026
Net sales	15.6	17.0	25.0
Operating profit	3.9	4.0	6.0
ROS	25%	24%	24%
ROIC (adjusted)	28%	24%	28%
EBITDA	4.2	4.0	6.0
CAPEX	0.7	2.0	0

(billion yen)

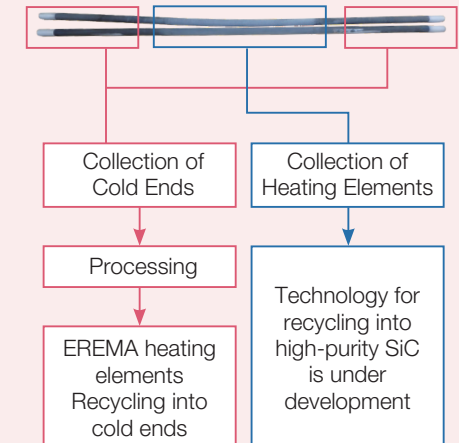


COLUMN

Recycling of Cold Ends for EREMA Heating Elements

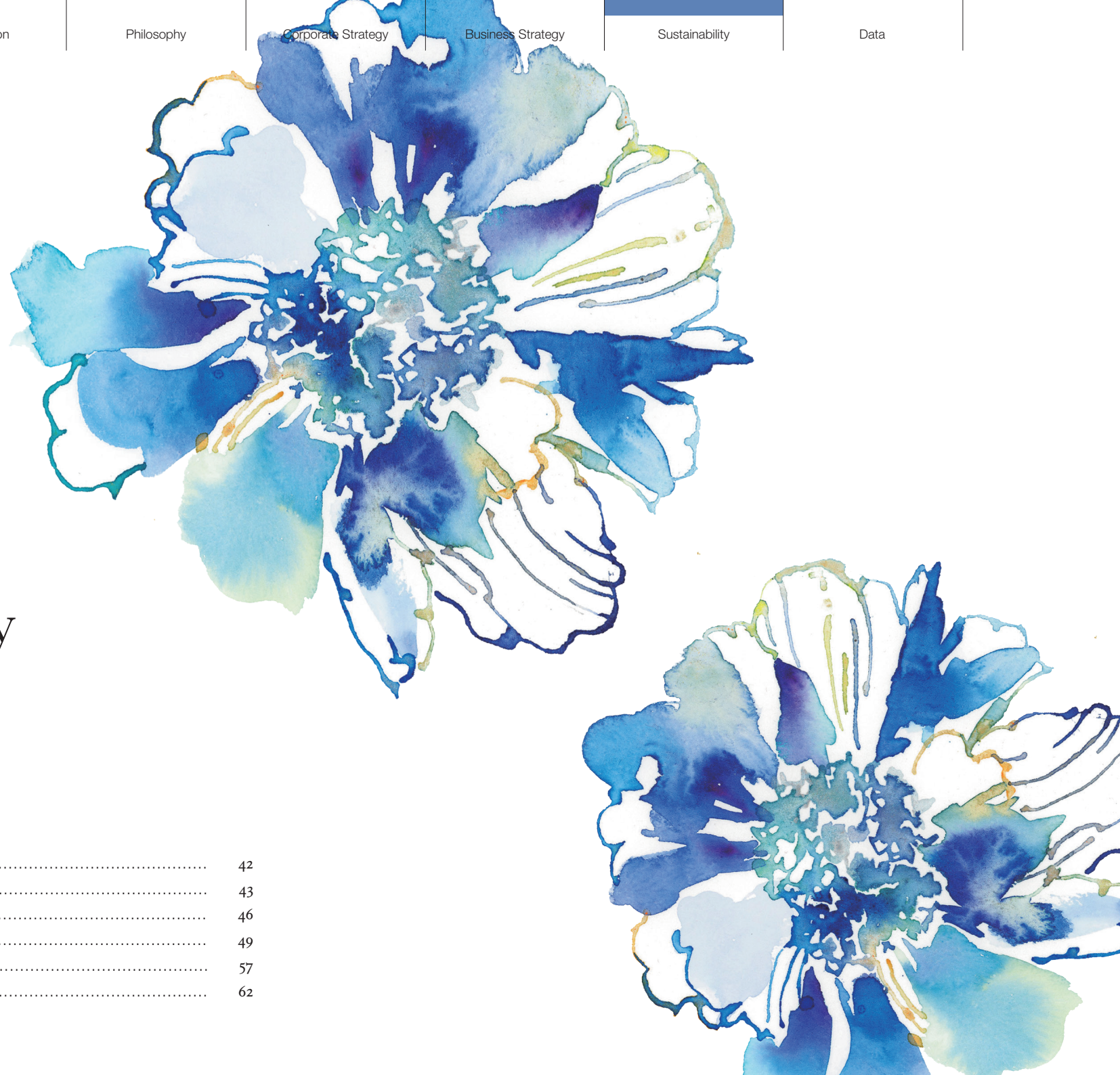
As for EREMA heating elements, we have developed and introduced environmentally-friendly products and launched an initiative to collect and recycle used products from 2023. Tokai Carbon aims to collect spent EREMA heating elements and recycle cold ends as products in addition to recycling heating elements as high-purity SiC. Product recycling overall does not only benefit customers as industrial waste processing but also drastically reduces the environmental impacts.

Started recycling the cold ends of used EREMA heating elements



Sustainability

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Basic Policy and Structure

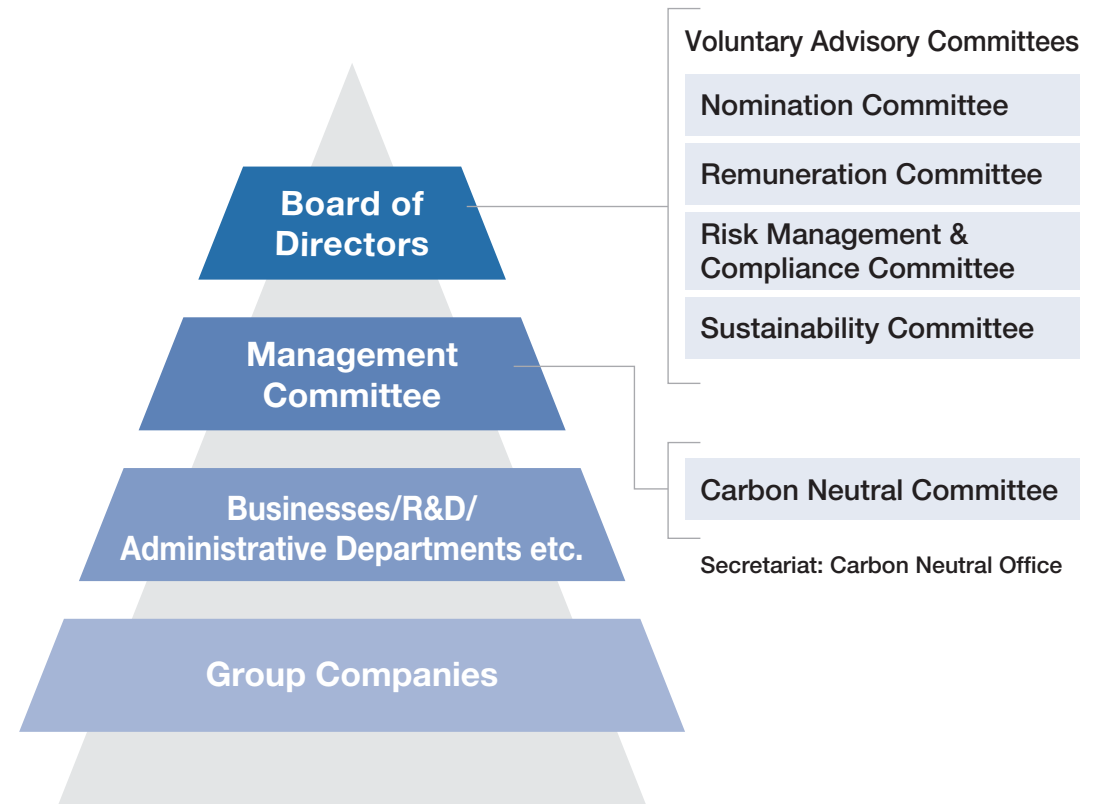
Sustainability policy

Tokai Carbon Group engages in corporate activities under a basic philosophy of “Ties of Reliability” with our stakeholders. Our management strategies are grounded in a full consideration of ESG (Environmental, Social and Governance) aspects to solidly meet the trust of our stakeholders. We work to solve societal issues through our business to contribute to the realization of a sustainable society and the enhancement of our corporate value.

Sustainability management structure

In January 2022, we established the Sustainability Committee as a voluntary advisory body to the Board of Directors. Chaired by the President and CEO, the Committee 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 divisions. It generally meets on a quarterly basis to discuss important matters related to sustainability, refer 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.

In the area of climate change, we turned the Carbon Neutral Project launched in May 2021 into the Carbon Neutral Committee, chaired by the President, in January 2022 to strengthen our structure. Acting as a command post for our carbon neutrality actions, the Committee drafts company-wide plans and policies related to carbon neutrality, monitors the status of initiatives involving co-creation with external third parties through industry-government-academia collaboration, and issues reports and refers matters to the Board of Directors.



01 Harmony with the Global Environment

Climate Change Action

■ Disclosure of information in line with TCFD Recommendations

Recognizing that taking action to address climate change is an important management issue, in November 2021, through our Board of Directors the Group expressed its endorsement of the Task Force on Climate-related Financial Disclosure (TCFD). To better assess the risks and opportunities that climate change poses to our Group, in December 2020 we calculated business impacts through scenario analyses as required by the TCFD Recommendations and revised the analyses in May 2023. We identified the impacts of climate change on our business and are now enacting countermeasures.

Target businesses: Four main businesses that account for about 90% of our sales as of 2022 (Carbon Black, Fine Carbon, Smelting and Lining, and Graphite Electrodes)
Time horizon: 2030 and 2050 (2040 is used when reference data for 2050 is not available)

Scenario*	Business	Risk/Opportunity factors	Risks/ Opportunities	Main initiatives
4°C	All four businesses	Suspension of production activities and interruption of supply chains due to increased typhoons, flooding, and torrential rains	Physical risks	Regular surveys of water risks at our production sites ▶ Water Resources page (p. 45)
1.5°C	All four businesses	Increased burden due to expanded introduction of carbon pricing	Transition risks	Initiatives to achieve carbon neutrality targets (conversion to low-environmental-impact fuels, utilization of renewable energy, expansion of recycled products, reuse of used tires, etc.) ▶ Carbon Neutrality page (p. 44)
1.5°C	All four businesses	Mandated use of renewable energy (use is unavoidable)	Transition risks	Efficient procurement of renewable energy ▶ Carbon Neutrality page (p. 44)
1.5°C	All four businesses	<ul style="list-style-type: none"> • Proliferation of technologies that do not use fossil fuel-derived raw materials • Increased demand for low-carbon products; change in consumer mindset regarding fossil fuel-derived raw materials 	Transition risks	<ul style="list-style-type: none"> • Development of advanced technologies for utilization of non-fossil-fuel-derived raw materials, reuse of used tires, etc. in the CB business, and start of investigation for introducing CCS (CO₂ capture and storage) technology • Enhancement of added value in products by reducing CO₂ emissions during manufacturing ▶ Carbon Neutrality page (p. 44) ▶ Business Strategy page (p. 30-40)
1.5°C	Graphite Electrodes	Increasing superiority of electric furnaces	Opportunity	<ul style="list-style-type: none"> • Pursuit of higher-quality graphite electrode manufacturing • Stable supply that captures increasing demand ▶ Business Strategy page (p. 30-40)

* 1.5°C scenario: Scenario in which necessary measures are enacted to constrain temperature rise to 1.5°C or less from the temperature prior to the industrial revolution (NZE, SDS, etc.)

4°C scenario: Scenario in which the average temperature rises by 4°C from the temperature prior to the Industrial Revolution. An outcome scenario for the case in which economic measures and additional measures are not taken to address climate change (SPS, etc.)

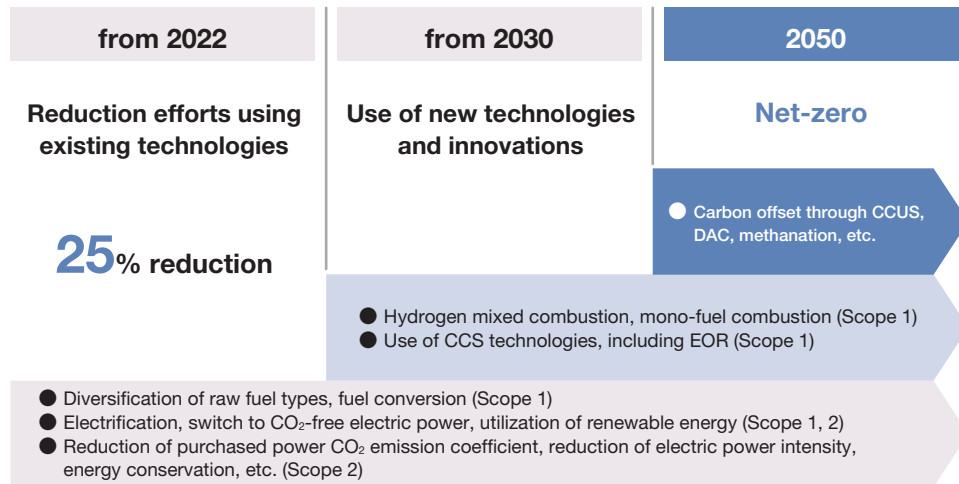
Carbon-Neutral

The Tokai Carbon Group's CO₂ emissions reduction targets

Our Group aims to reduce CO₂ emissions by 25% (compared to 2018) by 2030 in order to realize carbon neutrality in 2050.

Roadmap to carbon neutral

Based on the existing technologies, we aim to reduce 25% of CO₂ emissions by 2030. For example, using plant-derived materials and other renewable resources for raw material. As for manufacturing process, we will promote fuel conversion and diversification, including a shift from fossil fuels to electric energy and utilizing renewable energy, while also investing in energy-saving facilities. Furthermore, we aim to achieve net zero emissions by 2050 based on the new technologies and innovations. As the development of innovative technologies to reduce CO₂ emissions progresses around the world, we will proactively introduce technologies that are expected to be put into practical use.



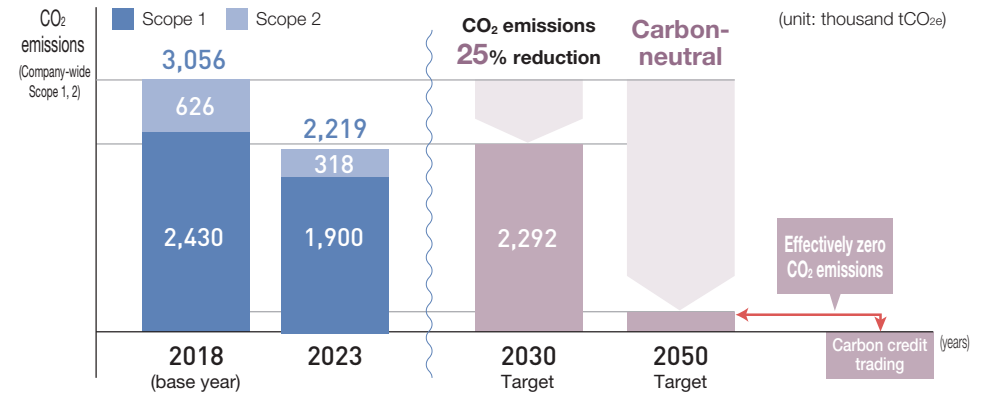
*CCS: Carbon dioxide Capture and Storage (Capturing and storing CO₂)

*EOR: Enhanced oil recovery

*CCUS: Carbon dioxide Capture, Utilization and Storage (Technology to utilize CO₂ that has been isolated and stored)

*DAC: Direct Air Capture (Technology for directly capturing and using CO₂ in the air)

GHG emissions (Scope 1 and Scope 2) (consolidated)



*Entire Group, Scope 1 and Scope 2

Tokai Carbon Group's GHG emissions in 2023 were reduced by approximately 27% from 2018 levels by switching to CO₂-free electricity used, utilizing renewable energy, and switching to fuels with lower environmental impact.

We will work to achieve this goal by further accelerating our ongoing research into product recycling, development and introduction of innovative technologies, and collaboration with customers, suppliers, and industry associations.

	2018	2022	2023
GHG emissions (Scope 1 and 2) (thousand tCO ₂ e)	3,056	2,408	2,219
Scope 1 (thousand tCO ₂ e)	2,430	2,018	1,900
Scope 2 (thousand tCO ₂ e)	626	391	318
Compared to base year	-	21% reduction	27% reduction

* Scope 1: Direct emissions of GHGs from business operators

Scope 2: Indirect emissions of GHGs associated with the use of electricity, heat, and steam supplied by other companies

Water Resources

We recognize that water is indispensable for Tokai Carbon's business activities, as well as a vital resource in the local communities where our company's plants and other operations are located. Accordingly, we are promoting the efficient use of water across the Group through water recycling and manufacturing process improvements.

Targets and performance

We are working to reduce water consumption by clearly identifying the amount of water required for production and reducing the use of excess water.

	KPI	Actual	Boundary
2023	Water usage at or lower than the level of 2021 (9 million m ³ /year)	8.4 million m ³	Consolidated (Non-consolidated and principal Group companies in Japan and overseas)
2024	Water usage at or lower than the level of 2021 (9 million m ³ /year)	-	

Reduction initiatives at sites

Business	Sites	Measures
Graphite Electrodes	Production sites in Japan	Adjustment of industrial water intake
	Production sites overseas	Circulation and reuse of cooling water in the graphitization process
Carbon Black	Production sites overseas	Capital expenditures for water leak countermeasures

Water risk and assessment

We use WRI Aqueduct to identify water-stressed regions. In 2024, the Tokai Carbon Group conducted a survey of 35 production sites⁽¹⁾ in Japan and overseas, of which 4 sites were determined to have high water stress⁽²⁾, and conducted a detailed survey of past floods and droughts and water consumption to confirm that they are low risk.

⁽¹⁾ As of March 2024

⁽²⁾ Sites that fall under "High" or "Extremely High" water risk for the chemical industry in WRI Aqueduct

Realization of a Recycling-oriented Society

To make effective use of limited resources, we are working to reduce and recycle industrial wastes and to reduce our final disposal tonnage. We will also contribute to realizing a recycling-oriented society through the use of sustainable raw materials and product recycling.

Reduction of industrial wastes

We are making efforts toward further reduction of our volume of wastes consigned for processing and final disposal tonnage through reduction and avoidance of industrial waste generation, and through thorough separation and recycling of wastes.

	KPI	Actual	Boundary
2023	Recycling rate 80% or higher Final disposal rate 25% or lower	Recycling rate 89% Final disposal rate 11%	Non-consolidated and principal Group companies in Japan
2024	Recycling rate 50% or higher*	-	Consolidated (Non-consolidated and principal Group companies in Japan and overseas)

* Recycling rate (%) = recycling weight (weight of recycled waste) ÷ weight of generated waste x 100

Acquisition of ISCC PLUS certification

Our group's carbon black manufacturing sites (Ishinomaki Plant, Chita Plant, Kyushu-Wakamatsu Plant, and North American sites) have acquired ISCC PLUS* international certification for sustainable products. By providing products covered by this certification, we will continue to contribute to the achievement of a sustainable society.

We promise and declare that we will comply with the requirements of ISCC PLUS, conforming to the latest provisions set by ISCC.

* What is ISCC PLUS?

International Sustainability and Carbon Certification (ISCC) is an international certification scheme involving sustainability and carbon. It addresses the management and securing of biomass and renewably-derived or other sustainable, globally produced and sold raw materials in the supply chain.

Promoting the development of technologies for a recycling-oriented society

We are developing advanced technologies that contribute to carbon neutrality and to reducing environmental impact. Specifically, we will develop materials to extend the life of tires and other rubber products, utilize raw materials other than those derived from fossil fuels, recycle used tires, and recover and reuse energy. We will achieve these goals through co-creation with customers, business partners, and universities and other research institutions.



02 Contribution to Society through Our Business

Supply of Safe and Secure Products

■ Characteristics of our business and customers, and our basic approach

As a Business-to-Business (B-to-B) materials manufacturer with companies as its customers, our Group provides raw materials, components, and finished goods used in manufacturing processes for a wide variety of products essential to industry and lifestyles.

Our products are used in a wide range of fields, including automotive, steel, electronic components, agricultural machinery, and lithium-ion batteries. In addition, our group is expanding its business not only in Japan but also in Asia, North America, and Europe, with overseas sales accounting for approximately 80% of our total sales.

■ Plant decentralization and local production to meet demand

The Group, which had been based on domestic production in Japan, expanded its manufacturing bases outside of Japan in the 1990s, opening a carbon black plant in China in 2004, acquiring German graphite electrode manufacturer TOKAI ERFTCARBON GmbH in 2005, and acquiring Canadian carbon black manufacturer Cancarb Limited in 2014.

In 2017 and 2018, we acquired manufacturing sites in the United States, one of the world's leading markets for our Graphite Electrodes and Carbon Black businesses. Through this, we shored up our presence as a global player and built a structure for stably supplying high-quality products.

■ Procurement of raw materials

Since there are only a limited number of suppliers who can supply high-quality raw materials for both carbon black and electrodes, we need to build close relationships with key suppliers to ensure a stable raw material procurement system.

Supplies of carbon black feedstock oil and needle coke which is main raw material for graphite electrodes are tight. Supplies of both carbon black raw oil and needle coke, the primary raw material for electrodes, are presently tight. For carbon black feedstock oil, we select suppliers based on a balance of required volume, price, and variety.

For needle coke, our production sites in Japan, the United States, and Europe currently conduct procurement locally. To ensure stable procurement, we will construct an optimal purchasing structure spanning the Group, with integrated purchasing by the three sites as an aim.

Many of our products are indispensable components of our customers' everyday production activities and command a high market share, including carbon black and graphite electrodes. Accordingly, we recognize that continuing the stable supply of high-quality products is one of our most basic responsibilities. As a company connected to our customers' supply chains, we will continuously strive to comply with laws, regulations, and social norms, and to reduce the environmental impacts of our manufacturing processes.

■ Quality control

To provide products that satisfy our customers, our Group strives for thorough quality control from the design stage onward, through the processes of raw materials procurement, manufacturing, logistics, and sales. We conduct inspections under strict standards for manufacturing processes and shipment, beginning from the acceptance of raw materials and auxiliary materials. We aim to strengthen our "Ties of Reliability" with customers by always providing safe and reliable products. All of our manufacturing sites in Japan have obtained certification for the ISO 9001 international quality standard as a foundation for quality control. Our divisions and workplaces have all established quality management systems conforming to ISO 9001 and engage in activities to continuously improve customer satisfaction. Under these activities and through the everyday application of the PDCA (Plan-Do-Check-Action) cycle to all processes, we will continue to create products that earn customers' satisfaction. Our divisions and workplaces cooperate as one to address quality control, by means including regular evaluations and discussions concerning the effectiveness of our quality management systems.

■ The pursuit of customer satisfaction

Even as we tackle technological development around the clock to improve our products' functions and environmental footprint, our customers' product-related demands become increasingly sophisticated and diverse by the year. To accommodate individual needs not readily met through existing products and technologies, we will undertake joint research and development together with customers.

By deeply understanding customers' products and businesses and by always pursuing the potential for materials capable of innovating the industry, we aim to meet customers' expectations and further earn their satisfaction.

Supply Chain Management

■ Basic approach to CSR procurement

Our Group adheres to a basic philosophy of fostering “Ties of Reliability” with shareholders, customers, business partners, local communities, employees, and other stakeholders through our corporate activities. To engage in sustainable corporate activities while meeting these stakeholders’ trust, however, we must tackle global-scale environmental and societal issues as a business operator.

Such initiatives cannot be brought to completion through the efforts of our Group alone. Recognizing the critical importance of the understanding and cooperation of our suppliers, including those upstream in the supply chain, we formulated the Tokai Carbon Group Procurement Policy. To make this policy known to all of our suppliers, we post it online as noted below. Through this procurement policy, our Group and our suppliers will together contribute to the realization of a sustainable society.



Tokai Carbon Group Procurement Policy

https://www.tokaicarbon.co.jp/en/sustainability/pdf/pdf_procurement.pdf?20240105

■ Implementation of CSR procurement surveys toward our business partners

Our basic philosophy of “Ties of Reliability” refers to the building of relationships of trust between our company and our business partners and other stakeholders. Our Group has sites worldwide and procures raw materials from suppliers around the globe. Accordingly, we believe that working to solve societal issues throughout the supply chain is vital in building relationships of trust with stakeholders.

We ask new and key business partners for their agreement with our Group procurement policy, request their response to our CSR procurement questionnaire, and check on their compliance status. The main survey items of our CSR procurement questionnaire are set to align with our procurement policy. With regard to fair execution of business, we comprehensively target anti-corruption issues, including bribery.



Tokai Carbon Group Implementation of CSR procurement survey for our business partners

<https://www.tokaicarbon.co.jp/en/sustainability/procurement.html>

The Tokai Carbon Group Basic Policy on Procurement

- 1 Partnership
- 2 QCD and fair, impartial evaluation and selection
- 3 Compliance
- 4 Respect for human rights
- 5 Coexistence with the global environment, the international community, and local communities

Guidelines That We Ask Our Suppliers to Share

- 1 Honest and fair business activities
- 2 Respect for human rights; safe working environments
- 3 Initiatives for global environmental conservation; coexistence with local communities
- 4 Appropriate disclosure of corporate information
- 5 Protection of the Company’s assets and information

Respect for Human Rights

■ Our basic approach to human rights

At Tokai Carbon, we believe that consideration for human rights is vital to realizing our basic philosophy of “Ties of Reliability”.

We endorse the Universal Declaration of Human Rights, which declares the “common standards that all peoples and all countries must achieve” in order to respect and ensure human rights and freedoms.

■ Global policy on human rights

To fulfill our corporate responsibilities regarding respect for human rights, we will engage in business activities under high ethical standards, based on the United Nations Guiding Principles on Business and Human Rights. Drawing on such international human rights treaties, in July 2020 we established the Tokai Carbon Group Global Policy on Human Rights. Under this global policy, the Group will act as one to further advance our efforts aimed at respect for human rights. As our structure for doing so, the Tokai Carbon Group Human Rights Promotion Committee plays a central role in promoting this global policy and our approach to respect for human rights.

In the belief that children’s particular vulnerability to human rights violations demands special consideration, we support the Children’s Rights and Business Principles. We also engage in social contribution activities aimed at achieving rights for children and preventing violations of those rights.

Items in the 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 assurance of wage-related rights
- 6 Health and safety standards
- 7 Prohibition of harassment
- 8 Respect for privacy
- 9 Prevention and mitigation of negative impacts on human rights
- 10 Response to human rights violations



Tokai Carbon Group Global Policy on Human Rights

https://www.tokaicarbon.co.jp/en/sustainability/pdf/human_rights.pdf?20240105

■ Human rights due diligence

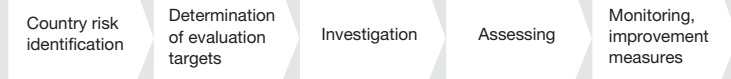
Our Group conducts human rights due diligence to ensure respect for human rights in our business activities. We identify and evaluate potential human rights risks throughout the value chain and human rights issues peculiar to our business, and work toward the prevention and correction of such risks and issues. We will continue to identify these issues on the basis of engagement with our employees, suppliers, business partners, and other stakeholders.

■ Our human rights due diligence process

Key items in our human rights risk survey include prohibition of discrimination, prohibition of forced labor and child labor, freedom of association and respect for the right to collective bargaining, appropriate working hours and wages, and occupational health and safety.

In FY2020, we investigated country risks at the business sites of non-consolidated and Group companies to identify human rights issues to be addressed at each site. Since FY2020, we have also conducted human rights impact surveys on the sites of non-consolidated and principal Group companies in Japan. At each site, we conduct verifications of management systems concerning human rights and labor and the presence of internal reporting systems, violations of laws and regulations, and so on. We confirm the details of any matters requiring additional investigations. For the three years from 2020 to 2022, we confirmed the absence of any serious incidents corresponding to human rights violations at the target sites.

Our human rights due diligence process



03 Strengthening of Our Management Base

Development of Human Resources

In achieving our vision for our Group in 2030, we believe in the importance of securing and nurturing diverse human resources and creating an environment in which employees can grow through friendly competition with each other.

As a first step toward human capital management, in 2023 the Tokai Carbon Group formulated policies on human resources development policy and on improvement of our internal environment.

■ Human resources development policy

Our Group has adopted “Ties of Reliability” as our basic philosophy and “Integrity,” “Innovation,” “Challenge,” “Co-creation,” and “Agility” as our Action Guidelines. Our Group will recruit human resources with whom our basic philosophy and Action Guidelines resonate, and will nurture human resources who, in an age of accelerating change, are able to contribute to the realization of a sustainable society by actively collaborating with colleagues holding diverse values and backgrounds and by boldly challenging innovation with agility.

■ Internal environment improvement policy

Our Group will foster a broad-minded, open organization and culture in which employees holding diverse values and backgrounds work hard in friendly competition and grow toward our long-term vision of “Contribute to a sustainable society through advanced materials and solutions.”

While advancing work style reform and achieving a suitable personnel system and competitive employee treatment that attracts diverse human resources, to support employees’ growth we have also readied varied training programs matched to employees’ career stages, characteristics, and wishes. We treat the human rights of employees with utmost respect and do not tolerate harassment. Based on our Tokai Carbon Health and Productivity Management Declaration, we strive for management that places importance on the health of employees and their families, and support asset formation by employees through our pension plan and employee stock sharing plan.

■ 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.

With regard to annual paid holidays, we offer planned acquisition of 5 or more days along with a half-day holiday system and an expired holiday reserve system to enhance the degree of freedom.

In 2021, we received certification from the Minister of Health, Labor and Welfare as a company that supports child-rearing, under the Ministry’s Kurumin recognition program.

■ Enhancement of employee engagement

To achieve our Group’s long-term vision of contributing to the realization of a sustainable society, it is important that we enhance our corporate value. Toward that end, we believe that enhancement of employee engagement is necessary. In 2023, we conducted our first engagement survey of employees working at Tokai Carbon. Results revealed strengths in the items “company foundation” and “support behavior,” along with weaknesses in “facility environment” and “employee programs and treatment.” As a future initiative, following the setting of short-, medium-, and long-term goals, we will draft and execute Group-wide improvement measures, formulate action plans at the level of each organization, and work toward improvement.

■ Education and training

Our varied education and training include specialization-oriented training for employees selected from departments and sections, and level-specific training that includes new employee training. To support individuals’ self-study, we have also set up programs offering correspondence education and offering incentives for obtaining public qualifications.

Specialization-oriented training

Example: Next-generation leader training
Purpose: Mastery of logical thinking, marketing, finance, and leadership
Targets: Young and mid-level employees selected from departments and sections
Period: Approx. 9 months

Level-specific training

Example: Career design training
Purpose: Personal reflection and setting of future career vision
Target: Employees in 3rd or 4th year since joining the Company
Period: 1 day (group training)

Diversity

Continued employment of seniors

We have established a program for re-employment as non-regular employees, allowing motivated and capable senior human resources to continue working after retirement. In 2023, 13 applicants continued employment under this program. We also made decisions to revise our personnel treatment system, to raise the annual income of re-employed non-regular employees, and to perform personnel evaluations applicable to the current working generation. We will continue examining measures that will lead to stably securing our workforce and to further energizing our programs.

Promoting active participation by women

In the general employer action plan that we formulated in 2022 under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we set targets for the three-year period beginning April 2022. These include increasing the proportion of women among female new graduates hired for career-track positions to at least 30%, increasing the percentage of women in managerial positions to 5.6% by the end of 2024, and attaining a 70% or higher acquisition rate for annual paid holidays.

KPI	Performance in 2023	Boundary
Ratio of female employees in managerial positions: 2.8% in 2021 (raise to at least 5.6% by 2024)	4.0%	Non-consolidated
Percentage of new female graduates hired for career-track positions: 30% (non-consolidated)	40%	Non-consolidated

Promoting employment of the physically challenged

Since January 2021, we have used our TOKAI Farm, rented under a program for corporations, to provide persons facing physical challenges with employment opportunities raising vegetables. TOKAI Farm is a hydroponics facility inside an indoor farm. Vegetables, primarily leafy greens such as komatsuna and mizuna, are harvested about a month after sowing, and are then distributed to employees.

We will continue working to create comfortable working environments and actively promote recruitment.

*Non-financial data (Society) is posted in the Data section (p. 71).

Occupational Safety and Health

Policy and promotion structure

As a global safety policy, our Group has adopted “Safety is a critical core value shared by the entire Tokai Carbon Group. We aim to provide a safe working environment for all people working in our plants by eliminating hazards and reducing risks.”

KPI		Performance in 2023	Boundary
2023	Frequency rate 1.20 or lower	0.80	Consolidated
2024	Frequency rate 1.20 or lower	-	

Risk assessment

To eliminate hazards and reduce risks, our Group carries out risk assessments and addresses risks. In risk assessment, we assess risks that could lead to injury or to impacts on health, clarify priorities regarding identified risks, and make improvements to work environments.

When installing new production equipment or repairing existing equipment, we conduct risk assessments that begin from the design stage of the equipment, and work to reduce risk where it is too high. To combat injuries from work-related accidents, poor physical condition, and serious incidents, we first assess situations through on-site verification, thoroughly investigate root causes through analysis of “the five whys,” formulate measures to prevent recurrence, and check the measures’ effectiveness. To prevent similar incidents from occurring, we share information on incidents and countermeasures with all workplaces.

Training

We conduct safety education to raise awareness of safety. We conduct outside training to enhance sensitivity toward hazards, VR-based hazard experience training, and safety training aimed at enforcing safety rules in the workplace and measures to prevent the recurrence of past occupational accidents.



▲ Hazard experience training using VR

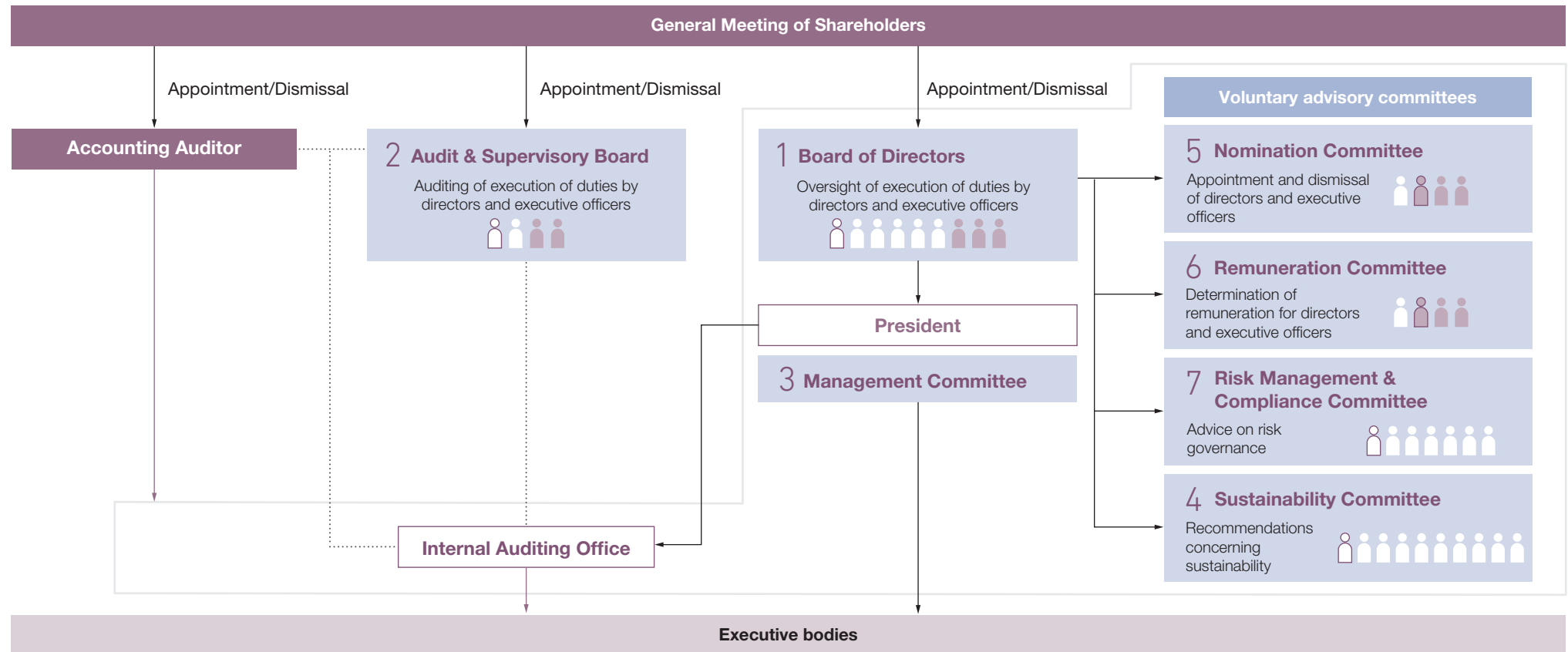
Corporate Governance

Tokai Carbon recognizes the enhancement of medium- to long-term corporate value as our most important management objective. To achieve this, it is vital that we meet the expectations of customers, shareholders, and other stakeholders and build good relationships with these. Under that belief, we embrace the basic philosophy “Ties of Reliability.” Based on the concepts of our Action Guidelines and our Global Code of Conduct, we are working to build an effective corporate governance structure.

Chairman (Board of Directors) • Chairperson (of committees)	
Internal	
External/Independent	
Auditing	
Cooperation	

Corporate governance structure (as of April 1, 2024)

* Including Audit & Supervisory Board members



1 Board of Directors

The Board of Directors is responsible for making decisions on important management matters and overseeing business execution. It generally meets once a month. As of March 28, 2024, there are nine directors, including three external directors. The Nomination Committee and Remuneration Committee, each of which has external directors as a majority of its members, were established as voluntary advisory bodies for the Board of Directors. The Risk Management & Compliance Committee and Sustainability Committee, also voluntary advisory bodies, were established immediately under the Board of Directors.

2 Audit & Supervisory Board members and the Audit & Supervisory Board

As a general rule, the Audit & Supervisory Board of the Company meets once a month. As of March 28, 2024, there are four Audit & Supervisory Board members, including two 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 the execution of duties by directors.

3 Management Committee

We have established a Management Committee, chaired by the President, to discuss and make decisions on key management-related matters based on basic policy decided by the Board of Directors. The Management Committee generally meets once a week, with participation by parties including executive directors, executive officers, and Audit & Supervisory Board members.

4 Sustainability Committee

Chaired by the President, this committee holds deliberations on important matters related to sustainability and, based on outcomes, advises relevant departments and sections and issues reports and recommendations to the Board of Directors.

5 Nomination Committee

It deliberates on the following matters and consults with the Board of Directors.

- Content of proposals on the selection of candidates for directors and on the dismissal of directors, for submission to shareholder meetings
- Selection and dismissal of representative directors and the President
- Selection and dismissal of executive officers
- Selection and dismissal of position-holding executive officers
- Other matters deemed necessary for personnel affairs concerning directors and executive officers

6 Remuneration Committee

It deliberates on the following matters and consults with the Board of Directors.

- Establishment, amendment, or abolition of basic policies, rules, systems, etc. regarding the remuneration of directors and executive officers
- Details of the proposal regarding the maximum amount of compensation for directors to be submitted to the general meeting of shareholders
- Other matters deemed necessary regarding the remuneration, etc. for directors and executive officers
- Deliberating and deciding on the individual evaluations of directors and executive officers and the amount of their remuneration, etc., as delegated by the Board of Directors

7 Risk Management & Compliance Committee

The Committee discusses important issues related to risk and compliance and, based on the results of that discussion, provides advice to relevant departments and sections, as well as reports and proposals to the Board of Directors.

Matters discussed by the Board of Directors in FY2023

Subject category	Topic
Governance, risk management, management of subsidiaries	Analysis and evaluation of the effectiveness of the Board of Directors
	Reports on financing, investments, and market risk management
	Internal control system basic policy, status of initiatives, internal audit planning and reporting
	Risk Management & Compliance Committee reports
	Major investments in subsidiaries, PMI progress status reports
42.9%	
Human resources and organization	Personnel matters of directors and officers
	Reorganization, regulatory revisions
23.3%	
Accounting and finance	Monthly financial results, earnings bulletins
	Securities reports
18.8%	
Management strategy, sustainability	Medium-term management plan formulation, progress status reports
	Sustainability Committee, Carbon Neutral Committee reports
12.0%	

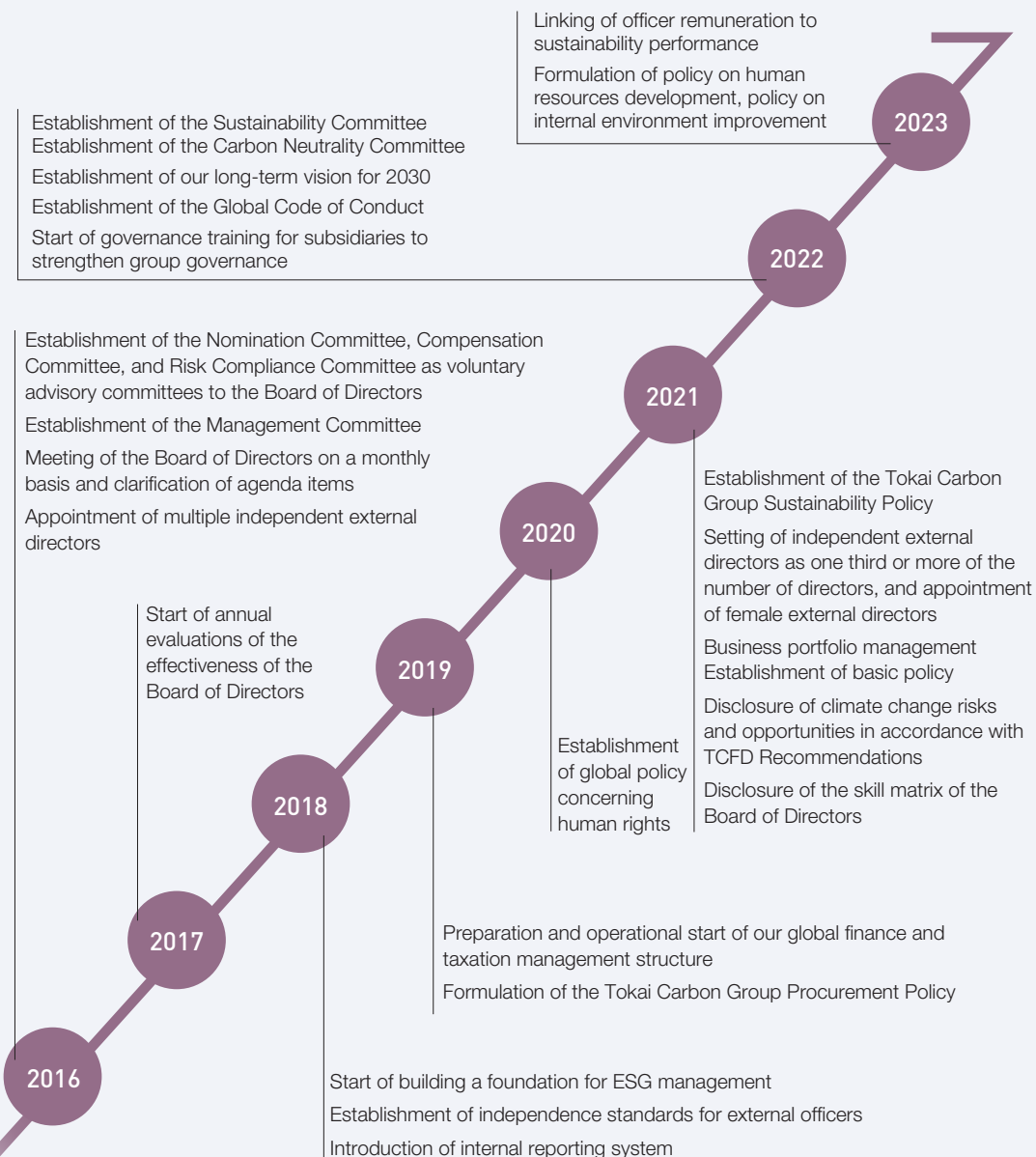
Strengthening of the effectiveness of the Board of Directors

In 2016, Tokai Carbon established the Nomination Committee, Remuneration Committee, Management Committee, and Risk Management & Compliance Committee to fundamentally strengthen our governance structure under the leadership of the Board of Directors. This has resulted in remarkable improvements in many aspects, a finding confirmed through annual evaluations of the effectiveness of the Board of Directors.

A feature of our structure is that all external directors actively attend important meetings other than meetings of the Board of Directors in order to deepen their understanding of significant subjects. Effectiveness evaluations have reported that external directors' impartial and objective comments contribute significantly to enhancing our functions for monitoring the Board of Directors.

Our current governance structure is now largely established. We are properly maintaining our structure's initial achievements while also working to continually strengthen it, through means including the establishment of the Sustainability Committee in 2022. In 2023, we assessed that a degree of progress has been made in linking sustainability and management, as seen in the linkage of sustainability performance to officer remuneration.

Steps in Strengthening Governance



Executive Remuneration

■ Overview of our executive remuneration programs

Tokai Carbon's executive remuneration consists of basic remuneration, which is a fixed amount, and performance-linked remuneration and stock-based remuneration, which vary with degree of achievement of performance targets.

For the directors and executive officers responsible for the execution of business, higher-level positions are associated with a higher ratio of performance-linked remuneration to basic remuneration, taking into account the magnitude of officers' responsibilities and their impact on the Company's performance.

Determination of details of individual remuneration, etc. are delegated by the Board of Directors to the Remuneration Committee, a majority of the members of which are external directors, to ensure the independence of decision-making.

In determining remuneration, etc., the Remuneration Committee conducts multifaceted review, including reviews of consistency with decided policy. The Board of Directors judges whether the content of these reviews has been properly determined. Remuneration for Audit & Supervisory Board members is determined through deliberations by said members, within the remuneration limit approved at shareholder meetings.

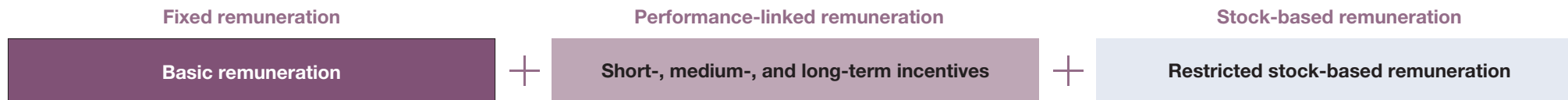
■ Basic policy

<p>Directors and executive Officers (excluding external directors)</p>	<p>Policy for the determination of remuneration for directors and executive officers is a matter for resolution by the Board of Directors. Amounts are set in line with the Company's performance and with individual performance and achievements, within the remuneration limit approved at shareholder meetings. The goal is to ensure that the officers responsible for the execution of business have a strong commitment to the achievement of high management targets and the maximization of medium- to long-term corporate value, while ensuring a standard that meets the following requirements.</p> <ul style="list-style-type: none"> • Remuneration to encourage officers' commitment to short-, medium-, and long-term management targets • Remuneration that serves to motivate current and future officer candidates and that does not fall below the level of competitors • Remuneration with the guarantee of transparency and rationality to ensure accountability toward officers, shareholders, and investors
<p>External directors, Audit & Supervisory Board members</p>	<p>Basic remuneration only</p>

■ Overview of remuneration elements

Type of remuneration		Overview
Fixed remuneration (Basic remuneration)		Amount is determined from the base amount according to position, with assessment reflected
Performance-linked remuneration	Short-term incentive	The base amount is set according to position, and the amount of remuneration provided is determined within the range of 10% to 200% of the base amount according to financial target indicators and degree of achievement of individual targets (including sustainability targets)
	Medium- to long-term incentive	The base amount is set according to position, and the amount of remuneration provided is determined within the range of 10% to 200% of the base amount according to financial target indicators, degree of improvement in scores/ratings by ESG rating agencies, and degree of achievement of individual targets
Stock-based remuneration (Restricted stock-based remuneration)		Up to 100 million yen per year in remuneration for the granting of restricted stock is paid as monetary claims, to provide incentive for the continuous enhancement of the Company's corporate value and to encourage the sharing of value with shareholders

Remuneration structure



	Evaluation items		Evaluation ratio
Short-term incentive	Degree of achievement of financial targets (single fiscal year)	Net sales, ROS, ROIC, free cash flows	80%
	Degree of achievement of individual targets	Includes degree of achievement of climate change action and other sustainability targets	20%
Medium- to long-term incentive	Degree of achievement of financial targets (3-year)	Net sales, ROS, ROIC, free cash flows	80%
	Degree of improvement in scores/ ratings by ESG rating agencies	ESG rating agencies: FTSE, MSCI, CDP	
	Degree of achievement of individual targets		20%

Remuneration composition ratio

In position-specific remuneration composition ratio, the performance, etc.-linked compensation ratio (here meaning the ratio of performance-linked remuneration + stock-based remuneration) of the president is set to the highest level, at about 50%. That of executive officers, about 40%, declines in line with position.



Fixed remuneration (basic remuneration)

Performance, etc.-linked remuneration (performance-linked remuneration + stock remuneration)

Compliance

We have established basic policies including our basic philosophy, Action Guidelines, and Global Code of Conduct. In accordance with the principles set forth in these, we strive to comply with laws, regulations, and rules, and to engage in corporate activities with a high standard of ethics.

■ Management structure

The Risk Management and Compliance Committee, an advisory body to the Board of Directors, discusses important matters concerning risk and compliance, such as Group-wide risk countermeasures. It also provides counsel to relevant departments and sections based on the outcomes of discussions, and provides the Board of Directors with reports on progress and suggestions for countermeasures and other matters.

We have also established a Global Code of Conduct that serves as a standard for the actions and decisions of all executives and employees in the execution of everyday work.

■ Internal reporting system

We have introduced an internal reporting system for receiving reports from employees who have learned of signs or acts of legal violations or fraud, including any linked to bribery or other corruption by executive officers or employees. We have established in-house contact points (Legal Affairs Department, Audit & Supervisory Board members) and external contact points (legal advisors) to receive reports or requests for advice by phone, fax, email, letter, or other means. Reports can be made anonymously. We have also readied a structure allowing us to act on reports from third parties, reports received in foreign languages, and reports received through channels other than the prescribed points of contact.

The Company's Guidelines on Handling Internal Reports clearly state that, apart from cases in which 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. The Legal Affairs Department Manager is responsible for conducting investigations into facts reported by informants, while strictly maintaining the confidentiality of informants. When investigation reveals legal violations, etc., we enact measures for correction and for the prevention of occurrence, and impose disciplinary measures in accordance with employment regulations. We have also prepared mechanisms by which all employees and stakeholders can make reports with confidence through external points of contact. We are working to increase awareness of this system through information in our Compliance Manual and internal rules and through means including in-house seminars, message boards, and newsletters.

■ Prevention of corruption

Prevention of bribery and other corrupt behavior

Our Global Code of Conduct states that we will comply with relevant laws and regulations at home and abroad, and will engage in corporate activities aligned with social ethics and sound judgment. The code also clearly expresses that we will comply with international norms and relevant national laws and regulations concerning the prevention of corruption, and that we will engage in no corrupt acts involving the civil servants, government officials, or other parties of any country. Accordingly, we prohibit and strive to prevent acts of bribery, including the offering or provision of gain as consideration for favors, the requesting or acceptance of gain in the form of cash, excessive entertainment, services, etc., or other acts that could be viewed as bribery. We further prohibit employees from engaging in corrupt acts such as the embezzlement of company funds or complicity in money laundering.

In 2023, our Company was involved in no exposure of corrupt acts and paid no fines or monetary penalties. There were no incidents of disciplinary action taken against employees due to corrupt acts. We further provided no political donations.

Supervision of the Board of Directors with respect to corrupt acts

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

■ Education and training

We conduct ongoing compliance training to raise compliance awareness among all employees.

In FY2023, we conducted e-learning-based training for all Tokai Carbon executives and employees, covering topics including business fraud and violations of subcontracting-related laws. The attendance rate was 89%. Our level-specific training includes compliance training by in-house and external instructors for new employees and managers.

We also distribute compliance message videos internally and publish related articles in our in-house newsletter to raise compliance awareness among officers and employees.

Discussion

Evolving toward governance befitting a global company

Our three external directors discussed how the management and governance Tokai Carbon Group should evolve in this time of drastic change.



Toshiro Miyazaki

External Director

Toshiro Miyazaki was appointed External Director of the Company in March 2022. Holding key positions, including president and chairman, at a major manufacturing company for many years, he has extensive experience and wide-ranging insights as a manager engaged in global business.

Mayumi Asada

External Director

Mayumi Asada was appointed External Director of the Company in March 2021. She has worked as an attorney for many years and has a doctorate in medicine. As an attorney and medical doctor, she has wide-ranging knowledge and extensive experience involving legal affairs, risk management, ESG, and sustainability.

Nobumitsu Kambayashi

External Director

Nobumitsu Kambayashi was appointed External Director of the Company in March 2016. Holding key positions at a major global heavy industry manufacturer for many years, he has wide-ranging knowledge and extensive experience in corporate management, legal affairs, sales and marketing, and human resource development.

“The next move” to win against the competition

Adapting to Changes in the Business Environment

Kambayashi The business environment is growing harsher. The conflict between Ukraine and Russia has become prolonged, and the situation in the Middle East remains unpredictable. As I believe President Nagasaka has noted, where our Group is concerned, the downturn in the graphite electrode business is becoming increasingly severe. Slowdown in steel business conditions worldwide and intensifying price competition caused by decline in the utilization rates of electric furnaces have become apparent. With oversupply progressing in China, graphite electrodes from China and India are flowing into the Asian market in high volume, rapidly eating into our Group's Graphite Electrode business market share. In terms of product quality, our Group's graphite electrode products are clearly superior to those from China, but we can see before our eyes that many users are attracted to low price rather than to high quality, and so are beginning to choose those products. The Smelting and Lining business, too, is under pressure from the momentum of Chinese competitors and is facing tough business conditions. At the same time, the Carbon Black business and Fine Carbon business continue to operate at an advantage. The time may be coming to deepen discussions that include a restructuring of our future business portfolio.

Asada Some of our businesses are definitely in tough situations, as Mr. Kambayashi described. There may be areas that are difficult to address through our efforts

alone, such as adapting to exchange rate fluctuations and other aspects of the external environment. On the other hand, there should also be a lot of areas in which we can continue winning trust through our efforts, such as our unceasing pursuit of quality and our considerations for enhancing safety. Given such conditions, I think it's important that we work toward proper disclosure of information toward shareholders, investors, and other stakeholders while also striving for sincere communication. I always advocate for sincere communication that includes carefully explaining areas calling for improvement and, when time is needed to consider future actions, persuading stakeholders in good faith and asking them to wait when required, during which time we attentively report on progress. I try to always consciously look at whether information is being communicated in a way that the listener can easily understand.

Miyazaki The Graphite Electrode business and the Smelting and Lining business are certainly in a difficult situation, as Mr. Kambayashi said. It was often said that 30 years is the lifespan of a company. A single business cannot go on forever. To maintain its existence, a company has to undergo repeated trial and error while constantly reviewing its vision for its business. In the six businesses that the Group is currently engaged in, too, there are business fields that can look forward to growth as well as others that will struggle somewhat. This is natural for a company existing at a time of rapid change. In the Graphite Electrode business, considering the major shift toward a carbon-neutral society, it's said

that steelmaking methods will shift from blast furnaces to electric arc furnaces. Within this movement, I think it's important that we tackle fields as only our Group can, such as by specializing in products for large electric arc furnaces.

There also seem to be movements within the company to explore and invest in new business areas. This, too, is important. Regarding the respective businesses, we should create conditions by which these are headed toward growth from a long-term point of view, even if things are uneven in the short term. The Management Committee, too, is seriously discussing how the Tokai Carbon Group can become a winner and how it can enhance its competitiveness in every business. I have a strong sense of this as an external director. With such discussions unfolding, I feel less worry.



Developing human resources for research and development

Future Growth Strategy

Miyazaki I would like to share my personal views on the aforementioned efforts in new business areas. Making investments with a new market in mind takes courage. It's easy to secure a budget when adding or replacing equipment in an existing business, but that's not so easy when trying to create a new business. Even if a new business' leader presents a concrete budget framework, most people will be unable to fully understand it and render a judgment. That's because they're unable to make the judgment on the basis of past experience. However, if a company doesn't make investments on a certain scale, it'll be incapable of business development with speed and will lose out to the competition. The sources of power for business development are the bold investment of human resources and funds and the introduction of new tools. No matter what the type of business development, it's important that a company set out a budget framework for business development and then move forward with boldness and speed. Naturally, once the company starts running, it is important to set milestones and manage them with care.

Asada When new business development investments or new capital investments are made, I visualize and analyze how the originally envisioned issues were solved through the investment and how the cycle of problem-solving operates and moves on to new issues, such as what new problems are now faced. Through analysis like this, I see that the issues that divisions have faced

and solved get shared with other divisions through the Management Committee and other means. This gets accumulated as experience points, which get put to use when making new investments, often leading to solutions to problems. This can be seen as the fruit of efforts made by people in departments. In that sense, I don't have great worries over future new business development.

I agree with Mr. Miyazaki that opening up new areas of business naturally presents a lot of difficulties. Regarding human resources for research and development, it's vital that we continue investing funds in that area as we're in competition for those people with other companies. At the same time, though, we need to showcase how our Group is engaged in compelling businesses and how our we've prepared an appealing development environment. Fortunately, I've heard the welcome news that a lot of researchers understand the appeal of our Group and come knocking on our door.

Kabayashi Our Group has announced its medium-term management plan as a "rolling plan." Naturally, single-year management plans are considered necessary for investors, but the work of updating the medium-term management plan in response to changes in the business environment is also beneficial. The Medium-term Management Plan "T-2026" that makes FY2024 its first year was worked out through repeated discussions by the Board of Directors as a plan that depicts a vision for the Group three years from now. I naturally have expectations for its results, but at the same time, as Mr. Miyazaki noted at the outset, unexpected circumstances have arisen in the Graphite Electrodes business and the



Smelting and Lining business, meaning that we need to carefully confirm our progress under the plan. We have to apply careful assessment, discernment, and handling to the situations of overseas subsidiaries that have conducted M&A. Among major manufacturers operating globally are those that dispatch large numbers of management staff to companies acquired through global M&A, to make these capable of handling things themselves. Our Group often takes a stance of leaving acquired overseas subsidiaries to the local managers. I have some worries over whether our PMI* is sufficient in these cases. Our Group might be better off displaying a greater appetite for the creation of synergies between the two sides, such as by integrating overseas subsidiaries or adopting the human resources system or other positive points of overseas subsidiaries at the parent company.

*PMI: Post Merger Integration, the integration process that follows the enactment of M&A

The Board of Directors and Governance

Asada For quite some time, the Company's external directors have been required to attend Management Committee meetings. Experiencing "live discussions" before heading to the Board of Directors leads to deeper discussions at the board meeting level, so this is of course a good thing. Because the discussions are frank, when a proposal is half-baked, it gets sent back to be discussed again. When the go-ahead is given, the same explanation that was given in the Management Committee meeting may be made again at the Board of Directors meeting. Some Management Committee agenda items are not taken up by the Board of Directors. Knowing about these often has a positive effect on discussions by the board. Of course, there are issues that should be discussed repeatedly over time, but we may have some room for considering time management.

Miyazaki I agree. A bit more improvement may be possible there. With regard to governance, an area where I sense issues is in the governance of the organization, not only the Board of Directors. About 80% of the Group's net sales are overseas, as are over 70% of its employees. The Group's subsidiaries in the United States, Europe, and Asia have different histories and corporate cultures. Governing these diverse overseas subsidiaries calls for an appropriate framework. There are different ways of approaching this, but I think it's best that the parent company in Japan set out core guidelines and enforce them among overseas

subsidiaries. Whatever mechanism is adopted, our Group appears to have weaknesses in the governance of such organizations. Regarding "safety" standards, our Group has established a common philosophy and is trying to spread it throughout the Group, which is commendable, but we need to work on this with a little more speed.

It is also somewhat unclear how communication with overseas subsidiaries is being conducted. At Board of Directors meetings, the heads of divisions report on the status of overseas subsidiaries, but I'm unable to see as far as what sort of dialogues these division heads have with overseas subsidiary executives. How to conduct organizational dialogues with overseas subsidiaries is a challenge for the future.

Kambayashi Following up on what Ms. Asada noted, I'd like to see more active discussions in the Management Committee. I feel there's still some sort of reluctance among divisions to stick their necks into the discussions of business units outside their own jurisdiction. This kind of deference still seems to be prevalent. President Nagasaka puts forth candid opinions on the spot, but I can't help but notice a certain quietness among others. In situations where detailed discussions are needed for the company overall, I'd like people to speak without reserve.

Making the Management Committee a venue for active discussion



Sustainability

Kambayashi I can sense the Group's level of seriousness toward sustainability efforts. In fiscal 2023, the Group introduced a framework for linking sustainability and performance to officers' remuneration. I have great expectations for a growing awareness of sustainability. As for a succession plan aimed at the next generation of management, there are still a lot of unclear aspects. This remains a challenge to be tackled. The Group needs to advance "visualization" by making good use of external directors.

Asada If we view the company's organization to the trunk of a tree, human resources are like the individual leaves. Leaves grow and eventually fall off, but new leaves then grow. This cycle will be repeated as long as a healthy trunk lasts. The more diverse the human resources, the more that options increase, and the greater the potential for the prosperity of the company. Our Group is global. I believe that deepening interactions among the Group's human resources will lead to sustainable growth for the organization. As Mr. Kambayashi said, deepening these interactions will build a more open company where diverse human resources can assert their opinions without hesitation.

Miyazaki To sustain its management in this age of drastic change, the Company has to possess the ability to change itself. What will enable that is people. The Group needs to actively invest in human resources,



bring in talent from outside, and advance its business with a sense of urgency. Only by achieving that will it be able to achieve sustainable corporate management. Regarding the succession plan that Mr. Kambayashi mentioned, the Group should always have two or

three potential candidates identified, with reasons for their selection recorded. It's vital that the Group make diligent preparations to preserve the sustainability of management.

Management

As of April 1, 2024

Hajime Nagasaka

President & Chief Executive Officer



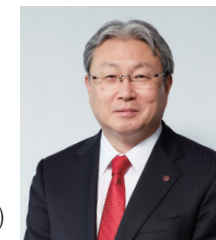
Number of the Company's shares held:
169,338
Board of Directors meeting attendance:
100% (21/21)

Career summary

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

Masafumi Tsuji

Member of the Board
Managing Executive Officer



Number of the Company's shares held: 64,312
Board of Directors meeting attendance: 100% (21/21)

Career summary

- 1986 Joined the Company
- 2015 Executive Officer, General Manager, Carbon Black Division
- 2016 Executive Officer, General Manager, Graphite Electrode Division
- 2017 Member of the Board/Executive Officer, General Manager, Fine Carbon Division
- 2020 Member of the Board/Executive Officer with deputy responsibility for the Corporate Planning
Department, Strategic Investment Department, and Sales Research & Planning Department,
General Manager, Corporate Planning Department
- 2022 Member of the Board/Executive Officer responsible for the Corporate Planning Department,
Affiliated Company Business Management Department, Strategic Investment Department, Sales
Research & Planning Department, and New Business Promotion Department, General Manager,
Corporate Planning Department
- 2023 Member of the Board/Executive Officer responsible for the Human Resources
Department, General Affairs Department, and Legal Affairs Department
- 2023 Member of the Board/Managing Executive Officer responsible for the Human Resources
Department, General Manager, Graphite Electrode Division
- 2024 Member of the Board/Executive Officer, General Manager, Graphite Electrode Division (incumbent)

Katsuyuki Yamaguchi

Member of the Board
Executive Officer



Number of the Company's shares held:
36,892
Board of Directors meeting attendance:
100% (21/21)

Career summary

- 1988 Joined the Company
- 2018 Executive Officer, General Manager, Technology & Engineering Division
- 2019 Member of the Board/Executive Officer, General Manager,
Technology & Engineering Division
- 2021 Member of the Board/Executive Officer
General Manager, R&D Strategy Division, General Manager,
Intellectual Property Department
- 2024 Member of the Board/Executive Officer
General Manager, R&D Strategy Division (incumbent)

Shunji Yamamoto

Member of the Board
Executive Officer



Number of the Company's shares held:
30,083
Board of Directors meeting attendance:
100% (21/21)

Career summary

- 1985 Joined the Company
- 2015 General Manager, Production & Technology Department,
Carbon Black Division
- 2016 THAI TOKAI CARBON
PRODUCT CO., LTD., Director, Managing Director
- 2018 Executive Officer, THAI TOKAI CARBON
PRODUCT CO., LTD., Director, Managing Director
- 2019 Member of the Board/Executive Officer, Director, Tokai Carbon CB
Genpar LLC
- 2023 Member of the Board/Executive Officer, General Manager,
Technology & Engineering Division (incumbent)

Tatsuhiko Yamazaki

Member of the Board
Executive Officer



Number of the Company's shares held:
22,338
Board of Directors meeting attendance:
100% (16/16)

Career summary

- 1985 Joined the Company
- 2016 General Manager, Production & Technology Department,
Carbon Black Division
- 2017 Business Director, General Manager, Sales Department, Carbon Black
Division
- 2020 Business Director, THAI TOKAI CARBON
PRODUCT CO., LTD. Director, Managing Director
- 2023 Member of the Board/Executive Officer, THAI TOKAI CARBON
PRODUCT CO., LTD. Director, Managing Director (incumbent)

Takashi Masaki

Member of the Board
Executive Officer



Number of the Company's shares held:
37,100
Board of Directors meeting attendance:
- (newly appointed)

Career summary

1985 Joined the Company
2014 Manager, Nagoya Branch
2016 General Manager, Raw Materials Procurement Division
2017 General Manager, Carbon Black Division
2018 Executive Officer, General Manager, Carbon Black Division
2020 Executive Officer with deputy responsibility for the Human Resources Department, General Affairs Department, and Legal Affairs Department, General Manager, Human Resources Department
2020 Executive Officer, General Manager, Refining and Lining Division (current General Manager, Smelting and Lining Division)
2024 Member of the Board/Executive Officer
General Manager, Smelting and Lining Division (incumbent)

Nobumitsu Kambayashi

External Director
(independent officer)



Number of the Company's shares held:
26,200
Board of Directors meeting attendance:
100% (21/21)

Career summary

1971 Joined Kawasaki Heavy Industries, Ltd.
2002 Director, Kawasaki Shipbuilding Corporation
2008 Managing Executive Officer, Kawasaki Heavy Industries, Ltd.
Director/Senior Vice President, Kawasaki Shipbuilding Corporation
2010 President & Representative Director, Kawasaki Shipbuilding Corporation
Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd.
2010 Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd.
President, Ship & Offshore Structure Company
2013 Senior Advisor, Kawasaki Heavy Industries, Ltd.
2016 External Director, the Company (incumbent)
2017 Outside Director, Inui Global Logistics Co., Ltd. (incumbent)
2023 Executive Advisor, Japan Ship Technology Research Association (incumbent)

Mayumi Asada

External Director
(independent officer)



Number of the Company's shares held:
10,200
Board of Directors meeting attendance:
100% (21/21)

Career summary

2002 Registered as an attorney at law and joined Blakemore Law Office
2014 Representative, Marunouchi Building Aoi Law Office (incumbent)
2014 Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine
2020 Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent)
2021 External Director, the Company (incumbent)

Toshiro Miyazaki

External Director
(independent officer)



Number of the Company's shares held:
4,000
Board of Directors meeting attendance:
100% (21/21)

Career summary

1972 Joined Mitsui Shipbuilding & Engineering Co., Ltd.
(currently Mitsui E&S Holdings Co., Ltd.)
2007 Director, Finance, Accounting, and Investor Relations and Communications, Mitsui Shipbuilding & Engineering Co., Ltd.
2008 Director, MODEC, Inc.
2011 Representative Director, President, MODEC, Inc.
2019 Director, Chairman of the Board, MODEC, Inc.
2020 Executive Advisor, MODEC, Inc. (incumbent)
2022 External Director, the Company (incumbent)

Yuji Serizawa

Audit & Supervisory Board member



Number of the Company's shares held:
66,562
Board of Directors meeting attendance:
100% (16/16)

Career summary

1984 Joined the Company
2012 Member of the Board/Executive Officer, General Manager, Fine Carbon Division
2014 Executive Officer, General Manager, Graphite Electrode Division
2015 Member of the Board/Executive Officer, General Manager, Graphite Electrode Division
2016 Member of the Board/Executive Officer, General Manager, Corporate Planning Division
2017 Member of the Board/Executive Officer responsible for the Human Resources Department, General Affairs Department, and Legal Affairs Department
2023 Audit & Supervisory Board member (full-time) (incumbent)

Kanji Sugihara

Audit & Supervisory Board member



Number of the Company's shares held:
37,100
Board of Directors meeting attendance:
- (newly appointed)

Career summary

1984 Joined the Company
2013 Executive Officer, Assistant in charge of the Fine Carbon Division, General Manager, Fine Carbon Division
2014 Member of the Board/Executive Officer, General Manager, Fine Carbon Division
2015 Member of the Board/Executive Officer, General Manager, Fine Carbon Division
2016 Director, the Company, Director/Vice President, Tokai Konetsu Kogyo Co., Ltd.
2018 Director/Vice President, Tokai Konetsu Kogyo Co., Ltd.
2024 Audit & Supervisory Board member, the Company (full-time) (incumbent)

Kaoru Ogashiwa

External Audit & Supervisory
Board member
(independent officer)



Number of the Company's shares held:
700

Board of Directors meeting attendance:
100% (21/21)

Career summary

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

Yoshinori Matsushima

External Audit & Supervisory
Board member
(independent officer)



Number of the Company's shares held:
100

Board of Directors meeting attendance:
100% (16/16)

Career summary

- 1997 Joined Deloitte Touche Tohmatsu
- 2001 Registered as Certified Public Accountant, Representative, Matsushima Certified Public Accountant Office (incumbent)
- 2006 Registered as a Certified Tax Accountant
- 2023 External Audit & Supervisory Board member, the Company (incumbent)

Officers' Skills Matrix As of March 28, 2024

		Knowledge and experience expected of Directors and Audit & Supervisory Board members									
		Gender	Term of office (years)	Corporate management	Finance and accounting	Legal affairs and risk management	Global business	Manufacturing, technology, and ICT	Sales and marketing	Personnel and HR development	ESG and sustainability
Directors	Hajime Nagasaka	Male	18	●			●		●	●	●
	Masafumi Tsuji	Male	7	●		●	●			●	●
	Katsuyuki Yamaguchi	Male	5					●	●		●
	Shunji Yamamoto	Male	5	●			●	●			
	Tatsuhiko Yamazaki	Male	1	●			●	●	●		
	Takashi Masaki	Male	—	●			●		●		
	Nobumitsu Kambayashi	Male	8	●		●	●		●	●	
	Mayumi Asada	Female	3			●				●	●
	Toshiro Miyazaki	Male	2	●	●	●				●	●
	Audit & Supervisory Board members	Yuji Serizawa	Male	1			●	●			
Kanji Sugihara		Male	—			●		●			
Kaoru Ogashiwa		Male	4		●	●					
Yoshinori Matsushima		Male	1		●	●					

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Long-Term Earnings Summary

FY2013–FY2023 (consolidated)

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statements of Income												
Net sales	(million yen)	100,935	114,576	104,864	88,580	106,252	231,302	262,028	201,542	258,874	340,371	363,946
Gross profit	(million yen)	15,267	18,651	19,960	16,529	27,451	99,378	92,840	49,555	70,732	94,052	98,727
Selling, general and administrative expenses	(million yen)	13,611	14,947	15,871	15,398	16,358	26,312	38,495	41,696	46,085	53,463	59,998
Operating profit	(million yen)	1,655	3,703	4,088	1,131	11,093	73,065	54,344	7,858	24,647	40,588	38,728
Ordinary income	(million yen)	3,114	4,180	4,317	1,702	12,855	72,991	52,986	6,262	24,770	42,521	41,607
Net income before income taxes	(million yen)	2,926	4,345	6,726	(7,938)	15,533	95,811	51,226	6,116	23,354	42,111	41,998
Income taxes	(million yen)	1,802	1,749	4,345	(67)	2,740	21,543	17,175	2,283	3,248	14,782	13,243
Net income	(million yen)	1,213	2,562	2,484	(7,929)	12,603	74,268	34,050	3,833	20,106	27,329	28,754
EBITDA	(million yen)	12,470	13,845	14,581	10,616	17,740	85,374	77,053	35,262	54,518	75,572	75,949
Sales ratio												
Gross profit	(%)	15.1	16.3	19.0	18.7	25.8	43.0	35.4	24.6	27.3	27.6	27.1
Selling, general and administrative expenses	(%)	13.5	13.0	15.1	17.4	15.4	11.4	14.7	20.7	17.8	15.7	16.5
Operating income (ROS)	(%)	1.6	3.2	3.9	1.3	10.4	31.6	20.7	3.9	9.5	11.9	10.6
Ordinary income	(%)	3.1	3.6	4.1	1.9	12.1	31.6	20.2	3.1	9.6	12.5	11.4
Net income before income taxes	(%)	2.9	3.8	6.4	(9.0)	14.6	41.4	19.5	3.0	9.0	12.4	11.5
Net income	(%)	1.2	2.2	2.4	(9.0)	11.6	32.1	13.0	1.9	7.8	8.0	7.9
EBITDA	(%)	12.4	12.1	13.9	12.0	16.7	36.9	29.4	17.5	21.1	22.2	20.9
Investment-related												
Capital expenditure	(million yen)	9,007	6,830	5,301	6,013	4,282	11,794	24,341	28,873	30,347	48,150	53,316
Depreciation	(million yen)	8,656	8,629	9,242	8,124	6,647	10,390	18,503	20,890	22,900	27,460	29,065
R&D expenses	(million yen)	1,800	1,882	1,822	2,249	1,482	1,883	2,460	2,682	2,823	3,171	3,605
Cash flow												
Operating cash flows	(million yen)	11,606	11,983	20,613	17,505	10,543	44,109	41,664	55,022	38,072	41,205	62,074
Investment cash flows	(million yen)	(10,791)	(24,027)	3,189	(3,622)	(14,039)	(53,849)	(99,159)	(44,301)	(35,282)	(49,900)	(47,632)
Free cash flows	(million yen)	815	(12,043)	23,802	13,883	(3,496)	(9,740)	(57,495)	10,721	2,790	(8,695)	14,442
Financing cash flows	(million yen)	1,441	9,728	(14,926)	(7,613)	(4,534)	29,677	64,568	927	1,211	(10,629)	(14,512)
Increase (decrease) in cash and cash equivalents	(million yen)	4,155	(1,307)	8,180	5,602	(6,376)	18,979	5,318	11,284	6,707	(15,057)	7,081
Exchange rate*	(USD/JPY)	97.65	105.85	121.05	108.85	112.19	110.43	109.05	106.82	109.80	131.43	140.56

*Corporate exchange rate

*Figures have been revised retrospectively.

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Balance Sheet												
Total current assets	(million yen)	90,984	94,685	87,968	77,645	85,444	164,220	196,446	177,678	215,149	246,691	262,890
On-hand liquidity	(million yen)	16,048	14,862	23,045	28,528	22,152	46,797	52,695	67,174	78,858	70,909	77,465
Accounts receivable	(million yen)	30,075	33,972	26,897	24,220	30,265	55,137	50,648	41,438	56,668	65,197	65,530
Inventory	(million yen)	41,507	41,299	34,253	20,734	27,564	58,789	86,380	63,797	72,479	101,330	109,332
Other current assets	(million yen)	3,352	4,551	3,771	4,162	5,463	3,945	6,722	5,266	7,143	9,254	10,563
Total fixed assets	(million yen)	92,443	115,753	96,106	81,178	99,286	165,648	266,425	282,031	297,353	329,773	377,114
Tangible fixed assets	(million yen)	61,985	67,581	56,629	43,122	51,405	80,312	101,343	125,007	144,165	181,948	223,804
Intangible fixed assets	(million yen)	464	14,103	11,324	10,534	16,343	61,805	141,966	133,349	123,349	118,839	117,051
Investment and other assets	(million yen)	29,994	34,069	28,153	27,521	31,537	23,529	23,115	23,674	29,838	28,986	36,258
Total assets	(million yen)	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709	512,503	576,465	640,005
Total current liabilities	(million yen)	42,385	44,897	31,126	29,028	36,870	91,654	117,541	92,656	130,418	146,696	136,971
Short-term interest-bearing liabilities	(million yen)	20,718	21,576	9,537	12,910	14,074	41,709	68,363	51,879	74,710	80,745	70,218
Accounts payable	(million yen)	14,179	16,051	11,397	9,591	14,522	26,001	28,936	18,648	26,229	32,272	29,469
Other current liabilities	(million yen)	7,488	7,269	10,191	6,525	8,274	23,944	20,241	22,129	29,478	33,676	37,280
Total long-term liabilities	(million yen)	17,809	33,198	27,976	16,806	20,728	30,381	112,355	142,237	125,514	128,900	142,930
Long-term interest-bearing liabilities	(million yen)	5,044	16,713	14,398	4,137	2,068	8,000	79,666	106,764	93,539	90,706	96,424
Other long-term liabilities	(million yen)	12,765	16,484	13,577	12,669	18,660	22,381	32,689	35,473	31,974	38,190	46,504
Total liabilities	(million yen)	60,195	78,096	59,103	45,834	57,599	122,035	229,896	234,894	255,932	275,596	279,902
Total net assets	(million yen)	123,232	132,343	124,971	112,989	127,130	207,833	232,975	224,815	256,570	300,868	360,103
Shareholders' equity	(million yen)	106,807	108,006	108,910	99,693	110,089	179,500	203,819	196,543	206,269	218,761	237,220
Total liabilities and net assets	(million yen)	183,427	210,439	184,074	158,824	184,730	329,868	462,872	459,709	512,503	576,465	640,005
Ratio analysis												
ROA	(%)	1.8	2.1	2.2	1.0	7.5	30.0	13.4	1.4	5.1	7.8	6.8
ROE	(%)	1.0	2.0	2.0	(6.8)	10.4	46.8	16.0	0.5	7.5	9.0	8.6
Capital-to-asset ratio	(%)	66.0	61.8	66.8	69.9	68.4	56.7	45.8	43.8	44.7	46.6	50.7
Indicator per share												
EPS	(yen)	6	12	12	(37)	58	344	150	4.78	75.55	105.16	119.45
BPS	(yen)	567	610	577	521	593	878	994	944.16	1,075.19	1,260.95	1,521.89
Dividend	(yen)	6	6	6	6	12	24	48	30	30	30	36
Dividend payout ratio	(%)	106	50	52	—	21	7	32	627	40	29	30

Performance by Business Segment

FY2020–FY2023 (consolidated)

		2020	2021	2022	2023
Carbon Black					
Net sales	(million yen)	70,754	99,491	138,484	148,423
Operating profit	(million yen)	3,192	8,783	12,282	21,303
Operating income to sales	(%)	4.5	8.8	8.9	14.4
EBITDA	(million yen)	10,171	14,868	20,491	29,270
EBITDA margin	(%)	14.4	14.9	14.8	19.7
Fine Carbon					
Net sales	(million yen)	31,775	39,125	49,393	45,319
Operating profit	(million yen)	6,647	9,611	14,825	10,617
Operating income to sales	(%)	20.9	24.6	30.0	23.4
EBITDA	(million yen)	11,802	15,199	21,270	17,689
EBITDA margin	(%)	37.1	38.8	43.1	39.0
Smelting and Lining					
Net sales	(million yen)	36,421	49,696	65,203	82,820
Operating profit	(million yen)	1,161	1,925	1,345	2,305
Operating income to sales	(%)	3.2	3.9	2.1	2.8
EBITDA	(million yen)	11,564	14,097	14,829	17,446
EBITDA margin	(%)	31.8	28.4	22.7	21.1

		2020	2021	2022	2023
Graphite Electrodes					
Net sales	(million yen)	37,879	40,619	59,630	60,235
Operating profit	(million yen)	(5,766)	(400)	8,032	752
Operating income to sales	(%)	(15.2)	(1.0)	13.5	1.2
EBITDA	(million yen)	(2,274)	4,162	13,549	6,449
EBITDA margin	(%)	(6.0)	10.2	22.7	10.7
Industrial Furnaces and Related Products					
Net sales	(million yen)	13,873	18,019	16,272	15,614
Operating profit	(million yen)	3,765	5,396	4,475	3,860
Operating income to sales	(%)	27.1	29.9	27.5	24.7
EBITDA	(million yen)	3,997	5,701	4,797	4,211
EBITDA margin	(%)	28.8	31.6	29.5	27.0
Other					
Net sales	(million yen)	10,837	11,922	11,387	11,532
Operating profit	(million yen)	298	754	1,108	1,299
Operating income to sales	(%)	2.8	6.3	9.7	11.3
EBITDA	(million yen)	832	1,313	1,589	1,783
EBITDA margin	(%)	7.7	11.0	14.0	15.5

List of Sustainability Targets

Materiality		Goals	FY2023	
Themes	Elements		Specific numerical targets	Target sites*1
Harmony with the Global Environment	Reduction of environmental impact	Reduction of greenhouse gas emissions	Reduction of CO ₂ emissions by 25% (compared to 2018) by 2030 and achievement of carbon neutrality in 2050	Consolidated
		Reduction of pollution	Reduction of volatile organic compounds (VOC) to 90% or less of the FY2015 level	Non-consolidated
			Zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated
			Change of 30% of product packaging for transport to environmentally friendly packaging by the end of 2024	TCX
	Reduction of water consumption	Reduction of water consumption (to 2021 level or lower)	Consolidated*2	
	Realization of a recycling-oriented society	Recycling of waste	Recycling of 80% or more of waste	Domestic group
			Final disposal rate 25% or lower	Domestic group
		Use of sustainable resources	Acquisition of ISCC PLUS certification at three CB plants in Japan by 2024	Chita Plant/Ishinomaki Plant/Kyushu-Wakamatsu Plant
Contributing to Society through Our Business	Technological innovation	Promotion of research and development	90% or more of development expenditures allocated to reduction of environmental impact	Domestic group
			70% or more of development expenditures allocated to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.
			90% or more of patent applications in areas related to reduction of environmental impact	Domestic group
			70% or more of patent applications in areas related to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.
	Supply of safe and secure products	Further elevation of quality/Improvement of product quality	Establishment of electrode consumption rate reduction technology (3% reduction from previous year in 2023)	Consolidated (Graphite Electrodes business)
	Supply Chain Management	Reduction of suppliers' CSR risks	CSR survey of key suppliers on a consolidated basis	Consolidated
	Respect for Human Rights	Raising employees' awareness of human rights	Rollout of anti-harassment manual to domestic subsidiaries	Domestic group
			Expansion of human rights due diligence to overseas subsidiaries	Consolidated
Contribution to community	Active engagement in community contribution activities	Enhancement of disclosure of community contribution activities	Consolidated	
Strengthening of our Management Base	Strengthening of corporate governance	Internal control	-	-
		Risk management	-	-
		Development of a consolidated governance structure	-	Consolidated
		Enforcement of compliance	Compliance with ethical standards, laws, and regulations	Zero regulatory violations with serious impacts	Consolidated
			Creation of a business base aimed at the construction of a global compliance structure	
	Development of human resources	Securing of diverse human resources	Doubling of the number of female employees in managerial positions (by the end of 2024)	Non-consolidated
			Percentage of new female graduates hired for career-track positions: 30% (non-consolidated)	Non-consolidated
			Increase in number of non-Japanese employees in managerial positions (by the end of 2024)	Non-consolidated
			Increase in the ratio of mid-career hires in managerial positions (by the end of 2024)	Non-consolidated
	Promotion of occupational health and safety	Implementation of effective training	Total training hours planned by head office (new-hire training/specialist training)	Domestic group
Reduction of occupational accidents		Reduction of frequency rate (1.20 or lower)	Consolidated	

*1 Domestic group: Tokai Carbon Co., LTD. + major domestic subsidiaries (Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Material Co., Ltd.)

*2 Tokai Carbon Co., LTD. + 9 domestic and overseas companies (Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Carbon Korea Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

		FY2024	
Actual	Rating	Specific numerical targets	Targeted sites*1
Total CO ₂ emissions for the Group in 2023: 2,219 thousand tCO ₂ e (27% reduction from 2018). This was mainly due to switching to CO ₂ -free electrical power, fuel switching, etc.	○	Reduction of CO ₂ emissions by 25% (compared to 2018) by 2030 and achievement of carbon neutrality in 2050	Consolidated
VOC emissions for the fiscal year under review (April 2023 to March 2024) are expected to meet targets, based on the situation through December. (Compared to FY2015: on course to meeting target, at approx. 71%)	○	NOx emissions: 3,400 t/year or lower (base year: 2021); SOx emissions: 18,600 t/year or lower (base year: 2021); VOC: 280 t/year or lower	Consolidated*2
One environmental complaint occurred. In January 2024, we were subjected to an order to improve exhaust gases emitted from plants at our U.S. sites. We dealt and resolved the issue.	△	Zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated
We investigated environmental considerations of the packaging used in transport of products currently used in TCX. Of the total, 8% is certified as environmentally friendly; 29% is scheduled for improvements. We will perform switching gradually from the second half of 2024, following customer approval.	△	Change of 30% of product packaging for transport to environmentally friendly packaging by the end of 2025	TCX
Reduction by approx. 6.2% compared to 2021	○	Reduction of water usage (below 2021 level of 9 million m ³ /year)	Consolidated*3
Recycling rate 89%	○	Recycling rate of 50% or higher (base year: 2021)*5	Consolidated*4
Final disposal rate 11%	○		
Acquisition of ISCC PLUS certification at Chita Plant and Kyushu-Wakamatsu Plant. We completed examination at the Ishinomaki Plant in December 2023, and expect certification in February 2024.	○	Acquisition of ISCC PLUS certification at three CB plants in Japan by 2024	Chita Plant/Ishinomaki Plant/ Kyushu-Wakamatsu Plant
92% of development expenditures allocated to reduction of environmental impact	○	90% or more of development expenditures allocated to reduction of environmental impact	Domestic group
95% of development expenditures allocated to reduction of environmental impact	○	80% or more of development expenditures allocated to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.
100% or more of patent applications in areas related to reduction of environmental impact	○	90% or more of patent applications in areas related to reduction of environmental impact	Domestic group
83% or more of patent applications in areas related to reduction of environmental impact	○	70% or more of patent applications in areas related to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.
Of target users to whom improved-quality products were shipped, 75% achieved a reduction of 3% or higher compared with 2022.	○	Zero significant environmental complaints	Consolidated
Following analysis of our 2023 survey of five key suppliers to non-consolidated sites, we sent reports to all companies.	○	Review of survey form for CSR procurement survey, based on revisions to the Group Procurement Policy	Consolidated
We held a briefing session on our anti-harassment manual for members of the Human Rights Promotion Committees at domestic subsidiaries, and educated domestic subsidiaries' employees and managers about the manual through human rights training.	○	-	-
An ongoing issue for FY2024.	×	Implementation of human rights due diligence by overseas Group companies in accordance with their respective human rights policies	Consolidated
Total amount of donations and activity spending: approx. 53.0 million yen (donations to shrines and festivals, donations to support regional culture, sports, and education, etc.) Community contribution activities: Cleanups, food donations, etc.	○	Enhancement of disclosure of community contribution activities	Consolidated
-	-	Continuous improvement and strengthening of internal control	Consolidated
-	-	Examination of a Group-wide information sharing platform	
-	-	Examination of procurement of raw materials for stable supply of products (geopolitical risks)	
-	-	Development of an overseas crisis management structure (ongoing)	
We carried out internal control promotion, improvement of the North American operations holding company's functions, subsidiary management, and construction of an overseas hazard management structure in line with plans and targets.	○	-	-
Zero regulatory violations with serious impacts	○	Zero regulatory violations with serious impacts	Consolidated
We investigated the governance and compliance structure for subsidiaries in Japan and overseas. We built relationships with managers in charge of compliance at domestic and foreign subsidiaries.	○	Creation of a business base aimed at the construction of a global compliance structure	
We increased the number 1.33-fold since setting the target in 2021 (as of the end of December 2023)	○	Increase the ratio of female employees in managerial positions from 2.8% in 2021 to 5.6% or higher by 2024	Non-consolidated
Percentage of new female graduates hired (non-consolidated) who entered the company in April 2024: 33%	○	Percentage of new female graduates hired for career-track positions: 30% (non-consolidated)	Non-consolidated
We conducted hiring activities, including for management candidates, making progress in line with plans.	○	Increase in number of non-Japanese employees in managerial positions by the end of 2024 (compared with 2021)	Non-consolidated
8.1% increase since setting the target in 2021 (as of the end of December 2023)	○	Increase in the ratio of mid-career hires in managerial positions by the end of 2024 (compared with 2021)	Non-consolidated
Specialist training in 2023: 727 hours; New-hire training in 2023: 5,580 hours	○	Total training hours planned by head office (new-hire training/specialist training)	Domestic group
Frequency rate: 0.80	○	Reduction of frequency rate (1.20 or lower)	Consolidated

*1 Domestic group: Tokai Carbon Co., LTD. + major domestic subsidiaries (Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Material Co., Ltd.)

*2 NOx: Tokai Carbon Co., LTD. + 7 overseas companies (Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS);
SOx: Tokai Carbon Co., LTD. + 6 overseas companies (Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Thai Tokai Carbon Product Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

*3 Tokai Carbon Co., LTD. + 9 domestic and overseas companies (Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Carbon Korea Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

*4 Tokai Carbon Co., LTD. + 11 domestic and overseas companies (Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Material Co., Ltd., Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai Carbon Korea Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

*5 Recycling rate (%) = recycling weight (weight of recycled waste) ÷ weight of generated waste x 100

Non-financial Indicators (Social)

	Boundary	Unit	2020	2021	2022	2023
Number of employees	Consolidated	persons	4,178	4,289	4,378	4,427
Number of employees	Non-consolidated	persons	778	760	763	779
Ratio of overseas employees	Consolidated	%	68.9	70.4	70.7	70.2
Ratio of female employees	Non-consolidated	%	8.5	8.3	9.6	9.5
Ratio of new female graduates hired for career-track positions	Non-consolidated	%	20.8	33.3	66.6	40.0
Ratio of women in managerial positions	Non-consolidated	%	-	2.8	3.0	4.0
Ratio of non-Japanese employees in managerial positions	Non-consolidated	%	-	-	1.5	1.0
Ratio of mid-career hires in managerial positions	Non-consolidated	%	-	-	10.0	11.8
Ratio of employment of the physically challenged	Non-consolidated	%	2.53	2.55	2.36	1.94
Percentage of employees returning from childcare leave	Non-consolidated	%	100	100	100	100
Usage rate of childcare leave by male workers	Non-consolidated	%	-	-	-	90.4
Average acquisition rate for annual paid holidays	Non-consolidated	%	62.9	69.3	77.7	74.1
Employees' monthly average overtime work hours	Non-consolidated	h	7.93	11.17	10.55	*
Occupational accident frequency rate	Consolidated	-	1.22	1.30	1.20	0.80

* Performance data for 2023 is scheduled to be updated on our website around July 2024

Non-financial Indicators (Environmental)

★ Data assured by a third party

		2018	2019	2020	2021	2022	2023
GHG emissions (Scope 1 + Scope 2)							
CO ₂ emissions (thousand tCO ₂ e)	Consolidated	3,056	2,687	2,232	2,409	2,408	2,219 ★
Scope 1 (thousand tCO ₂ e)	Consolidated	2,430	2,164	1,825	2,070	2,018	1,900 ★
Scope 2 (thousand tCO ₂ e)	Consolidated	626	523	406	339	391	318 ★
CO₂ emissions							
Scope 3 (thousand tCO ₂ e)	Consolidated	7	3,322	1,619	1,599	1,680	*3
Category 1 Purchased goods and services	Consolidated	—	469	189	341	1343	1,188 ★
Category 2 Capital goods	Consolidated	—	20	23	22	51	99 ★
Category 3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	Consolidated	—	N/A	N/A	N/A	82	74 ★
Category 4 Upstream transport and distribution	Non-consolidated	6	5	5	6	6	*3
Category 5 Waste from business operations	Non-consolidated	0.7	0.5	0.4	0.7	0.5	*3
Category 6 Business travel	Non-consolidated	—	N/A	N/A	N/A	0.4	*3
Category 7 Employee commuting	Non-consolidated	—	0.4	0.4	0.4	0.4	*3
Category 8 Leased assets (upstream)		—	N/A	N/A	N/A	N/A	N/A
Category 9 Transport and delivery (downstream)		—	N/A	N/A	N/A	N/A	N/A
Category 10 Processing of sold products		—	N/A	N/A	N/A	N/A	N/A
Category 11 Use of sold products	Consolidated	—	2,827	1,402	1,228	321	288 ★
Category 12 Disposal of sold products	Consolidated	—	—	—	—	-	-
Category 13 Leased assets (downstream)		—	N/A	N/A	N/A	N/A	N/A
Category 14 Franchises		—	N/A	N/A	N/A	N/A	N/A
Category 15 Investments		—	N/A	N/A	N/A	N/A	N/A
Water							
Water intake (thousand m ³)	Consolidated *1		8,913	7,815	8,976	8,672	8,402
Water intake per unit of net sales	Consolidated		34.1	38.9	34.8	25.6	23.2
Effluent (thousand m ³)	Non-consolidated	1,994	2,068	2,010	2,115	2,018	2,029
Industrial waste							
Amount generated (t)	Domestic Group *2	7,816	8,272	9,400	7,749	6,854	5,849
Recycling rate (%)	Domestic Group	66	84	89	85	87	89
Amount consigned for processing (t)	Domestic Group	3,781	3,543	5,052	3,742	3,250	2,289
Final disposal rate (%)	Domestic Group	45	23	17	19	18	11

*1 Tokai Carbon Co., Ltd. + 9 major subsidiaries (Tokai ErftCarbon GmbH, Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Cancarb Limited, Thai Tokai Carbon Product Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Carbon Korea Co., Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)

*2 Domestic Group: Tokai Carbon Co., Ltd. + major domestic subsidiaries (Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Material Co., Ltd.)

*3 Performance data for 2023 is scheduled to be updated around July

Calculation of Scope 1 and Scope 2 GHG emissions

Boundary

CO₂	All consolidated production sites, head offices, branches, and laboratories (Tokai Carbon (Dalian) Co., Ltd., Tokai Carbon (Suzhou) Co., Ltd., Shanghai Tokai Konetsu Co., Ltd., Tokai Konetsu (Suzhou) Co., Ltd., and Tokai Carbon Europe Ltd. Italia Branch were added to the scope of tabulation in 2022)
CH₄, N₂O	Starting in 2022, major production sites that account for approximately 98% of consolidated CO ₂ emissions have been added to the scope of calculation

Period of tabulation

		Japan	Overseas
CO₂	Energy sources	April–March of the following year through 2020 (January–December for Tokai Konetsu Kogyo Co., Ltd.) 2021 and after: January to December	January–December
	Non-energy sources	January–December	January–December
CH₄, N₂O	—	January–December * Calculated from 2022	

Calculation method

CO₂ equivalent emissions are calculated using the global warming potentials for CO₂, CH₄, and N₂O gases. HFCs, PFCs, and SF₆ are excluded from calculations as only small amounts of these chemicals are emitted.

Scope 1: Direct GHG emissions from corporate activities, including energy-derived GHG emissions and non-energy-derived GHG emissions (emissions from industrial processes) are tabulated. In principle, GHG emissions from non-energy sources are calculated from the amount of raw and auxiliary materials used and the balance of products and waste.

Scope 2:

- Indirect CO₂ emissions associated with the use of energy in corporate activities.
- The market-based method in the GHG Protocol is used. For emissions in Japan, emission coefficients by electricity utility based on the Act on Promotion of Global Warming Countermeasures are used. For overseas emissions, emission coefficients published by electricity utilities are used, although the latest emission coefficients published by IEA or national and regional authorities are used for emissions from some plants.

Scope 3 calculation method

Boundary

- The reporting boundary from 2019 to 2021 is Tokai Carbon Co., Ltd. That for Categories 1, 2, 3, 11 and 12 is Tokai Carbon Co., Ltd. and its consolidated subsidiaries.
- However, Categories 11 and 12 cover only some businesses and products.

Period of tabulation

Category 1–3, 5–15: January–December

Category 4: April–March of the following year

Calculation method

- References used in calculation of Scope 3 include “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver 2.5” and “The Emissions Unit Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3)” from the Ministry of the Environment and the Ministry of Economy, Trade and Industry; emission coefficients by electrical utility published by the Ministry of the Environment; and emissions factor specified in LCI Database IDEA v3.3.
- Category 1: Through 2021, calculated as total value of procurement of major raw materials multiplied by emission factor. From 2022, it is calculated for the top 80% or more of the value of purchased raw materials and auxiliary materials by multiplying the annual purchase for each target item by the emission factor.
- Category 2: Calculated by multiplying the purchase value of capital goods by emission factor.
- Category 3: Calculated by multiplying the amount of energy totaled in Scope 1 and 2 by emission factor.
- Category 4: Calculated by multiplying the fuel consumption and transport ton-kilometers by emission factor.
- Category 5: Calculated by multiplying type-specific amount of waste disposal and recycling by emission factor.
- Category 6: Calculated by means-of-transportation-specific value of transportation expenses by emission intensity, and adding the number of accommodation stays multiplied by the emission factor of the accommodation facilities.
- Category 7: Calculated by multiplying the number of employees by number of business days and by emission factor.
- Category 11: The scope of reporting through 2021 is the Graphite Electrode Division. Calculated by multiplying products’ energy consumption and sales volume by emission factor, and adding the CO₂ generated from the products themselves during use. The scope from 2022 is the Graphite Electrode Division and the S&L Division. CO₂ generated from the products themselves during use is calculated.
- Category 12: The scope of reporting is the Graphite Electrode Division.

Company Overview As of April 1, 2024

Company Overview

Trade Name	TOKAI CARBON CO., LTD.
Head Office	Aoyama Building, 1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-8636 Japan Tel: +81-3-3746-5100 (switchboard)
Established	1918
Representative	Hajime Nagasaka, President and CEO
Accounting period	January 1 to December 31
Fiscal year end	December
Share capital	20,436 million yen
Number of employees	779 (4,427 including group companies) (as of December 2023)

Operations Manufacture and sales in the following business segments: Graphite Electrodes, Carbon Black, Fine Carbon, Smelting and Lining, Friction Materials, Anode Materials, Industrial Furnaces and Related Products

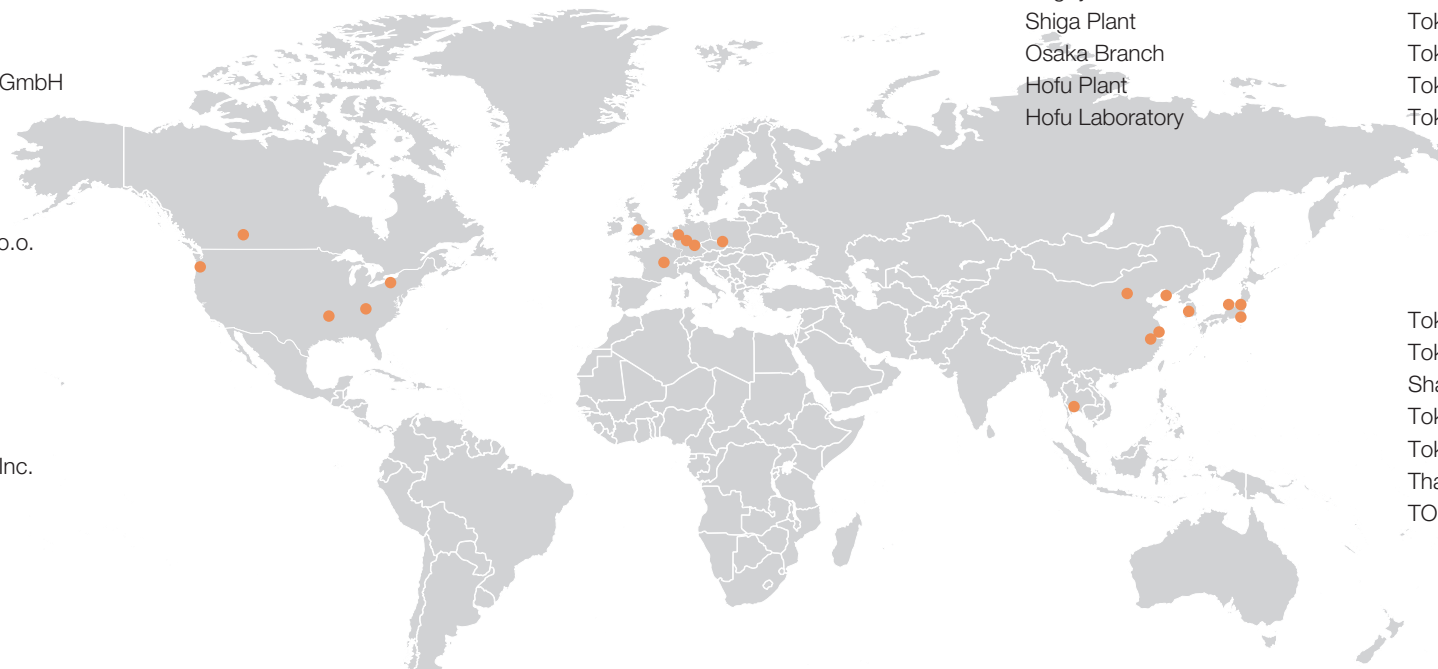
TOKAI CARBON Head Office
Fuji Research Laboratory
Shonan Plant
Chigasaki Laboratory
Ishinomaki Plant
Chita Plant
Chita Laboratory
Nagoya Branch
Shiga Plant
Osaka Branch
Hofu Plant
Hofu Laboratory

Anode Material Production and Technology Center
Kyushu-Wakamatsu Plant
Tanoura Plant
Tanoura Laboratory
Oriental Sangyo Co., Ltd.
Mitomo Brake Co., Ltd.
Tokai Fine Carbon Co., Ltd.
Tokai Konetsu Kogyo Co., Ltd.
Tokai Material Co., Ltd.
Tokai Noshiro Seiko Co., Ltd.
Tokai Unyu Co., Ltd.

Group Companies

Tokai Carbon Deutschland GmbH
Tokai ErftCarbon GmbH
Tokai Carbon Europe Ltd.
Tokai COBEX GmbH
Tokai COBEX Savoie SAS
Tokai COBEX Polska sp. z o.o.

Tokai Carbon U.S.A., Inc.
Cancarb Limited
Tokai Carbon GE LLC
Tokai Carbon CB Ltd.
MWI, Inc.
Tokai Carbon US Holdings Inc.



Tokai Konetsu (Suzhou) Co., Ltd.
Tokai Carbon (Suzhou) Co., Ltd.
Shanghai Tokai Konetsu Co., Ltd.
Tokai Carbon (Dalian) Co., Ltd.
Tokai COBEX (Beijing) Ltd.
Thai Tokai Carbon Product Co., Ltd.
TOKAI CARBON KOREA Co., Ltd.

Stock Information (as of December 2023)

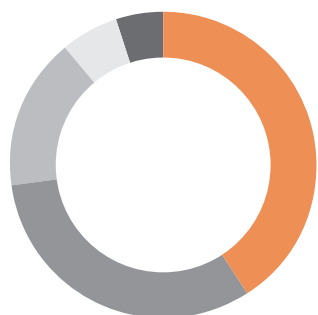
Stock Summary

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 (When unavoidable circumstances prevent notice from being given electronically, notice is posted in The Nikkei.)

Stock Figures

Total number of shares issued by the company	598,764,000
Total number of outstanding shares (including treasury stock)	224,943,104
Total number of shareholders	109,024

Shareholding ratio*



Financial Institutions	41%
Individuals/Others	32%
Foreign Corporations, etc.	16%
Japanese Corporations	6%
Financial Instruments Business Operators	5%

Note: Shareholding ratios are calculated with treasury stock excluded.
* Ratio of the number of shares owned to the total number of issued shares (excluding treasury stock)

Major shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,444	20.38
Custody Bank of Japan, Ltd. (Trust Account)	18,005	8.44
MUFG Bank, Ltd.	5,827	2.73
Mitsubishi UFJ Trust and Banking Corporation	4,609	2.16
Mitsubishi UFJ Morgan Stanley Securities	2,744	1.29
SSBTC CLIENT OMNIBUS ACCOUNT	2,633	1.24
JP Morgan Securities Japan Co., Ltd.	2,566	1.2
STATE STREET BANK WEST CLIENT - TREATY 505234	2,529	1.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,426	1.14
Meiji Yasuda Life Insurance Company	2,032	0.95

Note 1: Tokai Carbon holds 11,747,000 shares of treasury stock but is not listed among the major shareholders above.

Note 2: The shareholding ratio was calculated with treasury stock excluded.

* 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 (thousand shares)
Financial Institutions	87,132 (41%)
Individuals/Others	67,993 (32%)
Foreign Corporations, etc.	34,570 (16%)
Japanese Corporations	12,658 (6%)
Financial Instruments Business Operators	10,860 (5%)
Total	213,215 (100%)

Investor Relations (IR) Activities

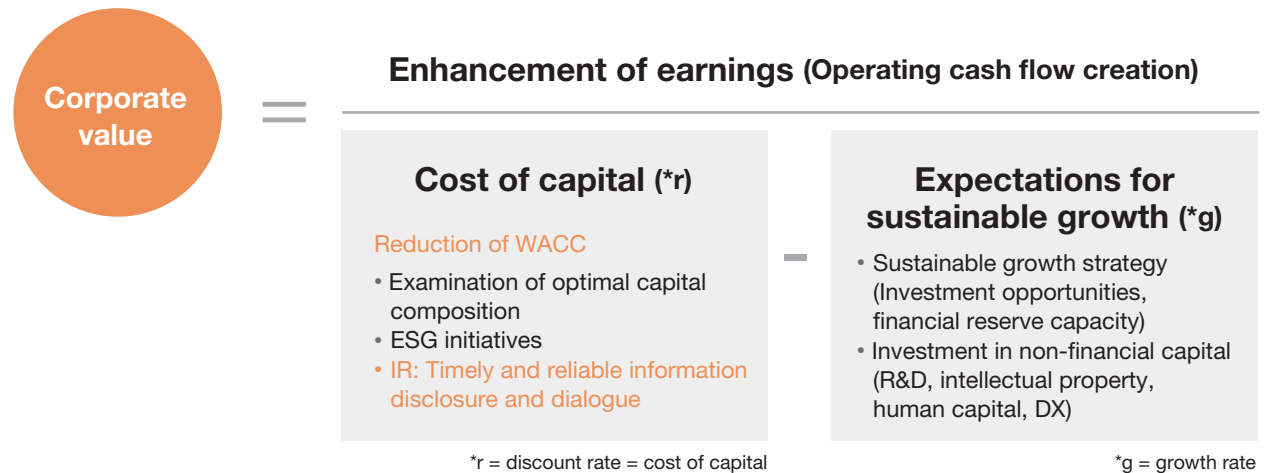
An increasingly important part of companies' public relations activities is disclosure that goes beyond a perfunctory disclosure of performance to honestly reveal management strategy that integrates the concepts of sustainability and ESG and to actively communicate with the market. We strive to communicate information on our Group and to enhance dialogue in varied media to broaden our communication with investors as well as with customers, business partners, employees, society, and other wide-ranging stakeholders.

We hope to communicate our goals, business environment, competitive situation, and individual businesses' strategies from a medium- to long-term perspective and in a way that is easily understood, thereby building understanding of the potential inherent in materials that typically go unseen by most people.

IR functions, along with sustainability, currently fall under the General Affairs Department. However, through precise communication with our management, finance, accounting, and business organizations, we promote (1) timely and appropriate information disclosure and (2) dialogue with shareholders and investors. We undertake IR activities day by day with the aim of minimizing information asymmetry and thereby reducing costs of capital.

IR activities with awareness of costs of capital

In our rolling medium-term management plan, we comprehensively disclose our efforts on a yearly basis to achieve management that maintains an awareness of costs of capital and of our stock price to enhance our corporate value.



FY2023 results

Event	Actual	Japan
Financial results briefing for institutional investors and securities analysts	4 times/year	The President and officers responsible for finance and accounting held briefing sessions on our financial results and outlook. Live sessions and recordings, including Q&A, were streamed. (Held every quarter)
Small meetings hosted by securities analysts	4 times	Attended by the President. Dialogues with institutional investors on management policy, business strategy, the business environment, etc.
Individual dialogues with institutional investors and securities analysts	193 dialogues	President: 21 dialogues (including overseas road shows and conference participation). Manager in charge of IR: 172 dialogues. (All IR interview records are shared with all members of management in a timely manner.)
Briefing session held by the Company for securities analysts	1 time/year	The President, officers responsible for finance and accounting, and the heads of six business divisions met to interact with multiple securities analysts.
Small meeting hosted by the Company	1 time	The President and heads of business divisions attended. In FY2023 we held a "Fine Carbon Small Meeting," with a video recording and materials released on the company website.
Participation in the Individual Investor Fair	1 time	We exhibited a booth at the Nikkei IR Individual Investor Fair. Participation centered on the General Affairs (IR/ESG) department.

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, 2023 to December 31, 2023 included in its Integrated Report 2023 (the “Integrated Report”) for the fiscal year ended December 31, 2023.

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 Tanoura 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 Management

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 Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
July 12, 2024

Notes to the Reader of Independent Assurance Report:

This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Status of Inclusion in ESG Indexes



FTSE4Good



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Tokai Carbon has been independently assessed according to the FTSE4Good and FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE4Good Index Series and FTSE Blossom Japan Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices and FTSE Blossom Japan Index are used by a wide variety of market participants to create and assess responsible investment funds and other products.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

<<Disclaimer>>

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Date of issue	July 2024
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Reporting period	Excluding content with specific dates, this report reflects activities between January 1, 2023 and December 31, 2023.
	Our website presents up-to-date information and details on our businesses and on environmental and social matters. We invite you to visit the website to learn more about Tokai Carbon.
	https://www.tokaicarbon.co.jp/en/

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