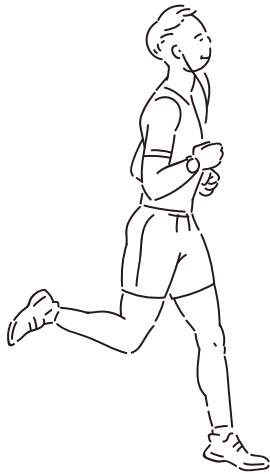




# Integrated Report 2020

2020.1.1-2020.12.31



# Materials that spread joy

To everything that makes us smile

To industries that enrich our lives

To a future that is kind to us and to our planet

You may not know it, but we've already met



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The Tokai Carbon Group pursues medium- to long-term business strategies to realize its long-term vision of being “A Global Carbon Company Contributing to a Better Society.” This Integrated Report presents our business results and outlook, and overviews of individual businesses, from both financial and non-financial perspectives.

Our website presents the latest information and details on our businesses and on environmental and social matters. We invite you to visit it to learn more about Tokai Carbon.

WEB <https://www.tokaicarbon.co.jp/en/>

Issue Date August 2021

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

Reporting Period Excluding content with specific dates, this report reflects activities between January 1, 2020 and December 31, 2020.

# Tokai Carbon is Helping out behind the Scenes



1

## Steel frames of buildings and bridges

Most steel beams are recycled in electric arc furnaces using graphite electrodes.

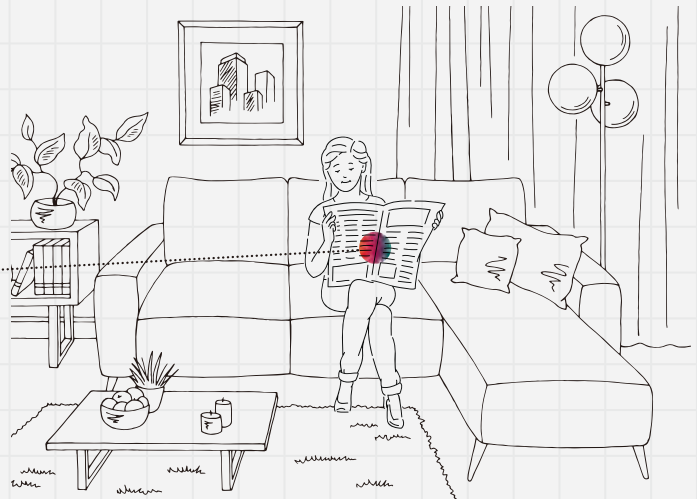
**Graphite Electrodes**

2

## Black ink

Carbon black is used pigment ink for daily newspapers and coloring plastics.

**Carbon Black**

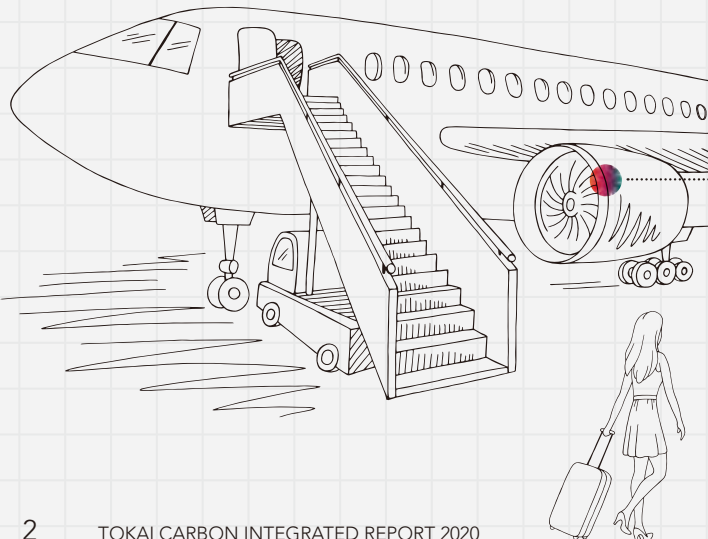


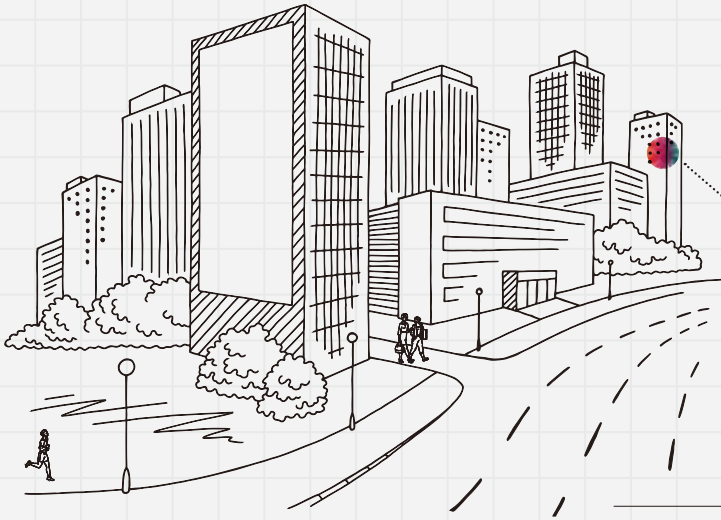
3

## Aviation engine parts

Fine carbon products are used in the manufacturing process of engine parts.

**Fine Carbon**





# 4

## Building glass

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

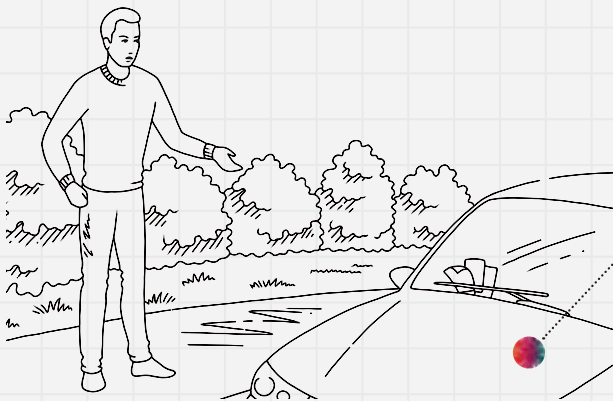
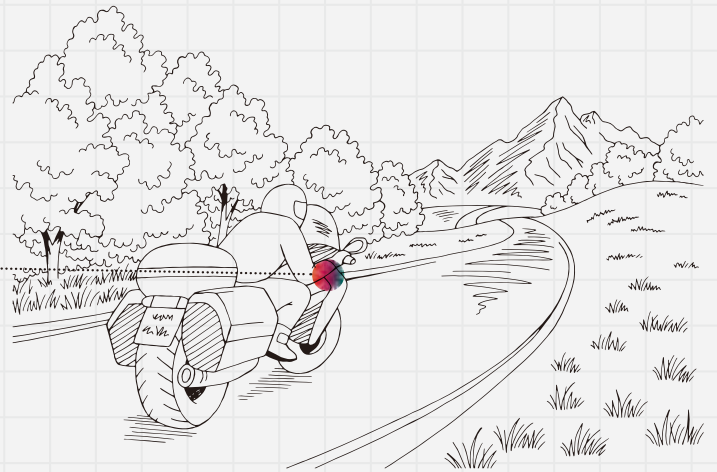
**Industrial Furnaces and Related Products**

# 5

## Brakes/Clutches

Our components are widely used in motorcycles, agricultural machinery, construction equipment, and industrial robots.

**Friction Materials**



# 6

## Electric vehicle battery

We are helping to boost lithium-ion battery performance to popularize electric vehicles.

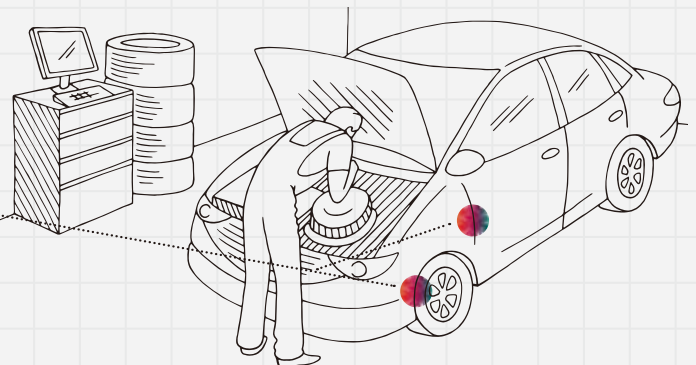
**Anode Materials**

# 7

## Vehicles and wheels

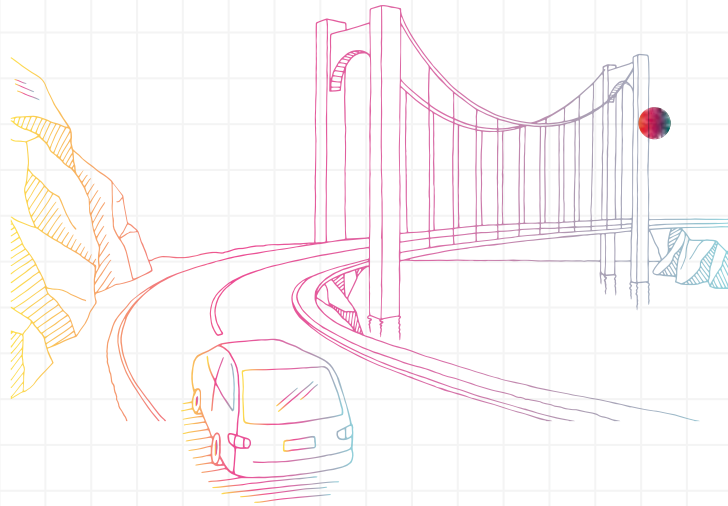
We support the growing demand of aluminum for lighter weight products by providing cathodes for its smelter.

**Smelting and Lining**

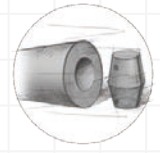


# Tokai Carbon's Seven Businesses

Tokai Carbon operates a portfolio of seven businesses lead by the two core businesses of graphite electrodes and carbon black.



## 1 Graphite Electrodes

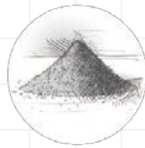


Graphite electrodes are indispensable to the process of melting scrap steel in an electric arc furnace and recycling it into steel beams and other products. The graphite electrodes work as electrical conductors in such furnaces. We supply high-quality electrodes to the electric arc furnace, which has significantly lower CO<sub>2</sub> emissions compared to the blast furnace steel making method. Tokai Carbon is helping to curb climate change and recycle resources behind the scenes.

Electric arc furnaces emit 1/4 the CO<sub>2</sub> compared to blast furnaces

► P.22

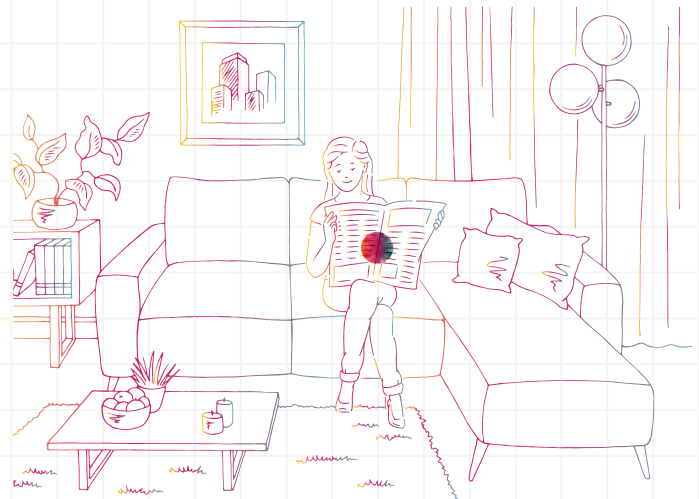
## 2 Carbon Black



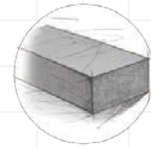
Carbon black is used as a reinforcing agent to enhance the strength and extend the life of tires. It is made from residual oil and accounts for nearly 30% of the weight of tires. It is also widely used in black pigment inks, in resins, and as a wire coating material.

When you see black items, it's carbon black.

► P.24



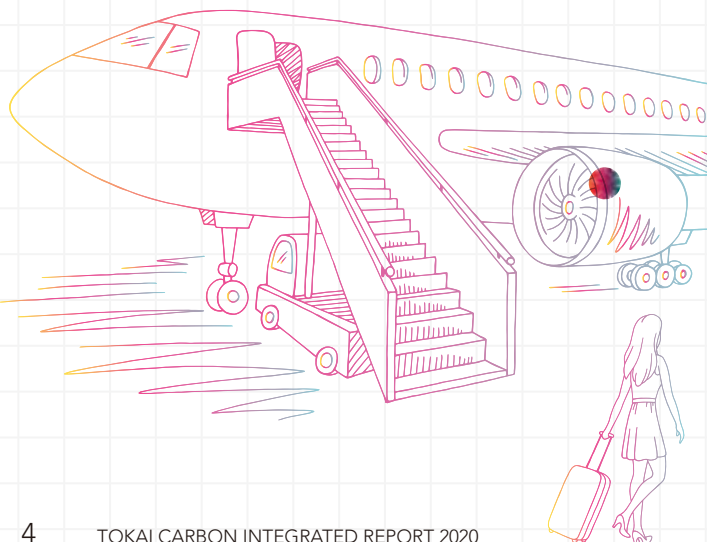
## 3 Fine Carbon

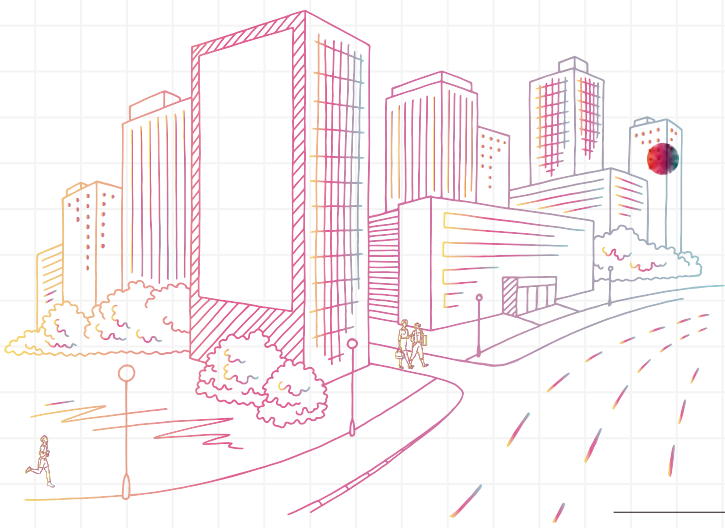


With its superior heat resistance and electrical conductivity characteristics, fine carbon is used in a wide range of industries including semiconductors, smartphones and satellites. Tokai Carbon Group's lineup features a wide range of world class products, including glassy carbon and solid SiC products, which we pioneered.

From semiconductors to solar panels for satellites

► P.26





## 4 Industrial Furnaces and Related Products



This business supplies custom-made furnaces for heating ceramics, glass, metals, powders, secondary battery materials, and electronic components. We also develop and manufacture the heating elements (EREMA brand) to take care of the overall technology and development needs of industrial furnaces.

Responsible for heat treatment processes in a wide range of industries

▶ P.30

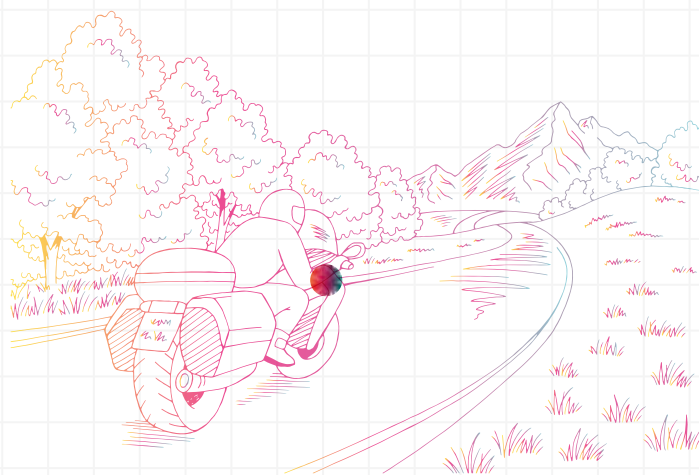
## 5 Friction Materials



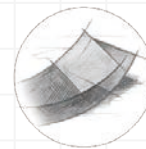
Friction materials play an important role in brake/clutch mechanisms that support power control in various applications such as motorcycles, agricultural and construction machinery, industrial robots, and wind power systems. Our highly regarded material design technology is based on our thorough knowledge of carbon (the products' raw material).

Contributing to every field from agriculture and construction to industrial robots

▶ P.31



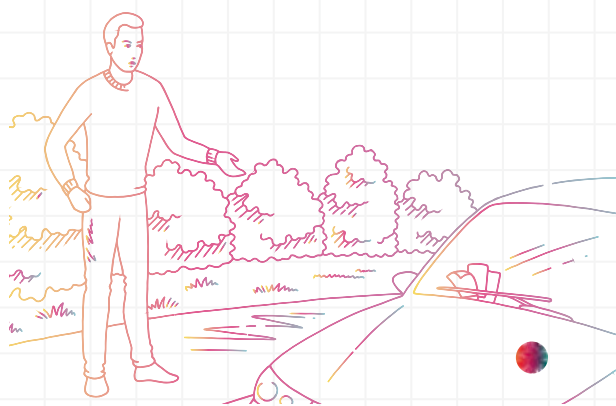
## 6 Anode Materials



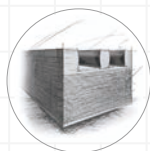
Lithium-ion batteries for electric vehicles require the highest performance in quality and safety. The carbon anode material we produce determines the performance of the lithium-ion batteries. We contribute to batteries that are compact in size, large in capacity, and longer in service life.

Impacting the driving performance of electric vehicles

▶ P.31



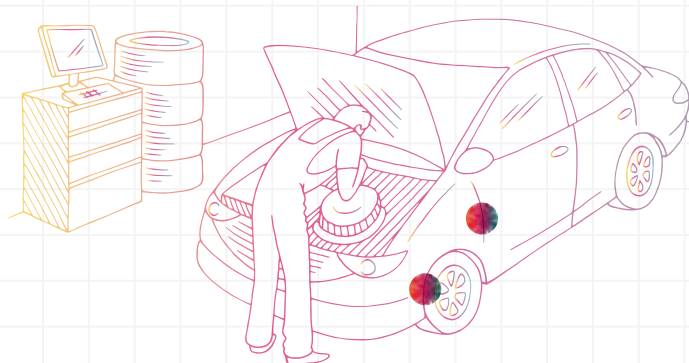
## 7 Smelting and Lining



We are a top-tier supplier of cathodes used in aluminum smelters, furnace linings for blast furnaces, and carbon electrodes used in smelting silicon metal and other metals. Our high-quality cathode blocks support the rising demand for aluminum for lighter weight applications.

Supporting demand for aluminum for lighter weight applications

▶ P.28

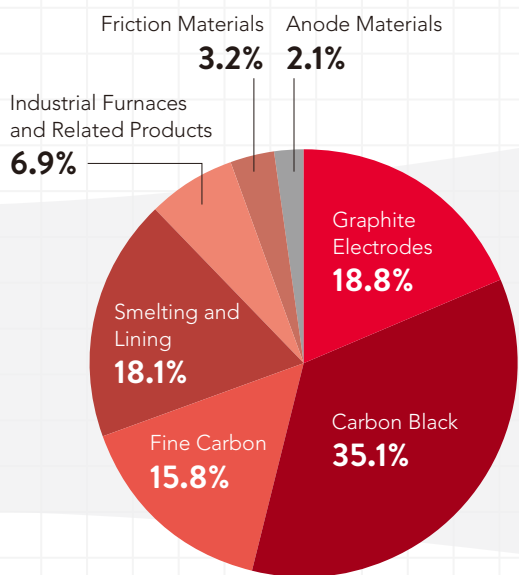


# At a Glance

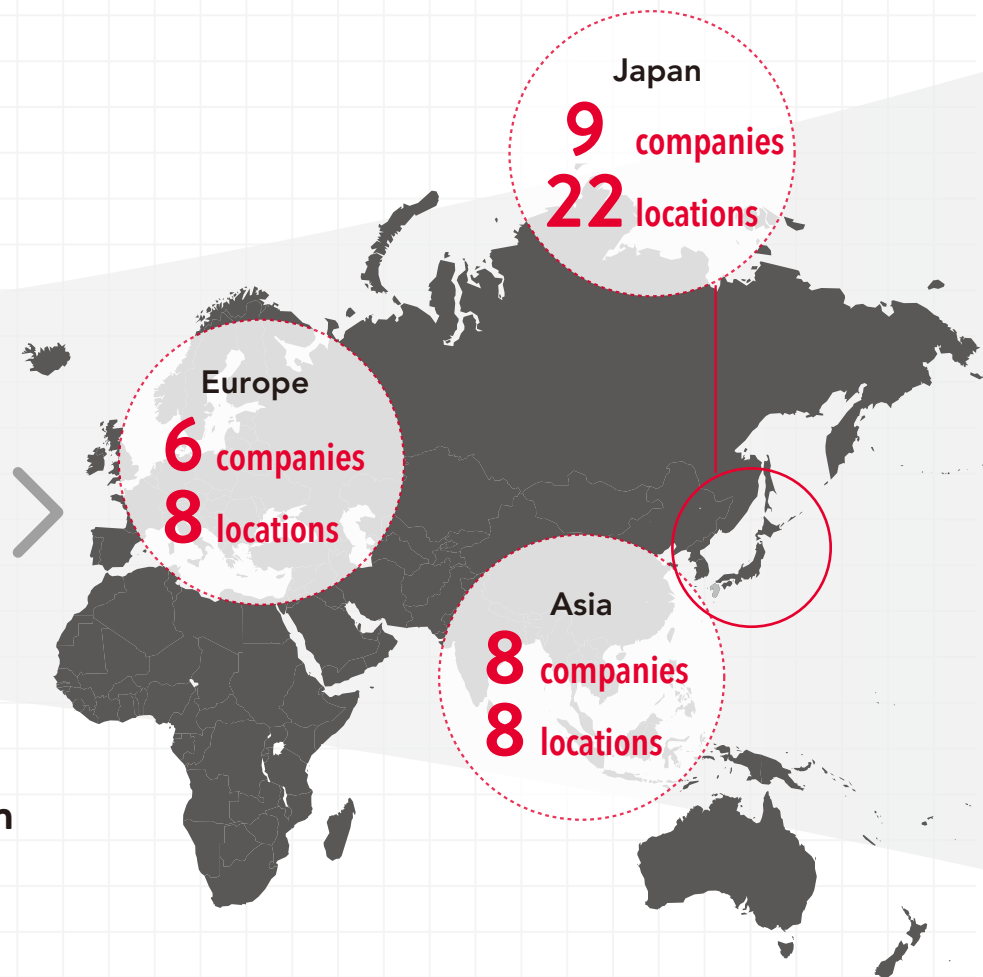
## Sales by Division

## Global Business Organization

(FY2020)



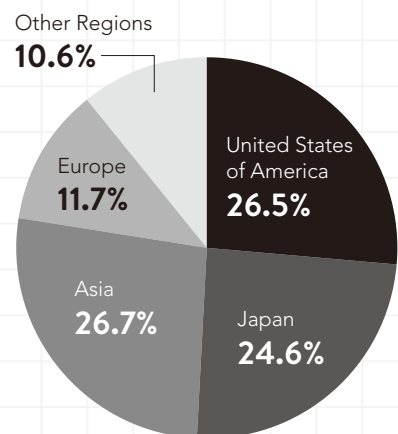
FY2020 **¥201.5 billion**



## Building a balanced business portfolio

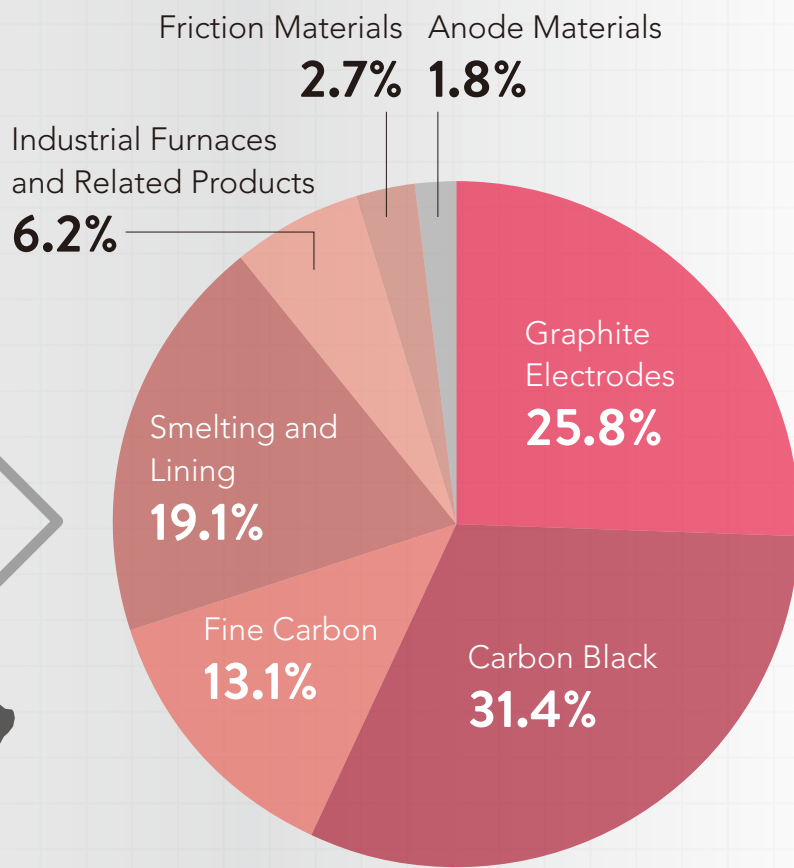
The Group has long relied on two businesses, Graphite Electrodes and Carbon Black. Seeking a more stable earnings structure, we expanded our Fine Carbon business, which supplies the fast-growing semiconductor industry. Meanwhile, the Group has also set its sights on the aluminum market, which is projected to overtake the growth of the steel market, and acquired its smelting and lining business through M&A in 2019. As a result, our revenue streams are now diversified. Our three-year medium-term management plan "T-2023" targeting 2023 aims to strengthen the revenue base of each business and further optimize our business portfolio.

## Sales by Region (FY2020)

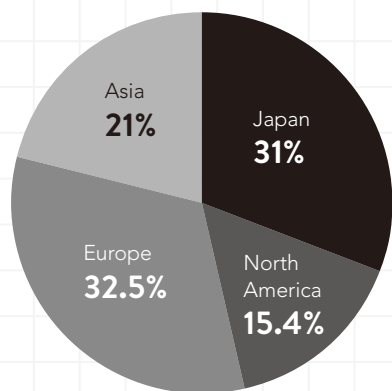




## Sales by Division (Target)

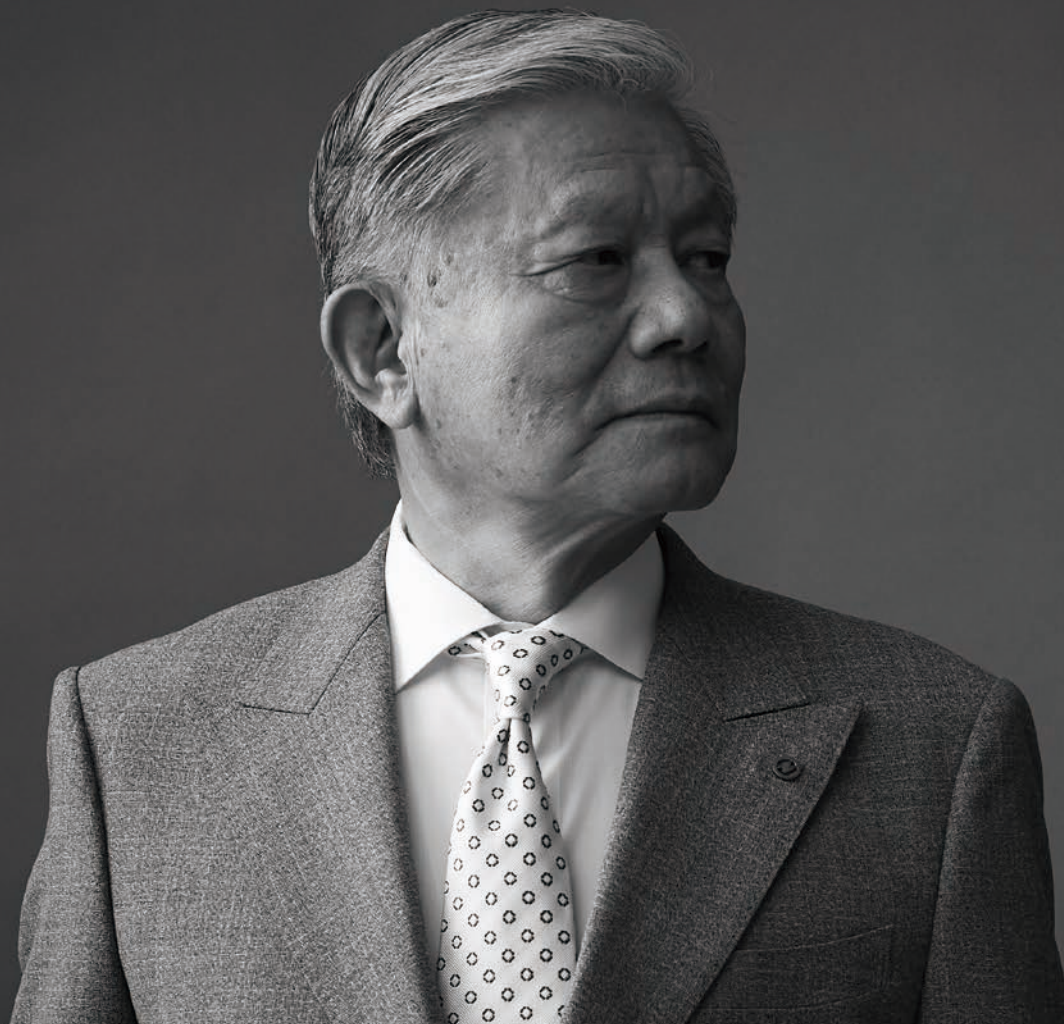


Workforce Structure by Region (FY2020)



**FY2023 Target** **¥320.0 billion**

# Message from the President



## Sustainable cash inflow through portfolio diversity

With the COVID-19 pandemic ravaging the world, 2020 was a year of perseverance. Facility upgrades were postponed and production cut measures were taken, but at the same time, the acquisition of Tokai COBEX Savoie was undertaken for the Company's future growth. The downturn in our core Graphite Electrodes and Carbon Black businesses caused by slowdowns in the steel and tire industries negatively impacted consolidated financial results as net sales dropped 23.1% YoY to 201.5 billion yen, operating income dropped 85.5% YoY to 7.8 billion yen, net income attributable to owners of the parent company dropped 96.8% YoY to 1.0 billion yen, and EBITDA dropped 54.2% YoY to 35.2 billion yen.

In the past, it would not have been a surprise if the Company recorded losses under such a radical environmental change. Despite the substantial drop of sales and profits, we managed to secure profitability thanks to what we believe were the results of our aggressive efforts at diversifying the business portfolio. Japan continues to suffer from the impact of the COVID-19 pandemic, but the global economy is trending upward, especially in China, which was the first to resume economic activities, and in the US, which implemented a massive fiscal stimulus package to boost its economy. Our business is starting to recover as well after bottoming out in the first half of 2020. The rollout of vaccines will likely further accelerate the economy going forward, and we are determined to seize this growth opportunity.

# Back to growth trajectory

**Our focus will now be more on developing the integration synergies within the expanded business portfolio to maximize sales and profits.**

President and CEO

Hajime Nagasaka



## Creating synergies from the M&A

I would like to take a look back at some of the initiatives we have worked on since I became president. The theme for the initial two years from 2015 to 2016 was structural reform. First, we worked diligently to shape the mindset of our employees, and to face our past problems. The next four years from 2017 to 2020 was a growth phase focused on M&A. We invested total of approximately 180 billion yen for a series of M&A during these four years. The investment started with acquisitions in our two core businesses, specifically Graphite Electrode and Carbon Black plants in North America. The EAF ratio (EAF production to the total crude steel production) in North America is around 70%, which is far higher than the rest of the world. The North American production plant for the Carbon Black business

is equipped with the technology to mass-produce general-purpose products at a low cost, which complements our production technology in Japan. These two acquisitions of North American operation were very meaningful for us.

Meanwhile, to improve our business portfolio, which is overly dependent on the two core businesses, we strengthened our Fine Carbon business in anticipation of future growth in semiconductor demand by making Tokai Carbon Korea Co., Ltd. a consolidated subsidiary. Furthermore, we acquired German manufacturer COBEX HoldCo GmbH (now Tokai COBEX HoldCo GmbH) to enter the aluminum-related market, which is expected to grow steadily on the back of demand for lighter weight automotive parts. We followed this up with the launch of our Smelting and Lining business by acquiring Tokai COBEX Savoie in France together with its access to the electric

## Message from the President

vehicle (EV) market, which is expected to expand in Europe. It was not a smooth journey, but our series of initiatives from structural reform to portfolio diversification were well received by investors, and our market capitalization, which was around 80 billion yen when I became president, has risen to around 400 billion yen.

This six-year period was at a rather higher running pace. The T-2023 (medium-term management plan for 2021-2023) should be a term to stop for a moment to solidify our business platform and focus on creating integration synergies with the companies we have acquired so far in order to stay competitive going forward.

### Creating integration synergies through overall optimization

To create integration synergies from our series of M&A deals, we have already laid the groundwork toward achieving overall optimization, such as consolidating production and allocating production items to locations close to end markets, and we expect to start seeing the benefits of these efforts in 2021. To be more specific, we used to export a certain amount of graphite electrodes from Japan and Germany to the US, but we are now increasing the production capacity of our North American production plants and shifting toward producing and consuming locally. In addition, with regard to our Smelting and Lining business, we will push for efficiency improvements by switching production items between Tokai COBEX's plant in Poland and Tokai COBEX Savoie in France. At the same time, we will transfer the extruded materials currently produced at the Tanoura Plant in Japan to Tokai COBEX Savoie to boost our cost competitiveness. Furthermore, we will manufacture anode materials for lithium-ion batteries at Tokai COBEX Savoie, which we intend to make into a manufacturing base for the European EV market, which is expected to grow.

### T-2023: Pushing forward while solidifying our operational platform

I will now explain the three basic policies of our T-2023 plan. The first is to return our core businesses to a path of growth. Our target industries, namely steel, automobiles, semiconductors, and aluminum, are all on a recovery and growth trend. As such, we will seize this opportunity to improve profitability and stabilize earnings in our core Graphite Electrodes and Carbon Black businesses. The second policy is to optimize our business portfolio (selection and concentration). We will concentrate our limited management resources on our growth and competitive businesses to further enhance our presence in

the fine carbon, smelting and lining, and industrial furnace markets. Furthermore, on top of adding new businesses, we also believe that it is important to review businesses that we do not project substantial growth in, and I consider this to be the second phase of the structural reform that we undertook in the past when I started my role as President. Finally, our third policy is to strengthen our consolidated governance structure to enhance our ability to promote company-wide strategies in a rapidly globalizing world.

### Aiming for record high sales by capturing the upward trends

Again, the upward trends in our target industries are increasingly apparent, and we are aiming for record high sales as part of our T-2023 plan. We are also expecting operating income to be nearly as high as its 2018 level, when our Graphite Electrodes business expanded unexpectedly due to market fluctuations.

For the Graphite Electrodes business, which saw a severe drop, the market conditions for a recovery are now in place with the completion of inventory adjustments and the expansion of electric furnace steel production, and we expect production volumes and sales prices to begin a full-scale recovery in 2022 and 2023. Similarly, we expect our Carbon Black business to remain strong as production expands in our target tire market.

In the Fine Carbon business, demand for use in semiconductors and solar power generation continues to grow, and Tokai Carbon Korea, the production base for solid silicon carbide (Solid-SiC) focus rings, is performing particularly well. As such, we are looking to expand our production capacity in a timely manner to take advantage of further market growth. Meanwhile, we will fully transfer the production of extruded materials to Tokai COBEX Savoie in France, and as part of our "selection and concentration" approach, we will reorganize the processing and sales bases of the Fine Carbon Division in Europe to improve the efficiency of our production and sales systems and to drastically reduce costs.

In the Smelting and Lining business, we have already consolidated the brands of the two companies we acquired into Tokai COBEX, and are working to improve productivity and operational efficiency by unifying customer databases, sharing manufacturing technologies, and integrating systems to integrate production, sales, and accounting management functions. Going forward, we are looking to accelerate the integration process and strengthen our presence in terms of both sales and profits.

The industrial furnace business that we operate under Tokai Konetsu Kogyo Co., Ltd. has secured stable and

Overview of medium-term management plan T-2023

T-2023 basic policies

**① Returning core businesses to a path of growth**

- Manage to increase the operation rate as the market grows
- Improving and stabilizing the profitability of graphite electrodes

**② Optimizing the business portfolio (selection and concentration)**

- Continually revising business composition and product composition
- Increasing production capacity for high value-added products
- Concentrating investment in promising businesses and product development

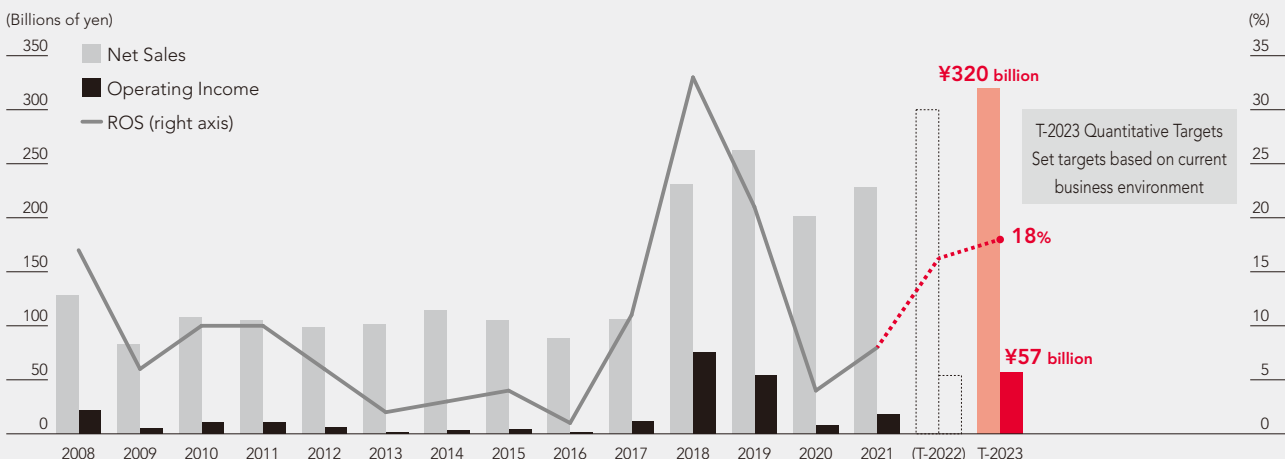
**③ Strengthening the consolidated governance structure**

- Responding to globalization of the head office organization
- Strengthening the governance structure, mainly through the business and head office management functions
- Building an ESG management base

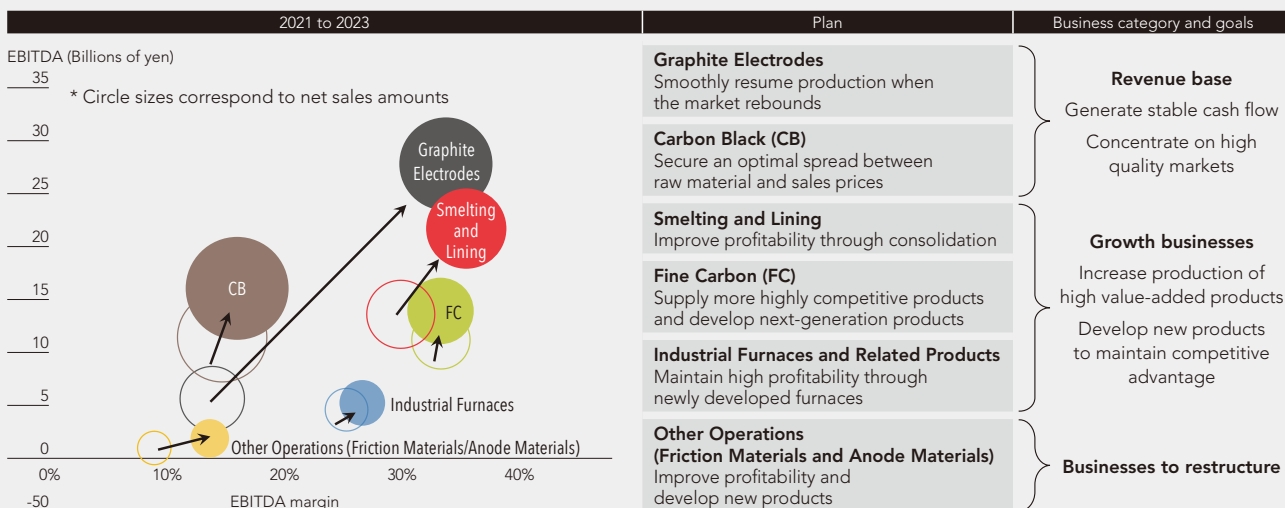
T-2023 Quantitative Targets



(Reference) Comparison with previous T-2022 plan



Projected EBITDA growth by business segment for T-2023 period



## Message from the President

high profits while building up a track record fueled by the expansion of the 5G, IoT, and electric vehicle (EV) markets, and the future is very promising.

Lastly, we have positioned the Anode Materials and Friction Materials businesses as businesses to be restructured. In the Anode Materials business, which has been sluggish in the face of fierce competition, we are looking to take on the challenge of accelerating growth by fundamentally revamping our business model, which includes expanding into Europe. Likewise, in the Friction Materials business, where it is difficult to pursue a growth strategy that simply builds on what has worked in the past, we will undertake more in-depth structural reforms to strengthen our competitiveness and fundamentally improve profitability.

### Strengthening governance to integrate operations of diverse companies

As a result of a series of M&A deals, over 70% of our sales are now generated overseas, and naturally, over 70% of our employees are also based overseas. We believe that strengthening our consolidated governance structure is an extremely important priority in operating group companies with different cultures and business practices in an integrated manner and demonstrating our strength as a “United Tokai Carbon,” while also caring for the environment and society. Under the T-2023 plan, in parallel with our initiatives to create integration synergies, we will strengthen our management functions on three fronts, which include the head office corporate division, the business management division, and the internal audit division.

### Prioritizing debt reduction and allocating cash flow

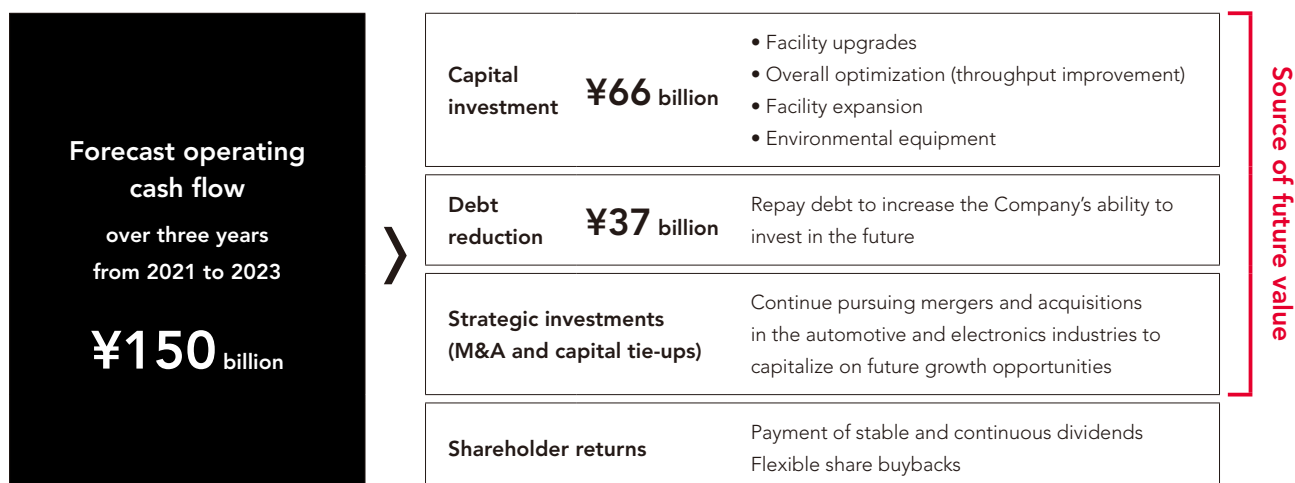
Through the above initiatives, we expect to generate a cumulative total of 150 billion yen in operating cash flow over the three-year period covered in T-2023, of which approximately 66 billion yen will be allocated mainly for facility upgrades, environmental impact reduction, and growth investments. In 2020 in particular, we secured cash reserves by quickly procuring funds as an emergency response to the COVID-19 pandemic, but we also postponed some of our planned facility upgrades, and this situation needs to be addressed appropriately.

In addition, we plan to allocate 37 billion yen for debt reduction to bring our net debt-to-equity ratio to zero in an effort to maintain or improve our credit rating. For the M&A funds used to launch the Smelting and Lining business, we will use hybrid financing to maintain a sound financial base while also stabilizing our liquidity by converting short-term debt into long-term debt.

Finally, we plan to allocate the remaining 47 billion yen to shareholder returns and strategic investments. With regard to shareholder returns, we are focusing on paying stable and continuous dividends while maintaining a basic dividend payout ratio of 30%, and our policy is to maintain an annual dividend of 30 yen per share for 2021. With this overall allocation of cash flow, we believe that we will have to take a cautious approach to strategic investments for the time being.

## Allocation of operating cash flow

In principle, funds needed for investment in growth will be provided by cash on hand and operating cash flow



Our ESG efforts  
have been well  
received by  
investors



## Promoting “Carbon neutrality”

Last but not least, in 2020, we were included in two leading ESG investment indices, the FTSE4Good Index Series and the FTSE Blossom Japan Index for the first time. We believe that this is the result of our efforts to establish an ESG management base and improve information disclosure as part of our key measures in T-2021, which we announced two years ago.

We have no choice but to seriously address carbon neutrality, an issue which is rapidly gaining momentum.

We have made carbon our business for over a century, viewing it as an indispensable “material that brings joy”. However, with the movement toward carbon neutrality, we must seriously consider how we can contribute to society and our planet in the long term. More specifically, we have recently launched the Carbon Neutrality Project with myself as the project leader, and will implement it as a cross-organizational initiative. Additionally, we will be working on the analysis and disclosure of climate change risks in line with TCFD policies.

## Our approach to sustainability

Business category	Approach	Key examples	Current status
Group-wide	<ul style="list-style-type: none"> <li>Strengthen ESG management base</li> <li>Expand ESG disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Identification and management of materialities and KPIs</li> <li>Establishment of a consolidated environmental data collection and management system</li> <li>Disclosure of climate change risks in line with TCFD policies.</li> <li>Human rights initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Continuing PDCA management of materialities and KPIs</li> <li>Developing consolidated information collection system (during T-2023 plan period)</li> <li>Disclosing analysis of climate change risks (2021)</li> <li>Completed human rights due diligence</li> </ul>
Graphite Electrodes	<ul style="list-style-type: none"> <li>Adjust production in line with electric furnace steel growth</li> <li>Improve productivity by reducing electrode consumption rate</li> </ul>	<ul style="list-style-type: none"> <li>Development of new, highly functional electrodes</li> </ul>	<ul style="list-style-type: none"> <li>10% improvement in electrode consumption rate in user equipment tests</li> </ul>
Carbon Black	<ul style="list-style-type: none"> <li>Recover and reuse waste heat</li> <li>Recycle carbon</li> </ul>	<ul style="list-style-type: none"> <li>Power generation using waste heat energy, etc.</li> <li>Recycling of tires and carbon black</li> </ul>	<ul style="list-style-type: none"> <li>Private power generation and supply of electricity to communities</li> <li>Started dialogue with supply chain</li> </ul>
Smelting and Lining	<ul style="list-style-type: none"> <li>Reduce customer energy consumption per unit</li> <li>Use renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Proposal of RuC, a cathode with reduced environmental impact</li> <li>Switch to renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Good results in user equipment tests</li> <li>Switched power for the production plants in Poland to 100% renewable energy sources</li> </ul>
Anode Materials	<ul style="list-style-type: none"> <li>Support the development and manufacture of battery materials that contribute to EV adoption</li> </ul>	<ul style="list-style-type: none"> <li>Development of anode materials with high functionality and low carbon footprint</li> </ul>	<ul style="list-style-type: none"> <li>Selected as one of the companies eligible to receive the EU Commission’s battery development subsidy</li> </ul>

# History of Tokai Carbon Value Creation

The Tokai Carbon Group pioneered the manufacturing of graphite electrodes in Japan. Since then, we have continued to grow and have established new growth businesses in carbon black, fine carbon, industrial furnaces, anode materials, friction materials, and smelting and lining.



Enriching Japan as a country.  
That was how Tokai Carbon began.

Tokai Carbon was founded in 1918. The company was rooted in the founder's idea that he wanted to enrich the lives of people through the domestic production of high quality electrodes essential to steel production, which was an industry of national importance. We have built unshakable reliability, earned through consistent, steady efforts over time to provide useful technologies to people, to society, and to the world without wavering, for more than 100 years.

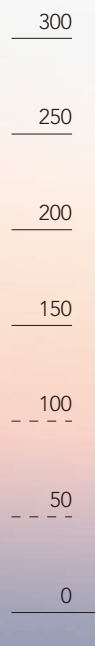


We are expanding that abundance  
and supporting a sustainable society.

We have held firmly to the view that we must focus on mutual relationships of trust and never sacrifice the abundance of others or the environment, precisely because Tokai Carbon is a company that provides convenience, freedom, and comfort to the daily lives of people. We are actively working to achieve the sustainable development goals (SDGs) adopted by the United Nations while confronting issues in the global environment, society, and governance.

## Sales

(Billions of yen)



**2000**  
Thai Tokai Carbon Product Co., Ltd.  
acquired as a consolidated subsidiary



The Corporate Philosophy of Tokai Carbon

# Ties of Reliability

We hope to build Ties of Reliability with our stakeholders (customers, suppliers, shareholders, employees, society, etc.) by providing them with the means to realize their respective objectives and by responding to their requests without fail.



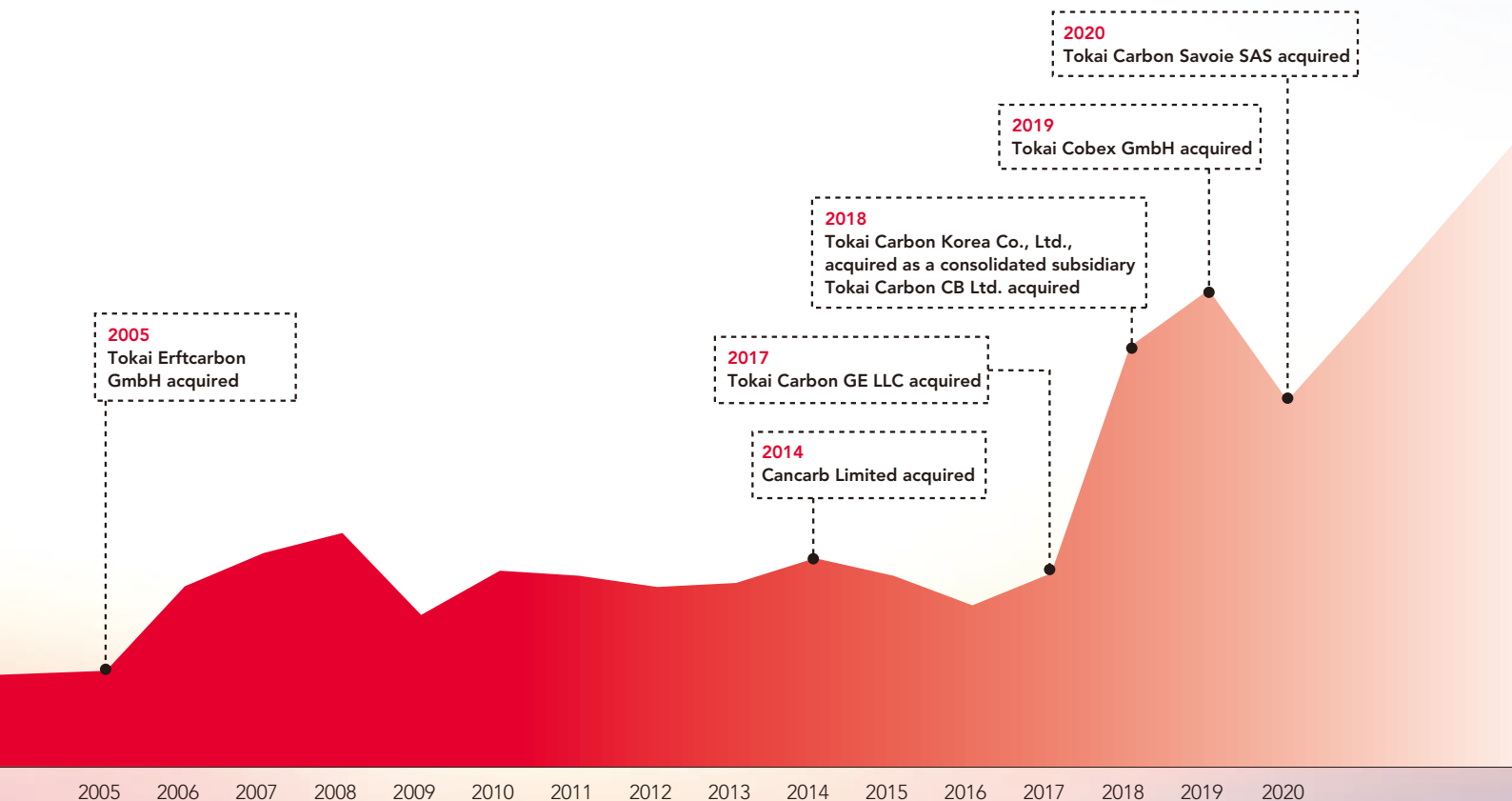
There is a reason why we have also succeeded in friendly M&A.

In the mergers and acquisitions we have executed in the past, we have been able to build very good relationships through such means as holding a welcome ceremony hosted by local employees and inviting the mayor and legislators to participate. We have been able to share our record of accomplishments over more than a century and our corporate culture of placing importance on "ties" in many cases. We are delighted that our M&A partners feel that things will go well if they partner with Tokai Carbon.



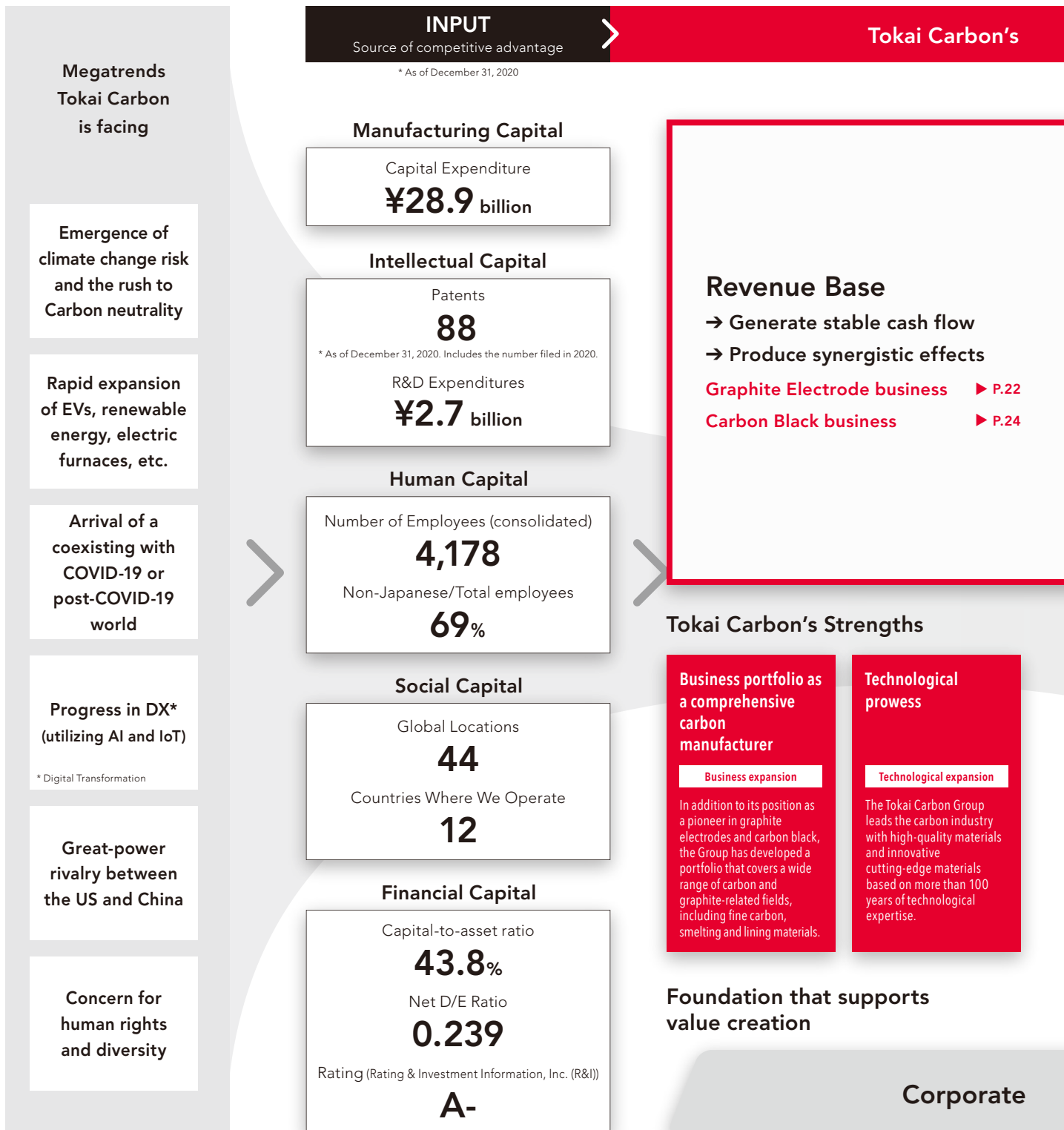
The "Ties of Reliability" that we have cultivated for more than a century constitute the corporate philosophy of Tokai Carbon.

Developing "Ties of Reliability" with our shareholders, customers, suppliers, local communities, employees, and all other stakeholders around the world through our corporate activities is the corporate philosophy of Tokai Carbon. We regard shareholder return as an important management issue in striving to enhance corporate value over the long term, and will work to provide stable, consistent dividends while taking investment plans, cash flow, and other factors aimed at revenue growth in mind.



# Tokai Carbon's Value Creation Model

The Tokai Carbon Group has been leading the carbon industry in Japan for over a century. Drawing on our strong management platform and multiple strengths, we are able to support the sustainable development of a wide range of industries and society while helping to lower the burden on the global environment through our business.



Long-term vision  
**A global company supporting society with carbon products**

**Business Model**

**OUTPUT**

Products and services offered

**OUTCOME**

Value provided to stakeholders

**Growth businesses**

- Boost production in line with market growth
- Develop new products with added value

- Fine Carbon business** ▶ P.26
- Smelting and Lining business** ▶ P.28
- Industrial Furnaces and Related Products** ▶ P.30

**Businesses subject to structural reform**

- Other Businesses** ▶ P.31  
 (Friction Materials, Anode Materials)

**Graphite Electrodes**



For DC Furnaces (direct current furnaces)

**Carbon Black**



SEAST

**Fine Carbon**



Isotropic Graphite G/HK Series

**Smelting and Lining**



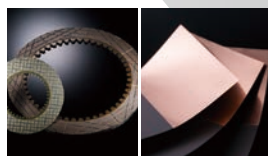
Cathodes for aluminum smelters

**Industrial Furnaces and Related Products**



Industrial Furnaces

**Other Businesses (Friction Materials, Anode Materials)**



Paper Friction Materials/ Anode Materials (Copper Plates)

**Saving Energy/ Cutting CO<sub>2</sub> Emissions**

- Steelmaking with a lower environmental burden
- Helping to promote adoption of solar and wind power



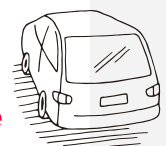
**Development of a Recycling-Oriented Society**

- Recycling of steel scrap



**Enhancement of Safety and Convenience in Daily Life**

- Enhancing tire performance for a safer driving experience
- Technology for smart devices



**Development of Industrial and Social Infrastructure**

- Contributing to the production of high-quality steel
- Technology supporting industrial robots



**Global reach**

**Regional expansion**

We are expanding production and sales bases not only in Japan but also in Asia, Europe, and North America to pursue growth markets and opportunities on a global scale.

**Long-term relationships with customers and supply chains**

**Trust expansion**

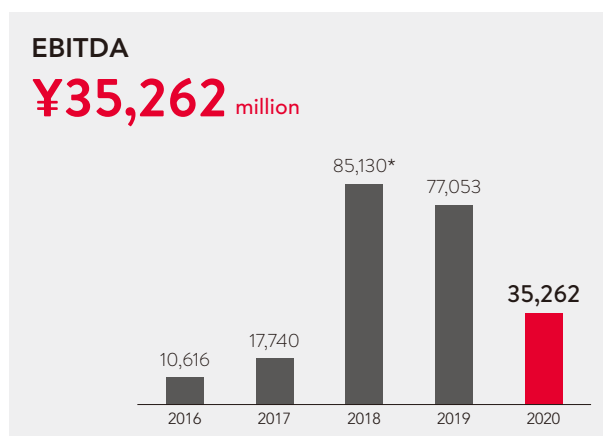
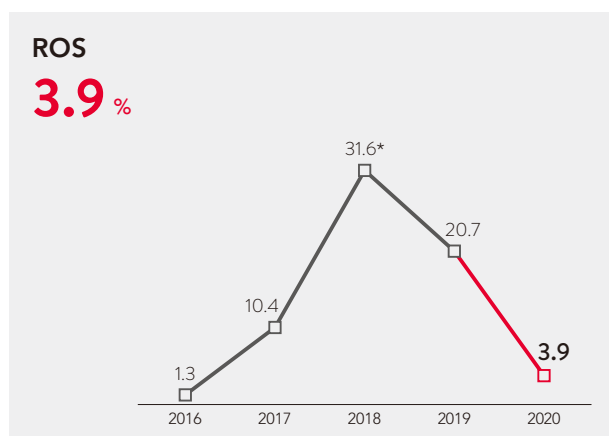
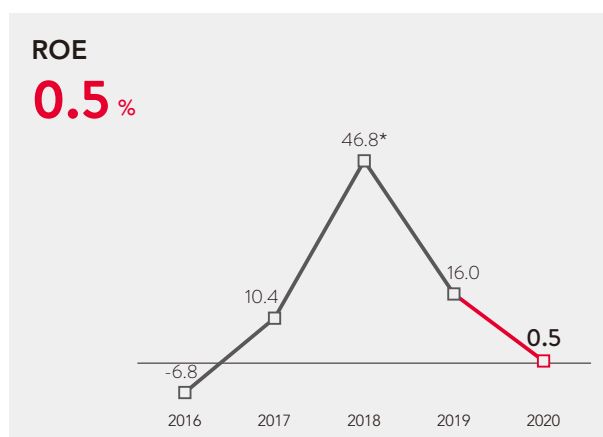
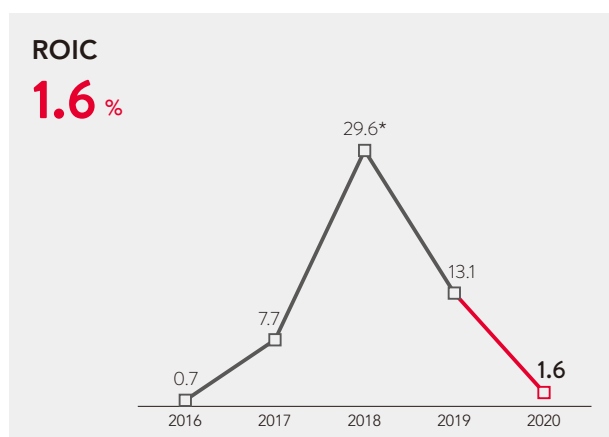
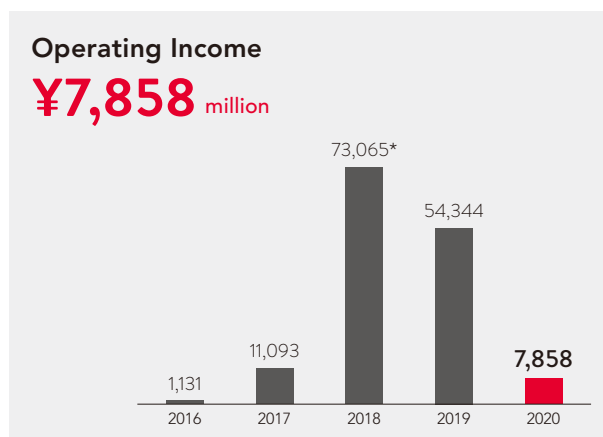
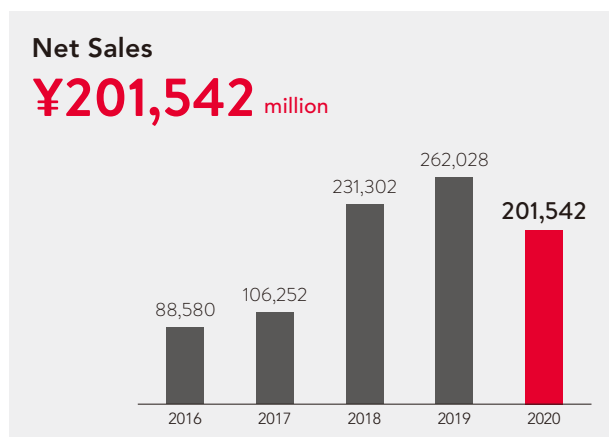
The Group's long-term, trust-based relationships with customers and raw material suppliers around the world contribute to its business continuity and stability.

**Governance**

▶ P.40

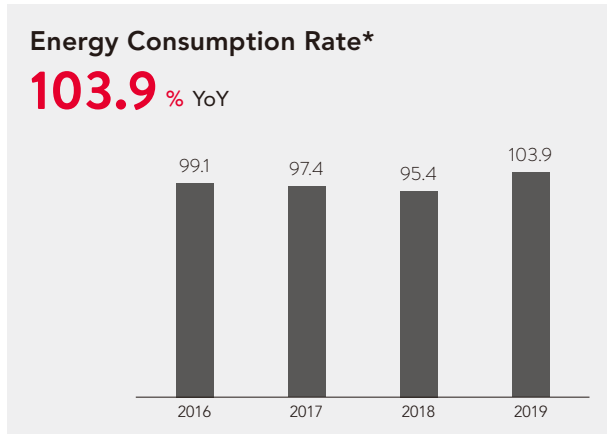
# 2020 Performance Data

## Consolidated Financial Indicators

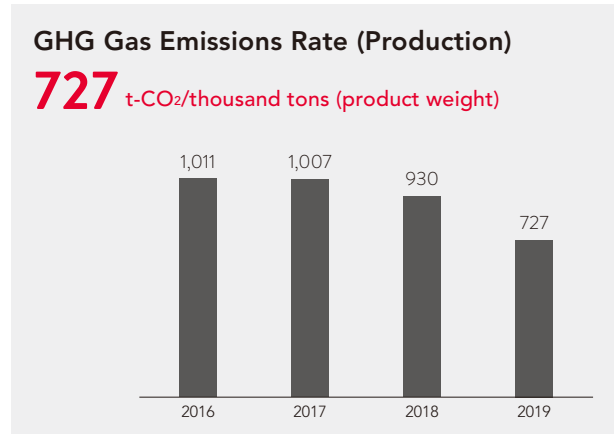


\* FY2018 figures were retroactively revised due to the confirmation of provisional accounting treatment of the business combination of Tokai Carbon Korea Co., Ltd. and Tokai Carbon CB Ltd.

## Non-financial Indicators (Tokai Carbon Co., Ltd.)

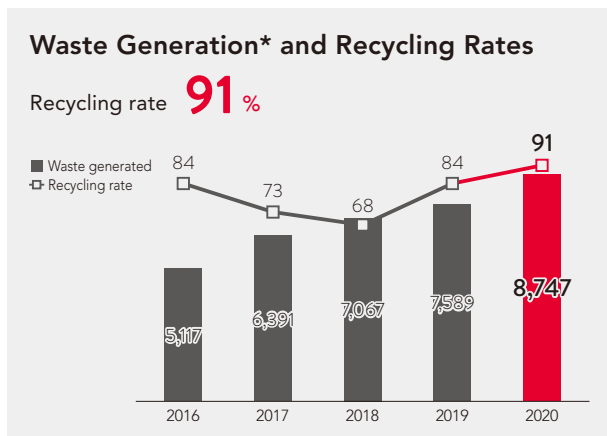


\* Period: April to March yearly base

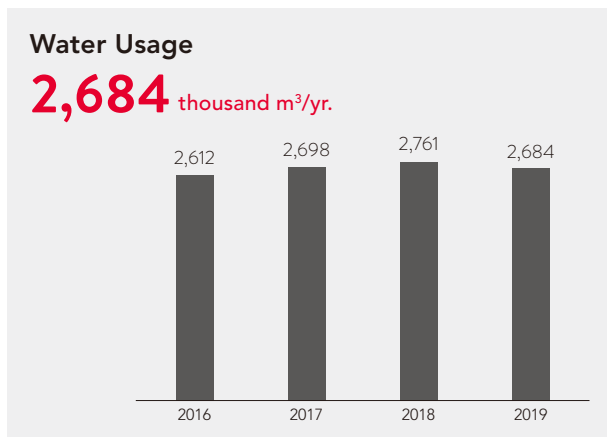
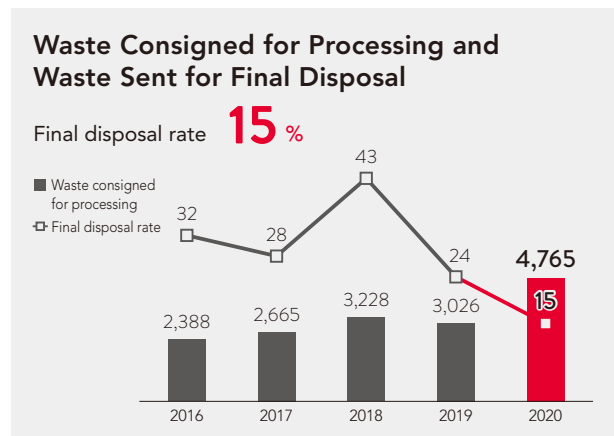


\* Period: April to March yearly base

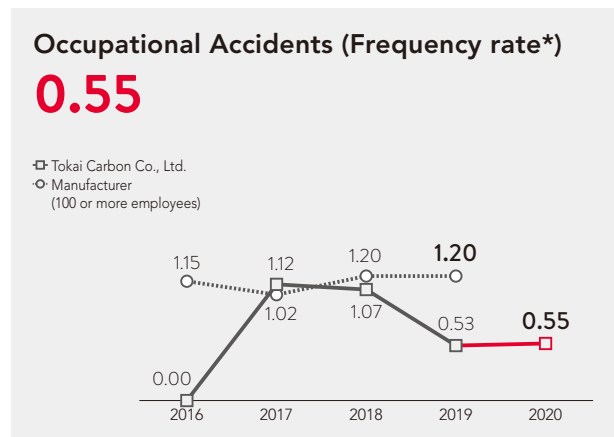
\* Based on Tokai Carbon Co., Ltd.'s CO<sub>2</sub> emissions and production volume (weight)



\* Volume of waste generated = Volume consigned for processing + Volume recycled internally or externally, and volume of valuable waste



\* Period covered: April to March of the following year



\* Frequency rate: Injuries or deaths per million working hours

\* As of April 2021, the FY2019 frequency rate of occupational accidents for manufacturing businesses (with 100 or more employees) has not been announced.

## 2020 Highlights

# Solid SiC Products to Support the Evolution of Semiconductors

Solid SiC Focus Rings, which are highly regarded by semiconductor device and equipment manufacturers around the world, are flourishing from the strong demand for high-performance semiconductors.

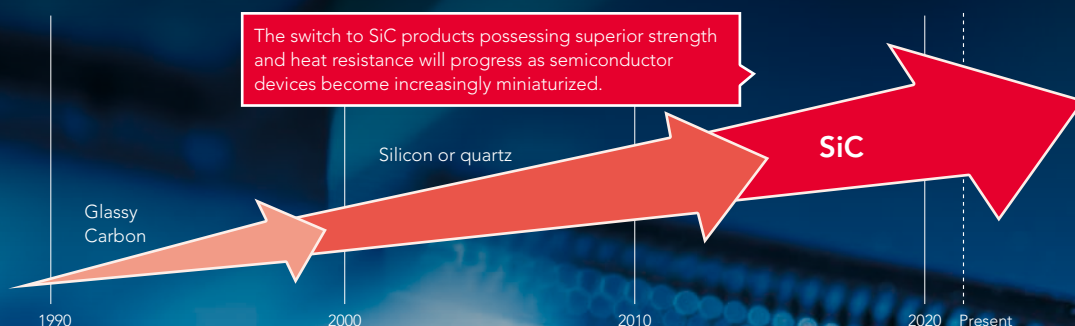
## 01 Solid SiC Focus Rings enter growth phase

High integration to enhance semiconductor performance is expanding from miniaturization in two dimensions to 3D (stacking) where circuits are stacked three-dimensionally. This development towards 3D accelerates larger demand for solid SiC Focus Rings.

A focus ring is a component used in the etching process, where a plasma-enhanced gas is used to dig grooves in semiconductor circuits. It is an important component placed

on the outside of a silicon wafer to concentrate the plasma on the wafer and ensure uniform processing. Traditionally, focus rings were mainly made of silicon metal or quartz glass. However, with the increase in the number of etchings and the boost in plasma power accompanying the transition to 3D semiconductors, there has been a shift to solid SiC, which has excellent plasma resistance.

Chronological Development of Materials for Focus Rings



### What is Solid SiC?

This product is a pure CVD-SiC, which features ultra-high purity SiC. This is achieved using the Group's proprietary CVD\* method to thicken the SiC coating, which is normally about 100 microns (0.1 mm).

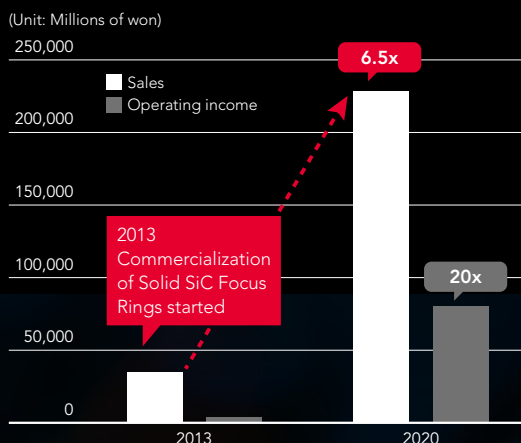
As a material with excellent strength and corrosion resistance, it is an ideal material for use in semiconductor manufacturing equipment.

\* CVD (Chemical Vapor Deposition): A method of depositing a film through a chemical reaction by supplying a raw material gas containing the components of the desired thin film to the surface of a base material heated in a reaction tube.

## 02 Becoming the leading supplier of solid SiC products

The Group installed a CVD furnace at Tokai Carbon Korea Co., Ltd. (TCK) in 2002 and began developing solid SiC Focus Rings in 2006, successfully commercializing them in 2013. Solid SiC Focus Rings have demonstrated their true value under severe conditions of use, and sales have been growing steadily as demand has increased. As a pioneer in the field of solid SiC Focus Rings, the Group is highly regarded by semiconductor device and equipment manufacturers for quality, and is currently the top supplier with an 80% share of the global market.

Business results of Tokai Carbon Korea Co., Ltd. (TCK)

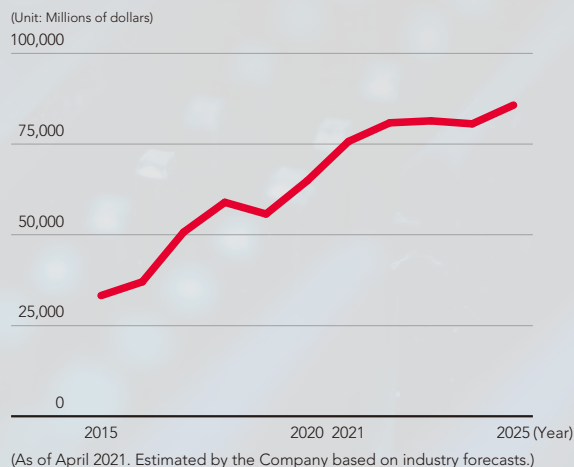
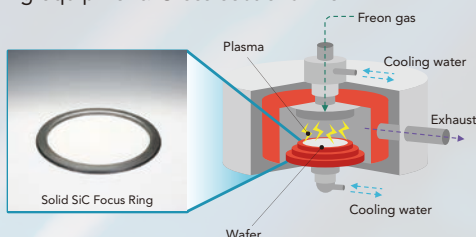


### Column

### Semiconductor manufacturing equipment market trends and forecast

The semiconductor market is expected to continue to grow briskly due to the rapid increase in the volume of data distribution, the establishment of big data analysis and cloud services, the spread of 5G communication networks, and the spread of CASE in the automotive industry. In order to meet the increasing demand for semiconductors, capital investment in a wide range of semiconductor manufacturing equipment, from high-performance to general-purpose products, is expected to continue, and the market is expected to grow at an annual rate of 5-7%.

Dry etching equipment: Cross-sectional view





**GRAPHITE  
ELECTRODES**

**Business Overview**

**Graphite Electrodes**

**Generating stable earnings backed by the greater demand for high-quality electrodes**

**2020 Summary**

Global crude steel production in 2020 remained at the same level as the previous year, driven by the Chinese market, which recovered quickly from the COVID-19 pandemic. Electric arc furnace steel production, which directly affects graphite electrodes demand, dropped by 5% YoY excluding the Chinese market. Graphite electrode sales dropped 58.5% YoY as the excessive inventory in the market took time to come down to a normal level. The division recorded a

5.77 billion yen operating loss in the same period with 3.66 billion yen inventory valuation losses (devaluation of book value) associated with the deteriorating market conditions.

	Net sales	Operating income	ROS
2019	91,317	39,388	43.1%
2020	37,879	-5,766	-15.2%
<b>2021 plan</b>	<b>40,900</b>	<b>1,300</b>	<b>3.2%</b>
Reference figures for 2023	82,400	23,330	2.8%

(Millions of yen)



## Medium-Term Management Plan and Earnings Forecast

In 2021, both crude steel production and electric arc furnace steel production are expected to return to 2019 levels backed by the fiscal stimulus measures taken in major countries. Graphite electrode demand will significantly improve from the previous year following the reduction of graphite electrode inventory in the market. The Graphite Electrodes business is expected to return to profitability in 2021, and furthermore we will aim for a fair profit that will let us reinvest for stable production and supply.

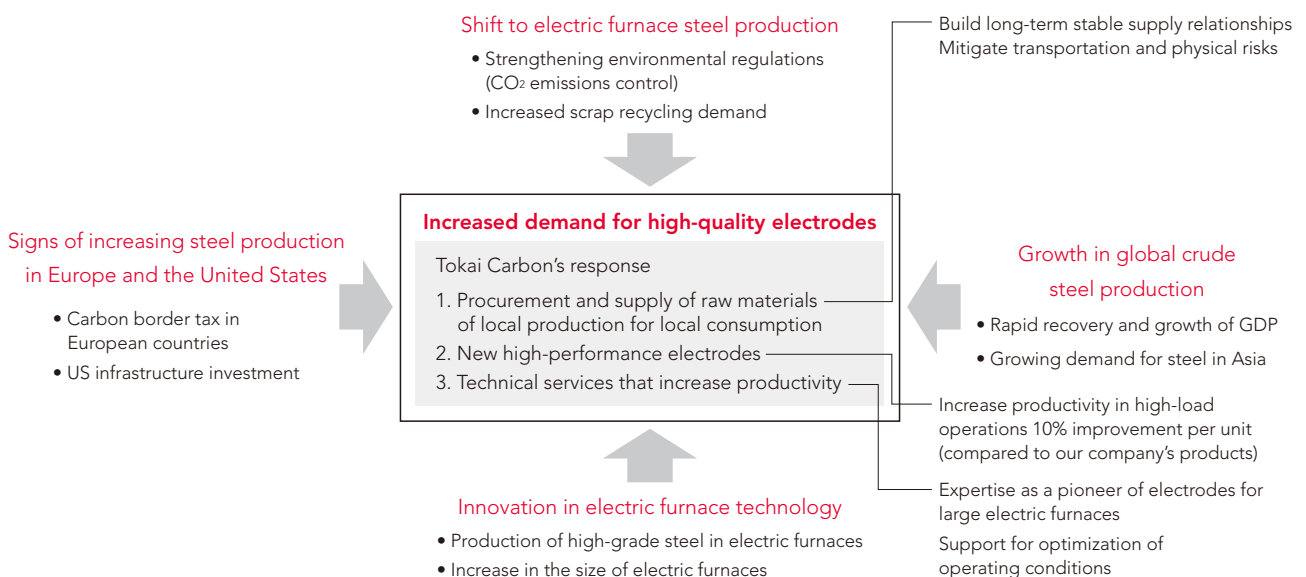
Looking ahead to the next three years of our medium-term management plan, T-2023, the business environment is expected to improve further. One reason is the shift in the steel making process from blast furnaces to electric arc furnaces to achieve the lower CO<sub>2</sub> emissions. In fact, plans for the construction of several new large-scale electric arc furnaces have been announced, and in China, the shift from blast furnaces to electric arc furnaces is expected to proceed rapidly. As a result, demand for graphite electrodes, which are essential for electric arc furnace operation, is expected to increase significantly. Based on this forecast of an upturn in demand, we will strengthen our long-term relationship of trust with our customers by providing a stable supply of high-quality electrodes, taking advantage of our strength in covering the global market with our production plants in Europe, Asia, and North America.



**Kenji Enokidani**

**Executive Officer  
General Manager of the Graphite Electrodes Division**

Although the performance of the graphite electrodes business in 2020 was significantly downwardly affected by the COVID-19 pandemic, graphite electrodes will grow in importance as the environment problem comes to be recognized as a shared global issue. In view of how the tide is changing, the Company is committed to fulfilling its supply responsibilities, thereby contributing positively to solving the global environmental issues. Under T-2023, we intend to take advantage of this opportunity to expand the electrode market in order to strengthen our business foundation to generate stable earnings over the next three years.



# Carbon Black

## Align production with market growth at a fair margin

### 2020 Summary

Net sales declined 30.5% YoY due to the US-China trade friction and the COVID-19 pandemic, which caused a significant stagnation in production by tire manufacturers, who are our main customers, in the first half of the year. In addition, operating income declined by 62.5% as lower sales prices and lower capacity utilization drove an increase in costs as a percentage of sales. On the other hand, sales volume in the second half of the year increased by 30% compared to the first half thanks to the rapid recovery of automobile production, reflecting the unpredictable impact of the COVID-19 pandemic on market conditions in 2020.

	(Millions of yen)		
	Net sales	Operating income	ROS
2019	101,751	8,512	8.4%
2020	70,754	3,192	4.5%
<b>2021 plan</b>	<b>78,000</b>	<b>5,400</b>	<b>6.9%</b>
Reference figures for 2023	100,600	9,900	9.3%



**Hirofumi Masuda**

**Member of the Board**  
**Executive Officer**  
**General Manager of the Carbon Black Division**

### Medium-Term Management Plan and Earnings Forecast

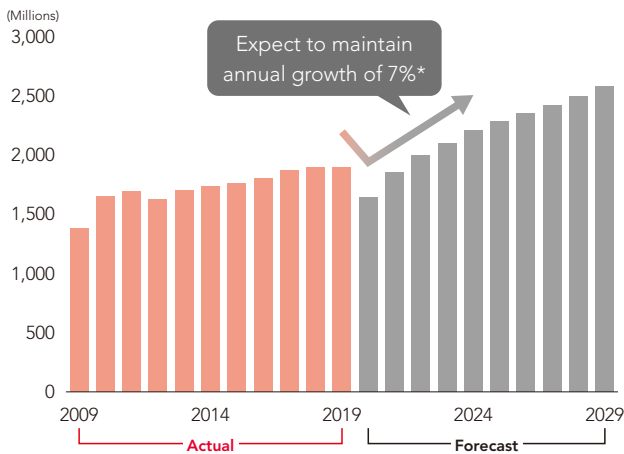
With the recovery of automobile production, sales volume in 2021 is forecast to exceed that of the previous year. On the other hand, the significant increase in costs due to the rise in raw material oil prices has reached a level that cannot be absorbed by means of the Company's efforts alone. We therefore intend to improve our profitability by raising prices.

Tire production, which is said to be proportional to the growth rate of the world economy, is expected to grow at an annual rate of 7% during the period of the medium-term management plan, T-2023, with its rebound from the previous decline. Given that 80% of our carbon black is used for tires, we expect to maintain a high rate of capacity utilization by aligning production with market growth. With respect to increasing our sales prices, our intention is to secure an appropriate margin by allowing not only rising raw material prices to be passed on, but also costs for investments, including environmental investments. Meanwhile, we aim to increase the ratio of next-generation products that extend tire life, as well as high-value-added non-tire products that take advantage of special raw material characteristics. We will also continue to create synergies through measures to reduce raw material costs and the sharing of production technologies and know-how in our global 5-country production structure, including Tokai Carbon CB Ltd., which we acquired as a subsidiary in 2018.

We will also focus on environmental contributions. In addition to promoting efforts to recycle used tires to produce carbon black, the Company is also researching the production of carbon black from vegetable oil instead of fossil fuels such as petroleum and coal. We also plan to develop advanced technologies to recover and reuse CO<sub>2</sub> generated in the production process.



Global Tire Production



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

Initiatives during the T-2023 period

1. Align production with market growth and maintain high capacity utilization
2. Ensure an appropriate margin
  - Incorporate fluctuations in raw material prices and costs for investment into the sales price
3. Increase the ratio of high-value-added products (ongoing effort)
  - Promote certification of developed products and increase the sales ratio of high-value-added products
4. Sustainability initiatives
  - Recycling of used tires
  - Production of carbon black from vegetable oil
  - Research on technology for CO<sub>2</sub> recovery and reuse

## Fine Carbon

# Boosting our production capacity of CVD-SiC products to meet the strong growth of the semiconductor market

### 2020 Summary

The COVID-19 pandemic negatively affected sales for general industrial applications. On the other hand, product shipments for semiconductor devices continued to perform well throughout the year with the expansion of markets such as 5G, IoT, and DX (digital transformation). We experienced robust sales in the photovoltaic application market as well. As a result, net sales in this business increased by 4.6% YoY and operating income increased by 8.8% YoY, exceeding the forecast at the beginning of the year. In particular, there was a significant increase in sales of Solid SiC Focus Rings, which are used in the etching process of semiconductor

manufacturing. Tokai Carbon enjoys a global market share of about 80% for this product. In addition to the growing demand for semiconductors, the company is also benefiting from the semiconductor industry's switch of ring material from conventional silicon or quartz focus rings to more durable SiC focus rings as the devices become increasingly miniaturized and multilayered.

(Millions of yen)

	Net sales	Operating income	ROS
2019	30,369	6,107	20.1%
2020	31,775	6,647	20.9%
<b>2021 plan</b>	<b>33,700</b>	<b>5,700</b>	<b>16.9%</b>
Reference figures for 2023	41,900	8,700	20.8%

FINE  
CARBON



## Medium-Term Management Plan and Earnings Forecast

The Tanoura Plant, which produces graphite materials for fine carbon, was damaged by the torrential rains of July 2020, but thanks to measures such as utilizing the heat treatment facilities at other group sites, the plant has now been restored to full production. We are also in the process of redoubling our preparedness for anticipated natural disasters in the future. In 2021, the expansion in production capacity is underway for further growth.

Under our medium-term management plan, T-2023, we expect the semiconductor production equipment market to grow by 5-7% per year, and demand for solar power generation to grow by around 10% per year in line with the global shift to renewable energy. Given these conditions, in our fine carbon business, we plan to increase production capacity of isotropic graphite materials in 2021. Similarly, we plan to increase production capacity of solid SiC Focus Rings in Korea by 50% compared to 2019. We are also building new high-purity processing furnaces in China and state-of-the-art CVD-SiC furnaces in Japan, aiming to increase the ratio of high-value-added products to achieve sales growth above and beyond the boost from the increase in scale.

At the same time, we will improve cost competitiveness and production efficiency through cross-divisional



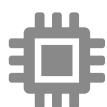
### Hideo Shin

#### General Manager of the Fine Carbon Division

reorganization, such as consolidating the production of extruded graphite materials at Tokai COBEX Savoie in France, which joined the Group in 2020. In addition, while striving to control CO<sub>2</sub> emissions in the supply chain, we will contribute to reducing the environmental burden by producing and supplying high-quality fine carbon products that are essential for the production of energy efficient power semiconductors and photovoltaic power generation equipment.

#### Business Environment

The semiconductor and photovoltaic markets are booming and expecting further growth



Semiconductors

With the semiconductor supply shortage, continued growth is expected in the manufacturing equipment market (5-7% per year)



Photovoltaic generation (PV)

Demand is expected to grow in line with the global shift to renewable energy (10% per year)

Source: Semiconductors: Our estimate based on WSTS, Gartner, and others;  
PV: Our estimate based on RTS Corporation and others.

#### Strategy

1. Expand scale in line with market growth
  - Increase production capacity of isotropic graphite materials
2. Focus on the high-value-added product market
  - Increase SiC ring production capacity (Korea: 2nd half of 2021)
  - Introduce state-of-the-art CVD-SiC furnaces (Japan: 1st half of 2021)
  - Install new high-purity furnaces (China: 1st half of 2021)
3. Overall optimization
  - Consolidate extruded material production to France (Tokai COBEX)
  - Make effective use of heat treatment facilities within the Group
  - Reduce costs by reorganizing processing sites in Europe

## Smelting and Lining

# Integration of TCX and TCS will significantly enhance sales and productivity

### 2020 Summary

Tokai COBEX (TCX), which became a subsidiary in July 2019, contributed to the Group's consolidated financial results throughout the year, and in July 2020, Tokai COBEX Savoie (TCS) in France was added, further expanding the scale of our business in cathodes used in aluminum smelters. The aluminum market was sluggish in the first half of the year due to the global economic slowdown caused by the COVID-19 pandemic. In the second half of the year, however, the situation improved due to the recovery in automobile productions. Shipments of blast furnace blocks, which are materials used to line the inner part of blast furnaces, were also at a high shipment level due to strong replacement (upgrade) demand in China. Despite some logistical delays caused by COVID-19, net sales from the Smelting and Lining business increased almost 1.5 times over

(Millions of yen)

	Net sales	Operating income	ROS
2019	14,662	-1,600	-10.9%
2020	36,421	1,161	3.2%
<b>2021 plan</b>	<b>45,600</b>	<b>2,200</b>	<b>4.8%</b>
Reference figures for 2023	61,200	10,100	16.5%



**Takashi Masaki**

Executive Officer  
General Manager of the Smelting and Lining Division

the previous year. In addition, we were able to secure operating income of 1.16 billion yen despite recording 9.69 billion yen in amortization expenses associated with M&A.

### Medium-Term Management Plan and Earnings Forecast

Due to the need for lighter materials in EVs and other products and the increasing demand for urban housing in emerging countries, global aluminum demand is increasing. On top of that, the demand for high-end graphite cathodes for efficient smelting is increasing mainly in emerging countries. We therefore forecast a 25% increase in sales in 2021 with Tokai COBEX Savoie acquired in July 2020 giving a full year contribution to financial results for 2021. We are currently in the process of integrating the sales, production, engineering, human resources, and other organizational units of the sites in Poland and France, and will continue to improve profitability going forward.

The first action item in the medium-term management plan, T-2023, is to integrate operations in Poland and France in order to significantly enhance sales and productivity. Specifically, we will consolidate high-strength graphitized cathodes in Germany and consolidate pastes and sidewalls in France. Furthermore, as part of our efforts to create synergies across the entire Group, in addition to the production of extruded specialty graphite materials for the Fine Carbon business at our French operation, we are considering transferring the battery anode materials produced in Japan to our French site, where the EV market is expected to grow rapidly.

Secondly, we will accelerate market development with our innovative product, RuC (Ready-to-Use Cathode). Aluminum smelting furnaces, which consume large amounts of electricity, are increasingly switching to graphitized cathodes that can withstand high currents in the pursuit of production efficiency. We developed the RuC, which features a copper bar attached to the cathode, as a way to further reduce the environmental burden. In addition, as part of our goal of achieving a decarbonized society, the French plant will use hydroelectric power generation and the Polish plant will be powered by renewable energy.

Proposal of an innovative cathode



RuC®  
Ready to Use Cathode

- Reduces CO<sub>2</sub> emissions by reducing energy per unit (approx. 5%)
- Extends cathode life by 1-3 years
- No need for rodding of conducting bars by customer

Two plants in France (formerly Carbone Savoie)

France  
Venissieux plant



France  
Notre Dame de Briançon plant



Two plants in Poland (formerly COBEX)

Poland  
Nowy Sacz plant



Poland  
Racibórz plant



Integrated both in name and reality starting in 2021

Integrated as TOKAI COBEX

Sales benefits

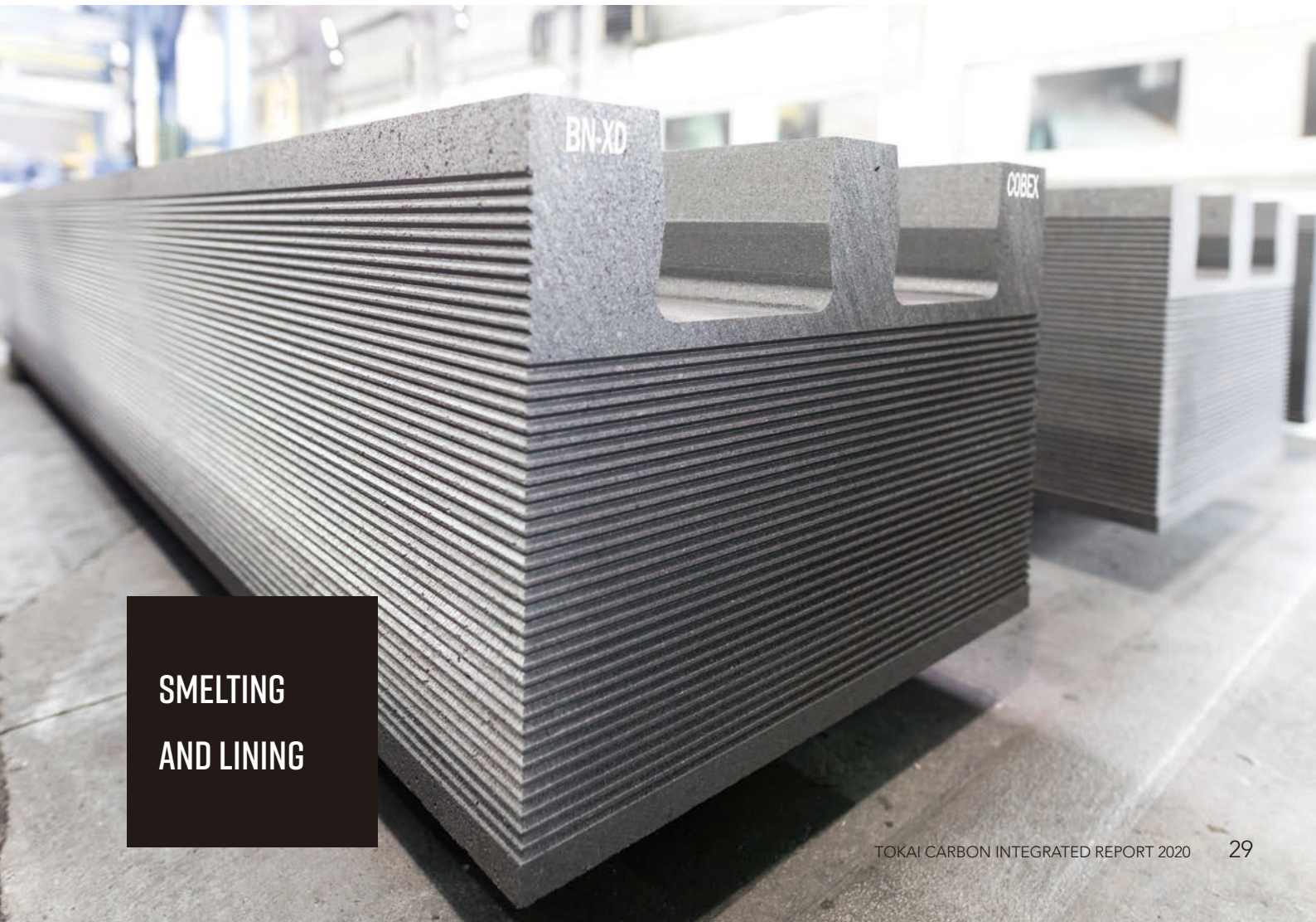
- Unify sales brand names
- Improve ability to propose solutions to problems
- Centralize customer database

Production technology benefits

- Consolidate 100 years of technical expertise
- Six Sigma approach to cost reduction

Management benefits

- Production, sales, and accounting management on unified databases through ERP system integration (January 2023)



SMELTING  
AND LINING

**INDUSTRIAL  
FURNACE AND  
RELATED  
PRODUCTS**

**Business Overview**

# Industrial Furnaces and Related Products

## Aim for continuous high profits focusing on the development of next-generation furnaces

### 2020 Summary

The growth in 5G base stations and the transition to EV lead to robust capital investment in the MLCC (monolithic ceramic capacitor) industry, which drove the sales increase in the industrial furnace business. EREMA (silicon carbide) heating elements and other products sales declined as a result of the COVID-19 pandemic, although the overall business sales were up 9.8% YoY and operating income increased 16.6% YoY to a record high level.

(Millions of yen)

	Net sales	Operating income	ROS
2019	12,641	3,227	25.5%
2020	13,873	3,765	27.1%
<b>2021 plan</b>	<b>18,300</b>	<b>4,400</b>	<b>24.0%</b>
Reference figures for 2023	19,800	5,100	25.8%

### Medium-Term Management Plan and Earnings Forecast

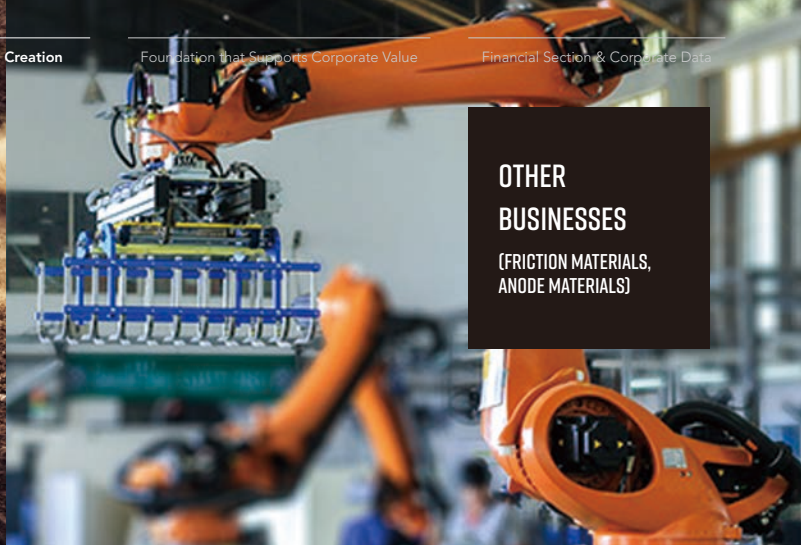
We are experiencing steady orders intake for industrial furnaces, which should support an increase in sales and profit in 2021. Our end user markets in MLCCs and lithium-ion batteries are growing in the range of 5-10% and 20-30% respectively on an annual basis. Under our medium-term management plan, T-2023, we will concentrate on these

growth markets and focus on winning new orders by leveraging our track record, know-how, and development capabilities. In particular, we will strive to respond quickly to our customers' next-generation products and promote the development of industrial furnaces with energy-saving and waste-heat recovery systems. We will also differentiate our consumables, such as our EREMA heating elements, by developing and launching environment-friendly products, and gradually increase our production capacity in anticipation of a recovery in demand. Meanwhile, looking ahead to the future, securing technical personnel is another priority task.



**Akihiko Sato**  
Tokai Konetsu Kogyo Co., Ltd.  
President





**OTHER  
BUSINESSES**  
(FRICTION MATERIALS,  
ANODE MATERIALS)

## Business Overview

# Other Businesses (Friction Materials, Anode Materials)

## Aiming to improve profitability by promoting automation

### 2020 Summary

Net sales of friction materials declined by 13.0% YoY due to the impact of our exit from the four-wheel automotive market and the sluggish market for construction machinery, agricultural machinery, and motorcycles caused by the COVID-19 pandemic. Net sales of anode materials rose by 14.3% as sales volumes for EVs increased, mainly in Europe. Revenue from real estate rentals and other items decreased 2.6%. As a result, overall net sales in these businesses declined by 4.0% from the previous year, but operating income returned to the black.

(Millions of yen)

	Net sales	Operating income	ROS
2019	11,286	-21	-0.2%
2020	10,837	298	2.8%
<b>2021 plan</b>	<b>11,400</b>	<b>500</b>	<b>4.4%</b>
Reference figures for 2023	14,100	1,400	9.9%

### Medium-Term Management Plan and Earnings Forecast

At present, sales of friction materials for construction machinery, agricultural machinery, and industrial robots are picking up in China, and sales of touring and sports motorcycles are growing in Europe, so we expect sales and

profits in the Other Businesses category to increase in 2021. The friction materials business has become fierce due to harsh price competition among the emerging new players. Under our medium-term management plan, T-2023, which prioritizes improving profitability, we plan to thoroughly reduce inventory and gradually automate our labor-intensive production systems. At the same time, we will focus on improving quality and developing next-generation products by leveraging our strength in materials technology.



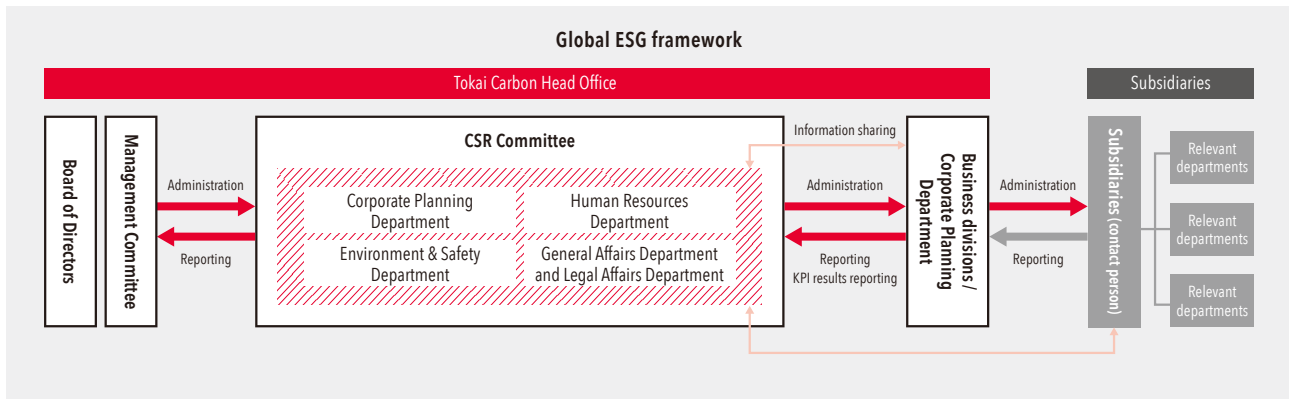
**Yoshiharu Tachibana**

General Manager of the Friction Materials Division

# ESG Management

## ► Basic policy and structure

To further underscore our stance on contributing to environmental and social issues of a global magnitude through our corporate activities, the establishment of an ESG management base is currently one of our key medium-term measures. To propel such a structure, the Company's CSR Committee meets four times a year, in principle, to continuously run the PDCA cycle.

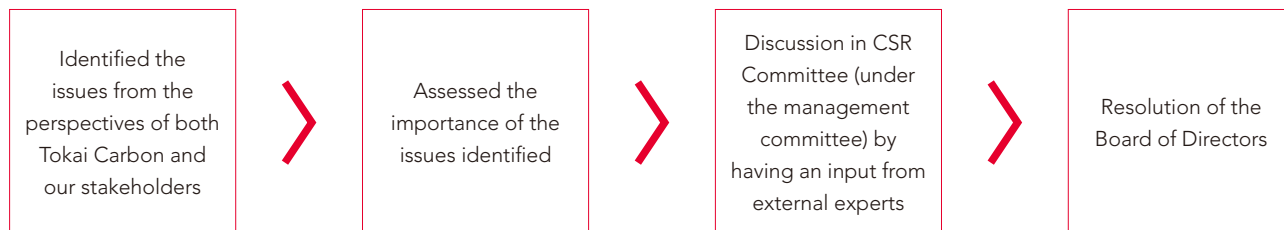


## Sustainability targets (KPIs) and results

Materiality		Goals	FY2020		
Themes	Elements		Specific numerical targets	Scope	
Harmony with the global environment	Reducing environmental impact	Reduce greenhouse gas emissions	<ul style="list-style-type: none"> <li>Reduce energy consumption per unit production (cut by 1% or more on an annual basis)</li> </ul>	Non-consolidated	
		Reduce pollution	<ul style="list-style-type: none"> <li>Dispose all of the low-concentration PCB waste, by March 31, 2025</li> <li>Maintain zero environmental claims against the Company (contamination of air, water, etc.)</li> </ul>		
	Realizing a recycling-oriented society	Recycle waste	<ul style="list-style-type: none"> <li>Recycle 75% or more of waste</li> <li>Final disposal rate of 30% or lower</li> </ul>		
Contributing to society through our business	Technological innovation	Emphasize research and development	<ul style="list-style-type: none"> <li>Invest 60% or more of the development expenditures to reduce environmental burden</li> <li>60% or more of patent applications in areas of reducing environmental burden</li> </ul>	Non-consolidated	
	Supplying safe and secured products	Further elevate quality	<ul style="list-style-type: none"> <li>Reduce electrode consumption rate (3% reduction from 2019)</li> </ul>	Non-consolidated	
	Supply chain management	Raise supplier awareness of CSR	<ul style="list-style-type: none"> <li>Make all key suppliers aware of Tokai Carbon Group procurement policies</li> </ul>	Non-consolidated	
		Reduce CSR risks at suppliers	<ul style="list-style-type: none"> <li>Conduct CSR surveys at key suppliers (first year)</li> </ul>	Non-consolidated	
	Respect for human rights	Raise employee awareness of human rights	<ul style="list-style-type: none"> <li>Conduct human rights training at all Tokai Carbon locations (total hours)</li> <li>Set human rights training time requirements for all Tokai Carbon Group companies in Japan (total hours)</li> <li>Establish global human rights policies and ensure all employees understand them</li> </ul>	Group companies in Japan	Consolidated
Contribution to community	Actively engage in community contribution activities		Non-consolidated		
Strengthening management base	Strengthening corporate governance	Establish a consolidated governance system		Consolidated	
	Ensuring compliance	Maintain ethical standards, regulatory compliance	<ul style="list-style-type: none"> <li>Zero serious regulatory violations</li> <li>Attendance of 80% or more employees to the education and training program for compliance issue.</li> </ul>	Non-consolidated	
	Human resource development	Increase employment of women	<ul style="list-style-type: none"> <li>Larger portion of female workers</li> <li>30% of new graduate recruit to be female</li> </ul>	Non-consolidated	
		Effectively implement training	<ul style="list-style-type: none"> <li>Total employee training hours planned by head office (new-hire training / specialist training)</li> </ul>	Non-consolidated	
Promoting occupational safety and health	Reduce occupational accidents	<ul style="list-style-type: none"> <li>Reduce frequency rate of occupational accidents (0.98 or lower)</li> <li>Reduce lost-time accidents to 13 days or less (severity rate of 0.007 or lower)</li> </ul>	Non-consolidated		

## Materiality identification process

In November 2019, as a first step to establish an ESG management base, we specified our “Materiality” issues for Tokai Carbon.



## Setting sustainability targets (KPIs)

Sustainability targets (KPIs) have been set for each materiality issues followed up by running the PDCA cycle.

In 2020, we started our initiatives from Tokai Carbon Japan. From FY2021, we have expanded our scope to

include all Tokai Carbon Group companies in Japan. We have been also working to set up a system to gather ESG-related data from global group companies to establish a Group-wide ESG framework.

Rating ○ : Target met △ : 60%–90% of target met × : Less than 60% of target met

Results	Rating	FY2021	
		Specific numerical targets	Scope
Target unmet due to an increased ratio of fixed energy consumption of equipment as a result of reduced production amid the COVID-19 pandemic and other factors (up about 11% year on year during the April–December 2020 period)	×*1	• Reduce energy consumption per unit production (cut by 1% or more annually)	Group companies in Japan*2
<ul style="list-style-type: none"> <li>• Almost on target with about 40% of low-concentration PCB waste having been disposed of</li> <li>• No environmental claims filed</li> </ul>	○	<ul style="list-style-type: none"> <li>• Dispose of all low-concentration PCB waste by March 31, 2025</li> <li>• Maintain zero environmental claims against the Company (contamination of air, water, etc.)</li> </ul>	Group companies in Japan
91% of waste recycled	○	• Recycle 80% or more of waste	Group companies in Japan
15% final disposal rate	○	• Final disposal rate of 25% or lower	Group companies in Japan
87% of development expenditures devoted to reducing environmental burden	○	<ul style="list-style-type: none"> <li>• Devote 80% or more of development expenditures to reducing environmental burden</li> <li>• Devote 60% or more of development expenditures to reducing environmental burden</li> </ul>	Non-consolidated Tokai Konetsu Kogyo
100% of patent applications filed in areas related to reducing environmental burden	○	<ul style="list-style-type: none"> <li>• Make 80% or more of patent applications in areas related to reducing environmental burden</li> <li>• Make 60% or more of patent applications in areas related to reducing environmental burden</li> </ul>	Non-consolidated Tokai Konetsu Kogyo
67% of relevant users met the reduction target, 33% did not meet the target with no change	△	• Reduce electrode consumption rate (3% reduction from 2019)	Non-consolidated
Selected key suppliers, familiarized them with our procurement policy, and conducted a socially responsible procurement survey	○	• Make all key suppliers in the Tokai Carbon Group aware of the Group's procurement policies	Consolidated
	○	• Roll out CSR surveys to key suppliers in the Tokai Carbon Group	
Provided human rights training to managers and candidates for managerial positions at the parent company and affiliates in Japan [Hours of training provided] 182 hours at the parent company, 141 hours at affiliates in Japan	○	• Implement harassment training based on the results of a harassment awareness survey	Non-consolidated
	○	• Implement human rights due diligence training	Group companies in Japan
Formulated the Global Human Rights Policy in July 2020 and informed all employees (on a consolidated basis) about it	○	• Improve understanding of the Global Human Rights Policy	Group companies in Japan
Total amount of donations and activity spending: Approx. 20,620,000 yen Number of employees who participated: Approx. 420	—		Consolidated
Continued promotion of internal controls, the Group-wide rollout of an internal reporting system, and the development of similar functions at the US headquarters	—		Consolidated
No serious regulatory violations	○	• No serious regulatory violations	Consolidated
90% of employees received compliance education/training	○	• Formulate and disseminate a global code of conduct to all global subsidiaries	
Ratio of female employees as of the end of December 2020 on a non-consolidated basis: 8.5% (7.9% as of the end of December 2019)	○	• Increase percentage of career-track female employees (Tokai Carbon Japan)	Non-consolidated
Ratio of female new graduates hired in FY2021: 33.3%	○	• New career-track female graduate hiring ratio of 30% (Tokai Carbon Japan)	Non-consolidated
New-hire training: 13,392 hours; specialist training: 1,672 hours (global leader training, job rank-based training)	○	• Total training hours planned by head office (new-hire training / specialist training)	Group companies in Japan
Frequency rate: 0.55	○	• Reduce frequency rate (0.98 or lower)	Group companies in Japan
Target unmet with 90 lost workdays (severity rate of 0.05), although there was only one lost time incident	×	• Reduce severity rate (0.007 or lower)	

\*1 Since the period covered is from April of each year to March of the following year, the estimated achievement level is based on the status up to December.

\*2 Group companies in Japan consists from the Tokai Carbon (standalone) plus the major domestic subsidiaries (Tokai Konetsu Kogyo, Tokai Fine Carbon, Tokai Material)

# Environmental Management

## ► Basic ideas

Tokai Carbon Group treats protection of the global environment as one of its highest management priorities. To harmonize our business activities with environmental needs, we have implemented an environmental management system based on an independently established environmental policy and the ISO 14001 international standard. Toward that same end, we also qualitatively and quantitatively evaluate the environmental impacts of our business activities, focusing on production and distribution, and take various steps to reduce them.

### Environmental policy principles

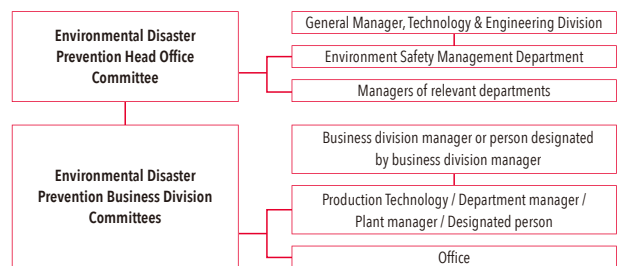
1. Enhance our environmental management system
2. Promote effective use of resources and energy
3. Comply with relevant environmental laws
4. Promote environmental education activities and social contribution activities
5. Disclose environmental information

## Management structure for advancing environmental disaster prevention

Tokai Carbon has established an environmental management structure consisting of the Environmental Disaster Prevention Head Office Committee and the Environmental Disaster Prevention Business Division Committees through which Group companies participate. The Environmental Disaster Prevention Head Office Committee establishes major strategies and policies, and each business division pursues activities in line with the ISO14001 international standard for environmental management and is subjected to the PDCA cycle. Moving forward, we aim to ensure ongoing improvements and

take on challenges, the achievement of which will have progressively greater benefits for the environment.

### Management structure for environmental disaster prevention



## ISO 14001-based environmental management system

Tokai Carbon has obtained ISO 14001 certification for all of its plants in Japan. As of October 2020, 80.7% of Tokai Carbon Group major manufacturing site, including the overseas, have the certificate. We are striving to

enhance the effectiveness of our environmental protection activities through regular audits internal audits performed by designated Company auditors and external audits performed by independent certification bodies.

### Environmental objectives

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

#### 1. Legal compliance

We carefully confirm the requirements of relevant laws, ordinances, community treaties, and agreements and properly comply with them. In 2020, we had no business locations in violation of key regulatory limits or standards, and we had no cases of environmental lawsuits or penalties.

#### 2. Zero environmental claims

Even when within standards outlined in relevant laws, ordinances, community treaties, and agreements, we appropriately respond to any incidents that could cause trouble for the local community. No significant environmental claims were made against Tokai Carbon in 2020.

#### 3. Reduction of energy consumption per unit

Tokai Carbon works to cut its emissions of CO<sub>2</sub> and other greenhouse gases by reducing its energy consumption per unit production. As a mid-term target, we aim to achieve S-class rating by reducing 1% energy consumption on a year-on-year basis following the standards of the Energy Conservation Law.

#### 4. Reduction of industrial waste

In 2020, Tokai Carbon furthered its recycling efforts by searching for and hiring a new company to process valuable waste items. As a result, we realized reductions in the volumes of industrial waste sent out for consigned treatment or final disposal. Based on our 2020 results, we have raised our 2021 recycling target to 80% or more and reduced our final disposal rate to 25% or less. Going forward, we will redouble our efforts to separate waste by category and recycle whenever possible to further reduce the amounts of waste handled through consigned treatment or final disposal.

## Awareness of risks and opportunities in climate change, risk management

The Tokai Carbon Group recognizes that responding to climate change is a key management issue. While we have already devised flood countermeasures at high-priority divisions, decentralized risk by setting up multiple sites for mainstay businesses, and incorporated climate change risks into our business continuity plan (BCP), in order to gauge the risks and opportunities in the Group posed by climate change, since December 2020 we have continued to perform business impact assessments with the use of scenario analysis, one of the requirements of the TCFD recommendations. Going forward, we plan to disclose the results of our scenario analyses.

Just like other key risks, the Board of Directors manages and monitors climate change risks within the framework of the Company-wide risk management system. Whenever necessary, the director responsible for risk management reports on important items to the Board.

## Carbon-neutral initiatives

On May, we have launched a Carbon Neutrality Promotion Project with the president as project leader. This is to propel the Group's efforts on reducing carbon emissions to net zero across the entire organization with the goal of realizing a carbon-neutral society. We have started to review reduction targets and measures through this project.

### Greenhouse gas emissions (non-consolidated)

	2016	2017	2018	2019
CO <sub>2</sub> emissions (t)*1, *2	228,904	256,943	255,989	3,900,214
Scope 1 (t)*1	38,990	44,332	44,778	36,681
Scope 1 breakdown: CO <sub>2</sub>	38,990	44,332	44,778	36,681
CH <sub>4</sub>	0	0	0	0
N <sub>2</sub> O	0	0	0	0
HFCs	0	0	0	0
PFCs	0	0	0	0
SF <sub>6</sub>	0	0	0	0
Others	0	0	0	0
Scope 2 (t)*1	185,474	206,312	204,321	128,693
Scope 3 (t)*2	4,439	6,299	6,890	3,734,840
Category 1: Purchased goods and services*3	—	—	—	469,342
Category 2: Capital goods*4	—	—	—	19,862
Category 3: Fuel-and energy-related activities not included in scope 1 or scope 2	—	—	—	N/A
Category 4: Upstream transport and delivery*1	4,439	5,551	6,234	4,903
Category 5: Waste generated by business operations*5	—	748	656	501
Category 6: Business travel	—	—	—	N/A
Category 7: Employee commuting*6	—	—	—	413,096
Category 8: Leased assets (upstream)	—	—	—	N/A
Category 9: Downstream transport and delivery	—	—	—	N/A
Category 10: Processing of sold products	—	—	—	N/A
Category 11: Use of sold products*7	—	—	—	2,827,136
Category 12: End-of-life treatment of sold products*8	—	—	—	0
Category 13: Downstream leased assets	—	—	—	N/A
Category 14: Franchises	—	—	—	N/A
Category 15: Investments	—	—	—	N/A

\*1 Data collection period: From April to March each year. Only energy sources in Scope 1.

\*2 The Data collection period for Categories 1–3 and 5–15 under scope 3, for which data collection commenced in 2019, is from January to December. References for the calculation of scope 3 include *Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain* (ver. 2.3; Ministry of the Environment and Ministry of Economy, Trade and Industry (METI)), *Database on Emissions Intensities for Calculating Greenhouse Gas Emissions, etc. through a Supply Chain* (Ver. 2.6; Ministry of the Environment and METI), and emission coefficients for each power supplier released by the Ministry of the Environment.

\*3 Calculated by multiplying the total amount of main raw materials purchased by the applicable emission intensity.

\*4 Calculated by multiplying the purchasing price of capital goods by the applicable emission intensity.

\*5 Calculated by multiplying the volume of waste disposal by type and the volume of recycling by the applicable emission intensity.

\*6 Calculated by multiplying the number of employees by the number of operating days and the applicable emission intensity.

\*7 The Scope of reporting is the Graphite Electrode Division. Calculated by multiplying the energy consumption of products and the sales volume by the applicable emission intensity and then adding CO<sub>2</sub> emissions generated by the products when in use.

\*8 The Scope of reporting is the Graphite Electrode Division.

# Respect for Human Rights

## ► Basics on human rights

We believe that consideration for human rights is important in order to realize our corporate philosophy of "Ties of Reliability". We support the Universal Declaration of Human Rights, which declares the "common standards that all peoples and all countries must achieve" in order to respect and ensure human rights and freedoms.

## Global Policy on Human Rights

To fulfill our corporate responsibility on respecting human rights, we undertake business activities with a strong sense of ethics based on the United Nation's Guiding Principles for Business and Human Rights. In keeping with these international agreements on human rights, we established the Tokai Carbon Group Global Policy on Human Rights in July 2020. The policy sets out specific guidelines on

respecting human rights within the Group, applies to all employees and business sites, and requires that our business partners comply with its provisions. The Tokai Carbon Group Human Rights Promotion Committee plays a central role in promoting employee awareness about the policy and our approach so that we can further ramp up Group-wide initiatives on respecting human rights.

### Provisions of Tokai Carbon Group Global Policy on Human Rights

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

## Human rights due diligence

Tokai Carbon Group conducts human rights due diligence to ensure corporate respect for human rights in order to identify and assess, as well as prevent and address, potential human rights risk arising from the entire value chain and corporate-related human rights-issues.

### Process of our human rights due diligence



## Initiatives for human rights awareness

Tokai Carbon conducts group-wide and division-specific training to instill an awareness of human rights in its employees. Based on the Global Human Rights Policy of the Tokai Carbon Group, training focuses on reinforcing an understanding of the basic way of Respecting Human Rights. It includes addressing discrimination, harassment,

violations of the rights of person with disabilities and people from other countries. In 2020, human rights training was conducted for management personnel, with the participation of 182 employees at Tokai Carbon and 141 employees at Group companies in Japan.

# Human Resources Development

## ► Basic ideas on hiring and employment

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

## Initiatives for human resources development

In line with our long-term vision of being “A Global Carbon company Contributing to a Better Society,” Tokai Carbon devotes significant attention to human resource development as a way to heighten internationalism and

our ability to create value – two of the themes of our basic philosophy. We aim to further strengthen the capabilities of our employees and improve our value creation capabilities as an organization.

### Certification and ranking system

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

### Evaluation system

We employ a goal management system that outlines performance goals and topics to clarify target goals for each employee. Each employee participates in a meeting during which they set specific goals and are given progress evaluations to increase individual motivation, promote personnel development, and ensure performance management.

### Self-assessment

Tokai Carbon has a system under which employees — mainly general career-track employees whose professional education includes position rotations — annually assess the volume and quality of their work and express desires for current and future positions and locations.

### Education and training

#### 1. Selective training

In 2017, we introduced overseas language training, global leadership training, and executive management training to develop candidates for future leadership positions at Tokai Carbon. In 2020, mid-career employees selected by the business divisions for participation in these programs global leadership training for six months. In 2021, we will conduct overseas language training for two months and executive management training for six months.

#### 2. Stratified training

Tokai Carbon regularly conducts stratified training for general manager, manager, mid-level, second year, and new hires. These training programs are open to participation by employees of Group companies, as well. We enhanced training for new hires from 2019 and conducted about three months of on-site training at plants, along with introductory training at the Head Office, in order to provide new hires with basic knowledge regarding the safety and production management, etc. required of employees of a manufacturing company.

From 2021, we will enhance the stratified training for younger employees by years of service and mid-level employees by each level, in order to offer opportunities to nurture career design and a global mindset and obtain basic knowledge of MBA, etc.

The training time per employee of selective and stratified training is 19 hours per year.

## Opportunities for women

In our general employer action plans for promoting the careers of women formulated in 2020, we set goals over a two-year period beginning April 2020 and extending to March 2022 to increase the hiring of female new graduates to at least 30% of people taken on for career-track positions and to attain a 65% or higher acquisition rate of annual paid holidays. While the percentage of females to the total number of new graduates taken on for career-track positions hired in 2021 reached 33%, we will continuously work on increasing the hiring of female new graduates for career-track positions and creating a comfortable work environment for female employees.

No. of employees, employee turnover (voluntary), and percentage of female employees to total employees (Non-consolidated)

\* Excluding fixed-term workers

	2018	2019	2020
No. of employees	729	769	778
Employee turnover (voluntary)	14	17	11
Percentage of female employees to total employees	6.7%	7.9%	8.5%
Percentage of females to the total number of employees taken on for career-track positions	20.0%	42.9%	20.8%

# Occupational Safety and Health

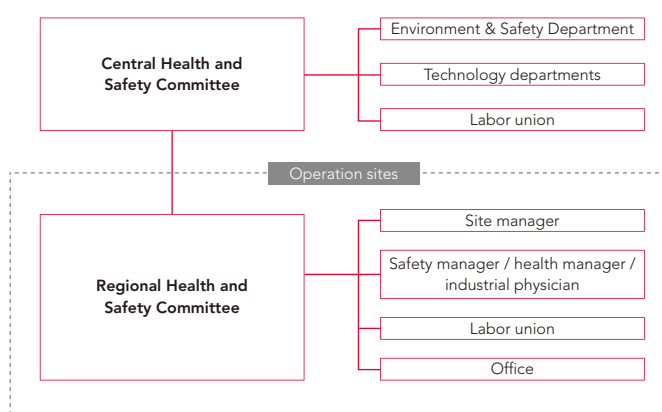
## ► Basic ideas for occupational safety and health

Occupational safety and health is one of the Tokai Carbon Group's highest priorities and a key concern of management. Aiming to keep our operations free of occupational accidents, we strive to ensure that everyone working in our facilities is sensitive to potential dangers.

## Health and safety management structure

To confirm the status of health and safety activities at each operating site and to deliberate and outline core initiatives related to health and safety, we convene Central Health and Safety Committee meetings attended by labor and management representatives, including executives responsible for occupational safety. Every year, we set policies for enhancing occupational safety and health at Central Health and Safety Committee meetings in order to keep improving occupational safety and health going forward. In 2021, the frequency rate management value is 0.98 or less. At Tokai Carbon, the Board of Directors supervise occupational safety and health risk, and the board member in charge of risk reports important matters such as occupational accidents to the Board of Directors as necessary.

Tokai Carbon health and safety organization chart



## Improving occupational safety and health

At Tokai Carbon, we continually engage in full-participation safety management and regularly conduct activities to nip danger in the bud, give presentations of near misses, hold KYT (hazard prediction training), and so on, as risk assessments for the present dangerous work procedures and dangerous places in facilities, ultimately eliminating occupational accidents. In 2020, there was one accident, involving a worker who was hurt by a falling heavy object

that resulted in lost workdays. When an accident resulting in lost workdays occurs, we first analyze the situation in on-site verification, then thoroughly understand the root cause through further analysis, and then develop recurrence prevention plans. Moreover, we not only draw up those countermeasures, but also visit plants to do safety inspections and check the effectiveness of the recurrence prevention plans.

## Labor relations

Tokai Carbon respects the rights of employees, including the freedom of association and the right to collective bargaining. Tokai Carbon has signed a union shop agreement with the Tokai Carbon Labor Union. Union membership includes 86.3% of Tokai Carbon employees (as of the end of December 2020). Labor and management discuss matters concerning labor relations and business activities in meetings of the Labor Committee, Work Committee, and

Expert Committee on Human Resources Systems. Working from a foundation of trust and cooperation labor and management fulfill their respective responsibilities and strive to implement policies that promote positive interaction. When it seeks to implement organizational and employment policy changes, management consults with the union before finalizing decisions.



# Reliable Product Supply / CSR Procurement

## ▶ Business/customer attributes and basic way of thinking

Owing to a customer base spanning a wide array of industries and sectors, Tokai Carbon Group's products are utilized in a broad range of fields, including automotive, steel, electronic components, agricultural equipment, and lithium-ion batteries. Accordingly, we believe that maintaining a stable supply of high-quality products is our most basic responsibility. Moreover, given that we form part of the supply chain of our customers, it goes without saying we abide by relevant laws, regulations, and social norms, but we also continually make every effort to minimize the environmental impact of our manufacturing operations.

## Diversified plant location and local production

### Diversified plant location, local production

In the past, Tokai Carbon Group based its production in Asia. In the 1990s, however, we expanded our business area to the global market. In an effort to add production facilities in various locations, we have taken actions such as establishing a carbon black plant in China in 2004, acquiring the German graphite electrode manufacturer TOKAI ERFTCARBON GmbH in 2005, and acquiring the Canadian carbon black manufacturer Cancarb Limited in 2014. In 2017 and 2018 we also acquired graphite electrode and carbon black manufacturers in North America. These actions have made us a global player with production and sales functions near customers, and the ability to reliably supply high-quality products, in both of these businesses.

### Raw material procurement

For both carbon black and graphite electrodes, there are only a limited number of raw material suppliers. It is our responsibility to the stakeholders to stably provide our quality products to our customers by continuously sourcing the raw material. In procuring raw materials for carbon black, we select suppliers based on careful considerations of volume, pricing, and raw material types.

As for needle coke for graphite electrode, we could centralize the procurement which now are handled by individual locations as Japan, U.S. and Europe if that works for a greater stability in procurement.

## Quality management

To establish a basis for quality management, we have acquired the international quality management standard of ISO 9001 for all of our manufacturing facilities in Japan. We are running the plan-do-check-act (PDCA) cycle for all of our processes to ensure that our customers are satisfied with the

level of quality. We also conduct a periodical assessment and exchange opinions regarding the effectiveness of our quality management system to gain a unified quality management throughout the division's offices and plants.

## ▶ Basic way of thinking on CSR procurement

In order to face the global environmental and social challenges as an involved party, we are intent on contributing to the building of a sustainable society together with our suppliers by adhering to our Procurement Policy.

### Tokai Carbon Group Procurement Policy



[https://www.tokaicarbon.co.jp/en/sustainability/pdf/pdf\\_procurement.pdf](https://www.tokaicarbon.co.jp/en/sustainability/pdf/pdf_procurement.pdf)

## Implementation of CSR procurement survey for our business partners

Tokai Carbon Group procure raw materials from suppliers worldwide at each global site. We request our business partners to agree with our Procurement Policy and respond to our CSR procurement survey so that we can confirm their compliance status.

# Corporate Governance

## ▶ Corporate governance structure

As a company with an Audit & Supervisory Board, Tokai Carbon focuses on enhancing the effectiveness of audits by Audit & Supervisory Board members and our internal audit functions. At the same time, we work to strengthen the management supervision functions of the Board of Directors by appointing multiple external directors and establishing voluntary committees in order to realize an appropriate corporate governance structure.

### Board of Directors

The Board of Directors is responsible for making decisions on important management matters and overseeing business execution. In principle, the Board meets monthly. As of March 30, 2021, there are nine directors, including three external directors.

### Management Committee

The Company has established the Management Committee under the Board of Directors. This committee deliberates and makes decisions on important management matters in accordance with basic policies adopted by the Board of Directors. The Management Committee meets once a week, in principle, with participation by executive officers and Audit & Supervisory Board members, etc.

### Audit & Supervisory Board members and Audit & Supervisory Board

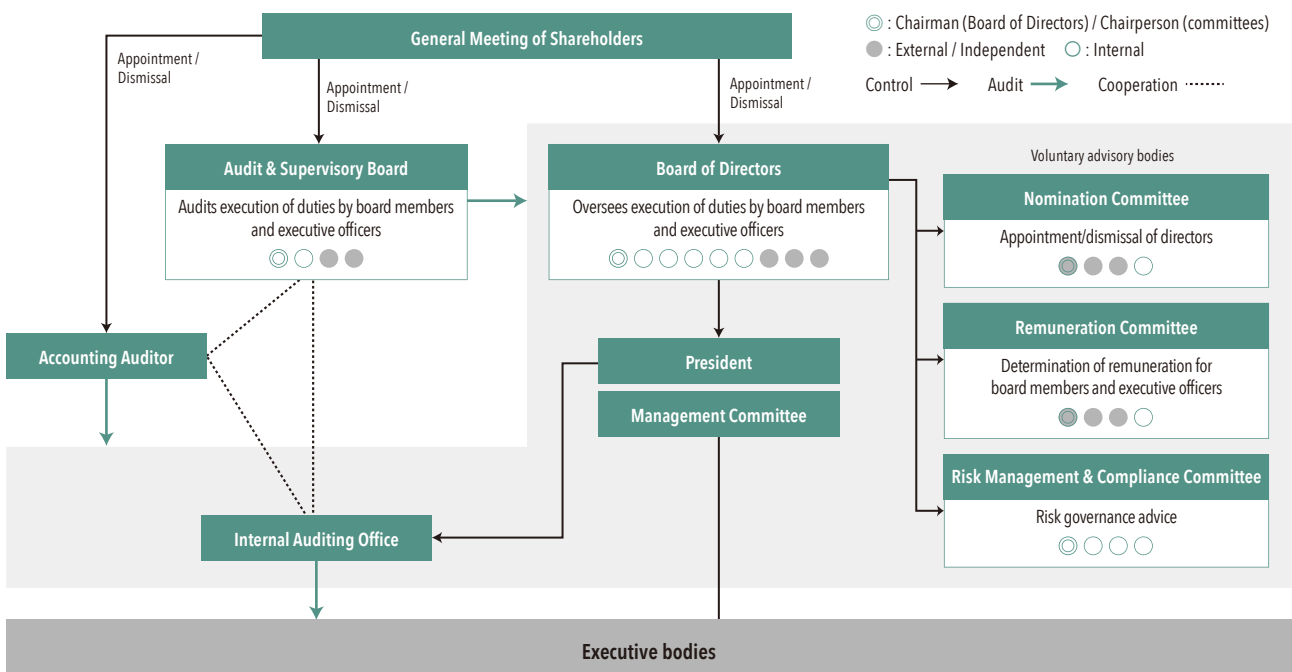
Audit & Supervisory Board members audit the performance of duties by directors by attending important meetings such as Board of Directors' meetings and conducting investigations into the Company's operations and assets in accordance with auditing policies and plans adopted by the Audit & Supervisory Board. As of March 30, 2021, there are

four Audit & Supervisory Board members, two of whom hail from outside of the Company.

#### Corporate Governance

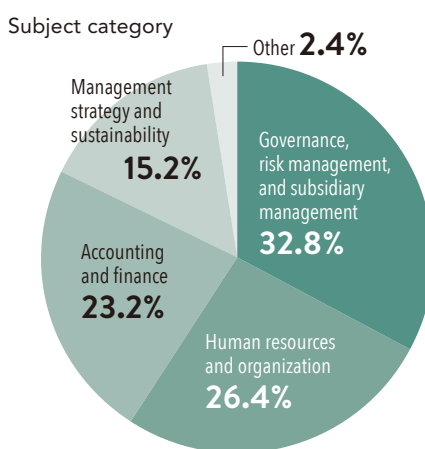
 [https://www.tokaicarbon.co.jp/en/sustainability/corporate\\_governance.html](https://www.tokaicarbon.co.jp/en/sustainability/corporate_governance.html)

Corporate governance system



## Discussion items

Subject category	Topic
Governance, risk management, and subsidiary management	Analysis and evaluation of effectiveness of Board of Directors
	Reports on financing, investments, and market risk management
	Internal audit reports
	Risk Management & Compliance Committee reports
Human resources and organization	Board member and executive officer candidates
	Reorganization
Accounting and finance	Financial statements
	Annual budget plans
Management strategy and sustainability	Formulation of medium-term management plans
	Reports on ESG activities and sustainability targets
Other	Matters concerning the General Meeting of Shareholders
	July 2020 Kyushu flood relief donations



## Strengthening the effectiveness of the Board of Directors

In 2016 we established the Nomination Committee, Remuneration Committee, Management Committee, and Risk Management & Compliance Committee in an effort to drastically bolster the Company's governance structure under the Board of the Directors. The effectiveness of the Board of Directors is annually evaluated by the issues identified and improved. Through this process, the initial benefits are being appropriately maintained and enabling further development of the board effectiveness.

## Establishing an internal control system

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

## Management appointment process

The appointment of board members, Audit & Supervisory Board members, and executive officers begins with the formulation of recommendations by the Nomination Committee, an advisory body to the Board of Directors consisting of one internal board member and three external board members. The Nomination Committee prepares its recommendations by comprehensively considering the experience, knowledge, expertise, and other qualities of internal and external candidates. After approval by the Board of Directors, candidates for director and Audit & Supervisory Board positions are submitted to the General Meeting of Shareholders for approval.

## Executive remuneration

At Tokai Carbon, executive remuneration is composed of basic remuneration, which is a fixed amount, and performance-based remuneration, which varies depending on achievement of performance objectives. For directors with executive responsibilities, the proportion of total remuneration that is variable is designed to rise with executive rank. This is in consideration of the significance of management responsibilities borne.

# Corporate Governance

## Skills matrix

Name	Gender	Term of office (years)	Knowledge and experience expected								
			Corporate management	Finance and accounting	Legal affairs and compliance	Overseas business	Manufacturing and technology	Sales and marketing	Personnel and HR development	Governance and risk management	ESG and sustainability
President and CEO Hajime Nagasaka	M	15	●			●			●	●	●
Member of the Board/Executive Officer Yuji Serizawa	M	8	●		●				●	●	●
Member of the Board/Executive Officer Masafumi Tsuji	M	4	●			●		●	●	●	
Member of the Board/Executive Officer Katsuyuki Yamaguchi	M	2						●			●
Member of the Board/Executive Officer Shunji Yamamoto	M	2				●		●			
Member of the Board/Executive Officer Hirofumi Masuda	M	1				●		●			
Member of the Board (external/independent) Nobumitsu Kambayashi	M	5	●			●		●	●	●	
Member of the Board (external/independent) Junichi Tanahashi	M	1	●					●	●		
Member of the Board (external/independent) Mayumi Asada	F	0			●					●	●
Audit & Supervisory Board Member (full-time) Masanao Hosoya	M	2		●	●	●				●	
Audit & Supervisory Board Member (full-time) Kazuyuki Kakehashi	M	5			●			●			●
Audit & Supervisory Board Member (external/independent) Kaoru Ogashiwa	M	2		●	●						
Audit & Supervisory Board Member (external/independent) Motokazu Hiura	M	1		●	●						

## Attendance at meetings of the Board of Directors, Audit & Supervisory Board, and committees (attendance/meetings) in FY2020

Position	Name	Board of Directors	Audit & Supervisory Board	Nomination Committee	Remuneration Committee	Risk Management & Compliance Committee
Member of the Board	Hajime Nagasaka	◎ (19/19)	—	○ (4/4)	○ (4/4)	
	Yuji Serizawa	○ (19/19)	—	—	—	◎ (5/5)
	Masafumi Tsuji	○ (19/19)	—	—	—	○ (4/5)
	Katsuyuki Yamaguchi	○ (19/19)	—	—	—	○ (5/5)
	Shunji Yamamoto	○ (19/19)	—	—	—	
	Hirofumi Masuda	○ (14/14)	—	—	—	
	Nobumitsu Kambayashi (external/independent)	○ (19/19)	—	◎ (4/4)	◎ (4/4)	
Junichi Tanahashi (external/independent)	○ (13/14)	—	○ (3/3)	○ (2/2)		
Audit & Supervisory Board members	Masanao Hosoya	○ (17/19)	◎ (14/14)	—	—	○ (5/5)
	Kazuyuki Kakehashi	○ (19/19)	○ (14/14)	—	—	○ (5/5)
	Kaoru Ogashiwa (external/independent)	○ (19/19)	○ (14/14)	—	—	
	Motokazu Hiura (external/independent)	○ (12/12)	○ (9/9)	—	—	

\* Positions as of end-December 2020

\* The [◎] symbol denotes chair or chairperson

## Compliance

The Company has outlined a Basic Policy, Guidelines, and a Corporate Code of Ethics. We conduct corporate activities in accordance with these policies and based on a strong ethical viewpoint while also complying with the relevant laws, rules, and regulations. We have also prepared the Compliance Manual based on the Tokai Carbon Corporate Code of Ethics and our Ethical and Compliance Conduct Standards. The manual outlines the conduct standards that all officers and employees are required to maintain as they carry out their everyday duties, and is intended to help everyone in the Company understand compliance properly.

## Prevention of corruption

### Cases of corrupt behavior

In the FY2020, there was no exposure of corrupt behavior and no fines or surcharges paid. There was no disciplinary action taken against employees due to corrupt behavior.

### Prevention of bribery and other corrupt behavior Board oversight of corrupt behavior

Our Code of Ethics states that we will conduct business activities through fair competition and maintain sound and normal relations with politicians, government officials, and suppliers. It also states that we will comply with all laws and conduct business activities based on social norms and common sense. Because of this, we prohibit and strive to

## Internal reporting system

We have introduced an internal reporting system for receiving reports from employees who have found out about legal violations or fraud (or signs thereof), including any acts linked to corruption such as bribery etc. by executive officers or employees. We have established in-house contact points (Legal Affairs Department, Audit & Supervisory Board Member) and external contact points (legal advisors) to receive reports or requests for advice by phone, fax, email, letter, etc. Reports can also be made anonymously. The Company's Guidelines on Handling Internal Reports clearly states that, apart from cases when the system is deliberately misused, informants will not be dismissed or subjected to unfair treatment under this system.

prevent acts of bribery or acts that could arouse suspicion of bribery, such as proposing or delivering benefits as compensation for others, and demanding or receiving benefits such as cash, excessive business entertainment, amusement or other services. We also prohibit corrupt behavior in the form of conspiracy to embezzle company funds or commit money laundering. The prohibition of this kind of corruption and bribery is also specified in our procurement policy.

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

## Education and Enlightenment

We continuously provide compliance training for executive officers, managers, new employees, etc. conducted by internal and external lecturers. We are also striving to raise compliance awareness among executive officers and employees via the in-house distribution of a compliance message video and the publication of related articles in our in-house magazine.

### Training theme

Year	Theme	Participants
2017	Anti-Monopoly Act	About 50
2018	ESG	About 45
2019	Issue of quality falsification	About 50
2020	Dialogue with shareholders/ Response to proposals from shareholders	About 50

## Corporate Governance

# Management (As of July 1, 2021)

### Member of the Board



**Hajime Nagasaka**

President & Chief Executive Officer

#### Career Summary

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



**Yuji Serizawa**

Member of the Board Executive Officer

#### Career Summary

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



**Masafumi Tsuji**

Member of the Board Executive Officer

#### Career Summary

- 1986 Joined the Company
- 2014 Business Director/General Manager, Carbon Black Division
- 2015 Executive Officer
- General Manager, Carbon Black Division
- 2016 Executive Officer
- General Manager, Graphite Electrode Division
- 2017 Executive Officer
- General Manager, Fine Carbon Division
- 2017 Member of the Board/Executive Officer
- General Manager, Fine Carbon Division
- 2020 Member of the Board/Executive Officer
- Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
- General Manager, Corporate Planning Department
- 2020 Member of the Board/Executive Officer
- Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
- General Manager, Corporate Planning Department
- General Manager, Sales Research & Planning Department
- 2020 Member of the Board/Executive Officer
- Responsible for Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
- General Manager, Corporate Planning Department
- General Manager, Sales Research & Planning Department
- 2020 Member of the Board/Executive Officer
- Responsible for Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department
- General Manager, Corporate Planning Department (incumbent)



**Katsuyuki Yamaguchi**

Member of the Board Executive Officer

#### Career Summary

- 1988 Joined the Company
- 2015 General Manager, Engineering Department, Technology & Engineering Division
- 2016 Business Director
- General Manager, Technology & Engineering Division
- 2018 Executive Officer
- General Manager, Technology & Engineering Division
- 2019 Member of the Board/Executive Officer
- General Manager, Technology & Engineering Division
- 2019 Member of the Board/Executive Officer
- General Manager, Technology & Engineering Division
- 2020 General Manager, Environment & Safety Department
- Member of the Board/Executive Officer
- General Manager, Technology & Engineering Division
- 2021 Member of the Board/Executive Officer
- General Manager, R&D Strategy Division
- General Manager, Intellectual Property Department (incumbent)



**Shunji Yamamoto**

Member of the Board Executive Officer

#### Career Summary

- 1985 Joined the Company
- 2013 General Manager, Kyushu-Wakamatsu Plant
- 2015 General Manager, Production & Technology Department, Carbon Black Division
- 2016 Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.
- 2018 Executive Officer
- Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.
- 2019 Member of the Board/Executive Officer
- Director, TCCB Genpar LLC (incumbent)



**Hirofumi Masuda**

Member of the Board Executive Officer

#### Career Summary

- 1985 Joined the Company
- 2012 General Manager, Sales Department, Graphite Electrode Division
- 2015 General Manager, Osaka Branch
- General Manager, Nagoya Branch
- 2016 General Manager, Marketing & Sales Department, Carbon Black Division
- 2017 Director and Deputy Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.
- 2019 Executive Officer, Director and Deputy Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.
- 2020 Executive Officer
- General Manager, Carbon Black Division
- 2020 Member of the Board/Executive Officer
- General Manager, Carbon Black Division (incumbent)



**Nobumitsu Kambayashi**

External Member of the Board part-time

#### Career Summary

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



**Junichi Tanahashi**

External Member of the Board part-time

#### Career Summary

- 1981 Joined Nippon Chemical Industrial Co., Ltd.
- 1984 Member of the Board, Nippon Chemical Industrial Co., Ltd.
- 1986 Managing Member of the Board, Nippon Chemical Industrial Co., Ltd.
- 1989 President, Nippon Chemical Industrial Co., Ltd.
- 2005 Chairman, Nippon Chemical Industrial Co., Ltd.
- 2005 Adviser, Japan Inorganic Chemical Industry Association (incumbent)
- 2009 Outside Member of the Board, Fuji Chemical Co., Ltd. (incumbent)
- 2014 Vice President, The Association of Powder Process Industry and Engineering, JAPAN
- 2015 Chairman of the Board, Nippon Chemical Industrial Co., Ltd.
- 2020 External Member of the Board, the Company (incumbent)
- 2020 Inspector, The Association of Powder Process Industry and Engineering, JAPAN (incumbent)
- 2021 Adviser, Nippon Chemical Industrial Co., Ltd. (incumbent)



**Mayumi  
Asada**

External Member of the Board  
part-time

**Career Summary**

- 2002 Registered as an attorney-at-law and joined Hiranuma Takaaki Law Office
- 2003 Transferred to Akagi & Matsuoka Law Office
- 2003 Member of the committee for medical dispute settlement, the Tokyo Metropolitan Medical Association (incumbent)
- 2014 Representative, Marunouchi Building Aoi Law Office (incumbent)
- 2014 Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine
- 2015 Member of the council for disclosure and personal information protection, Meguro-ku (incumbent)
- 2017 Member of the external audit committee for medical safety at Juntendo University Hospital (incumbent)
- 2018 Reconciliation officer at Tokyo Family Court (incumbent)
- 2020 Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent)
- 2021 External Member of the Board, the Company (incumbent)
- 2021 Part-time lecturer, Department of Hospital Administration, Juntendo University School of Medicine (incumbent)

**Audit & Supervisory Board Members**



**Masanao  
Hosoya**

Audit & Supervisory  
Board Member (full-time)

**Career Summary**

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



**Kazuyuki  
Kakehashi**

Audit & Supervisory  
Board Member (full-time)

**Career Summary**

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



**Kaoru  
Ogashiwa**

External Audit &  
Supervisory Board Member  
(Part-time)

**Career Summary**

- 1990 Joined Shin Nihon Shoken Chosa Center Keiei Kenkyusho (currently Japan Investor Relations and Investor Support, Inc.)
- 1992 Registered as a certified tax accountant (to present)
- 2005 Auditor, Senkon Logistics Co., Ltd.
- 2017 Outside Member of the Board and Auditor, the Company (incumbent)
- 2019 Audit & Supervisory Board Member, the Company (incumbent)



**Motokazu  
Hiura**

External Audit &  
Supervisory Board Member  
(Part-time)

**Career Summary**

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

**Executive Officers**

**Hiroshi Takahashi**

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

**Takashi Masaki**

Executive Officer  
General Manager, Smelting and Lining Division  
Chairman of the Board, Tokai COBEX GmbH

**Kazuhito Kataoka**

Executive Officer  
General Manager, Japan Operations of  
Graphite Electrodes

**Koji Miura**

Executive Officer  
General Manager, Chita Laboratory

**Kenji Enokidani**

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

**Takeshi Nakashima**

Executive Officer  
Strategic Integration Officer, Tokai COBEX GmbH

**Akira Yamada**

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

**Akihiko Satoh**

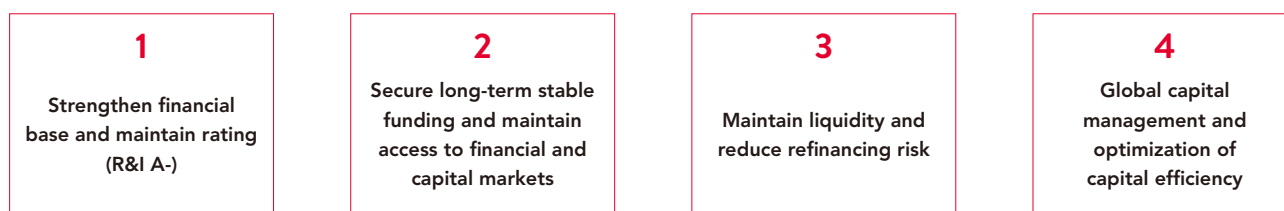
Executive Officer  
Responsible for Accounting & Finance Department  
and Information System Department,  
and General Manager,  
Accounting & Finance Department

# Financial Strategy

## ► Basic Financial Strategy

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

### Policy for Maintaining Financial Soundness



## Expanding on-hand liquidity

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

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

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

## Maintaining financial discipline with hybrid financing

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

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

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

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

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

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



## Capital investment plan

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

### Major capital investment plans

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

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

## Stable and continuous shareholder returns

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

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

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

# Long-Term Earnings Summary (2010–2020)

(Millions of yen)

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

\*Corporate exchange rate

\*Figures have been revised retrospectively.

(Millions of yen)

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

# Financial Statements

## Consolidated Balance Sheets

(Millions of yen)

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

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

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

\*2 Items associated with affiliates are as follows.

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

(Millions of yen)

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

\*3 Overdraft facility agreements and commitment line agreements

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

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

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

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

## Financial Statements

### Consolidated Statement of Operations

(Millions of yen)

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

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

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

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

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

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

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

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

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

\*5 Insurance claim income and loss on disaster

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

Not applicable.

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

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

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

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

\*7 Impairment loss

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

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

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

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

## Financial Statements

### Consolidated Statements of Cash Flows

(Millions of yen)

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



(Millions of yen)

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

## Financial Statements

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

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

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

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

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

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

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

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

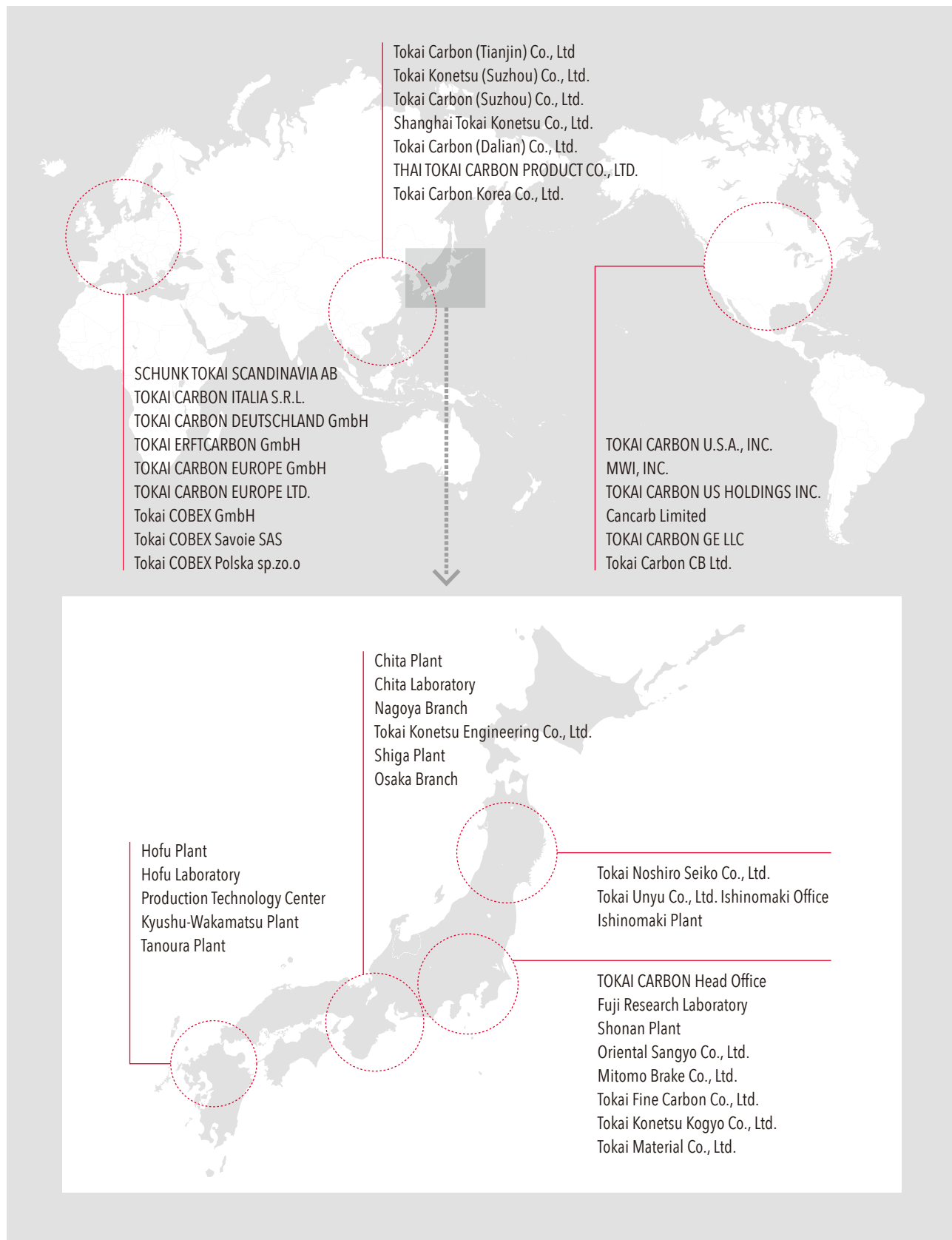
Principal assets and liabilities of Carbone Savoie International SAS upon consolidation of the company along with its one subsidiary resulting from acquisition of its shares, as well as the relationship between the acquisition price of the shares of the company and expenditures (net) for its acquisition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

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

# Company Overview

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

# Group Companies



**Head Office****TOKAI CARBON JAPAN**

Minato-ku, Tokyo

**Laboratory****TOKAI CARBON Fuji Research Laboratory**

Sunto-gun, Shizuoka

**TOKAI CARBON Chita Laboratory**

Chita-gun, Aichi

**TOKAI CARBON Hofu Laboratory**

Hofu, Yamaguchi

**Branch****TOKAI CARBON Osaka Branch**

Kita-ku, Osaka

**TOKAI CARBON Nagoya Branch**

Nagoya, Aichi

**Graphite Electrodes Division****TOKAI CARBON Shiga Plant**

Oumihachiman, Shiga

**TOKAI CARBON Hofu Plant**

Hofu, Yamaguchi

**TOKAI CARBON GE HOLDING LLC**

Charlotte, U.S.A.

**TOKAI CARBON GE LLC**

Charlotte, U.S.A.

**TOKAI CARBON GE FUND CORP.**

Charlotte, U.S.A.

**TOKAI ERFTCARBON GmbH**

Grevenbroich, Germany

**Carbon Black Division****TOKAI CARBON Ishinomaki Plant**

Ishinomaki, Miyagi

**TOKAI CARBON Chita Plant**

Chita-gun, Aichi

**TOKAI CARBON Kyushu-Wakamatsu Plant**

kita-Kyusyu, Fukuoka

**Tokai Unyu Co., Ltd. Ishinomaki Office**

Ishinomaki, Miyagi

**Tokai Carbon CB Ltd.**

Fort Worth, U.S.A.

**TCCB US Ltd.**

Fort Worth, U.S.A.

**TCCB Genpar LLC**

Fort Worth, U.S.A.

**Cancarb Limited**

Medicine Hat, Canada

**THAI TOKAI CARBON PRODUCT CO., LTD.**

Bangkok, Thailand

**Tokai Carbon (Tianjin) Co., Ltd**

Tianjin, China

**Fine Carbon Division****TOKAI CARBON Tanoura Plant**

Ashikita-gun, Kumamoto

**Tokai Fine Carbon Co., Ltd. Head Office**

Chigasaki, Kanagawa

**Oriental Sangyo Co., Ltd.**

Kofu, Yamanashi

**TOKAI CARBON U.S.A., INC.**

Hillsboro, U.S.A.

**MWI, INC.**

Rochester, U.S.A.

**TOKAI CARBON EUROPE GmbH**

Grevenbroich, Germany

**TOKAI CARBON EUROPE LTD.**

West Midlands, U.K.

**TOKAI CARBON ITALIA S.R.L.**

Milano, Italy

**TOKAI CARBON DEUTSCHLAND GmbH**

Buchholz-Mendt, Germany

**SCHUNK TOKAI SCANDINAVIA AB**

Trollhättan, Sweden

**Tokai Carbon (Dalian) Co., Ltd.**

Dalian, China

**Tokai Carbon Korea Co., Ltd.**

Anseong-si, Korea

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

Minato-ku, Tokyo

**Tokai Konetsu Engineering Co., Ltd.**

Oumihachiman, Shiga

**Shanghai Tokai Konetsu Co., Ltd.**

Shanghai, China

**Tokai Konetsu (Suzhou) Co., Ltd.**

Suzhou, China

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

Wiesbaden, Germany

**Tokai COBEX GmbH**

Wiesbaden, Germany

**Tokai COBEX Polska sp.zo.o**

Raciborz, Poland

**Tokai COBEX (shanghai) Ltd.**

Beijing, China

**Tokai COBEX Savoie SAS**

Notre-Dame de Briançon, France

**Other Divisions****TOKAI CARBON Shonan Plant**

[Friction Materials Division]

Chigasaki, Kanagawa

**TOKAI CARBON Production Technology Center**

[Anode Materials Division]

Hofu, Yamaguchi

**Tokai Material Co., Ltd. Head Office/Plant**

[Friction Materials Division]

Yachiyo, Chiba

**Mitomo Brake Co., Ltd.**

[Friction Materials Division]

Hiki-gun, Saitama

**Tokai Noshiro Seiko Co., Ltd.**

[Friction Materials Division]

Noshiro, Akita

**Tokai Carbon (Suzhou) Co., Ltd.**

[Friction Materials Division]

Suzhou, China

**Other****TOKAI CARBON US HOLDINGS INC.**

Charlotte, U.S.A.

# Stock Information

## Stock Summary

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

## Stock Figures

(as of December 31, 2020)

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

## Major Shareholders

(as of December 31, 2020)

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

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

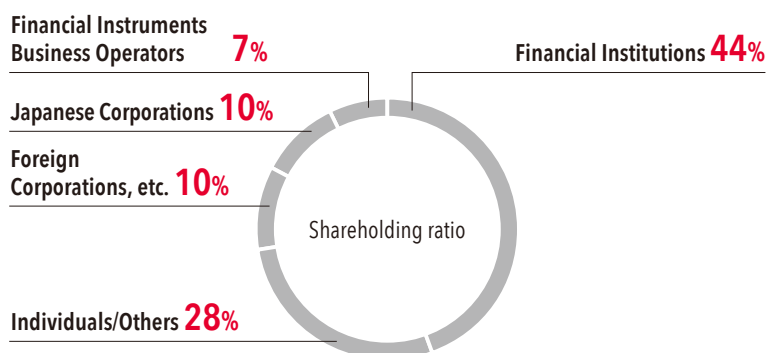
2. The shareholding ratio was calculated excluding treasury stock.

## Share Owner Information

(as of December 31, 2020)

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

Note The shareholding ratio was calculated excluding treasury stock.



## Dividend Policy

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

### Dividends per share and dividend payout ratio (consolidated)

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

\* 2021 = Forecast as of February 2021



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