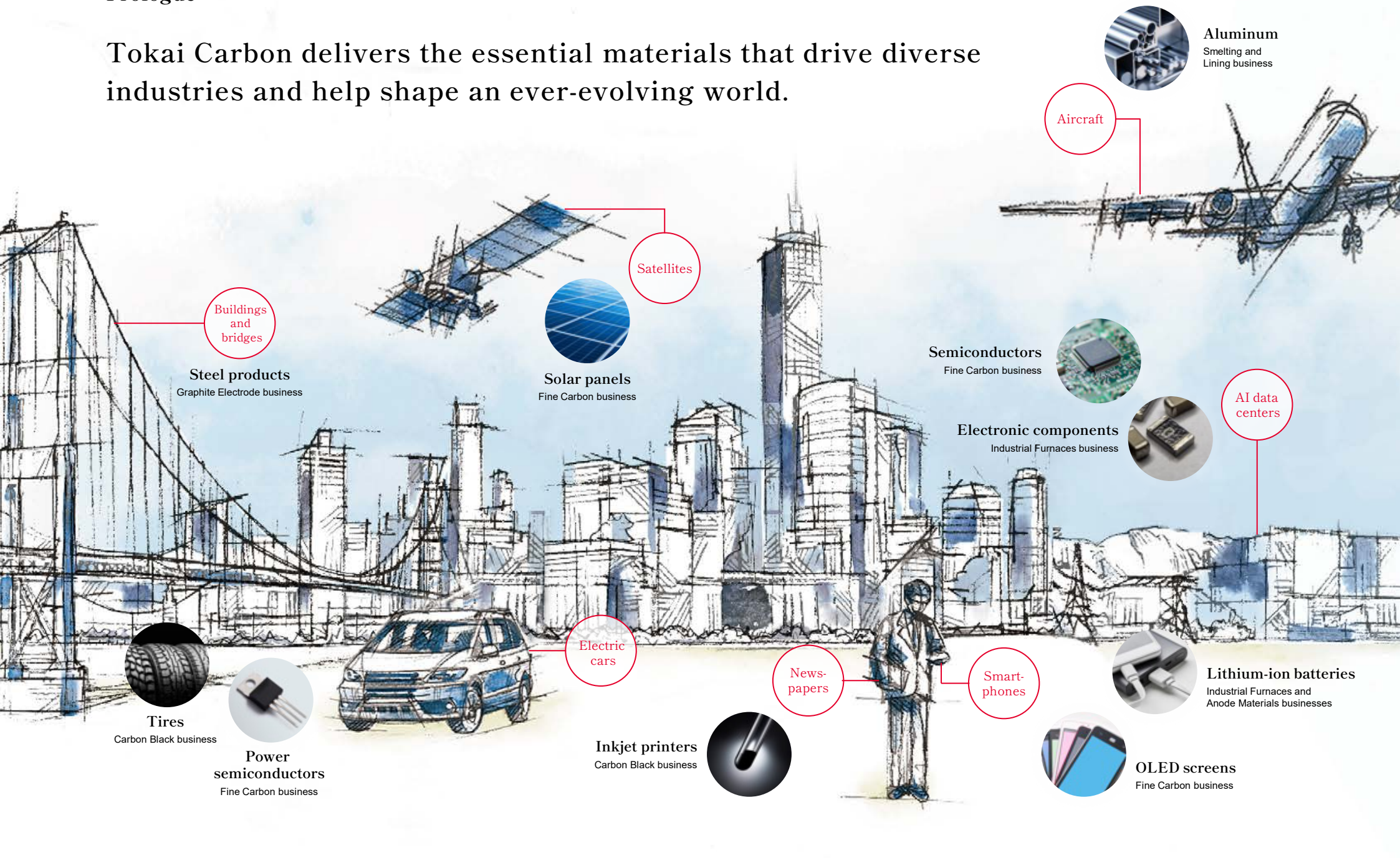
Integrated Report

TOKAI CARBON CO., LTD.

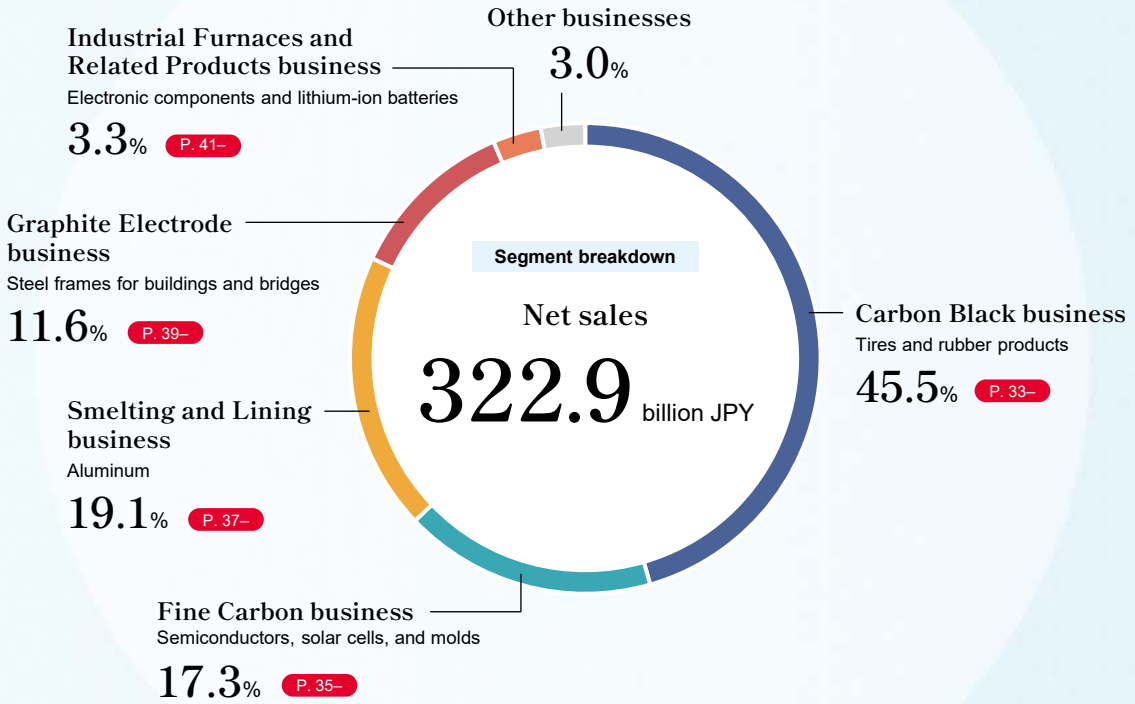
Integrated Report 2026

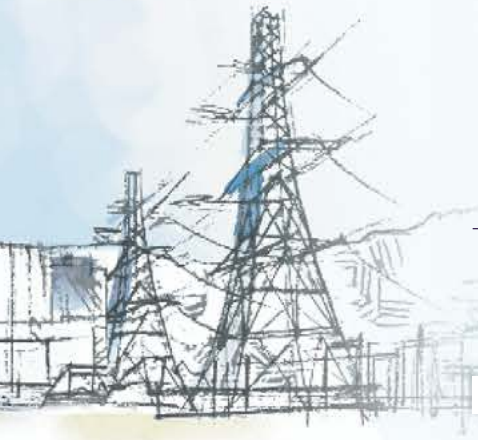
Prologue

Tokai Carbon delivers the essential materials that drive diverse industries and help shape an ever-evolving world.



At a Glance





Net sales (Consolidated)
322.9 billion JPY
Overseas sales ratio: 78%

Operating profit (profit margin)
25.8 billion JPY
(8.0%)

EBITDA (EBITDA margin)
58.4 billion JPY
(18.1%)

Profit attributable to owners of parent (profit margin)
20.0 billion JPY
(6.2%)

ROIC
5.8%

Total assets
664.0 billion JPY

Capital-to-asset ratio
47.9%

Year established
1918
108 years since our founding

Number of employees (Consolidated)
4,436
Ratio of overseas employees: 71.4%

Global network
40+ Production facilities
11+ Countries and regions

Contents

At Tokai Carbon, we view our integrated report as a tool for fostering constructive dialogue with all our stakeholders. We prepared this report to provide a comprehensive and accessible overview of how our value creation journey has brought us to where we are today, where we are headed from here, and the current challenges and initiatives shaping that journey. The report also provides a deeper look at how our corporate philosophy, long-term vision, materiality, and core strengths are embedded in our management strategy.

Disclaimer regarding forward-looking statements

This report contains forward-looking statements, including business plans and management strategies, concerning future business performance. They are based on our assumptions and forecasts derived from information available as of the date of publication. Actual results may differ significantly due to future changes in social, economic, or other conditions. The Company assumes no obligation to update any forward-looking statements.

Message from the CEO

Creating value beyond market expectations through Vision 2030

At Tokai Carbon, we remain committed to delivering on our promises, turning structural reforms and proactive investment into solid profitability. We will harness the strength of the people driving this transformation to achieve a new leap forward toward sustainable growth.

Hajime Nagasaka President and Chief Executive Officer

I would like to begin by expressing my sincere gratitude for your continued support.

There was a period when Tokai Carbon's annual net sales had plateaued at around 100 billion JPY. Recognizing the urgent need for change, we undertook business restructuring and worked to transform our corporate mindset. Since then, we have expanded our business through a dual-pronged strategy of organic growth and global M&A. Along the way, however, we also came to recognize the structural challenges that must be addressed to achieve sustainable growth. To address these challenges, we launched structural reforms in the fiscal year ended December 31, 2024, making the decision to review our business foundation even if it meant incurring substantial losses. We positioned the fiscal year ended December 31, 2025, as a time to take concrete action to further advance this transformation and establish a stronger, more resilient management foundation, with the entire Company working as one.

This fiscal year also marked the first substantive year of management under our long-term vision, Vision 2030. Starting with the future we aspire to realize by 2030, we shifted to a management approach focused on steadily executing the reforms required today. By transitioning from a short-term, rolling approach to a backcasting-based management cycle, we have been able to make sound decisions and execute our strategies without being swayed by short-term changes in the business environment. We believe that this series of structural reforms has been an essential step toward realizing our vision and has laid a strong foundation for advancing to the next stage of growth.

Message from the CEO

Progress on Vision 2030

Looking back, FY2025 was a year in which we steadily laid the foundation for the Group's recovery. On a consolidated basis, we achieved net sales of 322.9 billion JPY, operating profit of 25.8 billion JPY, and net income of more than 20.0 billion JPY. This return to profitability—a sharp turnaround from the previous fiscal year, when we posted a substantial net loss—was the result of not only the steady, day-to-day improvements made across the Group, but also the cumulative progress of the wide-ranging initiatives we have pursued under Vision 2030.

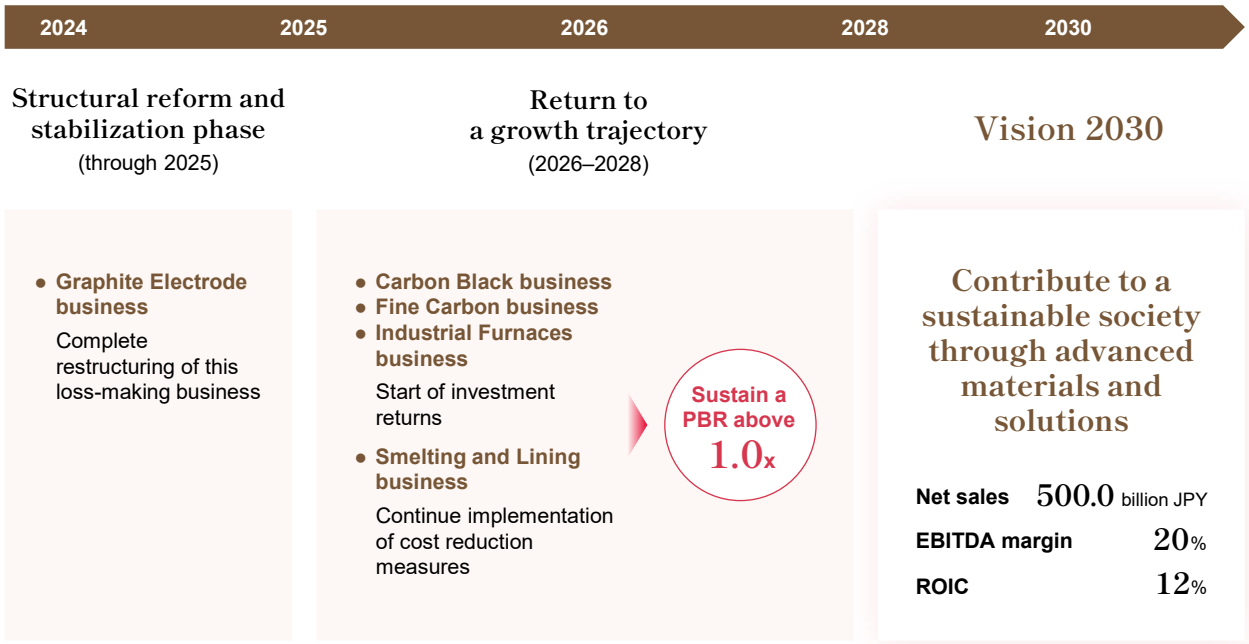
Today, we are advancing the three core initiatives of Vision 2030 as our top strategic priorities. Under the first initiative, "commitment to growth markets," we have continued to make significant investments to secure our future growth. The large-scale upfront investment phase of the past several years, including the relocation project for our carbon black plant in Thailand and capacity expansion investments in the Fine Carbon business to capture strong demand from the semiconductor market, is now finally drawing to a close. We see FY2026 as a pivotal year for these investments to begin to bear fruit. In the Fine Carbon business, which we view as a key area for value creation, we will capture recovering demand in the semiconductor market while leveraging the stronger governance and supply structure established through the integration of our domestic subsidiaries and the reorganization of our North American operations in FY2025 to strengthen the foundation for the next stage of growth. We also expect steady growth in our Industrial Furnaces business, driven by favorable conditions in markets requiring advanced heat treatment technologies, including those supporting the miniaturization and higher-capacity performance of multi-layer ceramic capacitors and the growing demand for AI data centers. With its ability to generate high profits with relatively limited invested capital, this business is beginning to play an important role in supporting the Group's overall return on capital.

Another core initiative of Vision 2030 is "sustainable value creation," which embodies our intrinsic purpose as a materials manufacturer: contributing to the realization of a sustainable society. We see reducing our environmental impact not simply as a response to social expectations, but as an opportunity to take the lead in advancing decarbonization initiatives while turning them into future business opportunities. This approach is exemplified by our project to recycle carbon black from used tires. By establishing a new material supply system suited to a circular economy, we aim to contribute to the decarbonization of our customers' supply chains. We believe this initiative will also serve as an important step in defining the role Tokai Carbon should play in the lower-carbon society of the future. We will also continue to boldly pioneer new fields aimed at building next-generation carbon recycling systems, including the development and demonstration of technology to convert CO_2 derived from municipal waste into solid carbon under a project selected for support by Japan's Ministry of the Environment.

Message from the CEO

We are also making steady progress in our “drastic structural reforms,” the last of Vision 2030’s three initiatives. Of our two loss-making businesses, which remain our highest-priority challenge, we have taken decisive steps to restructure our Graphite Electrode business, including the sale of our German subsidiary and the cessation of production at our Shiga Plant in Japan. We believe these measures have put us on a clear path toward transforming the business into a leaner operation capable of withstanding market volatility. In our Smelting and Lining business, we revised our previously planned production scale-down in response to the sharp increase in demand for cathode blocks used in aluminum smelting following developments in the Middle East. We are now operating at full production capacity to meet this demand. We believe this surge in demand reflects growing concerns about the future outlook for aluminum smelting operations in the Gulf states and the broader Middle East, as well as expectations of increased production once the conflict has been resolved. Even amid the turmoil created by the current conflict and other geopolitical developments, ensuring a stable supply by leveraging our geographic advantages is central to our mission as a materials manufacturer. It is precisely in times like these that we must fulfill our responsibility to ensure a stable supply, strengthen the trust we have built with our customers, and solidify our market position. At the same time, we have no intention of viewing these changes in the business environment as merely a tailwind or becoming complacent. Now that operations at our production sites have picked up steam, we intend to press forward without letting up on our efforts to improve production efficiency, strengthen our production systems, and transform the business into a leaner organization.

Milestones toward achieving Vision 2030



Message from the CEO

Improving return on capital and strengthening human capital management

Turning to the capital markets, our price-to-book ratio (PBR) has remained below 1.0x for quite some time. Driven by a strong desire to break out of this situation, in May 2026, we revised our shareholder return policy, dividend policy, and policy for reducing cross-shareholdings as a single package. We also announced new measures to enhance shareholder returns, including our largest share repurchase since 2010. Combined with improving business conditions, the upward revision of our earnings forecast and the announcement of new shareholder return measures were met with a very positive response from the market. Looking ahead, in addition to pursuing growth and profitability—our highest management priorities—we will place even greater emphasis on returns on invested capital. We are committed to striving for sustainable growth in corporate value by improving return on equity (ROE)—a key indicator of our ability to generate returns efficiently—and by continuing to meet the expectations of our shareholders.

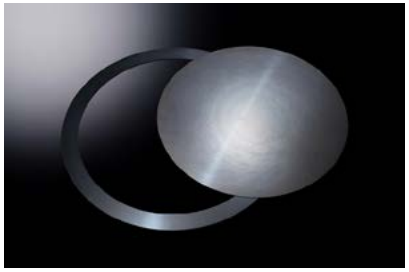
Looking back, my career has always gone hand in hand with reform. One of the lessons I learned from rebuilding our operation in Thailand after it fell into financial difficulty was that what truly moves an organization is not flashy words or commands, but the willingness to confront challenges head-on and consistently follow through on our commitments. Likewise, what is required to earn even greater recognition from the market is not some clever ploy, but the steady accumulation of results achieved by turning each of our stated strategies into reality.

In Vision 2030, we have positioned improving capital efficiency as one of our key priorities. We are committed to deepening dialogue with our stakeholders, sharing both positive and negative developments. At the same time, we will steadily execute the investment recovery plans and structural reforms we have set out. By demonstrating a steady recovery in our earnings power, we will do everything we can to further enhance the market's recognition of our corporate value.

Ultimately, it is our people who will execute all of these strategies and turn our vision into reality. Our employees, backed by our long history and strong customer relationships, are earnest and dedicated, but at times have also tended toward conservative thinking. However, to survive in today's rapidly changing world, where the assumptions of the past no longer apply, the ability to embrace change without fear is indispensable.

Investment to expand fine carbon manufacturing and processing facilities

Expansion of CIP material production capacity at Tanoura Plant in Kumamoto Prefecture



Expansion of focus ring production capacity at TCK in South Korea

Acquisition of two semiconductor and aerospace-related manufacturing sites in the United States

Message from the CEO

We are committed to building an organization in which every employee takes on new challenges with initiative and finds pride and fulfillment in their work. Based on the results of the engagement surveys we have conducted continuously since FY2023, we are renewing our HR framework and expanding our training programs to create an environment where diverse talent can fully demonstrate their capabilities and create new value. Whatever the circumstances, our employees continue to think independently, take action, and support our operations on the front lines. Fostering a culture in which they continually develop their expertise and learn from one another across organizational boundaries will be the source of our sustainable competitive advantage. By bringing together diverse perspectives and outstanding technical expertise, we will demonstrate to the world our ability to turn an uncertain future into one filled with hope.

Determination to pave the way for a new era: Passing on true value to the future

Since our founding, Tokai Carbon has long been committed to overcoming challenges and pursuing greater value. At this pivotal moment in our Company's history, we believe that this time-honored sincerity will serve as an indispensable driving force in helping our organization to bounce back and aim for even greater heights.

To achieve sustainable growth, we must be prepared to rethink and renew even the successful practices of the past and familiar methods if they become obstacles to transformation. The roadmap set out in Vision 2030 is more than a collection of numerical targets. It is a declaration of our determination to remain a Company that society truly needs in 2030.

Rather than being swayed by short-term changes in our business environment, we will keep our sights firmly set on the higher goal of enhancing corporate value over the medium to long term, and I will continue to lead our transformation from the forefront.

We invite you to follow our ongoing endeavors to change the world through the limitless potential of materials while continuing to meet the expectations of all our stakeholders.

Philosophy

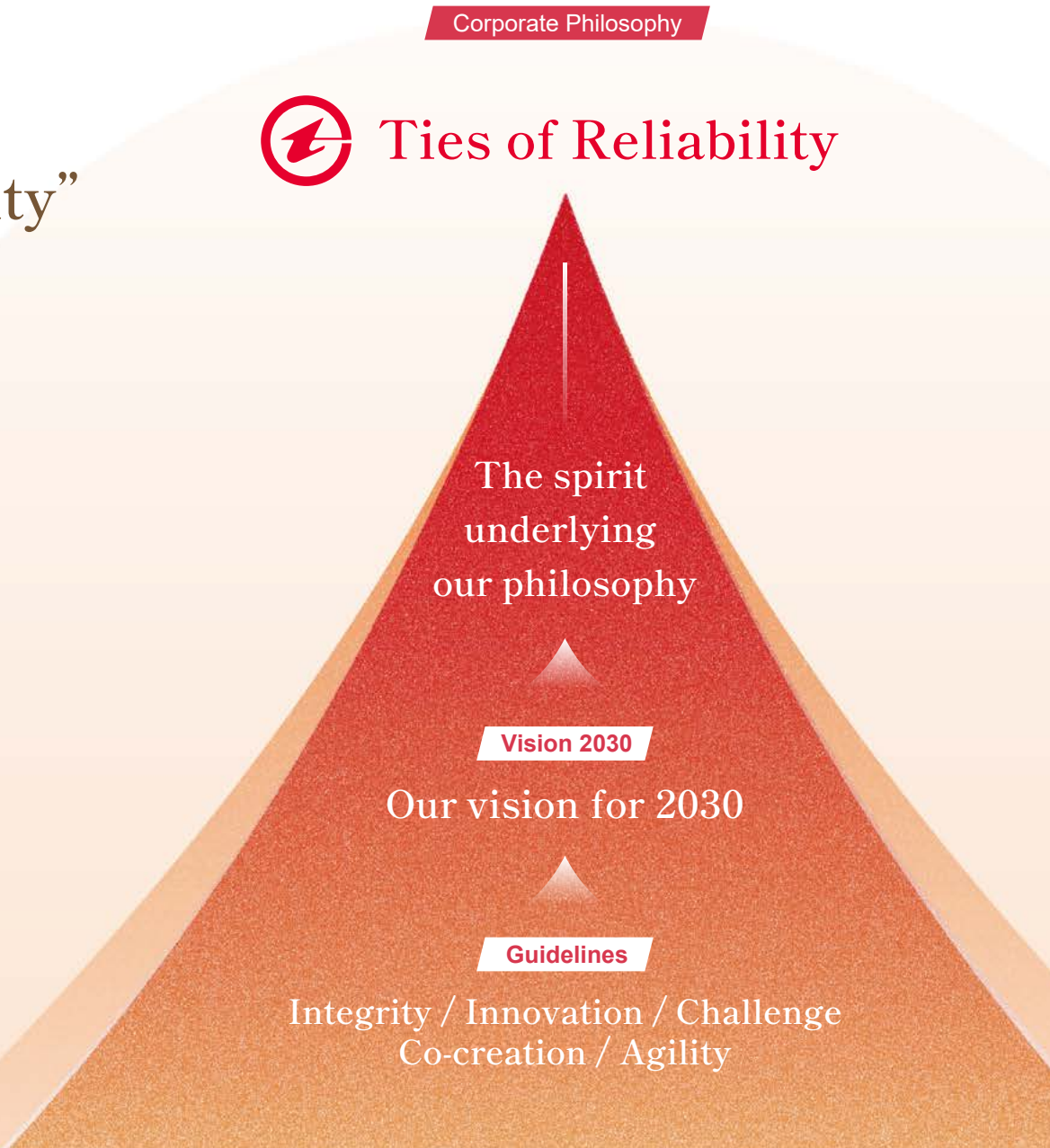
Corporate Philosophy

Turning more than a century of “Ties of Reliability” into our driving force for the future.

Our value creation journey, spanning more than a century, has been built on the trusting relationships we have forged with all of our stakeholders. The corporate philosophy underpinning our management approach is “Ties of Reliability,” which sets forth our values of acting with seriousness and integrity. An example of this philosophy in action is our relationships with customers—delivering high-quality products, fostering long-term relationships, ensuring reliable supply, providing swift emergency response, offering expert technical services, and driving development of materials—to live up to their trust in our Company.

Our materials, such as graphite electrodes indispensable for steel recycling, carbon black as a raw material for high-quality tires, and cutting-edge materials required for semiconductor manufacturing, are all essential for supporting industrial infrastructure and require a reliable, long-term supply. We have accumulated trust through co-creation with our customers, raw material suppliers, shareholders, investors, business partners, employees, and society. With a number of global mergers and acquisitions, we have encountered partners that resonate with our philosophy of “Ties of Reliability,” and such partnerships have been instrumental in transforming us into a global Company, generating roughly 80% of sales from international markets.

Our greatest pleasure is to know that our stakeholders believe they can succeed together with Tokai Carbon. Moving forward, we are committed to strengthening our unique, enduring competitive advantage—our “Ties of Reliability.” Through this process, we aspire to co-create and expand new value with our stakeholders.



History of value creation

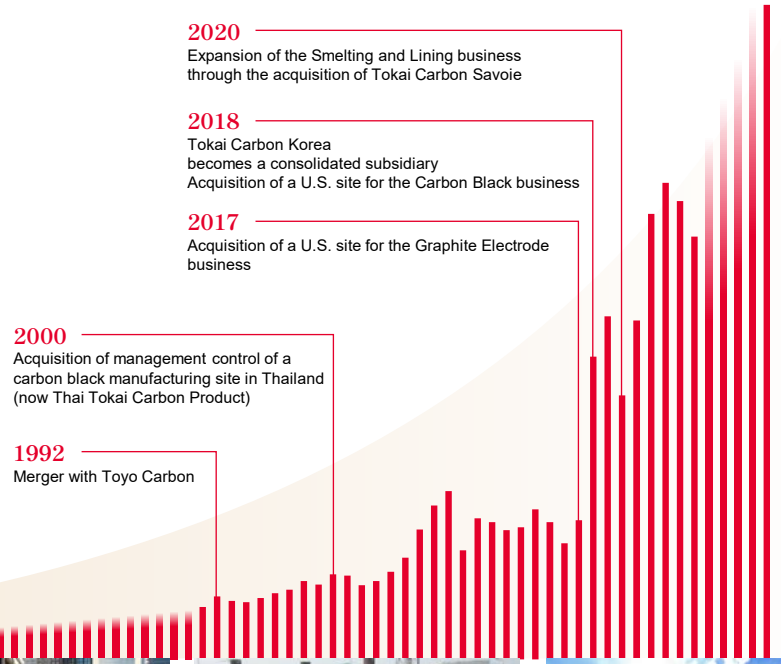
Vision 2030
Net sales
500 billion JPY

The DNA of Tokai Carbon: Delivering value across eras of change

Tokai Carbon's history began in 1918, when the Company was founded with the aim of finding solutions to social challenges. For the past 108 years, driven by an unwavering passion for carbon and graphite materials, we have continued to meet the demands of society, thereby building long-term trust with our stakeholders.

We have established domestic production of graphite electrodes, supporting the reconstruction of infrastructure, taken successful action against the shock of the strong yen, and invested decisively in global M&A to hedge against foreign exchange risks. Throughout our history we have boldly taken on successive challenges in response to the generational fault-lines that have confronted us.

Underlying this is our DNA, a passionate spirit that drives continuous, dramatic self-transformation rather than resting on past successes. With this as our driving force, we continue to strive toward a new goal: to contribute to a sustainable society.



1918
Early years

Societal issues: Demand for high-quality domestically produced electrodes to utilize surplus electric power in electric steelmaking furnaces.

Value proposition: Successfully launched domestic production of electrodes, an essential component for steelmaking, as a national undertaking. Contributed to industrialization in Japan.

Organic growth for the future: Researched the effective utilization of byproducts from coke production. From this we developed our carbon black capability.

1941–
Business growth

Societal issues: Urgent requirement for domestic production of fundamental components to support the development of Japanese infrastructure.

Value proposition: Pioneered the domestic production of carbon black, used as a tire reinforcement material, from by-products of electrode raw materials.

Organic growth for the future: Began graphite electrode exports to Europe and the U.S. Also started research and development of next-generation carbon specialties.

1970–
Expansion into global markets

Societal issues: Expansion of industrial infrastructure during Japan's period of rapid economic growth. Growth of export opportunities.

Value proposition: Leveraged our industry-leading capabilities to actively export graphite electrodes, carbon black, and other products.

Organic growth for the future: Consolidated the foundations for business diversification and accelerated overseas expansion through establishing a local subsidiary in North America.

1996–
Global development

Societal issues: Stagnating earnings and pressure for structural change due to yen appreciation and increased imports following the Plaza Accord.

Value proposition: Expanded our global network of manufacturing sites in the U.S., South Korea, Thailand, and other countries to create value with a focus on local production for local consumption.

Organic growth for the future: Implemented structural reforms, expanded Solid SiC applications, and increased production capacity, while promoting the development of manufacturing processes and products that reduce environmental impact.

Today
Toward a more sustainable society

Societal issues: Economic nationalism, rising protectionism, loss of biodiversity, climate change, and an increase in natural disasters.

Value proposition: We offer solutions, services, and products for realizing a sustainable society.

Organic growth for the future: Developed polycrystalline SiC; implemented an initiative to recycle waste tires; launching products that reduce environmental impact.

Value creation model

Management capital
Input P. 13

- Financial capital
- Manufacturing capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

Innovating in partnership with our customers
Business Model

Products that contribute to society
Output

Supporting industrial infrastructure and nurturing the next phase of growth from within

Supporting the steel industry (electric arc furnace steelmaking)

P. 39 Graphite Electrodes

- Graphite Electrodes
- High-quality, large-diameter graphite electrodes for loyal customers seeking high-grade products

Focus on the North American and Japanese markets.
Competitive advantage through large-diameter graphite electrodes and technical services on a local scale

Powering internal growth | Sustainable graphite electrodes that reduce environmental impact

Supporting the automobile and tire industries

P. 33 Carbon Black

- Carbon black for tires
- Carbon black for industrial rubber products
- Colorants for plastic, electric wire sheathing, pigments for inkjet printers

No. 1 in the U.S. Growing through co-creation with leading tire manufacturers.
Specializing in special grades and local production for local consumption.
Establishment of a sustainable supply chain at our new plant in Thailand

Powering internal growth | eCB™ (eco Carbon Black): Recycling used tires into CB. In collaboration with tire manufacturers

At the cutting edge of AI, electric vehicles, and semiconductors

P. 35 Fine Carbon

- Crucibles and heater materials for Si and SiC wafer manufacturing equipment
- Solid SiC focus rings (Consumables for etching equipment)
- Polycrystalline SiC wafers

We are a leading player in Solid SiC rings, with more than 50% of global market share.
Expansion into the SiC market based on our mastery of carbon and graphite technology

Powering internal growth | Polycrystalline SiC substrates: Targeting the semiconductor market for electric vehicles (in partnership with Soitec)

Driving efficient production in the aluminum industry

P. 37 Smelting and Lining

- Cathode blocks for aluminum smelting
- Refractory lining material in blast furnaces
- Carbon electrodes for silicon metal production furnaces

Leading market shares in niche industries.
Structural reforms are underway to further enhance our competitiveness.

Powering internal growth | RuC® (Ready to Use Cathode): Full-scale rollout of next-generation cathodes that reduce environmental impact

Supporting production of MLCCs and anode materials

P. 41 Industrial Furnaces and Related Products

- Heat treatment furnaces for multi-layer ceramic capacitors
- Heat treatment furnaces for lithium-ion battery materials
- Silicon carbide (SiC) heating elements (EREMA heating elements)

Our global market share for heat treatment furnaces used in MLCCs is around 50%.
Expansion underpinned by market growth in 5G, electric vehicles, autonomous driving, and AI data centers.

Powering internal growth | Next-generation furnace TK-SONiC: Advanced heat treatment technology for MLCCs (Multi-Layer Ceramic Capacitors)

Value creation
Outcome

Contributing to a more sustainable society through advanced materials and solutions

Vision 2030 P. 16

Net sales	500 billion JPY
EBITDA margin	20%
ROIC	12%

Materiality P. 14

Critical challenges facing the Company and society ● Contributing to society through business ● Harmony with the global environment ● Strengthening our management foundation

Management capital

Tokai Carbon creates value by drawing on our proprietary management capital. We channel that value back to people, society, and the global environment, using the trust and results gained from this as fuel (capital) for our next phase of growth as we connect to the future.

Financial capital

A strong financial foundation that balances active investment in growth sectors (such as the Fine Carbon business) based on an optimal capital structure with stable and consistent shareholder returns, with the aim of realizing Vision 2030.

Total assets 664 billion JPY
EBITDA 58.4 billion JPY
Adjusted net D/E ratio 0.21
Capital-to-asset ratio 47.9%
Credit rating R&I A JCR A+

Human capital

Global talent drives structural reforms and takes on new challenges toward the realization of a sustainable society through a combination of diverse values and expertise, with 70% of our workforce based overseas.

Number of employees (consolidated) 4,436
Ratio of overseas employees 71.4%

Manufacturing capital

Our manufacturing network supplies high-quality, advanced materials on a global basis, such as carbon black and graphite electrodes, to provide long-term and stable support for the infrastructure of the steel, aluminum, and semiconductor industries.

Number of production sites
Japan 19 Overseas 24
Capital expenditure 36.8 billion JPY
Overseas sales ratio 78%

Social and relationship capital

"Ties of Reliability" with local communities and stakeholders, built globally through long-term, stable product supply and many years of co-creation with customers, suppliers, and local communities.

Social contribution activity spending 44 million JPY
Number of dialogues with stakeholders 204

Intellectual capital

High-temperature heat treatment and fine-particle control technologies cultivated over more than 100 years since our founding, combined with unique research and development capabilities that continue to generate advanced material solutions for applications such as semiconductor manufacturing.

- High-temperature heat treatment technology
- Fine particle control technology
- Advanced material development capabilities for semiconductor manufacturing equipment

Natural capital

We aim to achieve harmony with the global environment by addressing climate change through initiatives such as large-scale environmental capital investments in the U.S. to realize a sustainable society and the development of recovered carbon black, as well as by promoting the circular use of water and other resources.

Greenhouse gas (GHG) emissions Reduction rate relative to the base year (2018) 37%
Waste recycling ratio 68.5%

Tokai Carbon's materiality

The Company's long-term vision is to "contribute to a sustainable society through advanced materials and solutions" through co-creation with its stakeholders. This is our key aspiration. We have evaluated and identified current materiality (key issues) by considering the challenges to our Group and to our stakeholders.

Review of materiality (Double materiality)

Since conducting our initial materiality assessment in 2019, we have been reevaluating our materiality on an annual basis. In light of changes in societal circumstances and the business environment, we have been conducting a comprehensive review of our materiality since 2025.

In conducting this review, we have adopted a "double materiality" approach that evaluates the Company along two axes, while placing a strong emphasis on alignment with our management strategy. These axes are the "financial impact of environmental and societal factors on the Company" and the "impact of the Company's business activities on the environment and society." As of the time of preparing this Integrated Report (April 2026), we are currently carrying out "Step 03: Evaluation of the IRO (Impacts, Risks, and Opportunities) and Identification of Material Issues," as shown in the figure below.

We will disclose information regarding Tokai Carbon's new materiality at an appropriate time in the future.

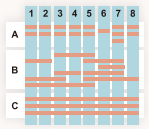
- Technological innovation
- Providing safe and secure products
- Supply chain management
- Respect for human rights
- Contributing to communities

- Reduction of environmental impact
- Realization of a circular economy

- Strengthening corporate governance
- Thorough enforcement of compliance
- Securing diverse talent
- Promoting occupational safety and health

New materiality identification process

Step 01
Create a longlist of societal issues



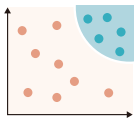
List the sustainability issues related to Tokai Carbon's business value chain, taking account of global disclosure standards and other relevant guidelines

Step 02
Identify IRO for the Company
(Impacts, Risks, and Opportunities)

Extensively identify IRO for sustainability issues relevant to the Company and its industry

Currently underway

Step 03
Evaluate IRO and identify key issues



Evaluate the identified IRO according to the "financial impact of environmental and societal factors on the Company" and the "impact of the Company's business activities on the environment and society" to identify key issues

Step 04
Resolution by the Board of Directors

From April 2026

Resolution by the Board of Directors following input from external experts and discussions at the Sustainability Committee

Corporate Strategy

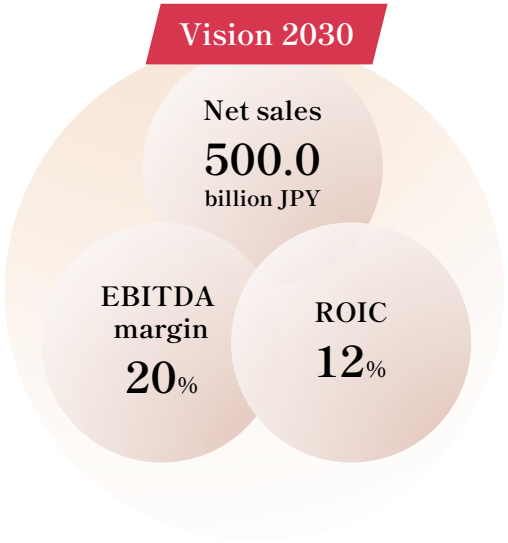
Vision 2030

Our roadmap to the future

The path to achieving our long-term vision

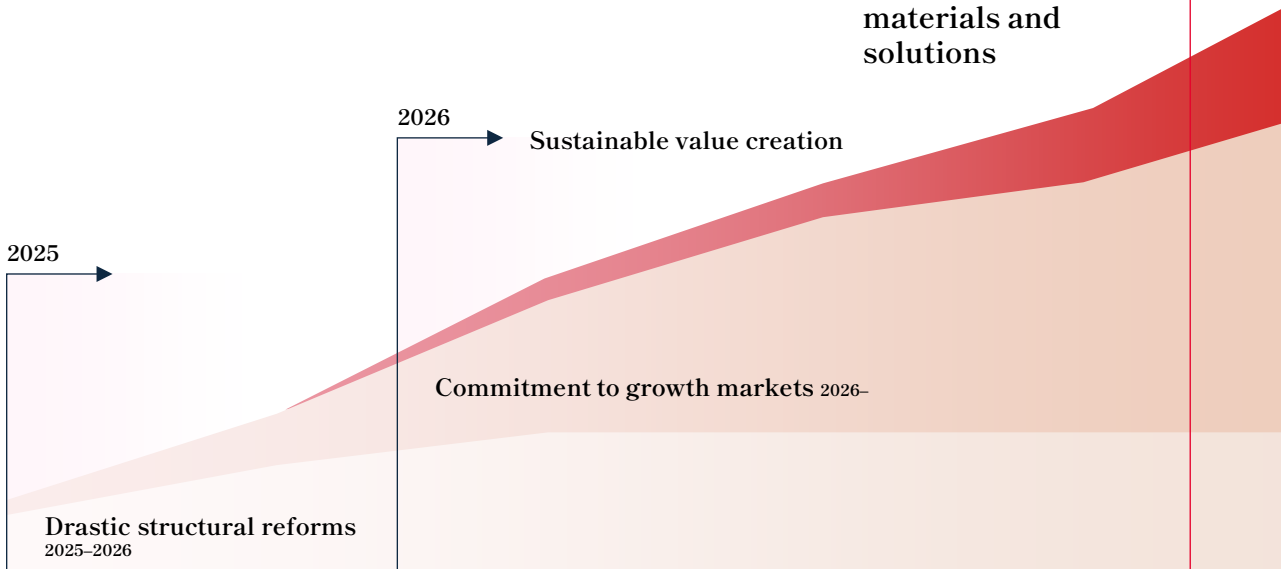
"Contributing to a sustainable society through advanced materials and solutions"

Tokai Carbon's vision for 2030 is to "contribute to a sustainable society through advanced materials and solutions." To support this vision, we have set three quantitative targets: net sales of 500.0 billion JPY; an earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of 20%; and a return on invested capital (ROIC) of 12%. As a Company committed to providing long-term, stable support for global infrastructure, our net sales target reflects our ambition to achieve further growth. Our goal of a 20% EBITDA margin will provide an appropriate level of profitability for delivering high-quality products and services. Finally, our target of a ROIC of 12% reflects the level at which we can generate sufficient value relative to the capital we invest.



Our journey for achieving Vision 2030

To achieve Vision 2030, we are advancing three initiatives. The first, "drastic structural reforms," focuses on restructuring two businesses whose ROIC falls below their weighted average cost of capital (WACC). For the first business, our Graphite Electrode business, we completed the consolidation of our domestic production sites and the divestiture of our European operations in 2025, successfully transforming the business into a profitable one. For the second, our Smelting and Lining business, we have also implemented reforms, and cost reductions are steadily progressing. Our second initiative, "commitment to growth markets," is a strategy to meet growing market demand by expanding production capacity in our Fine Carbon business and our Industrial Furnaces and Related Products business, both of which target highly profitable, high-growth industries. By accelerating growth while expanding our business domains, these businesses will become the core drivers of Tokai Carbon's future growth. The third initiative, "sustainable value creation," will be an emerging source of our future competitive advantage. We aim to create the foundational markets that will support Tokai Carbon's future in new business areas, including new products and technologies that contribute to a circular economy. Our used-tire carbon black recycling project and other new business initiatives are already beginning to take shape.



Vision 2030

Our path forward

Initiatives for Vision 2030

In 2024, we completed the structural reforms needed to halt the deterioration of our Graphite Electrode and Smelting and Lining businesses, which had both recorded operating losses. We are now focused on their recovery. In our Smelting and Lining business, we will continue implementing cost reduction initiatives in 2026 to secure our competitive advantage over the medium to long term.

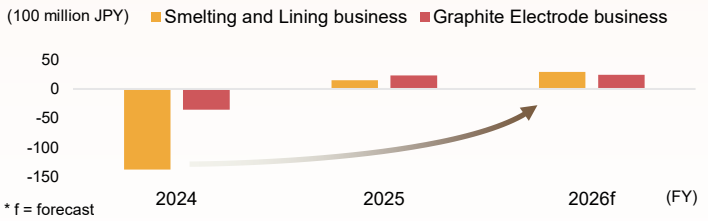
The Carbon Black business, our core business with the highest share of sales, is currently facing headwinds, including feedstock oil procurement risks, inventory adjustments by North American tire manufacturers, and higher costs associated with relocating our manufacturing plant in Thailand. Nevertheless, we will ensure that the business continues to serve as a stable source of cash flow by leveraging our expertise in optimizing the use of feedstock oils, securing diverse feedstock sources, and expanding our portfolio of high-value-added carbon black products. At Thai Tokai Carbon Product (TCP) Rojana, our subsidiary acquired in 2025, a significant portion of products are used in specialty grades of high-value-added carbon black. Through co-creation with Bridgestone, we are accelerating the development of next-generation products aimed at establishing a further competitive advantage. Our endeavors to create sustainable value extend across all of our businesses. We are also focusing on bringing new businesses that contribute to a circular economy to market through collaboration involving industry, government, and academia, led by our Business Incubation Department and R&D Strategy Division.

Structural reforms

From stabilization to a recovery phase

- Graphite Electrode business: Improvement of cost competitiveness through consolidation of domestic electrode production at the Hofu Plant and a 30% reduction in annual production capacity at TEG in Germany (structural reforms completed in the first half of 2025)
- Smelting and Lining business: Transition to the implementation phase of cost reduction and sales and quality initiatives (2026)

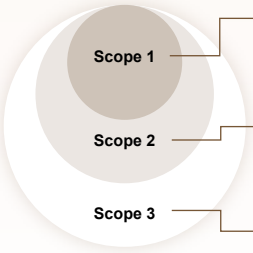
Profitability improvement through the elimination of 2024 loss factors



Sustainable value creation

Market expansion of new businesses that contribute to a circular economy

- Major environmental investments at our Carbon Black operations in North America (2021–2024: approx. 35.0 billion JPY)
- Establishment of a sustainable supply chain at our new production site in Thailand (2023–2025: approx. 50.0 billion JPY)
- Launch of the joint eCB™ project (January 2025; Bridgestone, Kyushu University, and Okayama University)
- CO_2 utilization project selected for support by Japan's Ministry of the Environment (December 2025; Smart City Planning and Takuma)



Manufacturing processes
- Review of raw materials used (reduction/elimination of fossil fuel use)
- Reduction of emissions from the manufacturing process
- Completion of installation of major environmental equipment at all three TCCB plants in the U.S. (total investment: approx. 30.0 billion JPY)

Energy consumption
- Transition to fuels with a lower environmental impact
- Transition to renewable energy
- Investment plan for solar panel installation in Canada to achieve energy self-sufficiency and sell surplus electricity (construction in 2025)

Supply chains
- Reduction of CO_2 emissions through supply of large-diameter graphite electrodes for electric arc furnaces
- Reduction of power consumption through supply of the next-generation Ready-to-Use Cathode (RuC®)
- Reduction of wear of customer equipment components by offering expanded applications of solid SiC
- Reduction of environmental impact through supply of polycrystalline SiC wafers

Outlook for 2026 and beyond

Building a well-balanced portfolio

Ensure all business segments contribute to profitability

Continue cost reduction reforms in the Smelting and Lining business

Outlook for 2026 and beyond

Emerging sources of future competitive advantage

Commercialization of eCB™

Recycling of SiC heating elements

Commercial deployment of CO_2 utilization technologies

Market expansion of products that reduce environmental impact

As we work toward achieving Vision 2030, the two main drivers of our growth are the Fine Carbon business and the Industrial Furnaces and Related Products business.

While the current market environment is experiencing inventory adjustments in power semiconductors and lithium-ion batteries due to a temporary slowdown in electric vehicle (EV) market growth, demand for data centers and semiconductor-related products has reached unprecedented levels, fueled by the explosive adoption of AI. Capital expenditure in the DRAM and NAND memory markets, which are expected to continue growing in the future, will directly lead to a dramatic expansion in production of our SiC Focus Ring, an essential component in front-end processes of semiconductor manufacturing.

Furthermore, in the multi-layer ceramic capacitor (MLCC) market, where demand is expanding rapidly in tandem with the semiconductor industry, we anticipate significant growth for our industrial sintering furnaces and EREMA heating elements (SiC heaters). As we also capitalize on the tailwind presented by the medium-term recovery of the EV market, both our Fine Carbon business and our Industrial Furnaces and Related Products business are entering a phase in which our years of strategic investment will begin to pay off.

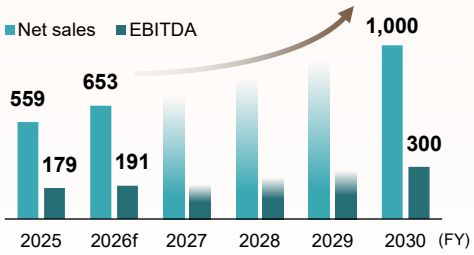
Commitment to growth markets

Investment payoff phase

Fine Carbon business

- Expansion of specialty graphite production capacity (Tanoura Plant; 11,000 tons per year)
- Strengthened sales network through acquisition of two U.S. machining sites
- Expansion of SiC Focus Ring production facilities (South Korea)
- Expansion of polycrystalline SiC wafer manufacturing facilities (Chigasaki Plant)

(100 million JPY)



* f = forecast

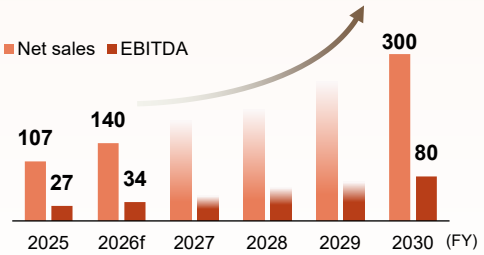
Responding to the critical challenge of AI's rapid advancement and the sharp increase in data center electricity demand

Growing demand for next-generation power semiconductors with superior voltage and heat resistance

Industrial Furnaces and Related Products business

- Expansion of EREMA heating element production capacity in response to growing lithium-ion battery demand (Establishment of monthly production capacity of 40 tons)
- Development of the TK-SONiC high-speed sintering furnace to support higher-capacity, smaller MLCCs
- Preparations for establishing a mass production system for EREMA disc resistors

(100 million JPY)



Growing demand driven by expanding heat treatment needs and the adoption of AI and IoT technologies to support decarbonization and energy conservation

Compatibility with high-performance materials
Improvements in thermal technology

Outlook for 2026 and beyond

Capturing new market opportunities driven by growing semiconductor-related demand

Improvement of graphite material productivity

Expansion of sales of solid SiC-related products

Creation of new markets with next-generation products

Expansion of sales of high-value-added EREMA heating elements

Response to growing demand for smaller, higher-capacity MLCCs

Capture of rapidly growing demand for EREMA disc resistors

Vision 2030

Headwinds and tailwinds Business risks and opportunities

Signs of hope amid three severe headwinds

While we expect operating profit in 2025 to exceed our targets and EBITDA to grow in 2026, the business environment surrounding Tokai Carbon is becoming more challenging than ever before. Three powerful headwinds are impacting the business environment: rising geopolitical risks, growing competition from new market entrants, and slowing growth in the EV market. These headwinds are having a tangible effect on our core Carbon Black and Fine Carbon businesses, with some customers undertaking significant inventory adjustments. However, we do not view this challenging situation as merely posing risks.

Under Vision 2030, we will confront these headwinds head-on and further solidify our competitive advantages by leveraging our unique strengths. Our global manufacturing network, particularly in Europe, will serve as a powerful asset for new business opportunities, including tightening memory supply driven by the rapid expansion of the AI and data center markets, and the resumption of aluminum production in the Middle East. Moreover, as price competition in commodity-grade products intensifies with the emergence of new market entrants, our customers' pursuit of higher value-added products makes our high-end grades increasingly indispensable. As a result, our co-creation partnerships aimed at delivering sustainable value have become stronger than ever.

	Headwinds	Tailwinds	Outlook for the future
Rising geopolitical risks	• Slowing growth in tire production in Southeast Asia due to high tariffs on tires manufactured in Thailand and exported to the United States [CB] • Impact on sales resulting from unstable operations at customer facilities in the Middle East [S&L] • Declining cost competitiveness in Europe due to persistently high inflation [S&L]	• Meeting the surge in cathode demand driven by the resumption of aluminum smelter operations in the Middle East [S&L] • Our relative competitive advantage, supported by industry consolidation and the completion of our structural reforms [GE]	
Emergence of new competitors and intensifying competition	• Influx of Chinese and Indian graphite electrodes into the global market and downward price pressure [GE] • Improving quality of cathodes produced by Chinese competitors [S&L] • Declining tire production in the United States (with increasing tire imports) [CB]	• Increasing relative value of high-value-added and specialty grades [CB] [GE] • Opportunities for differentiation through sustainable products [CB] [S&L] Carbon black: Recycling of carbon black from used tires • Expansion of next-generation RuC® cathodes with a lower environmental impact [S&L]	
Slowing growth in the EV market	• **External:** Sluggish demand for power semiconductors due to the slowdown in the EV market and prolonged inventory adjustments [FC] [IF] • **Internal:** Delayed commissioning of the new sintering furnace and a short-term decline in ROIC due to capital expenditure in the Fine Carbon business [FC] [IF]	• Full-scale recovery of the SiC power semiconductor market (20% annual growth from 2027) [FC] • Growing demand for advanced semiconductors for AI and data centers and current tight supply of memory semiconductors [FC] [IF]	

Business-specific initiatives for Vision 2030

- **CB** Shift toward high-value-added, sustainable products
- **FC** Expansion of sales of solid SiC-related products
- **S&L** Wider adoption of RuC® and other cathodes with a lower environmental impact
- **GE** Expansion of large-diameter graphite electrode production capacity
- **IF** Expansion into the power infrastructure market

* CB: Carbon Black, FC: Fine Carbon, S&L: Smelting and Lining, GE: Graphite Electrodes, IF: Industrial Furnaces

Vision 2030

Our next steps Growth strategy

Pioneering new business areas with advanced materials

In today's rapidly changing business environment, we are constantly and flexibly evolving our business strategy and organizational structure. In particular, we view the structural market changes brought about by the influx of low-cost products from Asia as a paradigm shift, and we have entered a phase in which we are fundamentally redefining the value of the products and services we provide.

Next-generation products and sustainable products (products under development)

- CB: Technology for the recycling of high-quality carbon black from used tires
- New: New business (innovative technologies for carbon neutrality)
  New business areas beyond carbon

Creating new markets through advanced materials and solutions

- FC: Materials for SiC semiconductor equipment
  Polycrystalline SiC
- S&L: Solutions business, including Ready-to-Use Cathode (RuC®) technology licensing
- IF: Creating new demand through TK-SONiC (high-speed heating industrial furnaces)
- IF: EREMA recycling products

Growth in existing markets

- CB: Tire demand (3–4% annual growth rate)
- FC: Medium-term growth of the SiC semiconductor market (20% annual growth rate)
- S&L: Aluminum (3% annual growth rate)
- GE: Growth in the large-diameter graphite electrode market (4% annual growth rate)
- IF: Multi-Layer Ceramic Capacitors (MLCC) (5–10% annual growth rate)

* CB: Carbon Black, FC: Fine Carbon, S&L: Smelting and Lining, GE: Graphite Electrodes, IF: Industrial Furnaces

Achieving Vision 2030 will require sustaining steady growth and maintaining our competitive advantage in our existing markets, including the automotive, semiconductor, and aluminum markets. At the same time, expanding into new business areas and developing new products are essential to achieving our financial targets and making new strides beyond 2030. We are broadening our business scope by providing advanced materials and solutions to cater to the increasingly sophisticated semiconductor industry. At the same time, our Business Incubation Department and R&D departments are working together to drive the creation of next-generation sustainable materials and technologies.

Our Company-wide R&D framework also provides strong support for the creation of businesses that contribute to a circular economy and next-generation, high-value-added products. Initiatives such as our carbon black recycling project using used tires, as well as the development of CO_2 fixation and carbonization technology that was selected for support by Japan's Ministry of the Environment, are the tangible results of our co-creation with stakeholders. We will continue to take on the challenge of creating new markets that contribute to a more sustainable future.

Solid SiC focus rings

TaC susceptors

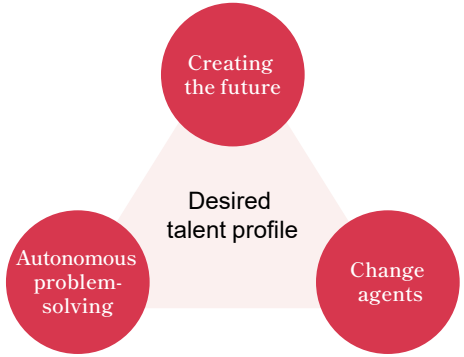
RuC® next-generation cathode solutions

Human resources strategy

Ultimately, whether we succeed in achieving our Vision 2030—that is, in creating new markets, a form of breakthrough growth that goes beyond our conventional trajectory—comes down to the execution capabilities of our people and organization. We view investment in human capital not merely as a cost, but as an essential upfront investment aimed at sustainably enhancing corporate value, such as improving ROE.

Investing in talent to support breakthrough growth and the three profiles that drive strategy

Breaking into new markets requires diverse expertise extending beyond any single business domain, together with the ability to identify and solve problems independently. We have therefore redefined the capabilities required of the strategic talent who will drive sustainable growth around three attributes: creating the future, autonomous problem-solving, and change agents. Developing people who take a bold, proactive approach—setting ambitious goals unconstrained by existing frameworks and bringing diverse stakeholders together to drive decisive change—is essential if we are to succeed.



The shift from a passive to a proactive organization

To develop strategic talent, we are undertaking a major overhaul of our existing human resources system as we seek to transform our organization from a passive workforce that waits for instructions into a proactive group of professionals.

Specifically, we have reduced the emphasis on seniority, removed formal barriers based on age and length of service, and established clear pathways for identifying and promoting capable employees who create high added value at an early stage. We have also established Human Resources Planning Meetings to maintain a strong pipeline of future management leaders and conduct in-depth discussions of each candidate's development needs from the perspective of business strategy. By combining assignments to challenging projects (on-the-job training) with selective training programs, we ensure that leadership for transformation is passed on to the next generation.

At the same time, we have strengthened our evaluation framework to appropriately recognize not only results, but also the process of taking risks and tackling difficult challenges. While rapid change can create anxiety within an organization, we are not seeking to impose an uncompromising meritocracy. Instead, we are expanding the safety net provided through health and productivity management to support employees' physical and mental well-being, while fostering a culture of psychological safety in which people accept challenges and failures and commend one another for taking risks.

TOPIC | **Transition to self-directed learning**

We are promoting a shift from passively completing Company-provided training to becoming a proactive organization in which employees take the initiative in self-directed learning for their own career development and the future of the business. In April 2026, we introduced an online learning platform that enables employees to acquire up-to-date knowledge relevant to their career aspirations and immediate workplace challenges, regardless of time or location. Alongside the introduction of this online learning environment, we have made data utilization training mandatory for all managers and career-track employees, supporting them in developing the digital skills required of today's business professionals.

Building a new sense of solidarity by aligning individual aspirations with management strategy

Tokai Carbon has a wonderful corporate culture, cultivated over many years and characterized by a calm atmosphere and a strong emphasis on fostering personal connections among employees. That said, to achieve the breakthrough growth we desire, we must break free from a sense of complacency that accepts the status quo. Our goal is to foster a strategic sense of solidarity—a new sense of unity—in which diverse individuals align their efforts toward the ambitious goals of Vision 2030, while building on the close-knit culture that has traditionally brought us together.

To align the entire organization around a common direction, we place great importance on multilayered two-way dialogue. In addition to promoting Vision 2030 through town hall meetings where management visits locations nationwide, division heads and plant managers are also directly explaining the need for change on the front lines. Furthermore, through one-on-one meetings conducted by the HR department and supervisors, as well as direct meetings between the HR department and all managers and officers, we provide personalized support to address each employee's concerns and career aspirations. We are convinced that when the Company's direction and an individual's career aspirations (what we call "vectors") are perfectly aligned, this becomes the next-generation embodiment of our corporate philosophy, "Ties of Reliability," and serves as the driving force behind sustainable value creation.

Two-way dialogue

Town hall meetings

In addition to promoting Vision 2030, division heads and plant managers are also directly explaining the need for change on the front lines.

One-on-one meetings

Through direct meetings between the HR department and all managers and officers, we provide personalized support to address each employee's concerns and career aspirations.

Monitoring organizational evolution based on engagement surveys

This multilayered approach to dialogue and support directly strengthens employee engagement. In our annual engagement survey (98.7% response rate in 2025), our dialogue initiatives have proven successful, with the "philosophy and strategy" score (measuring the degree to which our corporate philosophy is understood and accepted, among other factors) rising 3.4% compared to 2023, and we are seeing clear evidence that Vision 2030 is taking root within the Company. On the other hand, scores for "workplace environment," "benefits and compensation," and "organizational culture (a Company-wide sense of solidarity)" have shown only limited improvement. We see this as evidence that our organization is in the midst of a transition—from the homogeneous sense of connection that defined our past to a more strategic solidarity for the future. We will continue working to strengthen engagement across the Company by confronting the challenges that arise as we build a new sense of unity, implementing improvement plans at each organizational level, and providing tailored support through the Human Resources Department.

Engagement survey

Our engagement survey evaluates employees based on two factors: their expectations of the Company and their satisfaction levels. We identify areas where expectations are high but satisfaction is low as "areas requiring attention" and prioritize taking measures to address them.

Workplace environment	5.3% UP	Benefits and compensation	4.3% UP
Organizational culture	2.6% UP	Philosophy and strategy	3.4% UP

*Increase from the 2023 baseline survey to the 2025 survey.

COLUMN **The front lines of value creation: Investing in and transforming our manufacturing sites**

Our history of more than a century and our ability to deliver high-quality products each day are supported by employees, contract and part-time workers, and personnel from partner companies working at our manufacturing sites around the world. Our people are the source of our competitive advantage and among our most important stakeholders. Renewing aging plant equipment and improving working conditions through measures addressing dust and heat stress are critical priorities that support the foundations of our management strategy. Several years ago, we began making substantial capital investments to improve safety and occupational health at our manufacturing sites, including heat-stress measures and the replacement of aging equipment. At the same time, we are progressively investing in production-line automation and labor-saving technologies to move away from labor-intensive production and reliance on the tacit skills of experienced workers. Our aim is to free frontline employees from physically demanding work and rebuild a smarter manufacturing environment in which younger employees can apply their capabilities with confidence. This reflects our firm resolve to protect employees' safety and health while generating profits on a sustainable basis.

Installation of cooling equipment to combat heat stress

Business portfolio management

Allocating management resources based on business evaluation using ROIC-WACC

In promoting our business portfolio management, we use the ROIC of each business as a key performance indicator (KPI) for management control. We calculate the economic spread (adjusted ROIC minus WACC) for each business segment and evaluate the businesses based on this metric in conjunction with their growth potential. We classify businesses with a positive economic spread and high growth potential as “growth businesses” with significant opportunities for value creation, and we prioritize the allocation of management resources to them. On the other hand, we classify businesses with a negative economic spread as “value-eroding businesses” and are continuously optimizing our business portfolio by exploring various scenarios, such as structural reforms, divestitures, and withdrawals.

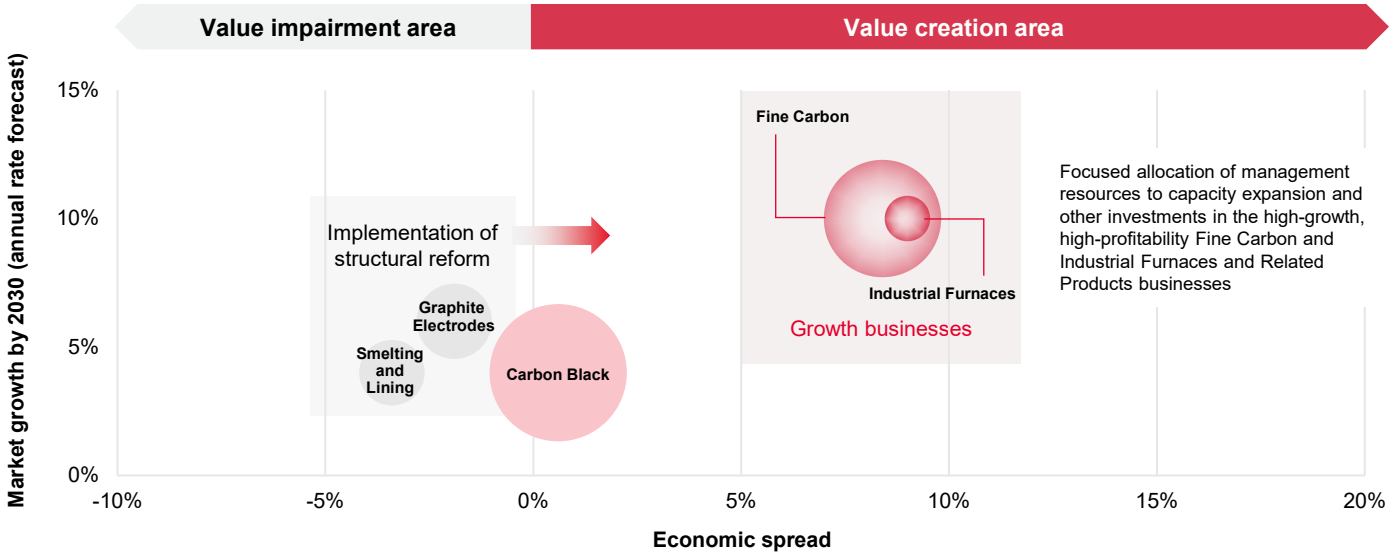
By actively allocating capital to businesses with high economic spreads while also making targeted capital investments in other businesses, we aim to achieve an economic spread of 7% or more Company-wide under Vision 2030. The structural reforms we have been implementing since 2024 in our Graphite Electrode and Smelting and Lining businesses have begun to yield improvements in profitability starting in 2025, and we expect the economic spread to turn positive within the next three years. Furthermore, while our growth businesses—the Fine Carbon business and the Industrial Furnaces and Related Products business—have temporarily stagnated due to the slowdown in electric vehicle growth since 2024, both businesses are expected to return to a growth trajectory as their target markets recover.

Economic spread by business segment (2025 results)

Economic spread (adjusted ROIC – WACC)

FY 2025 **Company-wide average: 5%**

Vision 2030 **Company-wide average: 7%**



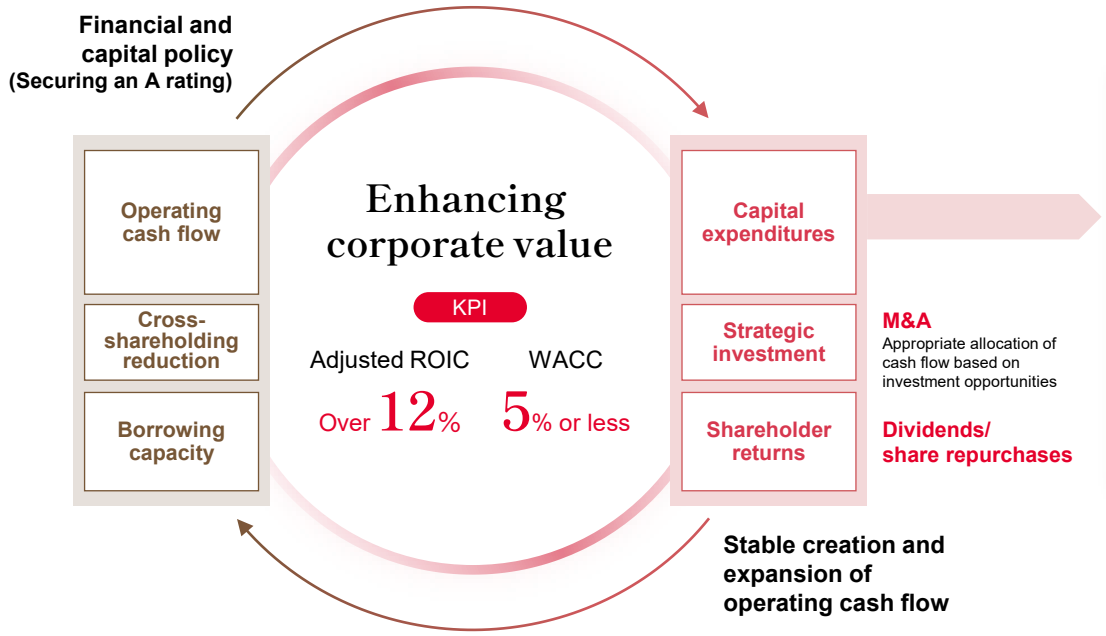
* The size of the circle represents the EBITDA amount.
* Market growth figures are our estimates.
* EBITDA, ROIC, and WACC are actual figures for FY2025. WACC is calculated and managed based on risk assessed for each business. ROIC refers to adjusted ROIC, which takes into account goodwill and amortization of goodwill and other items.

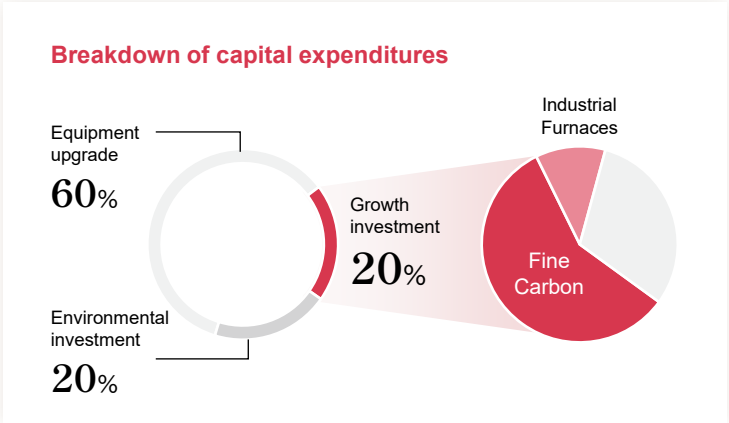
Capital allocation

Allocating cash flow to growth investments and shareholder returns while maintaining financial soundness and increasing capital efficiency

As part of our medium-term capital allocation strategy aimed at achieving Vision 2030, we will prioritize allocating the operating cash flow generated to businesses with growth potential, while maintaining sufficient financial soundness and adhering to our business portfolio management policy based on ROIC-WACC. With regard to growth and strategic investments, we aim to generate and expand stable cash flow in line with investment opportunities such as inorganic growth, carbon neutrality, and new business ventures. At the same time, we will proceed with a significant reduction in our cross-shareholdings through 2028, while promoting a steady increase in dividends and expanding stable and flexible shareholder returns through share repurchases. Through the implementation of these capital allocation measures and capital policies, we will create a virtuous cycle of corporate value enhancement. We aim to achieve the corporate value KPIs set out in Vision 2030—adjusted ROIC of over 12% and WACC of 5% or less—while generating and expanding economic profit and enhancing corporate value.

Medium-term asset allocation policy (2026–2028)





* The investment plan above reflects our medium-term strategy and may differ significantly due to various future factors. The Company assumes no obligation to update any forward-looking statements.

Major planned investments

Capital expenditure peaked after expanding from 2022 to 2024

Through 2022, we made growth and environmental investments, primarily in our Carbon Black business, to establish a more sustainable operating framework by reducing our environmental impact. At the Carbon Black manufacturing facility in North America that we acquired, we undertook a major, multi-year environmental investment program aimed at reducing emissions from the Carbon Black manufacturing process, including SO_2 and NO_x, thereby contributing to greater environmental sustainability. At our Carbon Black manufacturing facility in Thailand, we also acquired a new site and relocated production from leased premises to Company-owned land. As part of the relocation, we introduced state-of-the-art equipment that improved productivity while reducing SO_2 and NO_x emissions, establishing a more sustainable production framework with a lower environmental impact. Growth investment was concentrated in the Fine Carbon business, including expanding production capacity for specialty graphite and silicon carbide (SiC) products to meet growing demand from the power semiconductor market and the steadily expanding memory semiconductor market. From 2025 onward, as this phase of capacity expansion comes to an end, annual capital expenditure will return to a normalized level of approximately 40 billion JPY, marking our transition to a phase focused on generating returns from these growth investments. Although the semiconductor market for electric vehicles is not expected to recover until 2027 or later, demand in AI, data centers, and aerospace is currently expanding rapidly, and we intend to capture these emerging growth opportunities.

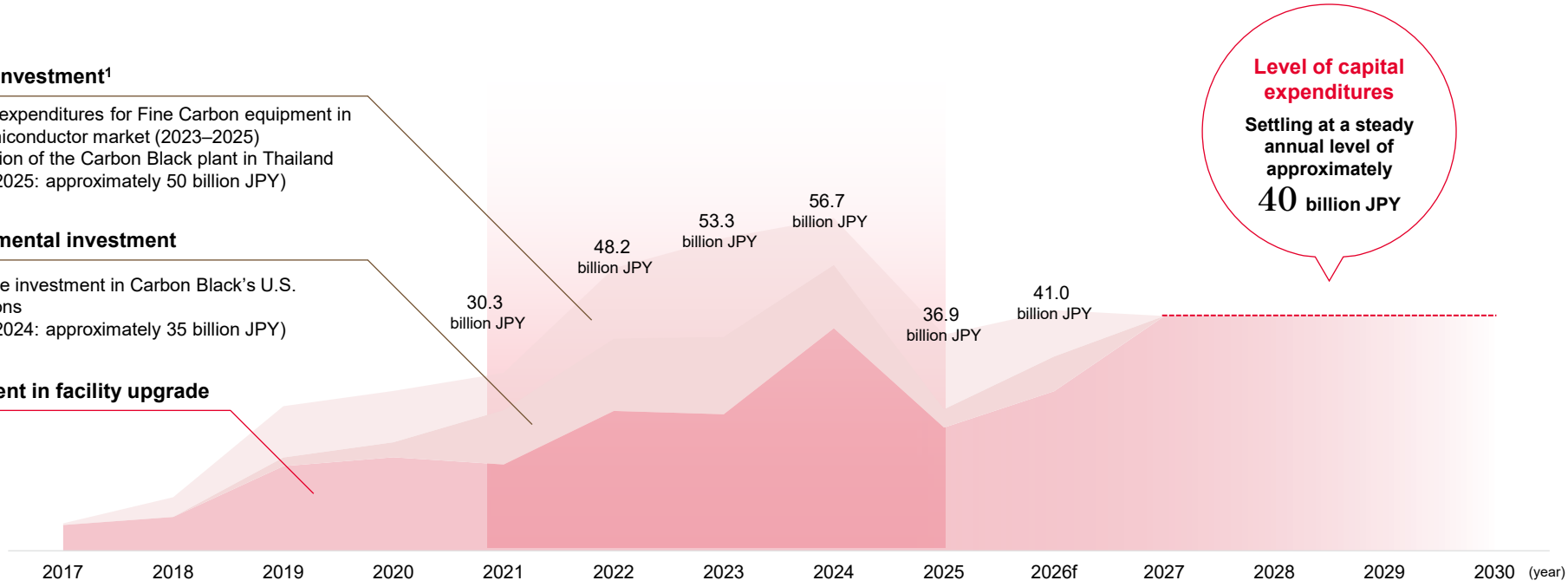
Growth investment[1]

- Capital expenditures for Fine Carbon equipment in the semiconductor market (2023–2025)
- Relocation of the Carbon Black plant in Thailand (2023–2025: approximately 50 billion JPY)

Environmental investment

- Intensive investment in Carbon Black's U.S. operations (2021–2024: approximately 35 billion JPY)

Investment in facility upgrade



1 Growth investments refer to organic investments (excluding M&A).
* f = forecast (outlook)

Financial and capital policy

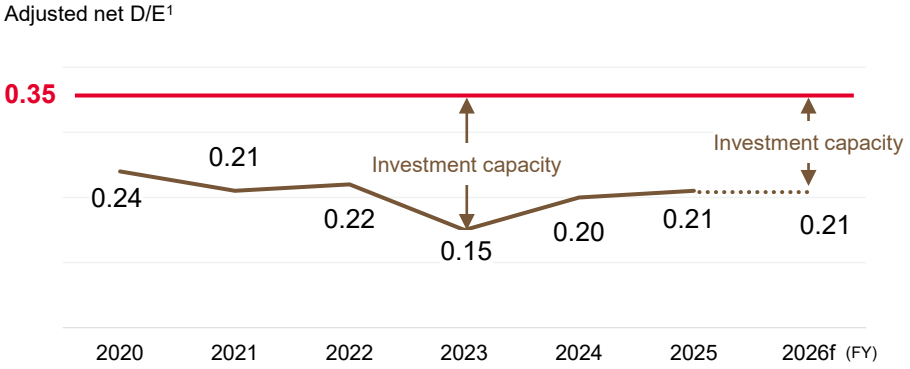
Maintaining an optimal capital structure that balances financial soundness and capital efficiency

Our financial and capital policy is based on maintaining sufficient financial soundness to support business growth and structural reform while maintaining an optimal capital structure that minimizes the weighted average cost of capital (WACC). To maintain financial soundness, we retain a credit rating of A or higher, an important benchmark for financial institutions and bond investors, thereby securing stable access to both long- and short-term capital-market funding through corporate bonds, commercial paper, and other instruments. We currently hold an A rating from Rating and Investment Information, Inc. (R&I) and an A+ rating from Japan Credit Rating Agency, Ltd. (JCR), both with stable outlooks.

In maintaining an optimal capital structure, we also use hybrid financing, including subordinated bonds, which does not dilute existing shareholders and receives partial equity credit from rating agencies. This enables us to keep the adjusted net D/E ratio at approximately 0.35x while reducing WACC to around 5%. To achieve Vision 2030, we will apply this financial discipline in executing a coherent capital allocation policy encompassing investment, retained earnings, liquidity, debt financing and reduction, and shareholder returns.

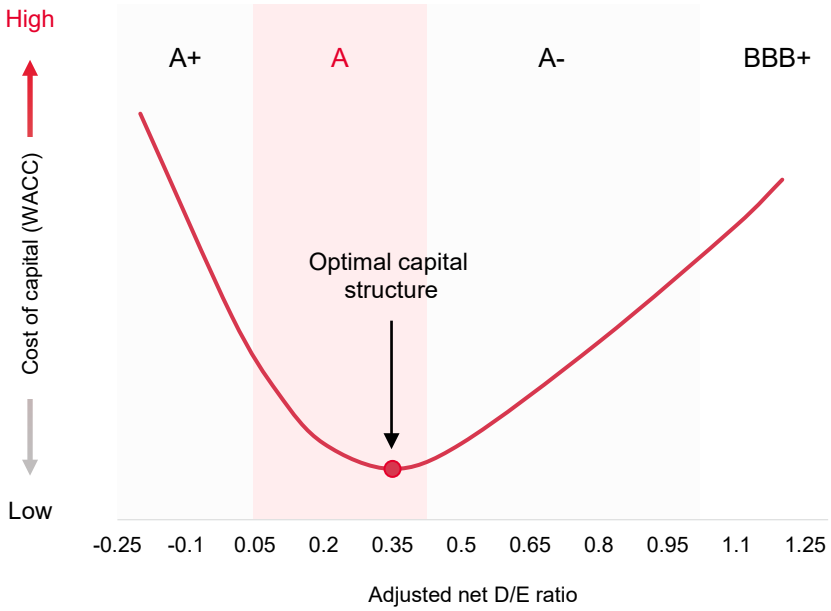
Target metrics for financial soundness and capital efficiency

Adjusted net D/E ratio	Net interest-bearing debt / EBITDA	WACC
Approx. 0.35	In the 1.0 range	5% or less



[1] Adjusted net D/E ratio: A net debt-to-equity ratio that takes into account the equity credit of hybrid financing obtained from rating agencies.
* f = forecast (outlook)

Balance between financial soundness (credit rating A) and minimization of the cost of capital (WACC)



Actions toward management conscious of cost of capital and stock price

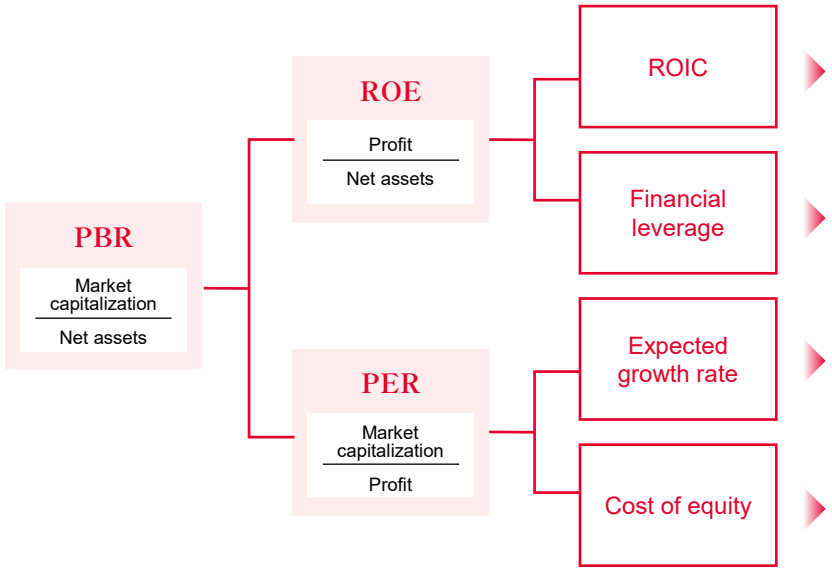
Aiming to consistently achieve a PBR of over 1.0x

Based on the current breakdown of our PBR, we will pursue a growth strategy focused on achieving Vision 2030 and enhancing corporate value. Since our PBR has remained below 1.0x for some time, we recognize that consistently achieving this level is an urgent management priority. To address this challenge, the Vision 2030 action plan focuses primarily on improving ROE and PER in direct support of that goal.

In order to implement management that takes the cost of capital and stock price into account, the Board of Directors evaluates and discusses the CAPM-based capital costs and profitability of each business division on a quarterly basis, and ensures that these findings are reliably reflected in Company-wide and individual business strategies.

Specific measures to enhance corporate value

Improving ROE	We will strive to maximize returns (R) through the profit improvement plan outlined in “Vision 2030,” which is based on three pillars: “drastic structural reform,” “commitment to growth markets,” and “sustainable value creation.” This policy is being cascaded throughout the entire Company, from the administrative departments to the business front lines, to enhance our ability to execute.
Improving PER	We will work to deepen our dialogue with the market by strengthening our IR framework (including integration into the Corporate Planning Department) and clarify our shareholder return policy by introducing a progressive dividend system.
Improving EPS	We regard EPS as one of our key KPIs and will accelerate the enhancement of value per share by reducing our cross-shareholdings and pursuing an optimal capital structure.



	Initiatives	Key drivers
ROIC	• ROIC management by segment • Business portfolio optimization • Effective capital allocation • (Business) Structural reform of underperforming businesses • (Business) Profitable growth in high-growth areas	• Executing a strategy of selection and focus • Successful execution of structural reforms in the Graphite Electrode business • Drastic structural reform of the Smelting and Lining business • Growth of the Si and SiC semiconductor markets • Completion of inventory adjustment in the electric vehicle-related market
Financial leverage	• (Finance) Optimal capital structure	• Net D/E ratio: approximately 0.35x
Expected growth rate	• Disclosure of business plans • Sustainable value creation	• Delivering on our business plan (Follow-up via timely disclosure) • Establishment of eCB™ technology • New business development
Cost of equity	• Strengthening corporate governance • Reducing financial risk • (IR) Timely and reliable disclosure of information and dialogue	• Credit rating of ‘A’ or higher • Timely, appropriate, and transparent disclosure

Capital allocation policy

We will aim to enhance long-term shareholder value by advancing our growth strategy to achieve Vision 2030 and improving capital efficiency in line with our medium-term allocation policy. With the major investment cycle now complete and structural reforms in the Graphite Electrode business successfully concluded, we will strengthen shareholder returns as we anticipate growth in the Fine Carbon business and the Industrial Furnaces and Related Products business.

Medium-term allocation policy (2026–2028)

Business environment and initiatives supporting medium-term CF[1] growth

Carbon Black

Positive impact of U.S. tariff policy and the completion of the relocation of the Thai operations (2027–)

Fine Carbon and Industrial Furnaces

Benefiting from market growth in areas such as AI and data centers. Driven by the rapid recovery in the memory market, SiC ring sales volume is projected to reach a record high (2026).

Smelting and Lining

Capitalizing on the special demand for cathodes in the Middle East

Graphite Electrodes

Optimization of the market environment against the backdrop of U.S.-Japan AD[2] tariff policies and industry restructuring. Price increase for graphite electrodes due to rising needle coke prices

70% reduction by the end of December 2028

Financial and capital policy
(maintaining an "A" credit rating)

- Operating cash flow
- Cross-shareholdings Share reduction
- Borrowing capacity

Enhancing corporate value

KPI

Adjusted ROIC: Over 12%
WACC: 5% or less

- Capital expenditure
- Strategic investment
- Shareholder returns

Stable generation and expansion of operating cash flow

Major investment cycle completed
(To normalize from 2026 onward)

Strengthening shareholder returns

Dividend increase

30 JPY/share ▶ 40 JPY/share

Introduction of a progressive dividend system

Adjusted DOE 5% guideline

Flexible share repurchases

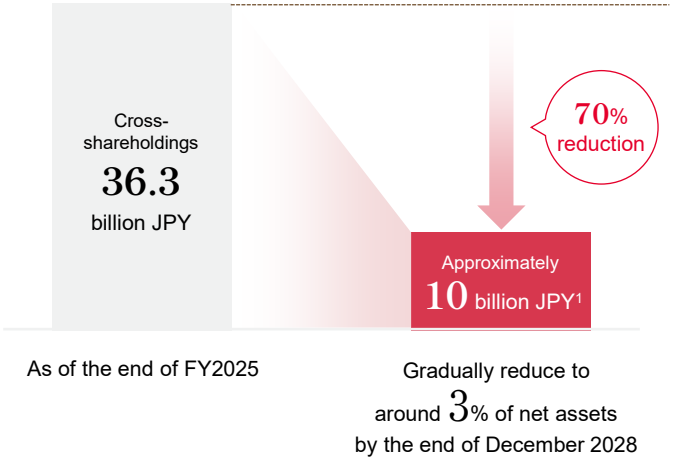
Approximately 15 billion JPY

[1] CF: Cash flow [2] AD: Anti-dumping

Policy to reduce cross-shareholdings and the strengthening of shareholder returns

To implement management practices conscious of the cost of capital and stock prices, we will reduce the ratio of cross-shareholdings to consolidated net assets from 10% to approximately 3% by 2028, and use the proceeds from their sale to expand shareholder returns. We have decided to implement the dividend increase and share repurchases ahead of schedule in 2026.

Policy for reducing cross-shareholdings



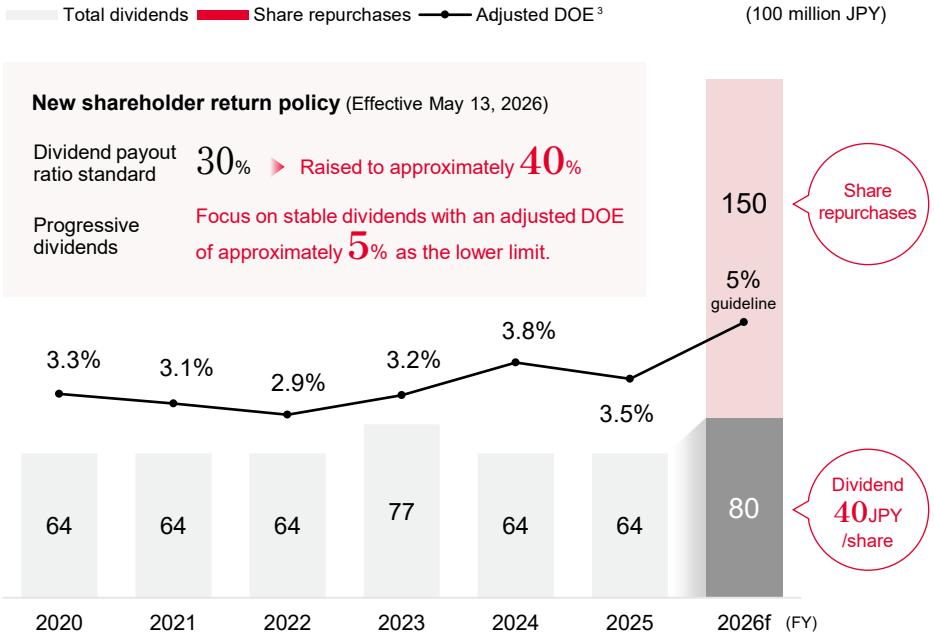
[1] This figure may increase or decrease depending on changes in net assets.

Share repurchases

Total cost of share repurchases	Period of acquisition	Acquisition method[2]
Approximately 15 billion JPY (maximum)	Full repurchase on May 14, 2026	Bulk acquisition Share repurchases

[2] To ensure the reliable execution of a share repurchase program worth 15 billion JPY within a short period of time, the Company adopted an FCSR (Fully Committed Share Repurchase) program, under which shares are repurchased in a single transaction. This is a Japanese version of ASR (Accelerated Share Repurchase).

Changes to the dividend policy and dividend increases



Taking into account our financial results and outlook for each period, investment plans, cash flow conditions, and other factors, we will pay stable, ongoing dividends by selecting whichever is higher: a consolidated dividend payout ratio guideline of approximately 40%, or an adjusted DOE guideline of 5% based on shareholders' equity at the end of the previous fiscal period (progressive dividends). At the same time, we will flexibly implement measures such as share repurchases, while being mindful of a high total payout ratio.

3 Adjusted DOE: total dividends ÷ shareholders' equity at the end of the previous period (excluding changes in other comprehensive income)
* f = forecast

Special feature

A future of sustainable resource circulation pioneered by our proprietary eCB™ technology

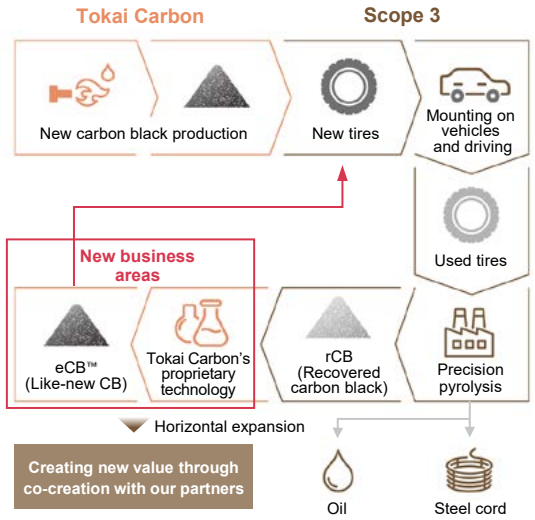
Introduction

From recycled raw materials to products as good as new

For carbon black (CB), a key raw material for tires, the traditional manufacturing model relying on “feedstock oil derived from fossil fuels” faces two major challenges: the risk of resource depletion and CO_2 emissions. To address this issue, our Company is developing high-quality materials from used tires.

We have launched the eCB™ (eco Carbon Black) project, which restores carbon black to the quality equivalent of new material. This project has been selected for the Green Innovation Fund program of NEDO (New Energy and Industrial Technology Development Organization), a national research and development agency, and its importance has been recognized as a national project.

The recycling of carbon black



[What is eCB™?] It is a type of carbon black produced by subjecting rCB—extracted through the pyrolysis of used tires—to secondary processing, such as the removal of impurities. It is characterized by rubber reinforcement properties equivalent to those of new material.

Mission

Taking on the challenge of decarbonization through industry-academia-government collaboration

Young research leader interview

Taishi Kiriyama
Acting Section Chief
Chita Laboratory

Could you tell us about the background behind the launch of the eCB™ project and its progress to date?

Kiriyama: There is no guarantee that the fossil fuels that serve as the primary raw materials for CB will continue to be extracted in a stable manner indefinitely into the future. Since around 2022, our Company has recognized carbon resource circulation as a key issue in addressing the future risk of a declining feedstock oil supply and the need to reduce CO_2 emissions. We are currently collaborating with partner companies and universities on a joint technology project to transform recovered carbon black (rCB)—obtained through the pyrolysis of used tires—into “eCB™,” a product with a performance equivalent to that of new material.

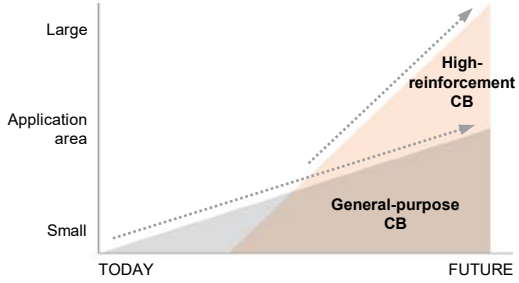
What is the technical difficulty of this project and where do Tokai Carbon’s strengths lie?

Kiriyama: The main challenge in developing eCB™ lies in removing the impurities present in rCB while simultaneously imparting the various performance properties required of a raw material for tires, making it an exceptionally demanding problem with very high technical hurdles. The key lies in our specialty: “secondary processing technology.” We are applying the expertise accumulated through many years of product development to pursue technology development aimed at solving this challenge. Furthermore, there are still many aspects of the mechanism underlying eCB™’s performance that remain unclear, and basic academic research is essential. We are collaborating with Kyushu University and Okayama University to conduct joint research that incorporates cutting-edge insights. With the addition of national support in the form of a grant from NEDO, a robust framework was established to integrate all phases from research and development to plant construction. The core of this technical challenge lies in industry, academia, and government working together to reduce environmental impact and ensure material reliability, without compromising either.

Could you share with us the roadmap toward the demonstration and commercialization of eCB™?

Kiriyama: First, we plan to have the eCB™ secondary processing pilot plant up and running by the end of FY2027. Subsequently, we are aiming to have a demonstration plant operational by FY2032 that can produce 5,000 metric tons of eCB™ annually. While this is a long-term challenge, achieving resource circulation across the entire supply chain is of immense significance for industries in our resource-scarce country. We hope to realize the dream of engineers—to create materials that the world needs—by contributing to a circular economy.

A vision for the business expansion of eCB™



eCB™ aims to first establish technology applicable to general-purpose CB and, in the future, expand its use to high-reinforcement CB, which offers higher added value.

Business Strategy

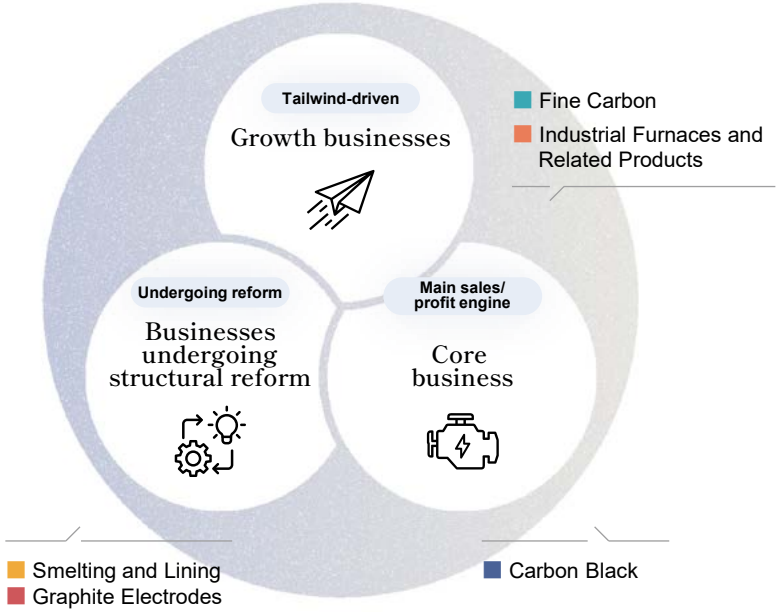
Tokai Carbon's businesses

Business portfolio management based on ROIC: Aligning Company-wide strategy with business strategies

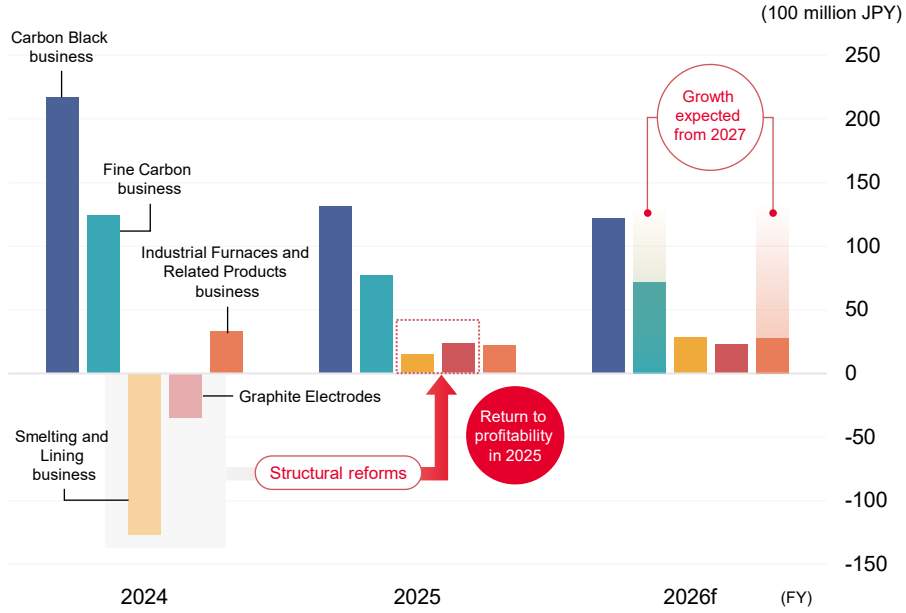
The automotive (tire), semiconductor, aluminum, steel, and other industrial infrastructure markets in which Tokai Carbon operates are highly susceptible to economic fluctuations. To minimize the risks associated with these performance swings, we diversify our business risks through a well-balanced business portfolio. Using ROIC as a key performance indicator (KPI), we evaluate each business every quarter based on two criteria: growth and profitability. We establish a shared understanding across the Company of each business's position and role within our portfolio, making this the foundation of our business strategy. Currently, we position the Carbon Black business—the largest contributor to sales and profits—as our "core business"; the Fine Carbon business and the Industrial Furnaces and Related Products business as "growth businesses"; and the Graphite Electrode business and the Smelting and Lining business as "businesses undergoing structural reform." The latter two businesses have strengthened their profitability through structural reforms, resulting in a major turnaround in performance between 2024 and 2026. While growth in other business segments has temporarily slowed, we aim to further increase Company-wide earnings from 2027 onward, buoyed by a recovery in the semiconductor market fueled by demand for AI and data centers.

P. 23: Business portfolio management

Tokai Carbon's major business categories



Operating profit by segment (2024–2026)

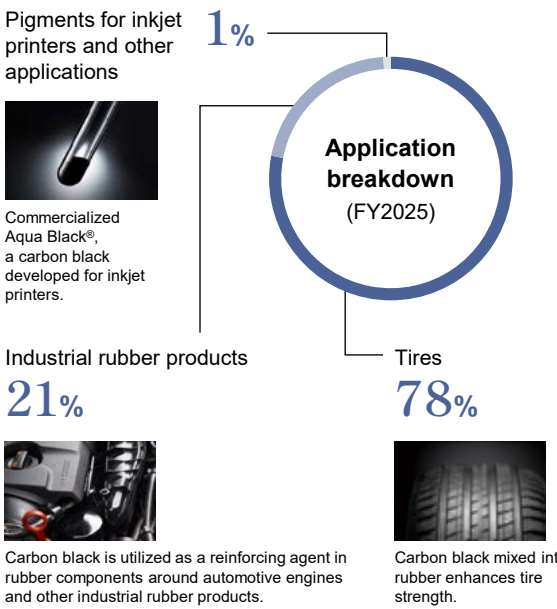


*f = forecast

Core business

Carbon Black

Carbon black consists of nanometer-scale (one billionth of a meter) carbon particles. Its diverse grades, defined by differences in particle size, structure (how particles connect), and surface properties, exhibit varied performance. It is primarily used as a rubber reinforcing agent—tires owe their black color to carbon black, which is essential for maintaining tire strength and accounts for about 20–30% of their weight. Beyond tires, carbon black is also used in a wide range of applications, including as a reinforcing agent for rubber products, a colorant for plastics, a material for wire and cable coatings, and a pigment for inkjet printer inks, making it an indispensable material across all sectors of modern society.



Commercialized Aqua Black®, a carbon black developed for inkjet printers.

Carbon black is utilized as a reinforcing agent in rubber components around automotive engines and other industrial rubber products.

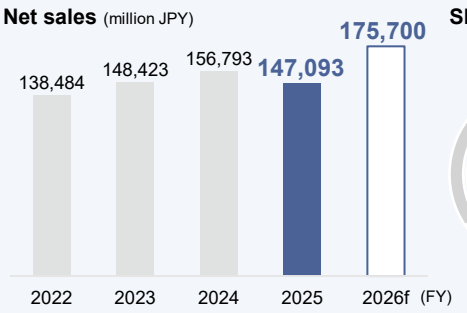
Carbon black mixed into rubber enhances tire strength.

Our strengths

Tokai Carbon was founded on the Graphite Electrode business. A key challenge for us was to effectively utilize the pitch oil generated as a byproduct during our in-house production of pitch coke, the raw material used for graphite electrodes. To address this challenge, we undertook Japan's first industrial production of carbon black using the oil furnace method, the mainstream production method used today. Over time, we have accumulated technologies to skillfully utilize various types of oil and precisely control properties, laying the foundation of our competitive advantage. Today, we operate production facilities in the United States, Japan, and Thailand, where many of the world's leading tire manufacturers are concentrated. Through co-creation with major manufacturers, we are accelerating the research and development of high-performance and sustainable products. In addition, our Canadian production site enables us to supply specialty carbon black produced from natural gas. This multifaceted supply capability, which allows us to meet a diverse range of customer needs, is another of our major strengths.

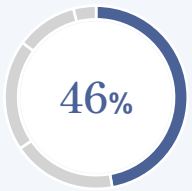
Three key strengths	Technology to effectively utilize various types of oils as raw materials	Capability to develop high-performance, sustainable products through co-creation with major tire manufacturers	Balanced footprint of production facilities across major demand areas

Net sales (million JPY)

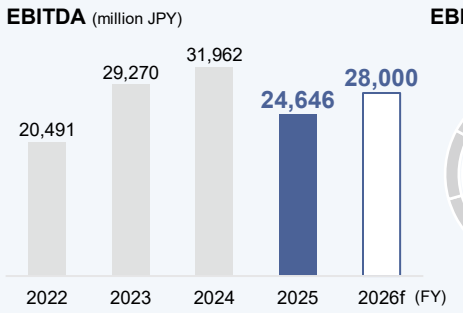


*f = forecast

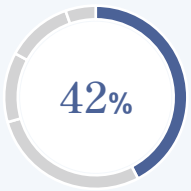
Share of net sales (FY2025)



EBITDA (million JPY)



EBITDA composition (FY2025)



(100 million JPY)

(FY)	2024	2025	2026f
Net sales	1,568	1,470	1,757
Operating profit	217	131	133
ROS	13.8%	8.9%	7.6%
ROIC (adjusted)	9.5%	5.2%	-
EBITDA	320	246	280
EBITDA margin	20.4%	16.7%	15.9%

Looking back on 2025

Our Carbon Black business expanded following the acquisition of U.S. manufacturing and sales facilities through an M&A transaction in 2018. It has now grown into our largest core business in terms of sales.

The business accounted for 46% of the Group's net sales in FY2025. However, in the United States, its largest market, imports of low-priced tires from Asia increased, compelling major tire manufacturers—our key customers—to adjust production of replacement tires. In the Japanese market, automobile production remained at a low level comparable to the previous year, while the Thai market was negatively impacted by the imposition of anti-dumping duties on truck and bus tires exported to the United States. Meanwhile, demand for specialty carbon black produced at our Canadian facility remained strong. Despite these headwinds, in Thailand we made steady progress on our plant relocation project and began trial operations at the new plant. We also acquired Bridgestone Corporation's carbon black manufacturing operations in Thailand, further strengthening our global collaboration and co-creation framework with the Bridgestone Group.

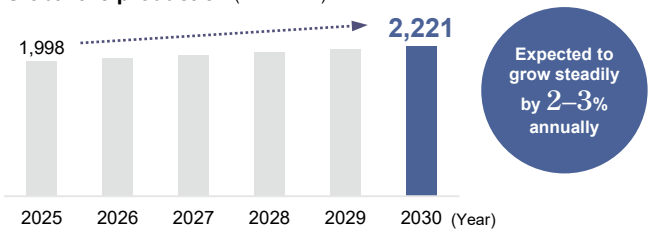
Outlook and strategy

Our Carbon Black business is heavily influenced by tire production, as tires account for approximately 70% of carbon black demand. Tire demand is broadly divided into the replacement and original equipment (OE) markets. As the number of vehicles in use continues to increase, global tire production is expected to grow steadily at an annual rate of about 3%, driven by rising demand in the larger replacement tire market.

Against this market backdrop, production is scheduled to be fully transferred from our existing plant to the new plant in Thailand in 2026. Our highest priorities will be establishing stable production and achieving early improvements in product quality.

Over the medium to long term, we will focus on developing high-performance carbon black for premium tires. We will also advance industry-government-academia collaborative technology development to further process recovered carbon black (rCB) from used tires and other sources, enabling it to achieve rubber reinforcement properties comparable to those of virgin carbon black and thereby contribute to the realization of a circular economy. In addition, we will pursue environmental investments and investments in facility upgrades with the aim of reducing environmental impact, improving productivity, and ensuring stable operations.

Global tire production (million tires)



Ceremony marking the completion of our new plant in Thailand

RISKS / OPPORTUNITIES

Business risks and opportunities

- Growth in global tire production at an annual rate of about 3%
- Increasing imports of low-cost, Asian-made tires into the United States
- Expansion and acceleration of environmental initiatives

Medium-term actions

- Investment in facility upgrades to ensure stable production and supply
- Focus on developing high-performance carbon black for premium tires
- Technology development for a circular economy

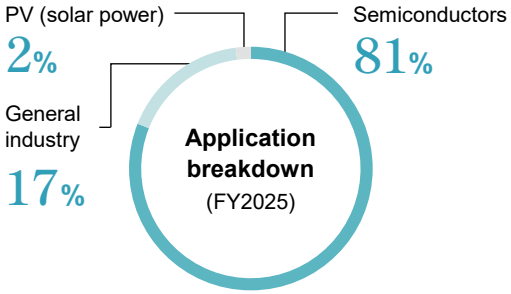
Manufacturing process

Carbon black is produced by the incomplete combustion of oil residue from petroleum refining and coal carbonization in a reactor. The recovered carbon black undergoes granulation and other processing before being packaged in bags or loaded into dedicated carbon black transport vehicles for shipment.

Growth businesses

Fine Carbon

In our Fine Carbon business, we offer a range of products to meet the advanced and exacting requirements of semiconductor manufacturing and other applications: machined graphite products based on specialty carbon and graphite materials developed through optimal raw material formulations, graphite products coated with ultra-high-purity silicon carbide (SiC), and solid SiC products. These fine carbon materials and products play an indispensable role in the production of silicon and SiC used to make memory and power semiconductors for smartphones, personal computers, data centers, EVs, and more. About 80% of sales in our Fine Carbon business are derived from semiconductor-related applications. Our products are used as components in semiconductor manufacturing equipment, silicon single-crystal ingot pullers, and SiC single-crystal ingot manufacturing equipment, among other applications. Beyond semiconductors, they are also used in general industrial applications such as aerospace equipment, electrodes for electrical discharge machining, and dies for continuous casting, as well as in solar cell applications including components for solar-grade silicon single-crystal pullers.



Target markets

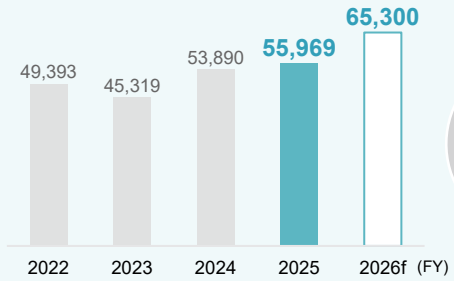
- Memory semiconductors
- Logic semiconductors
- Power semiconductors
- PV (solar power)
- General industry

Our strengths

Only a limited number of manufacturers worldwide are capable of producing high-quality specialty carbon and graphite products, and Tokai Carbon stands among the industry leaders in both quality and production capacity. Notably, we possess the world's largest production capacity for SiC coated products and Solid SiC products, underpinned by our technological prowess. The graphite materials produced at our plant in Kumamoto Prefecture are processed at our domestic and international sites to meet specifications optimized for each customer's application before shipment. Our manufacturing and sales network for fine carbon materials and products extends globally, meeting customer needs through a diverse product lineup. Through our process of co-creation and developing new products in cooperation with customers, we have built strong trusting relationships and expanded our business domains. The synergy between these relationships of trust and our technical expertise is the source of our competitive advantage.

Three key strengths	Broad product lineup and robust production capacity to meet customer needs	Product development for semiconductors and other cutting-edge technologies	Global manufacturing and sales network

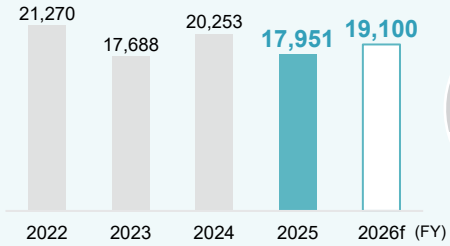
Net sales (million JPY)



*f = forecast

Share of net sales (FY2025)

EBITDA (million JPY)



EBITDA composition (FY2025)

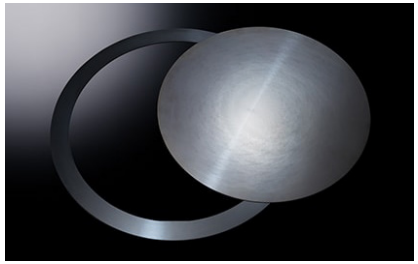
(100 million JPY)

(FY)	2024	2025	2026f
Net sales	539	559	653
Operating profit	124	77	84
ROS	23%	13.8%	12.9%
ROIC (adjusted)	18.8%	14.0%	-
EBITDA	203	179	191
EBITDA margin	37.7%	32%	29.2%

Looking back on 2025

The memory semiconductor market, which was sluggish in 2023 due to decreased demand for computers and smartphones, began a gradual recovery in 2024 and was buoyed in 2025 by strong demand for AI applications. While DRAM accounts for the bulk of AI-related memory demand, utilization rates for NAND plasma etching—the primary application for our solid SiC focus rings—increased steadily, leading to higher focus ring sales.

Conversely, the sluggish growth in EV demand led SiC power semiconductor manufacturers to adjust inventories and postpone capital expenditure, causing our SiC power semiconductor business to slow from the second half of 2024. The business remained weak throughout 2025.



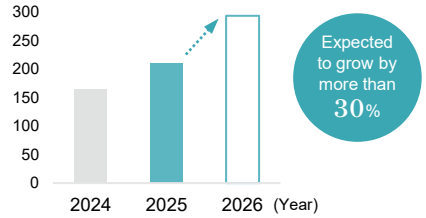
Solid SiC focus ring (left) and dummy wafer (right)

Outlook and strategy

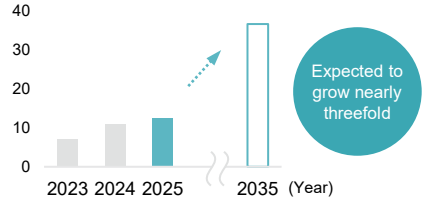
Despite recurring short-term fluctuations, the memory semiconductor market is expected to continue growing over the medium to long term, driven by the widespread adoption of 5G and advances in AI. NAND flash memory, which currently consists of about 300 layers, is expected to reach around 1,000 layers by 2030. As this will require higher plasma output from etching equipment, demand is increasing for our solid SiC focus rings, which offer excellent plasma resistance. Going forward, DRAM is expected to follow the same path as NAND in adopting 3D technology, leading to further growth in demand. In addition, if High Bandwidth Flash (HBF) becomes commercially viable and is adopted for AI applications, NAND production can be expected to increase, further driving demand for SiC focus rings.

Although the SiC power semiconductor market is currently sluggish due to slower growth in EV demand, it is expected to resume growth from 2027 onward. With an eye toward medium- to long-term market growth, we have expanded our domestic graphite material production capacity. We have also strengthened our processing and sales structure in the U.S. market—where growth is expected in the semiconductor and aerospace sectors—by bringing U.S. processing companies into our Group. Through these initiatives, we aim to optimize our reliance on solid SiC focus rings while capturing demand driven by market growth and expanding the production and sale of high-value-added products.

Memory semiconductor market forecast
(billion USD)



SiC wafer market forecast (hundred million USD)



RISKS OPPORTUNITIES

Business risks and opportunities

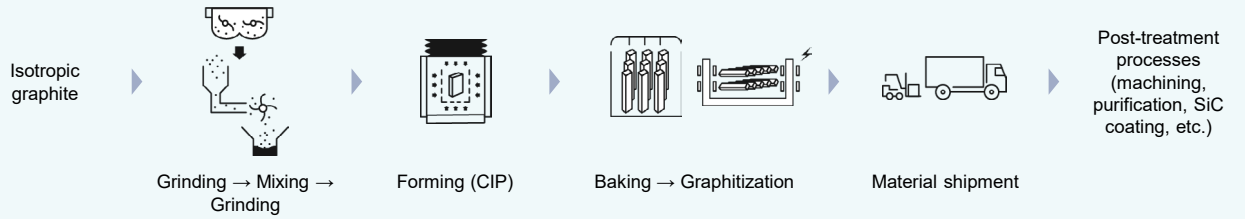
- Inventory adjustments in the SiC power semiconductor market
- Rapid growth of the memory semiconductor market driven by advances in AI
- Medium- to long-term growth outlook for the semiconductor market

Medium-term actions

- Meeting growing demand for solid SiC focus rings for memory semiconductors
- Strengthening our processing and sales structure in the U.S. market
- Expanding applications for SiC products

Manufacturing process

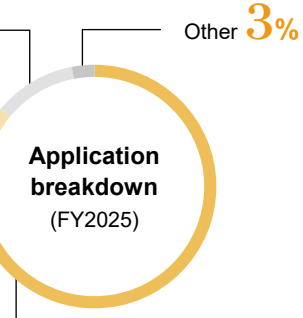
The isotropic graphite material used as the base material for Fine Carbon products is produced by grinding coke, filling it into a rubber mold, applying isotropic pressure using hydraulic force to shape it, and then baking and graphitizing it. Depending on the application, the isotropic graphite material then undergoes post-processing steps such as machining and SiC coating to produce the final product.



Businesses undergoing structural reform

Smelting and Lining

The Smelting and Lining business consists of three main products. Our flagship cathode blocks are laid at the bottom of electrolytic furnaces for producing aluminum. Furnace lining plays an important role as a refractory lining material in blast furnaces that melt iron ore to produce pig iron. Carbon electrodes are used as conductors in submerged arc furnaces (SAFs) that smelt silicon metal, ferroalloys, lead, and other metals. These three products are supplied globally from multiple production bases in Europe in accordance with the supply and demand environment.



Carbon electrodes 11%

Carbon electrodes are used as electrical current conductors in submerged arc furnaces (SAFs) that smelt silicon, ferroalloys, copper, and lead.

Other 3%

Furnace lining 14%

Blast furnaces use these blocks as a refractory material in the lining. Used in sections of blast furnaces where temperature load is high.

Cathode blocks 72%

Laid in the bottom of electrolytic furnaces for primary aluminum production.

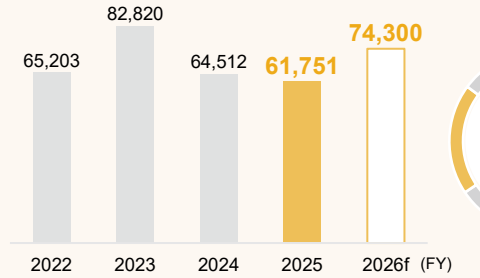
Our strengths

We hold leading market shares for graphitized cathodes and carbon electrodes in all markets excluding China. In furnace lining, we have established a major share in the global market including China, placing us in an industry-leading position.

Cathode blocks and furnace lining are not consumables that depend on production volumes of aluminum or steel. Instead, they are used long-term as critical furnace components. Once installed, cathodes typically remain in place for 5 to 6 years, and furnace lining for 15 to 20 years, without replacement. Boasting an extensive supply record and reliable quality, our products will continue to support global aluminum and steel production.

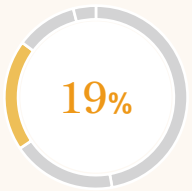
Three key strengths	High market share in premium markets	Innovative solutions	Relationships with global customers

Net sales (million JPY)

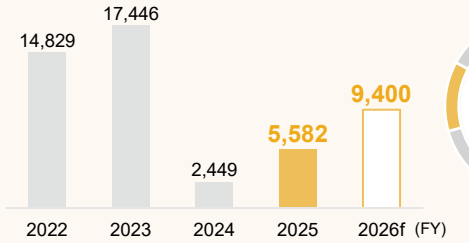


*f = forecast

Share of net sales
(FY2025)



EBITDA (million JPY)



EBITDA composition
(FY2025)

(100 million JPY)

(FY)	2024	2025	2026f
Net sales	645	617	743
Operating profit	(137)	15	45
ROS	(21.2)%	2.4%	6.1%
ROIC (adjusted)	(1.2)%	1.4%	-
EBITDA	24	55	94
EBITDA margin	3.7%	8.9%	12.7%

Looking back on 2025

Since the outbreak of the war in Ukraine in 2022, surging energy and raw material costs and severe inflation have affected Europe, where the Smelting and Lining business has its production sites. While we managed to secure profits through 2023 by transferring rising production costs to prices, 2024 proved more challenging. Against the backdrop of persistently high production costs, we were forced to cut back on the production and sales of our main product, cathode blocks, due to declining demand and aggressive competitive activity. This was compounded by difficulties in the furnace lining and carbon electrode businesses, which led to a significant deterioration in profitability. As a result, we recorded impairment losses on intangible fixed assets, including a goodwill write-down, in FY2024. Though we returned to profitability in FY2025 due to reduced depreciation expenses, we have identified the fundamental improvement of our earning power as our top priority and have begun considering drastic structural reforms.

Next-generation cathode RuC® (Ready-to-use Cathode)

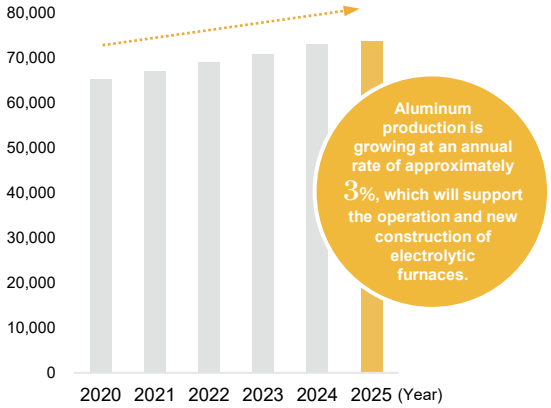
Outlook and strategy

Global aluminum production is expected to continue expanding, and with the accompanying increase in the relining and new construction of aluminum electrolytic furnaces, demand for cathode blocks is projected to grow over the medium to long term. For FY2026, we also anticipate a gradual recovery in line with customer inventory adjustments. Stable demand for furnace lining is anticipated, particularly from China and India. Carbon electrode demand is expected to remain at low levels due to excess customer inventory of silicon metal and carbon electrodes.

Amid these circumstances, we were considering structural reforms to restore our competitiveness. However, these plans are currently on hold due to the impact of the Middle East situation since February 2026 and we are prioritizing the provision of support for the recovery of our Middle Eastern customers, who have experienced disruptions to aluminum production due to the situation in the region. We are establishing a full-scale production system for cathodes, which are essential for aluminum production. Regarding structural reform, we intend to wait for the situation to stabilize and then reassess the market environment before deciding on the timing for implementation.

On the other hand, our next-generation environmentally friendly cathode, RuC® (Ready-to-Use Cathode), a solution-based product which can reduce the environmental impact of aluminum production by lowering power consumption, has started to contribute to earnings in 2026. We will continue to drive increased adoption of this product, aiming to create new markets and contribute to a sustainable society.

Global primary aluminum production volume (thousand tons)



Source: International Aluminium Institute and our Company estimate

RISKS / OPPORTUNITIES

Business risks and opportunities

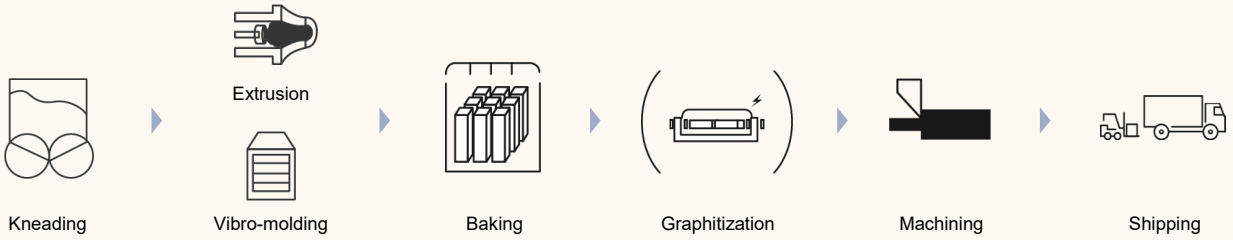
- Intensifying competition for cathode blocks
- Prolonged inventory adjustments at carbon electrode customers
- Decline in energy costs
- Realization of new aluminum electrolytic furnace projects

Medium-term actions

- Restoring competitiveness through structural reform
- Maintaining and enhancing market presence
- Promoting RuC®, our next-generation environmentally friendly cathode

Manufacturing process

In this business, materials are manufactured by mixing coke, anthracite, etc., extruding or molding them, followed by baking. These materials are then either machined directly into finished products or further graphitized before final machining.



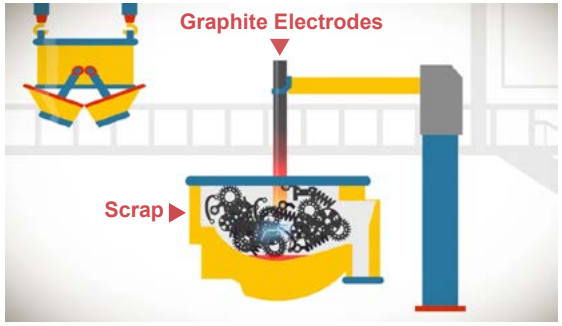
Businesses undergoing structural reform

Graphite Electrodes

Graphite electrodes leverage their properties of electrical conductivity and superior heat resistance, and serve as conductors in EAFs for melting steel scrap for recycling into rebar and other products. This demanding environment, with furnace temperatures reaching approximately 1,600˚C and electrode tip temperatures exceeding 3,000˚C, necessitates exceptionally high-quality electrodes that can deliver stable performance. It is estimated that about 1.7kg of graphite electrodes are required to produce one ton of steel, since graphite electrodes gradually wear down from the tip as they are used. For over a century, we have continuously supplied high-quality, low-consumption electrodes to EAFs in various countries and regions. The EAF method is gaining significant attention as an environmentally friendly steelmaking process in recent carbon neutrality efforts, as it can reduce CO_2 emissions by approximately one-quarter compared to the blast furnace method.

Graphite electrodes melt scrap with arc discharge in EAFs

Approximately 1.7kg of graphite electrode is consumed to produce one ton of steel



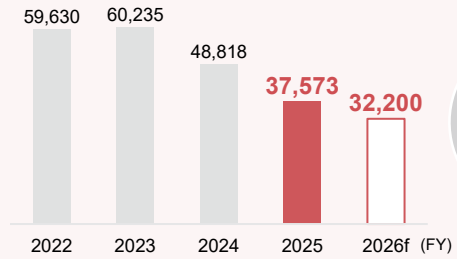
Electrode manufacturing process and usage (video):
https://www.tokaicarbon.co.jp/en/products/graphite/

Our strengths

As a pioneer in graphite electrodes, Tokai Carbon established Japan's first manufacturing technology for 24-inch electrodes and subsequently achieved early commercial production of the world's largest 32-inch super-size electrodes. Through this technological prowess, we reliably supply high-quality electrodes that feature low breakage and consumption during operation. Grounded in long-term relationships with suppliers, we have built strong relationships of trust with EAF steelmaker customers by stably procuring high-quality needle coke and continuously meeting their needs. Furthermore, we have enhanced our technical prowess by sharing the expertise cultivated over many years with our U.S. subsidiaries. These initiatives are the strengths that underpin our competitive advantage.

Three key strengths			
	Manufacturing technology for high-quality, super-size graphite electrodes	Stable procurement of high-quality needle coke	Well-established relationships with electric arc furnace steel manufacturers, our key customers

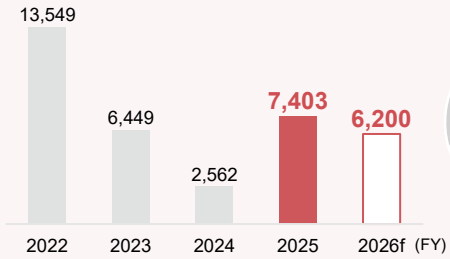
Net sales (million JPY)



*f = forecast

Share of net sales (FY2025)

EBITDA (million JPY)



EBITDA composition (FY2025)

(100 million JPY)

(FY)	2024	2025	2026f
Net sales	488	375	322
Operating profit	(35)	24	10
ROS	(7.2)%	6.4%	3.1%
ROIC (adjusted)	(2.7)%	4.3%	-
EBITDA	26	74	62
EBITDA margin	5.3%	19.7%	19.3%

Looking back on 2025

In Japan, graphite electrode supply and demand remained soft due to delays in construction projects driven by soaring material costs and labor shortages. In the United States, although demand for graphite electrodes remained firm amid a relatively favorable economic environment, price competition intensified due to the increased presence of low-priced Indian graphite electrodes. Amid these challenging business conditions, we initiated structural reforms in this business in mid-2024. By mid-2025, we had completed the consolidation of production in Japan and the divestment of our European operations, enabling the business to return to operating profitability in FY2025.

Protective tariffs on the graphite electrode market in Japan and the United States (As of the end of May 2026)

Country	Tariff	Target	Period
Japan	Anti-dumping duty	Chinese graphite electrodes	July 2025 onward
United States	Anti-dumping duty	Indian graphite electrodes	July 2026 onward (scheduled)
	Countervailing duty	Chinese graphite electrodes (partial)[1]	

[1] Applies only to large-diameter products of 18 inches or more. Anti-dumping duties have been in effect for small-diameter products since 2009.

Outlook and strategy

While the business environment is expected to remain challenging over the short term due to weak market conditions, in the medium to long term, demand for graphite electrodes is expected to increase in line with the carbon neutrality-related shift from blast furnaces to electric arc furnaces (EAFs). In particular, we will increase our production and sales ratio of high-quality super-size graphite electrodes, mainly at our site in the U.S., where EAFs account for a large proportion of crude steel production and investment in large EAFs continues. In addition, while EAFs typically use steel scrap as raw material, it is anticipated that various other raw materials such as direct reduced iron (DRI) will be used in the future. We are committed to focusing on the development and production of high-quality graphite electrodes suitable for such evolving operating conditions.

Regarding the business environment, initiatives to protect regional markets are becoming more widespread. In addition to the imposition of anti-dumping duties on Chinese-made graphite electrodes in Japan, the United States has initiated investigations to impose anti-dumping and countervailing duties on graphite electrodes and related products from India and other regions. Such international trade policy trends are a major tailwind for Tokai Carbon, which has production bases in both Japan and the United States. We intend to seize this opportunity to further strengthen our market presence.

RISKS / OPPORTUNITIES

Business risks and opportunities

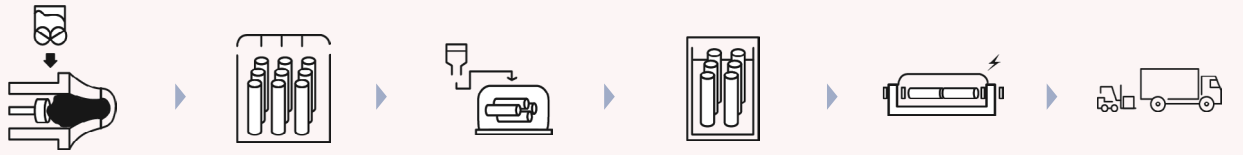
- Stagnant near-term demand and an ongoing structural recession, particularly due to overproduction in China, amid a global market downturn
- Growing market presence of Chinese and Indian graphite electrode manufacturers
- Increased demand for high-quality and super-size electrodes driven by the shift from blast furnaces to EAFs

Medium-term actions

- Protection of the regional market through cooperation with the government, including the imposition of anti-dumping duties and similar measures
- Focus on high-quality, super-size graphite electrodes
- Development of higher-quality electrodes suited to the shift from blast furnaces to EAFs

Manufacturing process

Graphite electrodes are manufactured by kneading needle coke, extruding it, and then subjecting the resulting material to primary baking, pitch impregnation, secondary baking, and graphitization processes, followed by final machining.



Kneading / Extrusion molding → Primary baking (Approx. 1 month) → Pitch impregnation (Several days) → Secondary baking (2–4 weeks) → Graphitization (Approx. 1 week to 1 month) → Finished goods – Delivery

Growth businesses

Industrial Furnaces and Related Products

Tokai Konetsu Kogyo Co., Ltd. (TKK), our wholly owned subsidiary, is one of the leading companies in industrial heat treatment furnaces that support heat treatment processes for multi-layer ceramic capacitors (MLCCs), lithium-ion battery materials, and other components. TKK designs, manufactures, and sells custom-made pusher-type and roller hearth-type heat treatment furnaces, with particular strength in pusher furnaces. As a pioneer in the industry, TKK commands roughly 50% of the global market for heat treatment furnaces for MLCCs, as well as world-class quality and market shares in the silicon carbide (SiC) EREMA heating elements used in float glass manufacturing and heat treatment furnaces.

Industrial Furnaces

Industrial furnaces are used to process ceramics, electronic components, battery anode materials, glass, powders, and other materials under specified temperature and atmospheric conditions for binder removal, heating, sintering, and other thermal processes.

EREMA heating element

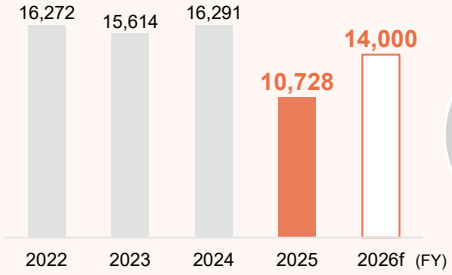
This energy-saving, low-emission, high-temperature, high-quality ceramic heater is used for sintering, melting, and heat treatment in electric furnaces, etc.

Our strengths

Industrial furnaces are ordered as custom-made units tailored to specific customer requirements. They evolve over time as various functions are added on and subsequently improved. TKK has built a strong track record by providing products refined through a corporate culture of thoroughly meeting customers' customization requirements and by developing technical capabilities recognized by customers that are leading manufacturers in their respective industries. TKK's design capabilities and production technologies that meet customer requirements, particularly for industrial furnaces used in MLCC and lithium-ion battery manufacturing, represent a major strength. In the heating element business, EREMA silicon carbide heating elements offer a distinct advantage in quality. This strength also creates synergies by enhancing our capabilities in designing new industrial furnaces.

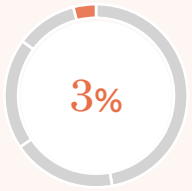
Three key strengths	EREMA heating elements: Trusted, long-lasting, varied lineup for different uses, proven performance	Industrial furnaces: Custom-made, proven performance, strong on development	Comprehensive service including supply of heaters, heat-resistant and high-temperature materials

Net sales (million JPY)

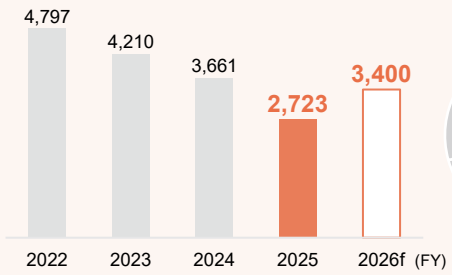


*f = forecast

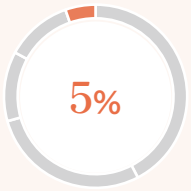
Share of net sales (FY2025)



EBITDA (million JPY)



EBITDA composition (FY2025)



(100 million JPY)

(FY)	2024	2025	2026f
Net sales	163	107	140
Operating profit	33	22	28
ROS	20.2%	20.6%	20.0%
ROIC (adjusted)	21.2%	14.2%	-
EBITDA	37	27	34
EBITDA margin	22.7%	25.2%	25.2%

Looking back on 2025

In 2025, although demand related to AI data centers showed signs of a partial recovery in the MLCC industry, the market as a whole did not return to a full recovery trajectory.

Additionally, the slowdown in EV market growth led to delays in some customers' lithium-ion battery material projects, resulting in postponed deliveries of industrial furnaces.

Pusher furnace

Roller hearth furnace

Outlook and strategy

The MLCC industry is projected to grow at an annual rate of approximately 10% in the coming years, driven by the widespread adoption of 5G, EVs, autonomous driving, and AI data centers, with new industrial furnace deliveries in 2026 expected to increase year-on-year.

Furthermore, although growth in the EV market has slowed, it is expected to re-accelerate in due course. Tokai Konetsu Kogyo Co., Ltd. (TKK) anticipates that its sales of lithium-ion battery materials will also recover from 2027 onwards. Considering these market trends, TKK will continue to proactively invest in increased production capacity to align with market expansion. We anticipate new demand for industrial furnaces driven by increased capital expenditure, as well as greater demand for EREMA heating elements due to higher customer equipment utilization rates.

Expanding our industrial furnace business requires continuous development of next-generation furnaces. As MLCC-enabled products demand miniaturization and greater capacity, ceramic and electrode layers are becoming increasingly thinner. This presents a challenge in accelerating the heating rate during material heat treatment. To address this, TKK is developing "TK-SONiC," a roller hearth kiln designed to dramatically improve heating speeds. Furthermore, to meet the needs for mass production of lithium-ion battery materials, we have developed a pusher furnace that significantly improves productivity and lowers running costs. TKK remains committed to proactively pursuing the development of next-generation industrial furnaces, always looking ahead, rather than resting on its laurels as an industry leader.

RISKS OPPORTUNITIES

Business risks and opportunities

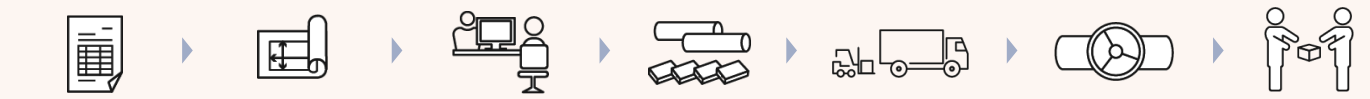
- Prolonged slowdown in EV growth
- Increasing MLCC demand driven by automobile electrification and proliferation of AI
- Continued EV growth expected to boost lithium-ion battery demand

Medium-term actions

- Expansion of production capacity to meet growing demand in target markets
- Development of next-generation roller hearth furnaces
- Deployment of next-generation pusher furnaces

Manufacturing process

Industrial furnaces are designed and assembled to meet the individual requirements of customers, and then installed at customer plants.



Standard lead time: 4 to 8 months *Varies by project

Sustainability

Sustainability at Tokai Carbon

As global environmental issues become increasingly prominent alongside social challenges related to human rights and poverty, the importance of initiatives toward the realization of a sustainable society continues to grow. Against this backdrop, Tokai Carbon is promoting sustainability management as a key medium-term initiative aimed at contributing to the resolution of global challenges, guided by its philosophy of “Ties of Reliability” and its long-standing commitment to coexist with and prosper alongside society.

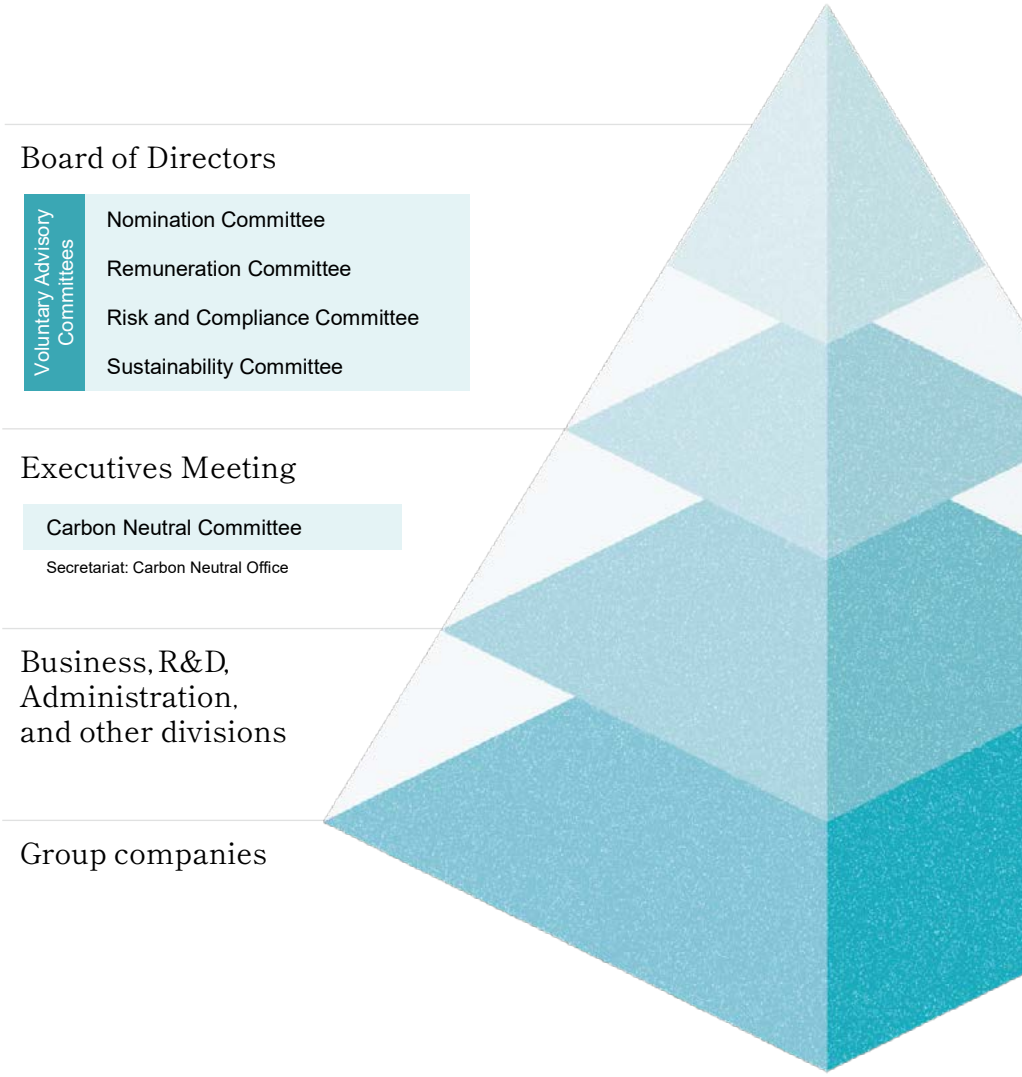
Sustainability policy

The Tokai Carbon Group engages in corporate activities under its 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 firmly earn 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 promotion framework

In January 2022, we established the Sustainability Committee as a voluntary advisory body to the Board of Directors. Chaired by the President, the committee comprises the officers responsible for General Affairs and Legal, Corporate Planning, and Human Resources, as well as the heads of the Development Strategy Division, the Technology Division, and major business divisions. As a general rule, the committee meets quarterly. The committee discusses key sustainability-related matters, submits proposals and reports to the Board of Directors, and oversees sustainability-related disclosures, including the preparation of the integrated report.

Furthermore, with regard to climate change, the Carbon Neutral Committee, established in January 2022 and chaired by the President, serves as the command center for the Company’s carbon neutrality initiatives. The committee drafts Company-wide policies and plans, monitors the progress of initiatives—including those involving co-creation with external third parties through industry–government–academia collaboration—and submits proposals and reports to the Board of Directors.



Climate and natural risk management and disclosure in line with TCFD and TNFD recommendations

Information disclosure in line with TCFD recommendations

The Tokai Carbon Group recognizes climate change as a key management priority, and in November 2021, following a resolution of the Board of Directors, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD). In line with the TCFD recommendations, we are working to identify climate-related risks and opportunities and to enhance our disclosures.

Strategies

Scenario analysis

To better understand climate-related risks and opportunities facing our Group, we conducted our initial assessment of business impacts through scenario analysis, as required by the TCFD recommendations, in December 2020, and reviewed the results in May 2023. We continue to identify the impacts of climate change on our business and take steps to address them.

Scope of analysis	• Assessment of the business landscape under current and transition scenarios Transition risks and opportunities / Physical risks and opportunities Time horizons: 2030 and 2050 (or 2040 where 2050 reference data is unavailable) • Financial impacts / response strategies and initiatives
Target businesses	As of 2022, our four core business segments account for approximately 90% of our net sales. (Graphite Electrodes, Carbon Black, Fine Carbon, and Smelting and Lining)

Disclosure and scenario analysis in line with the TCFD recommendations
https://www.tokaicarbon.co.jp/en/sustainability/climate-change.html

Initiatives toward carbon neutrality

To help achieve carbon neutrality in society, the Tokai Carbon Group is promoting initiatives that contribute to lower-carbon and decarbonization efforts. The Carbon Neutral Committee, chaired by the President, serves as the command center for the Group's carbon neutrality initiatives. Based on policies determined by the Board of Directors, the Committee formulates the roadmap toward carbon neutrality, monitors progress against CO_2 emissions reduction plans, and develops and implements measures in line with that progress, with the aim of achieving our targets.

▶ P. 46: Carbon neutrality

Metrics and targets

Company-wide CO_2 emissions (Scope 1 and Scope 2)

2050	Carbon Neutrality	2030	25% reduction compared to 2018

Information disclosure in line with TNFD recommendations

Based on the TNFD v1.0 framework published in September 2023, we have reorganized our initiatives in accordance with the TNFD's recommended disclosures.

Strategies

In order to understand the dependence and impact on natural capital and biodiversity in our business, we conducted an analysis in accordance with the approach proposed by TNFD.

1. Selection of analysis subjects

Using the ENCORE natural risk assessment tool, we evaluated each business segment's dependence on and impact on natural capital and biodiversity. The results confirmed that the Carbon Black business has relatively high levels of both dependence and impact. In addition, our value chain was found to be highly dependent on, as well as have a significant impact on, ecosystem services related to water resources.

2. Identification of dependencies and impacts, risks, and opportunities

We identified two Carbon Black business production sites as priority areas requiring significant consideration for biodiversity. Following the approach proposed by the TNFD, we analyzed the dependencies, impacts, risks, opportunities, and responses related to the manufacturing processes at these sites. The results of the analysis are as follows.

Dependencies	The Carbon Black manufacturing and cooling processes require large volumes of water, and, therefore, rely heavily on water resources.	
Impacts	Beyond greenhouse gas emissions, the Carbon Black business (in-house operations) may have an effect on nature through discharge of wastewater, waste, and chemical substances generated in the manufacturing process, potentially leading to air, water, and soil pollution.	
Risks	• Increased risk of natural disasters due to environmental degradation • Physical risks related to water resources, including water scarcity and water pollution	• Risk of reputational damage and litigation from communities and stakeholders if operations adversely affect the surrounding natural environment • Risk of impacts on operations due to stricter environmental regulations
Response (Opportunities)	• Reducing CO_2 emissions • Reducing water use and promoting recycling • Reducing NOx, SOx, and VOC emissions	• Promoting the recycling of industrial waste • Development of lower-environmental-impact products

3. Responses

To address risks, we aim to avoid and reduce the negative impacts of our business activities on biodiversity by reducing CO_2 emissions, water use, and pollutant emissions.

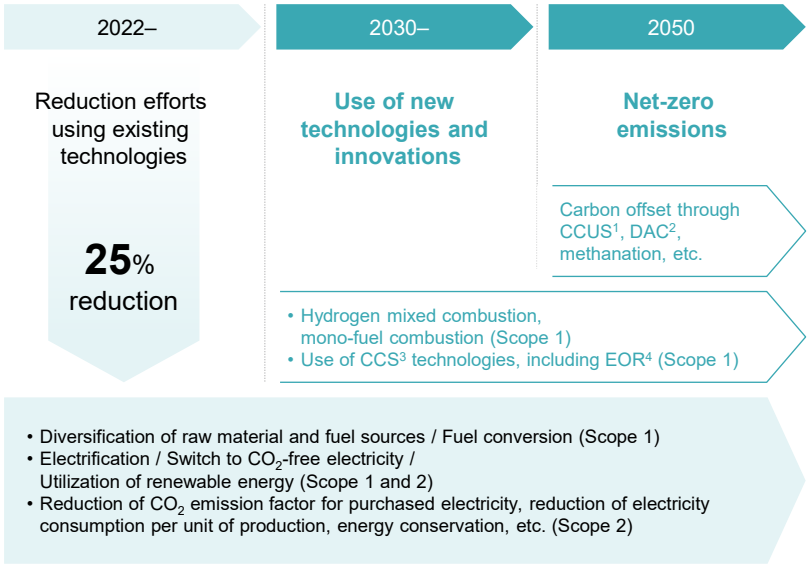
Disclosure in line with the TNFD recommendations https://www.tokaicarbon.co.jp/en/sustainability/biodiversity.html

Carbon neutrality

Our Group aims to reduce CO_2 emissions by 25% (vs. 2018) by 2030, working toward achieving carbon neutrality by 2050.

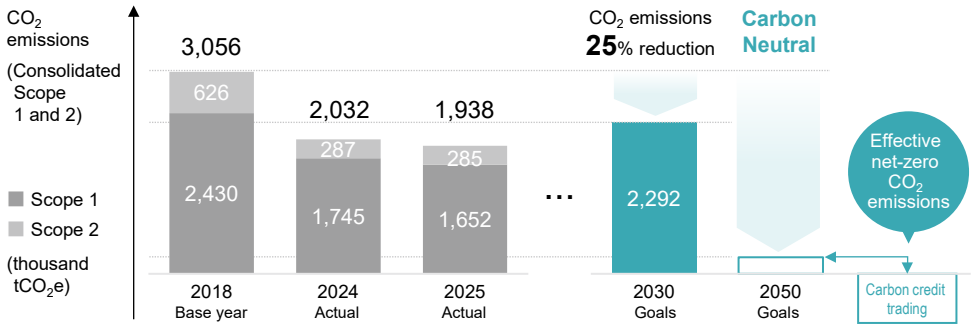
Roadmap to carbon neutrality

Using existing technologies, we will promote initiatives to reduce emissions, with the goal of reducing CO_2 emissions by 25% by 2030. With regard to raw materials, we are exploring the use of plant-based materials and other renewable resources. In our manufacturing processes, we will continue to invest in energy-saving equipment while promoting the transition and diversification of fuel sources, including a shift from fossil fuels to electricity and the use of renewable energy. Furthermore, we aim to achieve net-zero by 2050 while actively leveraging new technologies and innovations. As innovative technologies aimed at reducing CO_2 emissions continue to be developed around the world, we will actively adopt those technologies as they become practically viable.



[1] CCUS: Carbon dioxide capture, utilization, and storage (technology for the utilization of separated and stored CO_2)
[2] DAC: Direct air capture (technology for the direct capture and use of atmospheric CO_2)
[3] CCS: Carbon dioxide capture and storage
[4] EOR: Enhanced oil recovery

GHG emissions (Scope 1 and Scope 2[5]) (consolidated)



In 2025, the Tokai Carbon Group's GHG emissions were approximately 37% lower than in 2018, primarily driven by the use of renewable energy and a shift to fuels with lower environmental impact. In the Carbon Black business, a joint technology project is underway to recover carbon black from used tires. This project, which is funded by the GI Fund[6], aims to progress from research, development, and demonstration to social implementation, with the goal of having the secondary processing pilot plant operational by the end of 2027. In addition to these efforts, we are accelerating the development and demonstration of technologies for producing functional solid carbon, as well as other ongoing development initiatives, the adoption of innovative technologies, and collaboration with customers, business partners, and industry organizations, all with the aim of achieving our goals.

		2018 base year	2024 actual	2025 actual
GHG emissions (Scope 1 and 2)	(thousand tCO_2e)	3,056	2,032	**1,938**
Scope 1	(thousand tCO_2e)	2,430	1,745	**1,652**
Scope 2	(thousand tCO_2e)	626	287	**285**
Compared to the base year		-	33% reduction	**37% reduction**

[5] Scope 1: Direct emissions of greenhouse gases (GHG) from business operators / Scope 2: Indirect emissions of GHGs associated with the use of electricity, heat, and steam supplied by other companies
[6] The Green Innovation Fund (GI Fund) was created by New Energy and Industrial Technology Development Organization (NEDO) with funds totaling over 2 trillion JPY. It provides up to 10 years of continuous support for efforts by companies and other entities in achieving carbon neutrality.

Water resources

We recognize that water is essential to our business operations and is also a vital resource for the local communities in which our plants and other facilities are located. For this reason, we are promoting efficient water use across the Group through water recycling and improvements to manufacturing processes.

Targets and performance

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

	KPI	Actual	Boundary
2025	Water use: 8.9 million m³/year or less (1% reduction vs. 2021)	7.5 million m³	Consolidated (parent and major domestic and overseas Group companies)
2026	Water use: 8.8 million m³/year or less (2% reduction vs. 2021)	-	

Reduction initiatives

Business	Location	Initiative
Graphite Electrodes	Domestic production facilities	Adjustment of industrial water intake
	Overseas production facilities	Circulation and reuse of cooling water in the graphitization process
Carbon Black	Overseas production facilities	Measures to prevent water leakage
Smelting and Lining	Overseas production facilities	Optimization of cooling water used in each production facility

Water risk assessment

We use the WRI Aqueduct tool to identify regions exposed to water stress. In 2026, we conducted a survey covering 43 production sites[1] of the Tokai Carbon Group in Japan and overseas. Of these, we carried out detailed assessments at the four sites[2] identified as having high water stress, including analyses of past flood and drought occurrences and water use, and confirmed that these sites present a low level of risk.

[1] As of January 2026. Includes laboratories.
[2] Sites where the overall water risk, based on WRI Aqueduct risk indicators for the chemical industry, is classified as “High” or “Extremely High.”

Reduction of environmental pollutants and waste

To reduce our environmental impact, we not only comply with applicable laws and regulations but also promote initiatives to reduce environmental pollutants based on voluntary standards that are stricter than regulatory requirements. In addition, to make effective use of limited resources, we are working to reduce industrial waste, promote recycling, and minimize the volume of waste sent to final disposal.

Reduction of environmental pollutants

To reduce our environmental impact on the atmosphere, we are working to reduce emissions of nitrogen oxides (NOx), sulfur oxides (SOx), and volatile organic compounds (VOCs).

	KPI	Actual	Boundary
2025	NOx emissions: 3,330 t/year or less (2% reduction vs. 2021) SOx emissions: 17,670 t/year or less (5% reduction vs. 2021) VOC: 265t/year or less (5% reduction vs. 2022)	NOx emissions: 2,655t SOx emissions: 11,779t VOC: 181t	Consolidated (parent and major domestic and overseas Group companies)
2026	NOx emissions: 3,260 t/year or less (4% reduction vs. 2021) SOx emissions: 16,740 t/year or less (10% reduction vs. 2021) VOC: 250 t/year or less (10% reduction vs. 2022)	-	

Reduction of industrial wastes

We are focused on reducing and avoiding industrial waste generation, thoroughly sorting waste, and promoting waste recycling to boost our recycling rate.

	KPI	Actual	Boundary
2025	Recycling rate: 51% or higher (1% improvement vs. 2021)	68.5%	Consolidated (parent and major domestic and overseas Group companies)
2026	Recycling rate: 52% or higher (2% improvement vs. 2021)	-	

*Recycling rate (%) = recycled waste volume (weight of recycled waste) ÷ total waste generated × 100.

Providing safe and secure products

Basic ideas and characteristics of our business and customers

The Tokai Carbon Group operates as a B2B materials manufacturer, providing a wide range of raw materials, components, and products used in manufacturing processes that are essential to industry and daily life.

Our customers span a wide range of industries, and our products are used across diverse fields, including automotive, steel, electronic components, agricultural and industrial machinery, and lithium-ion batteries. We operate in Japan as well as in Asia, North America, and Europe, with overseas sales accounting for approximately 80% of net sales.

Plant decentralization and localized production

Our Group, which had historically based its production in Japan, began expanding its manufacturing footprint overseas in the 1990s. We have since expanded our production base globally, including establishing a carbon black plant in China in 2004, acquiring the German graphite electrode manufacturer TOKAI ERFTCARBON GmbH[1] in 2005, and acquiring the Canadian carbon black manufacturer Cancarb Limited in 2014. Furthermore, between 2017 and 2018, we established manufacturing bases in the United States—one of the world's leading markets for both graphite electrodes and carbon black—thereby strengthening our presence as a global player and building a stable supply system for high-quality products.

[1] Shares were transferred in June 2025.

Raw material procurement

For both carbon black and graphite electrodes, the number of suppliers capable of providing high-quality raw materials is limited. Therefore, we need to build close relationships with key suppliers to ensure a stable raw material procurement system.

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

For needle coke, each production site currently procures locally; however, from the perspective of supply stability, we are considering centralized procurement in the future to establish an optimal Group-wide purchasing system. Our Group holds significant market share in products such as carbon black and graphite electrodes, which are essential materials for our customers' daily production activities. Accordingly, we recognize that ensuring a stable supply of high-quality products is our most fundamental responsibility. As a Company that forms part of our customers' supply chains, we will continue to comply with all applicable laws, regulations, and social norms, while working to reduce environmental impact throughout our manufacturing processes.

Quality management

To provide products that meet customer expectations, we are committed to thorough quality control throughout the entire process: from the design stage through raw material procurement, manufacturing, logistics, and sales. We conduct inspections based on strict standards at every stage—from the receipt of raw materials and auxiliary materials through each manufacturing process to shipment—and aim to strengthen the "Ties of Reliability" with our customers by consistently providing safe and reliable products. All domestic manufacturing sites have obtained ISO 9001 certification, an international quality standard, as the foundation of our quality management. Each business division and site has established a quality management system in accordance with ISO 9001 and is engaged in continuous efforts to improve customer satisfaction. Under this framework, we continuously refine our products by repeating the Plan-Do-Check-Act (PDCA) cycle in each process on a daily basis. In addition to complying with all applicable laws, regulations, and social norms, we will continue to work to reduce environmental impact throughout the manufacturing process.

Pursuit of customer satisfaction

We are continuously engaged in technological development to enhance product functionality and environmental performance, and with every passing year, customer requirements for our products are becoming increasingly sophisticated and diverse. For customer-specific needs that cannot be fully addressed by existing products and technologies, we engage in joint research and development with our customers.

By developing a deep understanding of our customers' products and businesses and continually exploring the potential of materials that can drive industrial innovation, we aim to meet customer expectations and further enhance customer satisfaction.

Supply chain management

Basic approach to CSR procurement

Our Group adheres to a corporate philosophy of fostering “Ties of Reliability” with shareholders, customers, business partners, local communities, employees, and other stakeholders through our corporate activities. To maintain this trust and ensure sustainable business operations, we recognize the necessity of directly addressing global environmental and social challenges as a responsible entity.

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.

We publish this procurement policy below to inform all of our suppliers. Through this procurement policy, our Group will work together with suppliers to contribute to the realization of a sustainable society.

Tokai Carbon Group Procurement Policy
https://www.tokaicarbon.co.jp/en/sustanability/pdf/pdf_procurement.pdf?20240105

Implementation of CSR procurement surveys for our business partners

Our core philosophy, “Ties of Reliability,” reflects our commitment to building trusted relationships with stakeholders, including our business partners. With operations worldwide, we source raw materials from suppliers across the globe. Accordingly, we believe that addressing social issues throughout the supply chain is essential to strengthening these relationships with our stakeholders. We ask new and key business partners to agree to the Group’s procurement policy and to complete our CSR procurement questionnaire to confirm compliance. This questionnaire is based on the United Nations Global Compact’s “CSR Procurement Self-Assessment Tool.” The key survey items are designed to address environmental, social, and governance aspects to identify potential sustainability risks in the supply chain.

Conducting CSR procurement questionnaires for business partners
https://www.tokaicarbon.co.jp/en/sustanability/procurement.html

Occupational health and safety

Policies and targets

Our Group’s global safety policy states: “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	Actual	Boundary
2025	Injury frequency rate: 1.10 or less	0.70	Consolidated
2026	Injury frequency rate: 0.80 or less	-	

Risk assessment

We promote the implementation of risk assessments and appropriate countermeasures to eliminate hazards and reduce risks. Through these assessments, we evaluate risks that could lead to injury or affect health, prioritize identified risks, and improve the working environment accordingly.

When installing new production equipment or upgrading existing facilities, we conduct risk assessments from the design stage and take preventive measures where risks are high. In the event of work-related injuries, health issues, or serious incidents, we first assess the situation through on-site investigations, identify root causes using “why-why” analysis, implement measures to prevent recurrence, and verify their effectiveness. We also share information on incidents and countermeasures across all production sites to prevent similar incidents from happening.

Emergency response training

We have established an Emergency Response Manual for each site and conduct regular disaster prevention drills. These drills cover scenarios such as major earthquakes, tsunamis, fires, and other site-specific emergencies, including firefighting, first aid, evacuation, and oil spill response.

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 corporate philosophy of “Ties of Reliability.”
We fully support the Universal Declaration of Human Rights, which sets forth “a common standard of achievement for all peoples and all nations” to respect and secure human rights and freedoms.

Global policy on human rights

To fulfill our responsibility to respect human rights, we conduct our business with high ethical standards based on the United Nations Guiding Principles on Business and Human Rights. Drawing on these international frameworks, we established the Tokai Carbon Group Global Policy on Human Rights in July 2020. Under this policy, the Group works collectively to further advance respect for human rights. As part of our promotion framework, the Tokai Carbon Group Human Rights Awareness Committee plays a central role in ensuring that this Global Policy and our respect for human rights are thoroughly instilled throughout the Company.

We recognize that children are particularly vulnerable to human rights violations and require special consideration. Therefore, we support the Children’s Rights and Business Principles. We are committed to avoiding human rights violations against children in our business activities and to engaging in social contribution activities to advance the realization of their rights.

Tokai Carbon Group Global Policy on Human Rights
https://www.tokaicarbon.co.jp/en/sustanability/pdf/human_rights.pdf?20240105

Human rights due diligence

The Tokai Carbon Group conducts human rights due diligence to ensure respect for human rights in our business activities. We identify and evaluate the potential human rights risks that may occur throughout the value chain and human rights issues specific to our business, and strive to prevent and rectify them. We will continue to identify these issues on the basis of engagement with our employees, suppliers, business partners, and other stakeholders.

Human rights due diligence process

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

In FY2020, we assessed country risks at each business site of the Company and Group companies and identified priority human rights issues for each site. Since then, we have conducted human rights impact assessments at the Company and major domestic subsidiaries, and expanded the scope to include major overseas subsidiaries in FY2023. Through these assessments, we review each site’s management systems related to human rights and labor, whistleblowing mechanisms, and any instances of legal non-compliance. Where additional investigation is required, we conduct detailed follow-up reviews. As a result, we have confirmed that no material human rights violations occurred at any of the assessed sites during the six-year period from 2020 to 2025.

Corporate governance

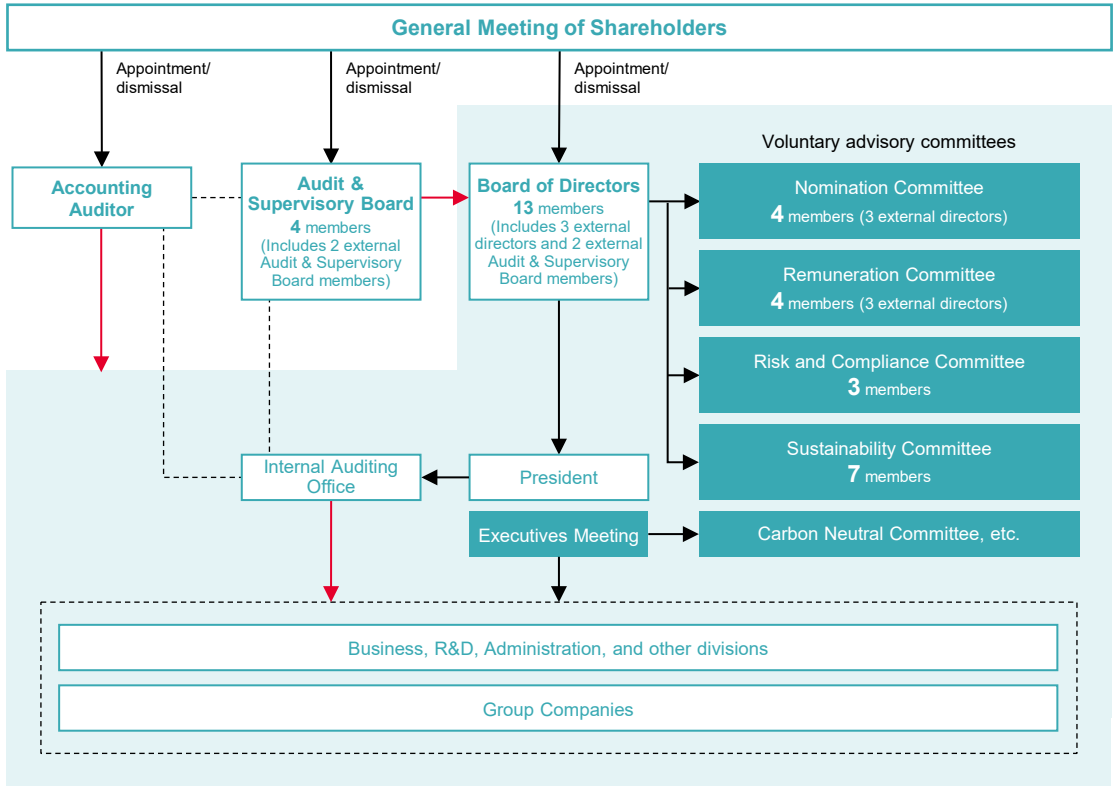
Tokai Carbon recognizes the enhancement of medium- to long-term corporate value as our most important management objective. To achieve this, it is vital that we meet the expectations of all our stakeholders, including customers and shareholders, and build strong relationships. Under that belief, we embrace the corporate 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.

Tokai Carbon Group
Corporate Governance Report

Governance at a glance (as of April 1, 2026)

Organizational structure	Company with auditors
Directors	9 members (including 3 external directors)
Audit & Supervisory Board Members	4 members (including 2 external Audit & Supervisory Board members)
Term of office of directors	1 year
Adoption of the executive officer system	Yes
Number of Board of Directors meetings (fiscal year ended December 2025)	23
Average attendance rate at Board of Directors meetings (fiscal year ended December 2025)	100%
Number of Audit & Supervisory Board meetings (fiscal year ended December 2025)	16
Average attendance rate at Audit & Supervisory Board meetings (fiscal year ended December 2025)	100%
Advisory committees to the Board of Directors	Nomination Committee Remuneration Committee Risk and Compliance Committee Sustainability Committee
Accounting Auditor	KPMG AZSA LLC

Corporate governance structure (as of April 1, 2026)



*Participants include directors and Audit & Supervisory Board members. The number of participants in the Risk and Compliance Committee and the Sustainability Committee includes observers (Audit & Supervisory Board members).

Evaluations of the effectiveness of the Board of Directors

Evaluation method

Method	• A signed questionnaire is administered to all directors and Audit & Supervisory Board members, followed by individual interviews with external directors to supplement the questionnaire. • Based on the aggregated results, the Board of Directors conducts discussions and determines the evaluation of its effectiveness and identifies future issues.
Evaluation items	Composition of the Board of Directors, operation of the Board of Directors, provision of information to external officers, improvements from the previous fiscal year, overall evaluation, and open-ended comments
Evaluation period	January 2025 – December 2025

Overview of findings in 2025

In 2016, Tokai Carbon fundamentally strengthened its board-centric governance framework centered on the Board of Directors by establishing new bodies, including the Nomination Committee, Remuneration Committee, Executives Meeting, and Risk and Compliance Committee. This has resulted in significant improvements in a number of aspects, a finding confirmed through annual evaluations of the effectiveness of the Board of Directors. A notable feature is the active attendance of all independent external directors at important meetings other than meetings of the Board of Directors, deepening their understanding of key matters. Effectiveness evaluations have reported that external directors' neutral and objective perspectives contribute significantly to enhancing the supervisory function of the Board of Directors. The current governance framework is now well established, with initial improvements appropriately maintained. In 2025, we also saw progress in strengthening the Board of Directors' role in strategic direction and in further integrating sustainability into management.

Matters discussed by the Board of Directors in 2025

Subject category		Topics
Governance, risk management, and management of subsidiaries	40.6%	Analysis and evaluation of the effectiveness of the Board of Directors
		Reports on financing, investments, and market risk management
		Internal control system policy, status of initiatives, and internal audit planning and reporting
		Risk and Compliance Committee reports
		Important matters related to management of subsidiaries
Human resources and organization	21.0%	Appointments of directors and officers
		Reorganization and regulatory revisions
Accounting and finance	17.4%	Monthly financial results, earnings bulletins, and securities reports
		Goodwill impairment
Management strategy and sustainability	18.8%	Annual budgets, management planning, and progress reports
		Business portfolio evaluation and analysis / review and disposal of cross-shareholdings
		Sustainability Committee / Carbon Neutral Committee reports
		Fundraising (corporate bonds and loans)
		Performance and plans for health and productivity management

Comments on the effectiveness assessment

- "The role of the Board of Directors is to oversee management and provide strategic direction for the Company's sustainable growth. For matters related to the Company's overall strategic direction—such as the medium-term management plan, business portfolio management, investment in human capital, digital transformation (DX), and sustainability—clear answers are not always readily available. It is therefore appropriate to bring these matters to the Board of Directors at the conceptual and deliberation stages, allowing the executive team to refine them by reflecting the Board's multifaceted discussions. Such an interactive process would enhance transparency in the consideration of key issues and improve the quality of decision-making. In addition to agenda and reporting items, it may also be beneficial to introduce dedicated discussion items as part of Board operations."
- "The Sustainability Committee and the Carbon Neutral Committee have each delivered solid results through their activities. To further strengthen alignment with business strategy, it will be important to enhance collaboration not only among business divisions but also across corporate functions."
- "From the perspective of enhancing corporate value, advancing business portfolio management requires not only considering how to strategically manage portfolios at both the corporate and business levels, but also developing concrete measures for execution. These are topics that warrant in-depth, comprehensive discussion—including R&D themes—as we implement the medium-term management plan."

Response to issues verified in the previous year

Among the issues identified in the previous year, we deepened Board-level discussions on the alignment of sustainability, including carbon neutrality initiatives, with business strategy. These discussions were informed by reports and recommendations from the Sustainability Committee, covering progress on materiality and KPIs as well as actions based on the results of the employee engagement survey, together with reports and recommendations from the Carbon Neutral Committee regarding the achievement of the 2030 target of a 25% reduction in CO_2 emissions.

Furthermore, as part of our efforts to enhance business portfolio management, we established a framework in 2024 under which each business division's economic spread and economic profit are reported to the Board of Directors on a quarterly basis. Based on this information, we have clarified which businesses require improvement and which should be prioritized for further growth, and have put in place a structure that implements structural reforms for underperforming businesses while prioritizing investment in growth-oriented businesses. In 2025, we completed structural reforms in the Graphite Electrode business and advanced preparations for reform in the Smelting and Lining and Friction Materials businesses. By advancing business portfolio management, we aim for management practices that are mindful of both cost of capital and share price.

Issues in 2026

This year, we will continue to focus on (1) aligning sustainability, including carbon neutrality initiatives, with business strategy and (2) enhancing business portfolio management, while also initiating (3) a review of our governance structure, including consideration of a transition to a Company with an Audit and Supervisory Committee.

Regarding (1), we will continue to advance the identification of key issues through the double materiality analysis we have been conducting since the second half of 2025, and will reflect the results in our management and business strategies. We also recognize the need to accelerate initiatives in human capital management and employee engagement in order to further align our business and human resources strategies. Regarding (2), we recognize as a key priority for the Board of Directors the steady advancement of structural reforms in the Smelting and Lining and Friction Materials businesses, while leveraging these efforts to drive future business and earnings growth. Regarding (3), we will proceed with reviewing our governance structure from the perspectives of strengthening the Board's supervisory function and enabling more agile decision-making.

Steps in strengthening governance

2016
- Establishment of the Nomination Committee, Remuneration Committee, and Risk and Compliance Committee as voluntary advisory committees to the Board of Directors
- Establishment of the Executives Meeting
- Meeting of the Board of Directors on a monthly basis and clarification of agenda items
- Appointment of multiple independent external directors

2017
- Start of annual evaluations of the effectiveness of the Board of Directors

2018
- Start of building a foundation for ESG management
- Establishment of independence standards for external officers
- Introduction of internal reporting system in the Group

2019
- Establishment and launch of the global finance and tax management framework
- Establishment of the Tokai Carbon Group Procurement Policy

2020
- Establishment of the Tokai Carbon Group Global Policy on Human Rights

2021
- Establishment of the Tokai Carbon Group Sustainability Policy
- Ensured independent external directors constitute at least one-third of the Board and appointed a female external director
- Establishment of the Business Portfolio Management Strategy Policy
- Disclosure of climate change risks and opportunities in accordance with TCFD Recommendations
- Disclosure of skills matrix of the Board of Directors

2022
- Establishment of the Sustainability Committee
- Establishment of the Carbon Neutral Committee
- Formulation of our long-term vision for 2030
- Establishment of Global Code of Conduct
- Commenced governance training for subsidiaries to strengthen Group governance

2023
- Linking executive remuneration to sustainability performance
- Formulation of policies on human resource development and workplace environment improvement

2024
- Establishment of Tokai Carbon Group Biodiversity Policy
- Information disclosure in line with TNFD recommendations

2025
- Revision of the Audit & Supervisory Board Regulations and Audit Standards for Audit & Supervisory Board Members
- Dispatch of an executive officer to Tokai COBEX and reorganization under the direct supervision of the Corporate Planning Department
- Strengthening of the Board of Directors' function in strategic direction
- Formulation of Vision 2030

Executive remuneration

Tokai Carbon's executive remuneration consists of fixed basic remuneration, variable performance-linked remuneration, and stock-based remuneration, which vary based on the achievement of performance targets. For directors and executive officers responsible for business execution, the proportion of performance-linked remuneration relative to basic remuneration increases with seniority, reflecting the scope of their responsibilities and their impact on the Company's performance.

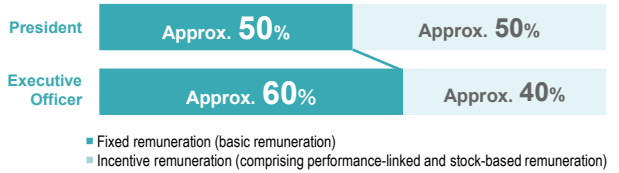
To ensure independence in determining individual remuneration, the Board of Directors delegates this authority to the Remuneration Committee, a majority of whose members are external directors. The Remuneration Committee conducts a multifaceted review, including consistency with the remuneration policy, and the Board of Directors has determined that remuneration is being appropriately set based on this process. Remuneration for Audit & Supervisory Board Members is determined through consultation among the members, within the limits approved at the General Meeting of Shareholders.

Remuneration policy

Directors and Executive Officers (excluding external directors)	The policy for determining remuneration for directors and executive officers is subject to resolution by the Board of Directors. Remuneration is set within the limits approved at the General Meeting of Shareholders and is aligned with the Company's performance as well as individual performance and achievements. The objective is to ensure that officers responsible for business execution are strongly incentivized to achieve ambitious management targets and maximize medium- to long-term corporate value, while maintaining remuneration at a level that meets the following criteria: • Remuneration that encourages commitment to short-, medium-, and long-term management targets • Remuneration at a level that motivates current and future executive candidates and remains competitive with peers • Remuneration that ensures transparency and rationality, thereby fulfilling accountability to stakeholders, including shareholders and investors
External Directors and Audit & Supervisory Board Members	Basic remuneration only

Remuneration composition ratio

In the position-specific remuneration composition ratio, incentive remuneration (here meaning the ratio of position-linked remuneration + stock-based remuneration) for the President is set to the highest level, at approximately 50%. That of executive officers, approximately 40%, declines in line with position.



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 incentives	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 individuals' targets (including sustainability targets)
	Medium- to long-term incentives	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 individuals' targets
Stock-based remuneration (Restricted stock-based remuneration)		Up to 100 million JPY 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

Fixed remuneration (basic remuneration)
+
Performance-linked remuneration (Short-, medium-, and long-term incentives)
+
Stock-based remuneration (Restricted stock-based remuneration)

	Performance criteria		Weighting
Short-term incentives	Financial performance (single year)	Net sales, ROS, ROIC, and free cash flows	80%
	Individual performance	(incl. sustainability targets such as addressing climate change)	20%
Medium- to long-term incentives	Financial performance (3-Year)	Net sales, ROS, ROIC, and free cash flows	80%
	Degree of improvement in score/ratings	ESG rating agencies (FTSE/MSCI/CDP)	
	Individual performance		20%

Compliance

We have established a set of foundational policies, including our corporate philosophy, action guidelines, and global code of conduct. Guided by these principles, we comply with applicable laws and regulations and conduct our business activities with a high standard of ethics.

Management structure

The Risk and Compliance Committee, an advisory body to the Board of Directors, deliberates on important matters related to risk and compliance, including Group-wide risk countermeasures. Based on these deliberations, it provides guidance to relevant departments and reports on progress and makes recommendations to the Board of Directors.

Internal reporting system

The Company has established an internal reporting system to enable the early detection and remediation of misconduct, including corruption and legal violations, as well as any suspected incidents.

Reporting channels are available both internally (Legal Department and Audit & Supervisory Board members) and externally (external legal counsel), and reports may be submitted by telephone, email, or in writing, including on an anonymous basis. The system also accommodates reports from external parties and submissions in multiple languages.

To protect whistleblowers, the Company prohibits any disadvantageous treatment on the basis of a report, except in cases of malicious intent. Confidentiality is strictly maintained in accordance with internal rules, and the Head of the Legal Department is responsible for overseeing investigations into reported matters.

Where misconduct is identified, the Company implements corrective actions and measures to prevent recurrence and takes disciplinary action in accordance with internal regulations. The system is communicated to employees and stakeholders through manuals and training, ensuring that it is readily accessible and easy to use.

Prevention of corruption

The Company complies with international standards and applicable laws and regulations related to the prevention of corruption, and clearly states in its Global Code of Conduct that it does not engage in any form of corruption, including in dealings with public officials and government-related parties. Accordingly, the Company prohibits bribery and any conduct that may give rise to suspicion of bribery, including the offering or provision of benefits in exchange for preferential treatment, as well as the solicitation or acceptance of cash, excessive entertainment, or other improper benefits. The Company also prohibits misconduct such as the misappropriation of Company funds by employees and involvement in money laundering.

Information security

Recognizing the importance of establishing and maintaining an appropriate risk management framework for information security, the Tokai Carbon Group has established a Global Security Policy applicable to all employees. Under this policy, we work to protect the Group's information assets and ensure compliance with relevant laws and regulations, while continuously strengthening our information security.

Tokai Carbon Global Security Policy
https://www.tokaicarbon.co.jp/en/sustanability/information_security.html

Management structure

The Company has established a structure for the management and oversight of information security, with a dedicated responsible department in place. The Risk and Compliance Committee—an advisory body to the Board of Directors—oversees initiatives to address key risks, including information security, and monitors incident trends. Based on its deliberations, the Committee reports to the Board of Directors and provides recommendations on necessary measures.

Initiatives to strengthen information security

The Company continues to strengthen its information security measures.

In response to the increasing frequency and sophistication of cyberattacks in recent years, it has enhanced its measures in the following areas:

- Regular identification and remediation of vulnerabilities in IT systems and equipment
- Collection of data on information security and cybersecurity incidents
- Implementation of access controls and anti-malware measures
- Deployment of managed detection and response (MDR) to monitor PCs, servers, and network communications and enable prompt response to suspicious or abnormal activity
- Development of emergency response plans and incident response procedures, including internal reporting procedures for employees to report incidents, vulnerabilities, and suspicious activity

Directors and Audit & Supervisory Board Members

President and Chief Executive Officer

Hajime Nagasaka

Director
Managing Executive Officer

Masafumi Tsuji

Director
Executive Officer

Katsuyuki Yamaguchi

Director
Executive Officer

Tatsuhiko Yamazaki

Director
Executive Officer

Akihiko Sato

Director
Executive Officer

Tsunayuki Sato

External Director
(Independent Officer)

Mayumi Asada

External Director
(Independent Officer)

Kimiya Sano

External Director
(Independent Officer)

Akira Takada

Gender	Male	Male	Male	Male	Male	Male	Female	Male	Male
Length of service	**20** years	**9** years	**7** years	**3** years	Newly appointed	Newly appointed	**5** years	Newly appointed	Newly appointed
Attendance (FY2025) (attended/held)									
Board of Directors	**100**% (23 out of 23)	**100**% (23 out of 23)	**100**% (23 out of 23)	**100**% (23 out of 23)	—	—	**100**% (23 out of 23)	—	—
Areas of experience and expertise									
Business management	●	●		●				●	
Finance and accounting					●	●		●	●
Legal and risk management		●			●	●	●	●	●
International business	●	●		●		●			
Manufacturing, technology, and ICT			●	●					
Sales and marketing	●		●	●				●	
Human resources and human resource development	●	●					●		
ESG and sustainability	●	●	●		●		●		
Other concurrent positions	—	• TOKAI CARBON GE LLC Chair of the Board of Directors	—	• President and CEO, THAI TOKAI CARBON PRODUCT COMPANY LIMITED • President and CEO, Thai Tokai Carbon Product Rojana Co., Ltd.	• Chair of the Advisory Board, Tokai COBEX HoldCo GmbH	• TOKAI CARBON US HOLDINGS INC. President and CEO	• Representative, Marunouchi Building Aoi Law Office • Business Director, Incorporated Educational Institution Nikaido Gakuen	• Outside Director, Katakura & Co-op Agri Corporation • Senior Advisor, Katakura Industries Co., Ltd.	• External Director, SANKYU INC. • External Director, Tomoe Corporation Audit and Supervisory Committee Member

For detailed career information, please refer to our website.
https://contents.xj-storage.jp/xcontents/AS04435/4f8f5a8a/2776/435e/a70c/578b024efdf2/20260421171057782s.pdf

				
	Full-time Audit & Supervisory Board member	Full-time Audit & Supervisory Board member	External Audit & Supervisory Board member (Independent Officer)	External Audit & Supervisory Board member (Independent Officer)
	Yuji Serizawa	Kanji Sugihara	Kaoru Ogashiwa	Yoshinori Matsushima
Gender	Male	Male	Male	Male
Length of service	**3** years	**2** years	**6** years	**3** years
Attendance (FY2025) (attended/held)				
Board of Directors	**100**% (23 out of 23)	**100**% (23 out of 23)	**100**% (23 out of 23)	**100**% (23 out of 23)
Areas of experience and expertise				
Business management				
Finance and accounting			●	●
Legal and risk management	●	●	●	●
International business	●			
Manufacturing, technology, and ICT		●		
Sales and marketing				
Human resources and human resource development				
ESG and sustainability				
Other concurrent positions	—	—	• Representative, Ogashiwa Kaoru Certified Tax Accountant Office • External Director and Audit and Supervisory Committee member, Senkon Logistics Co., Ltd.	• Representative, Matsushima Certified Public Accountant Office

For detailed career information, please refer to our website.
https://contents.xj-storage.jp/xcontents/AS04435/4f8f5a8a/2776/435e/a70c/578b024efdf2/20260421171057782s.pdf

Reasons for selection of the knowledge and experience expected of directors and Audit & Supervisory Board members

Knowledge and experience	Selection criteria
Business management	We consider extensive knowledge and experience involving comprehensive corporate and organizational management to be important in achieving medium to long-term enhancement of corporate value under an environment of high uncertainty.
Finance and accounting	We consider extensive knowledge and experience involving finance and accounting to be important in evaluating the growth and profitability of businesses, maintaining financial soundness, and achieving high capital efficiency.
Legal and risk management	We consider extensive knowledge and experience involving legal affairs, risk management, and compliance to be important in accurately grasping varied risks in management and enacting appropriate countermeasures.
International business	As approximately 80% of our sales are generated overseas, we consider extensive knowledge and experience involving overseas business and management to be important in successfully operating and expanding the overseas business of the Company.
Manufacturing, technology, and ICT	As a manufacturing Company, we consider extensive knowledge and experience involving manufacturing technology and ICT to be important in stably creating high-quality products that meet the needs of the times.
Sales and marketing	We consider extensive knowledge and experience involving sales and marketing to be important in capturing the needs of diverse customers to globally expand sales of our products and in creating value that exceeds customers' expectations.
Human resources and human resource development	We consider extensive knowledge and experience involving personnel affairs and human resource development to be important for maximizing the value of human capital, such as creating an environment in which diverse human resources can maximize their individual capabilities.
ESG and sustainability	We consider extensive knowledge and experience involving ESG and sustainability to be important in addressing global environmental issues such as climate change and in contributing to the realization of a sustainable society.

Data

Long-term earnings summary FY2015–FY2025 (consolidated)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statements of Income												
Net sales	(million JPY)	104,864	88,580	106,252	231,302	262,028	201,542	258,874	340,371	363,946	350,114	322,960
Gross profit	(million JPY)	19,960	16,529	27,451	99,378	92,840	49,555	70,732	94,052	98,727	80,635	79,740
Selling, general and administrative expenses	(million JPY)	15,871	15,398	16,358	26,312	38,495	41,696	46,085	53,463	59,998	61,248	53,890
Operating profit	(million JPY)	4,088	1,131	11,093	73,065	54,344	7,858	24,647	40,588	38,728	19,386	25,850
Ordinary income	(million JPY)	4,317	1,702	12,855	72,991	52,986	6,262	24,770	42,521	41,607	22,579	26,312
Net income before income taxes	(million JPY)	6,726	(7,938)	15,533	95,811	51,226	6,116	23,354	42,111	41,998	(47,395)	30,918
Income taxes	(million JPY)	4,345	(67)	2,740	21,543	17,175	2,283	3,248	14,782	13,243	5,304	7,644
Net income	(million JPY)	2,484	(7,929)	12,603	74,268	34,050	3,833	20,106	27,329	28,754	(52,699)	23,274
EBITDA	(million JPY)	14,581	10,616	17,740	85,374	77,053	35,262	54,518	75,572	75,949	61,120	58,443
Sales ratio												
Gross profit	(%)	19.0	18.7	25.8	43.0	35.4	24.6	27.3	27.6	27.1	23.0	24.7
Selling, general and administrative expenses	(%)	15.1	17.4	15.4	11.4	14.7	20.7	17.8	15.7	16.5	17.5	16.7
Return on sales (ROS)	(%)	3.9	1.3	10.4	31.6	20.7	3.9	9.5	11.9	10.6	5.5	8.0
Ordinary income	(%)	4.1	1.9	12.1	31.6	20.2	3.1	9.6	12.5	11.4	6.4	8.1
Net income before income taxes	(%)	6.4	(9.0)	14.6	41.4	19.5	3.0	9.0	12.4	11.5	(13.5)	9.6
Net income	(%)	2.4	(9.0)	11.6	32.1	13.0	1.9	7.8	8.0	7.9	(15.1)	7.2
EBITDA	(%)	13.9	12.0	16.7	36.9	29.4	17.5	21.1	22.2	20.9	17.5	18.1
Investment-related												
Capital expenditure	(million JPY)	5,301	6,013	4,282	11,794	24,341	28,873	30,347	48,150	53,316	56,715	36,854
Depreciation and amortization	(million JPY)	9,242	8,124	6,647	10,390	18,503	20,890	22,900	27,460	29,065	33,028	27,700
R&D expenses	(million JPY)	1,822	2,249	1,482	1,883	2,460	2,682	2,823	3,171	3,605	4,334	4,428
Cash flow												
Operating cash flows	(million JPY)	20,613	17,505	10,543	44,109	41,664	55,022	38,072	41,205	62,074	64,471	55,872
Investment cash flows	(million JPY)	3,189	(3,622)	(14,039)	(53,849)	(99,159)	(44,301)	(35,282)	(49,900)	(47,632)	(70,777)	(51,052)
Free cash flows	(million JPY)	23,802	13,883	(3,496)	(9,740)	(57,495)	10,721	2,790	(8,695)	14,442	(6,306)	4,820
Financing cash flows	(million JPY)	(14,926)	(7,613)	(4,534)	29,677	64,568	927	1,211	(10,629)	(14,512)	9,410	(7,689)
Increase (decrease) in cash and cash equivalents	(million JPY)	8,180	5,602	(6,376)	18,979	5,318	11,284	6,707	(15,057)	7,081	8,676	(808)
Exchange rate[1,2]	(USD/JPY)	121.05	108.85	112.19	110.43	109.05	106.82	109.80	131.43	140.56	151.58	149.71

[1] Corporate exchange rate
[2] Figures have been revised retrospectively

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balance Sheet												
Total current assets	(million JPY)	87,968	77,645	85,444	164,220	196,446	177,678	215,149	246,691	262,890	270,566	258,828
On-hand liquidity	(million JPY)	23,045	28,528	22,152	46,797	52,695	67,174	78,858	70,909	77,465	92,207	90,156
Accounts receivable	(million JPY)	26,897	24,220	30,265	55,137	50,648	41,438	56,668	65,197	65,530	69,175	66,781
Inventory	(million JPY)	34,253	20,734	27,564	58,789	86,380	63,797	72,479	101,330	109,332	100,943	93,297
Other current assets	(million JPY)	3,771	4,162	5,463	3,945	6,722	5,266	7,143	9,254	10,563	8,241	8,594
Total fixed assets	(million JPY)	96,106	81,178	99,286	165,648	266,425	282,031	297,353	329,773	377,114	372,951	405,204
Tangible fixed assets	(million JPY)	56,629	43,122	51,405	80,312	101,343	125,007	144,165	181,948	223,804	266,070	290,429
Intangible fixed assets	(million JPY)	11,324	10,534	16,343	61,805	141,966	133,349	123,349	118,839	117,051	67,414	61,520
Investment and other assets	(million JPY)	28,153	27,521	31,537	23,529	23,115	23,674	29,838	28,986	36,258	39,466	53,255
Total assets	(million JPY)	184,074	158,824	184,730	329,868	462,872	459,709	512,503	576,465	640,005	643,517	664,033
Total current liabilities	(million JPY)	31,126	29,028	36,870	91,654	117,541	92,656	130,418	146,696	136,971	148,138	126,726
Short-term interest-bearing liabilities	(million JPY)	9,537	12,910	14,074	41,709	68,363	51,879	74,710	80,745	70,218	73,939	68,096
Accounts payable	(million JPY)	11,397	9,591	14,522	26,001	28,936	18,648	26,229	32,272	29,469	26,636	23,410
Other current liabilities	(million JPY)	10,191	6,525	8,274	23,944	20,241	22,129	29,478	33,676	37,280	47,561	35,217
Total long-term liabilities	(million JPY)	27,976	16,806	20,728	30,381	112,355	142,237	125,514	128,900	142,930	170,639	184,460
Long-term interest-bearing liabilities	(million JPY)	14,398	4,137	2,068	8,000	79,666	106,764	93,539	90,706	96,424	117,301	130,015
Other long-term liabilities	(million JPY)	13,577	12,669	18,660	22,381	32,689	35,473	31,974	38,190	46,504	53,338	54,445
Total liabilities	(million JPY)	59,103	45,834	57,599	122,035	229,896	234,894	255,932	275,596	279,902	318,777	311,187
Total net assets	(million JPY)	124,971	112,989	127,130	207,833	232,975	224,815	256,570	300,868	360,103	324,740	352,846
Shareholders' equity	(million JPY)	108,910	99,693	110,089	179,500	203,819	196,543	206,269	218,761	237,220	170,719	183,111
Total liabilities and net assets	(million JPY)	184,074	158,824	184,730	329,868	462,872	459,709	512,503	576,465	640,005	643,517	664,033
Ratio analysis												
ROA	(%)	2.2	1.0	7.5	30.0	13.4	1.4	5.1	4.7	4.5	(8.2)	3.5
ROE	(%)	2.0	(6.8)	10.4	46.8	16.0	0.5	7.5	9.0	8.6	(18.4)	6.6
Capital-to-asset ratio	(%)	66.8	69.9	68.4	56.7	45.8	43.8	44.7	46.6	50.7	44.9	47.9
Indicator per share												
EPS	(JPY)	12	(37)	58	344	150	4.78	75.55	105.16	119.45	(264.77)	94.05
BPS	(JPY)	577	521	593	878	994	944.16	1,075.19	1,260.95	1,521.89	1,354.46	1,491.09
Dividends	(JPY)	6	6	12	24	48	30	30	30	36	30	30
Dividend payout ratio	(%)	52	-	21	7	32	627	40	29	30	-	32

Performance by business segment FY2021–FY2025 (consolidated)

		2021	2022	2023	2024	2025
Carbon Black						
Net sales	(million JPY)	99,491	138,484	148,423	156,793	147,093
Operating profit	(million JPY)	8,783	12,282	21,303	21,706	13,135
Operating income to sales	(%)	8.8	8.9	14.4	13.8	8.9
EBITDA	(million JPY)	14,868	20,491	29,270	31,962	24,646
EBITDA margin	(%)	14.9	14.8	19.7	20.4	16.8
Fine Carbon						
Net sales	(million JPY)	39,125	49,393	45,319	53,890	55,969
Operating profit	(million JPY)	9,611	14,825	10,617	12,437	7,704
Operating income to sales	(%)	24.6	30.0	23.4	23.1	13.8
EBITDA	(million JPY)	15,199	21,270	17,689	20,253	17,951
EBITDA margin	(%)	38.8	43.1	39.0	37.6	32.1
Smelting and Lining						
Net sales	(million JPY)	49,696	65,203	82,820	64,512	61,751
Operating profit	(million JPY)	1,925	1,345	2,305	(13,701)	1,503
Operating income to sales	(%)	3.9	2.1	2.8	(21.2)	2.4
EBITDA	(million JPY)	14,097	14,829	17,446	2,449	5,582
EBITDA margin	(%)	28.4	22.7	21.1	3.8	9.0
Graphite Electrodes						
Net sales	(million JPY)	40,619	59,630	60,235	48,818	37,573
Operating profit	(million JPY)	(400)	8,032	752	(3,529)	2,389
Operating income to sales	(%)	(1.0)	13.5	1.2	(7.2)	6.4
EBITDA	(million JPY)	4,162	13,549	6,449	2,562	7,403
EBITDA margin	(%)	10.2	22.7	10.7	5.2	19.7

		2021	2022	2023	2024	2025
Industrial Furnaces and Related Products						
Net sales	(million JPY)	18,019	16,272	15,614	16,291	10,728
Operating profit	(million JPY)	5,396	4,475	3,860	3,304	2,268
Operating income to sales	(%)	29.9	27.5	24.7	20.3	21.1
EBITDA	(million JPY)	5,701	4,797	4,211	3,661	2,723
EBITDA margin	(%)	31.6	29.5	27.0	22.5	25.4
Other						
Net sales	(million JPY)	11,922	11,387	11,532	9,807	9,843
Operating profit	(million JPY)	754	1,108	1,299	403	617
Operating income to sales	(%)	6.3	9.7	11.3	4.1	6.3
EBITDA	(million JPY)	1,313	1,589	1,783	883	1,102
EBITDA margin	(%)	11.0	14.0	15.5	9.0	11.2

List of sustainability targets

Rating: ○ Achieved △ Partially achieved × Not achieved

Goals	FY2025				FY2026	
	Specific numerical targets	Boundary[1]	Actual	Rating	Specific numerical targets	Boundary[1]
● Harmony with the global environment						
Reduction of environmental impact						
Reduction of greenhouse gas emissions	Reduce total CO_2 emissions by 25% (vs. 2018) by 2030 and achieve carbon neutrality by 2050	Consolidated	Total CO_2 emissions for the Group in 2025 (Scope 1 and 2): 1,938 thousand tCO_2 (37% reduction from 2018). This was mainly due to factors such as the use of renewable energy and fuel switching.	○	Reduce total CO_2 emissions by 25% (vs. 2018) by 2030 and achieve carbon neutrality by 2050	Consolidated
Reduction of pollution	NOx emissions: 3,330 t/year or lower (2% reduction against 2021) SOx emissions: 17,670 t/year or lower (5% reduction against 2021) Volatile organic compounds (VOC): 265 t/year or lower (5% reduction against 2022)	Consolidated[2]	NOx emissions : 2,655 t SOx emissions : 11,779 t VOC : 181 t	○	NOx emissions : 3,260 t/year or less (4% reduction against 2021) SOx emissions : 16,740 t/year or less (10% reduction against 2021) VOC : 250 t/year or less (10% reduction against 2022)	Consolidated[2]
	Zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated	There were two major environmental complaints. Both were water quality issues, and fundamental measures are currently under consideration (as of March 3, 2026).	×	Zero environmental complaints against the Company (contamination of air, water, etc.)	Consolidated
	40% of product transport packaging to be changed to environmentally friendly types by the end of 2025.	TCX	Of all product transport packaging used at Tokai COBEX, 42% was changed to environmentally friendly types, achieving the target	○	-	-
Reduction of water use	Water use of 8.9 million m^3/year or lower (1% reduction in consumption against 2021)	Consolidated[3]	2025 water use: 7.5 million m^3	○	Water use of 8.8 million m^3/year or lower (2% reduction in consumption against 2021)	Consolidated[3]
Realization of a circular economy						
Recycling of waste	Recycling rate of 51% or higher (1% increase against 2021)[5]	Consolidated[4]	Recycling rate: 68.5%	○	Recycling rate of 52% or higher (2% increase against 2021)[5]	Consolidated[4]
Use of sustainable resources	rCB[6] secondary processing pilot plant to be put into operation by the end of 2027	CB business	Orders for large-scale equipment construction completed, with construction to begin in 2026	○	rCB[6] secondary processing pilot plant to be put into operation by the end of 2027	CB business
● Contributing to society through business						
Technological innovation						
Promotion of research and development	90% or more of development expenditures allocated to reduction of environmental impact	Domestic group[7]	96% of development expenditures allocated to reduction of environmental impact	○	90% or more of development expenditures allocated to reduction of environmental impact	Domestic group
	80% or more of development expenditures allocated to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.	74% 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.
	90% or more of patent applications in areas related to reduction of environmental impact	Domestic group[8]	100% 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
	70% or more of patent applications in areas related to reduction of environmental impact	Tokai Konetsu Kogyo Co., Ltd.	100% 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.
Providing safe and secure products						
Improvement of product quality	Zero significant quality complaints	Consolidated	Zero significant quality complaints	○	Zero significant quality complaints	Consolidated
Supply chain management						
Reduction of suppliers' CSR risks	Implement CSR survey of key suppliers	Consolidated	CSR surveys completed for 11 key suppliers at major overseas subsidiaries (on a consolidated basis)	○	Implement CSR survey of key suppliers	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.). However, [7] and [8] exclude Tokai Konetsu Kogyo Co., Ltd.
[2] NOx coverage: Tokai Carbon Co., Ltd. + 6 overseas companies (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 coverage: Tokai Carbon Co., Ltd. + 5 overseas companies (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)
VOC coverage: Tokai Carbon Co., Ltd. + 4 overseas companies (Tokai Carbon GE LLC, Tokai Carbon CB Ltd., Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)
[3] Tokai Carbon Co., Ltd. + 8 domestic and overseas companies (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. + 10 domestic and overseas companies (Tokai Konetsu Kogyo Co., Ltd., Tokai Fine Carbon Co., Ltd., Tokai Material Co., Ltd., 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 (%) = recycled waste volume (weight of recycled waste) ÷ total waste generated × 100.
[6] rCB (recovered carbon black): Recovered carbon black extracted from polymer products containing rubber, such as used tires.

Goals	FY2025				FY2026	
	Specific numerical targets	Boundary[1]	Actual	Rating	Specific numerical targets	Boundary[1]
Contributing to society through business						
Respect for human rights						
Raising employees' awareness of human rights	Implement human rights due diligence at Tokai Carbon and at Group companies in Japan and overseas	Consolidated	Human rights DD completed for FY2025 covering Tokai Carbon Co., Ltd. and domestic and overseas Group companies	○	Implement human rights due diligence at Tokai Carbon and at Group companies in Japan and overseas	Consolidated
Contributing to communities						
Active engagement in community contribution activities	Enhance disclosure of community contribution activities	Consolidated	Total donations and activity expenses: Approx. 44.4 million JPY (donations to shrines and festivals, donations to support local culture, sports, and education, etc.) Community outreach activities: Cleanups, food donations, inviting students for Company visits, etc.	○	Enhance disclosure of community contribution activities	Consolidated
Strengthening our management foundation						
Strengthening corporate governance						
Internal control	Continuous improvement and enhancement of internal control	Consolidated	Conducted assessment and reporting on the status of operation of the internal control system in line with plans	○	Continuous improvement and enhancement of internal control	Consolidated
	Examination of a Group-wide information sharing platform		Utilization of a Group portal to share our long-term vision and other information across the entire Group	○	Improvement of the usefulness of the information sharing platform for the entire Group	
Risk management	Examination and monitoring of raw materials procurement for stable supply of products due to geopolitical risks	Consolidated	Continuously collected information regarding geopolitical and other risks. In addition, the status of examination of alternative raw material procurement sources for each business was reported to the Risk and Compliance Committee	○	Examination and monitoring of raw materials procurement for stable supply of products due to geopolitical risks	
	Development of overseas crisis management structure (ongoing)		Formulation and updating of overseas crisis management manuals and evacuation plans Conducted tabletop exercises simulating overseas emergencies	○	Development of overseas crisis management structure (ongoing)	
Thorough enforcement of compliance						
Compliance with ethical standards, laws, and regulations	Zero regulatory violations with serious impacts	Consolidated	Received administrative guidance regarding the personal information leakage incident that occurred in May 2025. Personal information handling regulations and rules were revised and recurrence prevention measures were formulated	△	Zero regulatory violations with serious impacts	Consolidated
	Strengthened communication and collaboration with personnel in charge at each subsidiary based on the actual status of the compliance systems of domestic and overseas subsidiaries		Utilizing the Group portal site for dissemination of compliance information Strengthening the Group compliance system through the utilization of the internal reporting system	○	Awareness-raising activities to promote the use of the internal reporting system, and strengthening the dissemination of compliance information using the portal	
Development of human resources						
Securing diverse talent	Percentage of female employees in managerial positions to increase from 3.8% in 2024 to 5.6% or more by 2027	Non-consolidated	The percentage of female employees in managerial positions as of the end of December 2025 is 3.5% (down from the previous year as the total number of managers increased)	△	Increase the percentage of female managers to 7% or more by the end of March 2030	Non-consolidated
	Percentage of new female graduates hired for career-track positions: 30% (non-consolidated)		Percentage of new female graduates hired (non-consolidated) who entered the Company in April 2026: 17.6%	△	Percentage of new female graduates hired for career-track positions: 30% (non-consolidated)	
	Establish a supportive working environment for employees raising children or providing nursing care for family members		Strived to improve the workplace environment at all business sites through the implementation of training and the expansion of systems to support a balance between work and childcare/nursing care	○	Establish a supportive working environment for employees raising children or providing nursing care for family members	
Improvement of employee satisfaction	Enhancement of engagement score (compared to the previous score)	Non-consolidated	The 2025 engagement score improved compared to the previous survey, achieving our targets	○	Enhancement of engagement score (compared to the previous score)	Non-consolidated
Implementation of effective training	Total training hours planned by head office (new-hire training / specialist training)	Domestic group	Total hours of specialized training in 2025: 1,335 hours Total hours of new employee training: 2,294 hours	○	Support for learning and professional development: Implementation of digital education for all levels	Domestic group
Promoting occupational safety and health						
Reduction of occupational accidents	Reduction of injury frequency rate (1.10 or lower)	Consolidated	Injury frequency rate: 0.70	○	Reduction of occupational accidents (injury frequency rate of 0.80 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.).

Non-financial indicators (social)

	Boundary	Unit	FY2021	FY2022	FY2023	FY2024	FY2025
Total employees	Consolidated	(persons)	4,289	4,378	4,427	4,625	4,436
	Non-consolidated	(persons)	760	763	779	782	727
Overseas employees	Consolidated	(%)	70.4	70.7	70.2	71.3	71.4
Female employees	Non-consolidated	(%)	8.3	9.6	9.5	9.5	9.8
New female graduates hired for career-track positions	Non-consolidated	(%)	33.3	66.6	40.0	33.3	25.0
Women in managerial positions	Non-consolidated	(%)	2.8	3.0	4.0	3.8	3.5
	Overseas subsidiaries[1]	(%)	-	-	-	22.0	24.2
Non-Japanese employees in managerial positions	Non-consolidated	(%)	-	1.5	1.0	0.0	0.9
Mid-career hires in managerial positions	Non-consolidated	(%)	-	10	11.8	34.6	34.3
Employees with disabilities	Non-consolidated	(%)	2.55	2.36	1.94	2.14	2.06
Total new hires	Non-consolidated	(persons)	-	-	54	46	32
Employees resigning (incl. mandatory retirees)	Non-consolidated	(persons)	31	37	36 (15)	44 (13)	86 (18)
Employee turnover	Non-consolidated	(%)	4.08	4.85	4.62	5.63	12.00
Employees resigning for personal reasons	Non-consolidated	(persons)	20	25	21	30	35
Employees resigning for personal reasons	Non-consolidated	(%)	2.63	3.28	2.7	3.84	4.81
Employees returning from childcare leave	Non-consolidated	(%)	100	100	100	100	100
Childcare leave uptake by male employees	Non-consolidated	(%)	-	-	90.4	103.5	84.2
Annual paid leave taken	Non-consolidated	(%)	69.3	77.7	76.6	[2]	[2]
Average monthly overtime hours per employee	Non-consolidated	(h)	11.17	10.55	10.45	[2]	10.02
Occupational accident frequency rate	Consolidated	-	1.30	1.20	0.80	1.11	0.70

[1] Boundary: Overseas subsidiaries with 250 or more employees.
[2] The 2025 results are scheduled to be updated around July 2026 and can be reviewed on our website.

Non-financial indicators (environmental)

★ Data assured by a third party

		Unit	2019	2020	2021	2022	2023	2024	2025
GHG emissions[1]									
GHG emissions (Scope 1 + 2)	Consolidated	(thousand tCO_2e)	2,687	2,232	2,409	2,408	2,219	2,032	1,938 ★
Scope 1	Consolidated	(thousand tCO_2e)	2,164	1,825	2,070	2,018	1,900	1,745	1,652 ★
Scope 2	Consolidated	(thousand tCO_2e)	523	406	339	391	318	287	285 ★
Scope 3	Consolidated	(thousand tCO_2e)	N/A	N/A	N/A	1,805	1,596	1,444	[4]
Category 1	Consolidated	(thousand tCO_2e)	N/A	N/A	N/A	1,343	1,125	967	967 ★
Category 2	Consolidated	(thousand tCO_2e)	N/A	N/A	N/A	51	99	145	205 ★
Category 3	Consolidated	(thousand tCO_2e)	N/A	N/A	N/A	82	74	66	63 ★
Category 4	Non-consolidated	(thousand tCO_2e)	5	5	6	6	7	6	[4]
Category 5	Non-consolidated	(thousand tCO_2e)	0.5	0.4	0.7	0.5	0.6	0.6	[4]
Category 6	Non-consolidated	(thousand tCO_2e)	N/A	N/A	N/A	0.4	0.5	0.4	[4]
Category 7	Non-consolidated	(thousand tCO_2e)	0.4	0.4	0.4	0.4	0.4	0.4	[4]
Category 8		(thousand tCO_2e)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Category 9		(thousand tCO_2e)	N/A	N/A	N/A	N/A	0.7	0.9	[4]
Category 10		(thousand tCO_2e)	N/A	N/A	N/A	N/A	0.9	2	[4]
Category 11	Consolidated	(thousand tCO_2e)	2,827	1,402	1,228	321	288	256	218 ★
Category 12	Consolidated	(thousand tCO_2e)	-	-	-	-	-	-	-
Category 13		(thousand tCO_2e)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Category 14		(thousand tCO_2e)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Category 15		(thousand tCO_2e)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Energy[1]									
Total energy consumption	Consolidated	(GWh)	2,002	1,983	2,047	2,383	2,391	2,039	2,013 ★
Non-renewable energy consumption	Consolidated	(GWh)	2,002	1,983	1,867	2,178	2,173	1,847	1,791 ★
Renewable energy consumption	Consolidated	(GWh)	0	0	180	204	218	192	222 ★
Water									
Amount of water intake	Consolidated[2]	(thousand m^3)	8,937	7,836	9,006	8,726	8,452	8,019	7,693
Water intake per unit of sales	Consolidated		34.1	38.9	34.8	25.6	23.1	22.9	23.8
Effluent	Consolidated	(thousand m^3)	2,742	2,609	2,717	2,548	2,637	2,633	2,232
Industrial waste									
Amount generated (hazardous)	Consolidated[3]	(t)	-	3,332	2,216	2,569	2,805	1,480	1,753
Amount generated (non-hazardous)	Consolidated	(t)	-	34,774	36,669	43,348	43,472	36,282	35,193
Recycled amount	Consolidated	(t)	-	21,608	19,406	20,516	24,886	22,080	25,460
Recycling rate	Consolidated	(%)	-	56.7	49.9	44.7	53.8	58.5	68.9
Final disposal amount (landfill amount)	Consolidated	(t)	-	12,939	15,160	16,337	14,859	7,703	10,151
Final disposal rate (landfill rate)	Consolidated	(%)	-	34.0	39.0	35.6	32.1	20.4	27.5

[1] The calculation method for GHG emissions and energy consumption is outlined on the next page (P. 66)
[2] 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, Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)
[3] Tokai Carbon Co., Ltd. + 11 major subsidiaries (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, Tokai COBEX Polska sp. z o.o., Tokai COBEX Savoie SAS)
[4] Performance data for 2025 is scheduled to be updated around July 2026

GHG emissions (Scope 1, Scope 2, Scope 3) and energy consumption calculation methods

Calculation methods for Scope 1, Scope 2, and energy consumption

Boundary

CO_2 / Energy consumption	All consolidated production sites, as well as the head office, branches, and research laboratories *From 2022, 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 are included in the boundary. From 2025, KBR, Inc. and MWI, Inc., which became consolidated subsidiaries, are included in the boundary. From July 2025, the Shiga Plant is excluded from the boundary due to its closure, and TOKAI ERFTCARBON GmbH is excluded due to its divestment. From October 2025, Thai Tokai Carbon Product Rojana Co., Ltd., which became a consolidated subsidiary, is included in the boundary.
CH_4 / N_2O	Starting in 2022, major production sites that account for approximately 98% of consolidated CO_2 emissions have been added to the scope of calculation.

Reporting period

		Japan	Overseas
Energy consumption	-	April–March of the following year through 2020 (January–December for Tokai Konetsu Kogyo Co., Ltd.) January–December from 2021 onward	January–December
CO_2	Energy sources		
	Non-energy sources	January–December	January–December
CH_4 / N_2O	-	January–December (Calculated from 2022 onward)	

Calculation method

- GHG emissions (Scope 1 and Scope 2) are calculated as CO_2-equivalent emissions using the global warming potentials of CO_2, CH_4, and N_2O. HFCs, PFCs, SF_6, and NF_3 are excluded from the scope of aggregation due to their negligible emissions.
- GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials.

Scope 1:

- This figure represents direct greenhouse gas emissions from corporate activities, and includes both energy-related GHG emissions and non-energy-related GHG emissions (emissions from industrial processes).
- For energy-related emissions, emission factors used are those specified under Japan's greenhouse gas (GHG) emissions calculation, reporting, and disclosure system (SHK system) for domestic operations, and country- or region-specific factors based on applicable laws and regulations for overseas operations. Non-energy-related GHG emissions are, in principle, calculated based on the consumption of raw materials and auxiliary materials, as well as mass balances of products and waste.

Scope 2:

- Indirect CO_2 emissions associated with the use of energy in corporate activities.
- We have adopted the GHG Protocol's market-based methodology. For domestic operations, emission factors by electric utility specified under the Act on Promotion of Global Warming Countermeasures are used. For overseas operations, emission factors published by electric utilities are used (for some sites, the latest emission factors published by the IEA or by the relevant country or region are used).

Energy consumption:

- Fuel, electricity (including solar power), and steam used at each site are aggregated. However, this does not include by-product gases generated during the production process.
- In principle, the unit calorific value of fuel is calculated using the higher heating value of the Energy Conservation Act.

Calculation methods for Scope 3

Boundary

- The data for 2019–2021 is based on non-consolidated figures for Tokai Carbon Co., Ltd. Data for Categories 1, 2, 3, 11 and 12 is Tokai Carbon Co., Ltd. and its consolidated subsidiaries from 2022 onward.
- However, Categories 11 and 12 cover only some businesses and products.

Reporting period

- **Categories 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. 2.8" and "The Emissions Unit Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.6)" 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 v3.5.

Category 1: Until 2021, emissions were calculated by multiplying the total procurement value of key raw materials by the emission factor. From 2022 onward, emissions are calculated by multiplying the annual purchase amount for each covered item by the emission factor, for items representing at least 80% of the total purchase value of raw materials and auxiliary materials.

Category 2: Emissions are calculated by multiplying the purchase value of capital goods by the emission factor.

Category 3: Emissions are calculated by multiplying the amount of energy consumption aggregated under Scope 1 and Scope 2 by the emission factor.

Category 4: Emissions are calculated by multiplying fuel consumption and transport ton-kilometers by the emission factor.

Category 5: Emissions are calculated by multiplying the amount of waste treated and recycled for each waste type by the emission factor.

Category 6: Emissions are calculated by multiplying transportation expenses by mode of transport by the emission factor, and adding the result of multiplying the number of nights stayed by the emission factor for accommodation facilities.

Category 7: Emissions are calculated by multiplying the number of employees by the number of business days and the emission factor.

Category 9: The reporting scope is the Fine Carbon Division. Emissions are calculated by multiplying transport ton-kilometers by the emission factor for logistics associated with products sold by the Fine Carbon Division through to the final consumer.

Category 10: The reporting scope is the Fine Carbon Division. Emissions are calculated by multiplying sales volume of intermediate products in the Fine Carbon Division by the emission factor per unit of processing volume.

Category 11: Until 2021, the reporting scope was the Graphite Electrode Division. Emissions were calculated by multiplying product energy consumption and sales volume by the emission factor, and then adding CO_2 generated by the products themselves during use. From 2022 onward, the reporting scope is the Graphite Electrode Division and the Smelting and Lining business. Emissions are calculated as CO_2 generated by the products themselves during use.

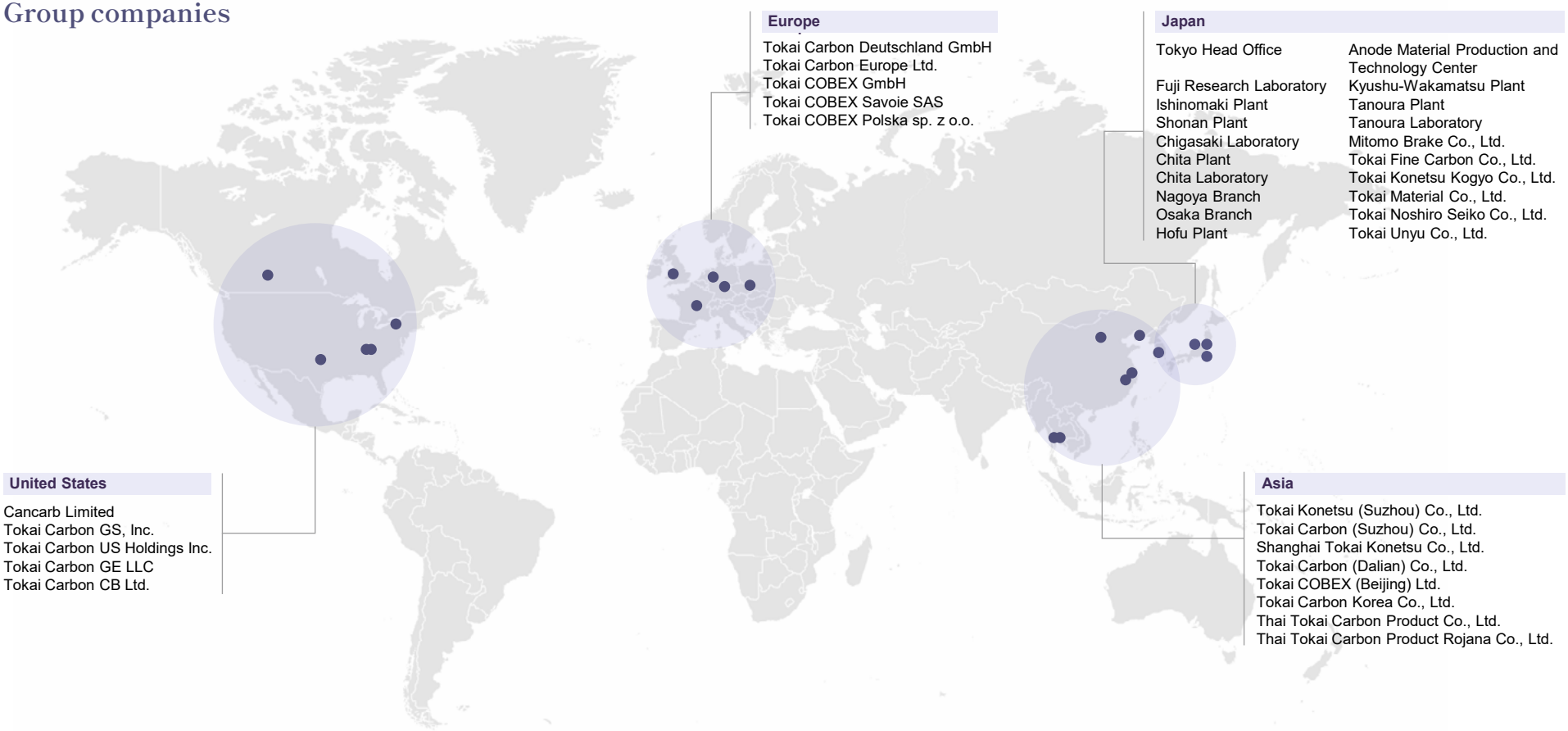
Category 12: The reporting scope is the Graphite Electrode Division.

Company overview (as of May 1, 2026)

Trade name	TOKAI CARBON CO., LTD.
Head office	Aoyama Building, 1-2-3 Kita Aoyama, Minato-ku, Tokyo 107-8636
Established	1918
Representative	Hajime Nagasaka, President and CEO
Fiscal year	January 1 to December 31

Fiscal year end	December
Share capital	20,436 million JPY (as of December 2025)
Total employees	727 (4,436 including Group companies) (as of December 2025)
Operations	Manufacture and sales in the following business segments: Carbon Black, Fine Carbon, Smelting and Lining, Graphite Electrodes, Industrial Furnaces and Related Products, Friction Materials, and Anode Materials

Group companies



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

Japan
Tokyo Head Office
Fuji Research Laboratory
Ishinomaki Plant
Shonan Plant
Chigasaki Laboratory
Chita Plant
Chita Laboratory
Nagoya Branch
Osaka Branch
Hofu Plant
Anode Material Production and Technology Center
Kyushu-Wakamatsu Plant
Tanoura Plant
Tanoura Laboratory
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.

United States
Cancarb Limited
Tokai Carbon GS, Inc.
Tokai Carbon US Holdings Inc.
Tokai Carbon GE LLC
Tokai Carbon CB Ltd.

Asia
Tokai Konetsu (Suzhou) Co., Ltd.
Tokai Carbon (Suzhou) Co., Ltd.
Shanghai Tokai Konetsu Co., Ltd.
Tokai Carbon (Dalian) Co., Ltd.
Tokai COBEX (Beijing) Ltd.
Tokai Carbon Korea Co., Ltd.
Thai Tokai Carbon Product Co., Ltd.
Thai Tokai Carbon Product Rojana Co., Ltd.

Stock information (as of December 31, 2025)

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 (Notice is posted in *The Nikkei* when unavoidable circumstances prevent notice from being given electronically.)

Stock figures

Total number of authorized shares
598,764,000

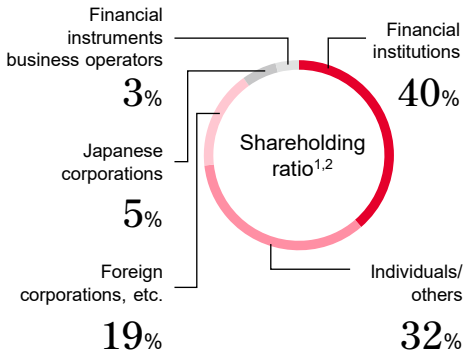
Total number of shares issued (including treasury stock)
224,943,104

Total number of shareholders
135,756

Major shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)[1]
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,757	20.04
Custody Bank of Japan, Ltd. (Trust Account)	17,151	8.04
STATE STREET BANK AND TRUST COMPANY 505223	6,017	2.82
MUFG Bank, Ltd.	5,827	2.73
Mitsubishi UFJ Trust and Banking Corporation	4,609	2.16
STATE STREET BANK AND TRUST COMPANY 505001	3,711	1.74
JP MORGAN CHASE BANK 385781	2,787	1.31
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,426	1.14
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,149	1.01
Meiji Yasuda Life Insurance Company	2,032	0.95

Note: Tokai Carbon holds 11,436,000 shares of treasury stock but is not listed among the major shareholders above.
[1] Shareholding ratios are calculated with treasury stock excluded.

Shareholding classification	Number of shares held (thousand shares)
Financial institutions	86,015
Individuals/others	69,346
Foreign corporations, etc.	39,772
Japanese corporations	10,968
Financial instruments business operators	7,402
Total	213,506



[1] Shareholding ratios are calculated with treasury stock excluded.
[2] Ratio of the number of shares owned to the total number of issued shares (excluding treasury stock).

Independent third-party assurance report

Independent Practitioner's Limited Assurance Report

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

Conclusion

We have performed a limited assurance engagement on whether selected environmental performance indicators (the "subject matter information" or the "SMI") presented in Tokai Carbon Co., Ltd.'s (the "Company") Integrated Report 2026 (the "Report") for the year ended December 31, 2025 have been prepared in accordance with the criteria (the "Criteria"), which are established by the Company and are explained in the Data section of the Report. The SMI subject to the assurance engagement is indicated in the Report with the symbol "★".

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company's SMI for the year ended December 31, 2025 is not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (hereafter referred to as "other information"). We have read the other information but have not performed any procedures with respect to the other information. We do not express any form of conclusions thereon.

Responsibilities for the SMI

Management of the Company are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and
- preparing the SMI in accordance with the Criteria.

Inherent limitations in preparing the SMI

As described in the Data section of the Report, GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's management.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures including trend analysis;
- identifying and assessing the risks of material misstatements;
- performing a site visit at one of the Company's sites in Japan which was determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

/s/ Kazuhiko Saito

Kazuhiko Saito, Engagement Partner

KPMG AZSA Sustainability Co., Ltd.

Tokyo Office, Japan

July 31, 2026

Notes to the Reader of Assurance Report:
This is a copy of the 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 JPX Blossom Japan Index

FTSE JPX 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.

Climate CDP 2025 A-

Tokai Carbon is recognized for its transparency on environmental issues and sustainability by CDP, a global non-profit organization that runs the world's only independent environmental disclosure system.

Tokai Carbon received an "A-" score in the climate category based on the data disclosed through the CDP questionnaire. CDP applies a rigorous and independent assessment methodology to evaluate the quality of disclosure, awareness of environmental risks, management of environmental issues, and demonstration of best practices. Scores are categorized from A to D- based on the level of ambition, goal setting, and actions taken.

2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI ESG Research Disclaimer

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Date of issue	August 2026
Reporting Boundary	Tokai Carbon Co., Ltd. For disclosures where the reporting boundary is limited, the scope is stated separately.
Reporting period	Excluding content with specific dates, this report reflects activities between January 1, 2025, and December 31, 2025.
	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/

TOKAI CARBON CO., LTD.

https://www.tokaicarbon.co.jp/en/

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