ANNUAL REPORT 2008

For the Year Ended December 31, 2008

TOKAI CARBON CO., LTD.

ANNUAL REPORT 2008

Contents

Forward-Looking Statements

Forward-looking statements made in this annual report concerning performance or business strategies have been determined according to assumptions and beliefs based on information available at the time of publication and may contain elements of risk and uncertainty.

Profile

The Tokai Carbon Group commenced operations as a pioneer in the carbon industry in Japan in 1918, and since then has actively contributed to the development of society through carbon-related products and services based on diverse manufacturing fields and technology.

Our products are currently being put to practical use in a wide range of fields. ***Carbon black***, which is used as a reinforcing agent for tires, etc., ***Graphite electrodes***, which are used for recycling steel in electric furnaces, ***Fine carbon***, which is used in a wide range of new energy-related fields, such as solar batteries and semi-conductors, ***Friction materials***, which make up the brakes and clutches on engineering vehicles, motorcycles and automobiles, etc., and ***Industrial furnaces & related products***, which are used for heat-treating ceramics, electrical parts, metal, and glass, etc. Growing together with these five core divisions, Tokai Carbon continues to spread its wings from Japan to the rest of the world.

Based on our corporate philosophy of "Immersing ourselves in the field of creation and accepting all challenges in order to improve our competitiveness" as a manufacturer, we intend to adopt all measures to ensure uncompromising and sustainable growth within the harshness of the current business environment as ***the Global Leader in Carbon Materials***. Look for new developments from the Tokai Carbon Group.

Management Policy

1) Basic Corporate Philosophy

The Group operates under the fundamental corporate ideal of "Reliability," and the basic policies governing its activities comprise the principles of fair corporate activity, a harmonious relationship with nature, and international cooperation. The Group's aim is to be the Global Leader in Carbon Materials in Japan and abroad by supplying high-quality products with a focus on carbon materials.

Through these corporate activities, the Group has been working to expand its operating base, optimize the utilization of management resources, bolster cost competitiveness, and strengthen technology development capabilities. By achieving sustained earnings growth, the Group seeks to fulfill the expectations of its shareholders, customers, and employees as well as those of local communities and all other stakeholders. The Group contributes to the development of society, acting as a responsible corporate citizen.

2) Management Goals and Objectives

The Group considers net sales, operating margin, ROA (recurring profit / total assets), and ROE (net profit / equity) to be important performance indicators.

3) Medium Term Management Strategies

The Group currently operates under a new three-year management plan, "T-2009," which began in 2007. The following strategies are being deployed in order to achieve the key management objectives and numerical targets defined under the plan.

(1) Aiming to be the global leader in carbon materials manufacturing

To achieve superiority in terms of size of sales, earnings power, technical capabilities, and product development capabilities, the Group aims to be the global leader in carbon materials manufacturing. The Group places a priority on activating human resources through frequent personnel exchanges among group companies, including overseas affiliates, and on developing and enhancing the abilities of its personnel to facilitate success in global expansion efforts.

(2) Bolstering efforts in research and development-based products and revolutionary technologies. The Group is working to accelerate the development of highly functional and reliable products by promoting joint development with other companies and educational and public institutions as well as by strengthening inter-group and inter-divisional cooperation. The Group also places emphasis on efforts to bolster activities with the potential to drive future growth, such as the reform of business processes and the development of manufacturing technology that allows innovative enhancements to value-added.

(3) Emphasizing CSR activities including environmental protection

Building on its sincere efforts to date, and aware of the energy-intensive nature of the industries in which it operates, the Group will further increase its commitment to activities in this area, particularly those aimed at preventing global warming (the reduction of CO_2 emission units).

T-2009 Targets

Net sales target	¥130 billion
Profitability targets	Operating margin: 15%
	ROA: 10%
	ROE: 10%

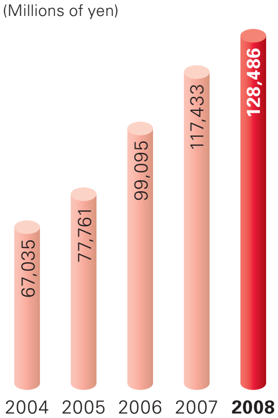
Consolidated Financial Highlights

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years ended December 31, 2008, 2007, 2006, 2005 and 2004

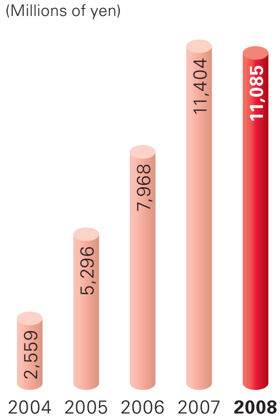
	Millions of Yen					Thousands of U.S. Dollars
	2004	2005	2006	2007	**2008**	**2008**
For the Year:						
Net sales	¥ 67,035	¥ 77,761	¥ 99,095	¥117,433	**¥128,486**	**$1,411,469**
Carbon and Graphite Products	58,979	70,779	90,812	108,236	**119,269**	**1,310,216**
Industrial Furnaces and Related Products	7,243	6,159	7,570	8,543	**8,709**	**95,672**
Others	813	823	713	654	**508**	**5,581**
Gross profit	19,727	23,059	29,327	37,340	**38,580**	**423,816**
Operating income	9,414	10,778	14,800	20,746	**21,619**	**237,493**
Income before income taxes and minority interests	5,426	9,968	13,716	21,044	**18,789**	**206,404**
Net income	2,559	5,296	7,968	11,404	**11,085**	**121,773**
Depreciation and amortization	3,618	4,164	5,112	6,283	**8,046**	**88,388**
Research and development costs	1,291	1,525	1,491	1,655	**2,026**	**22,256**
Capital expenditures	4,336	10,527	6,276	13,034	**17,545**	**192,739**
At Year-End:						
Total assets	¥124,944	¥149,749	¥164,062	¥174,279	**¥172,172**	**$1,891,376**
Total net assets	74,315	85,817	99,398	111,152	**104,434**	**1,147,248**
	Yen					U.S. Dollars
Per Share Data:						
Net income	¥ 12.22	¥ 26.20	¥ 39.92	¥ 53.42	**¥ 50.43**	**$0.55**
Total net assets	369.35	436.11	475.25	499.42	**471.61**	**5.18**
Cash dividends applicable to the year	5.00	6.00	7.00	9.00	**10.00**	**0.11**
Financial Ratios:						
Return on assets (%)	7.86%	8.06%	9.21%	12.40%	**10.84%**	**10.84%**
Return on equity (%)	3.53	6.61	8.67	11.00	**10.45**	**10.45**
Equity ratio (%)	59.50	57.30	59.70	62.80	**59.66**	**59.66**

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥91.03=US$1, the approximate rate of exchange at December 31, 2008.

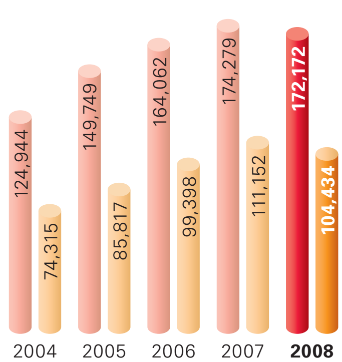
Net Sales
(Millions of yen)



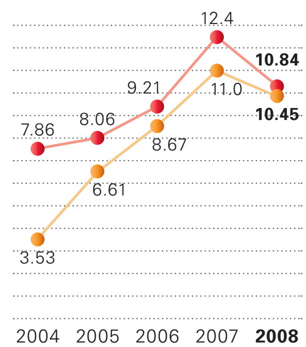
Net Income
(Millions of yen)



Total Assets
Total Net Assets
(Millions of yen)



Return on Assets
Return on Equity
(%)



Business Results for Year Ended December 31, 2008

In 2008, much of the world sank into synchronous recession. Subprime mortgage problems, which had been a concern since 2007, steadily mounted from early in the year, ultimately leading to a financial crisis that intensified following the bankruptcy of a major US investment bank in September. As a sharp falloff in US consumer spending ensued, US economic deterioration rapidly spread overseas, precipitating a slowdown in Asian economic growth and recession in Europe. Japan also was hard-hit by ripple effects of the overseas downturn. From September, Japanese corporate profits deteriorated precipitously in the wake of a decline in exports and curtailment of capital spending. Meanwhile, exporters' profitability was further eroded by progressive yen appreciation against the dollar and euro.

Against such a backdrop, the industries in which the Tokai Carbon Group's customers operate (e.g., rubber products, steel, construction machinery, IT hardware) generally fared well until early autumn, both in Japan and overseas. The Group itself also achieved solid growth in sales and profits until the third quarter by maintaining production at nearly full capacity across all business segments and raising sales prices in response to sharp increases in prices of crude oil, coke, and other feed stocks. In the fourth quarter (Oct–Dec), however, all segments experienced a sharp falloff in demand. Meanwhile, the yen's appreciation resulted in a decline in export sales and currency translation losses on assets denominated in foreign currencies. Fourth-quarter sales and profits both fell sharply.

Despite a decline in sales of carbon black and graphite electrodes, particularly in the fourth quarter, 2008 consolidated net sales grew 9.4% to ¥128,486 million by virtue of generally robust sales growth through the third quarter. Cost of goods sold, however, rose to 70.0% of sales, a 1.8 percentage point increase from 2007, due to severe feedstock-price inflation and growth in depreciation charges stemming from capacity expansion, despite sales price increases and cost-cutting efforts. Nonetheless, consolidated operating income grew 4.2% to ¥21,619 million as a result of top-line growth. Ordinary income, by contrast, declined 10.2% to ¥18,770 million, reflecting growth in substantial currency translation losses under the category of non-operating expenses stemming from the yen's appreciation. Net income likewise declined, down 2.8% to ¥11,085 million.

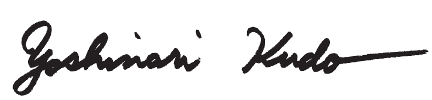
Issues to Be Addressed

The Japanese economy is in the midst of an unprecedentedly steep downturn amid the unfolding worldwide recession triggered by the global financial crisis. In response, companies have started to shift their focus from cutting production to reducing headcounts. The Japanese economy is expected to remain in recession for a while, under pressure from retrenchment in consumer spending.

Amid such an environment, the Group endeavored to accomplish its "T-2009" 3-year plan's targets by 2008, one year ahead of schedule. Although the Group fell somewhat short of the plan's sales target in 2008 due to drastic deterioration in the operating environment in the fourth quarter, it managed to achieve the plans' 15% operating margin target, 10% ROA target, and 10% ROE target. With demand in customers' industries expected to slacken further in 2009, the plan's final year, the Group recognizes that attainment of the plan's targets will require unprecedentedly prodigious efforts.

Nonetheless, the Group will continue to make steadfast effort to nimbly and flexibly distinguish itself as the global leader in the carbon materials market. In pursuit of its management priority of sustained growth, the Group will pursue various R&D prospects and measures to strengthen overseas operations and improve cost-competitiveness in accord with its four guidelines (enhancement of value-creation capabilities, fair management, ecological harmony, and internationalism) and its core principle of Reliability. The Group will also continue to endeavor to preserve the environment, promote safety, strengthen corporate governance, and step up CSR (corporate social responsibility) activities. Although the Group will postpone some capacity expansion plans in response to recent deterioration in the demand environment, it intends to forge ahead with selected development projects and capital spending programs (e.g., environmental technologies) to prepare for the future. From 2009, the Group will institute internal controls over financial reporting in compliance with the Financial Instruments and Exchange Act (J-SOX). The Group intends to strengthen its operational foundation through implementation, assessment, and improvement of such controls.

We hope for your continued support and encouragement.



Yoshinari Kudo, President and CEO

Review of Operations

Carbon Products

Carbon Black

Carbon black is mainly used as a reinforcing agent of industrial rubber products, typically auto tires. Among other important uses are electro-conductive filler and coloring agent for printing inks, paints and plastics.

Carbon black demand plunged in the fourth quarter, both in Japan and overseas, in the wake of US auto production cutbacks. In the first three quarters of the year, however, carbon black sales grew briskly, driven by strong demand and sales price increases in response to sharply rising raw material-oil prices. Consolidated net sales of carbon black grew 19.6% to ¥44,287 million in 2008.

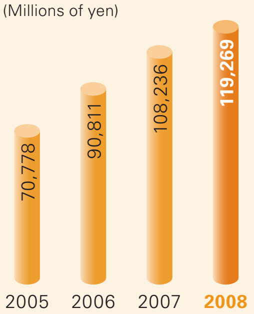
Graphite Electrodes

Graphite electrodes function as conductors of electricity that are consumed in an electric furnace in the steelmaking process.

Graphite electrode sales dropped sharply in the fourth quarter in Japan and overseas. This was largely due to the production cut backs of the steel producers around the globe. Addition to that, the precipitous appreciation of Yen effected negatively to the export sales. Through the third quarter, however, demand was buoyant. Sales price increases, particularly overseas, also contributed substantially to sales growth. For 2008 as a whole, consolidated net sales of graphite electrodes rose 10.9% to ¥47,247 million.

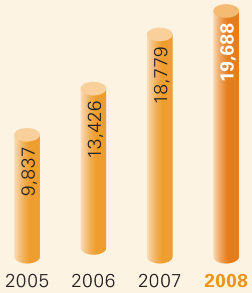
Sales

(Millions of yen)



Operating Income

(Millions of yen)



Fine Carbon

Fine carbon products are a wide variety of specialty graphites that are characterized by excellent electric conductance, high heat resistance, mechanical strength and lubricant ability, and are applied as key parts in the manufacturing processes of electric appliances, semiconductors and solar cells, among other products.

The fine carbon business benefited from major growth in demand from the solar cell industry compare to 2007. On the other hand, demand from semiconductor industry has plunged. The rapid appreciation of Yen in the forth quarter gave a negative impact on overall export sales amount in Yen terms. Consolidated net sales of fine carbon products declined 4.1% to ¥18,509 million in 2008. Installation of additional isotopic graphite production capacity was completed in late August, expanding the Group's annual production capacity to 9,000 metric tons.

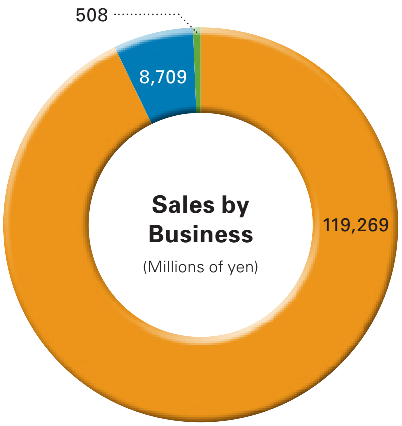
Friction Materials

Friction materials are widely used in clutches and brakes of construction, agricultural, transportation and other industrial machinery.

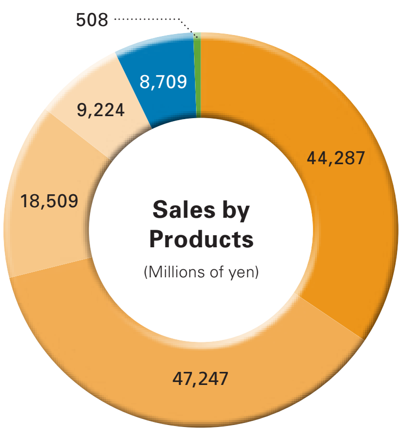
The friction materials business saw firm demand from the North American agricultural machinery industry and manufacturers of construction machinery used in mining, although demand from overseas motorcycle makers fell amid the economic slowdown. In the fourth quarter, however, demand contracted. For the year as a whole, consolidated net sales of friction materials decreased 0.7% to ¥9,224 million.

Overall, the segment's net sales totaled ¥119,269 million, a 10.2% increase from 2007. Its operating income grew 4.8% to ¥19,688 million.

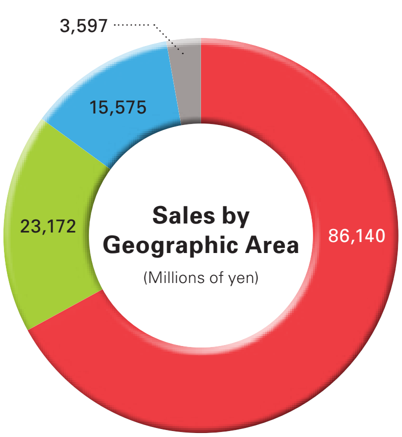
Fiscal 2008 Sales by Segments



Carbon Products
Industrial Furnaces and Related Products
Other Operations



Carbon Black
Graphite Electrodes
Fine Carbon
Friction Materials
Industrial Furnaces and Related Products
Other Operations



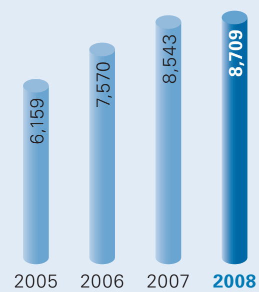
Japan Europe Asia Others

Industrial Furnaces and Related Products

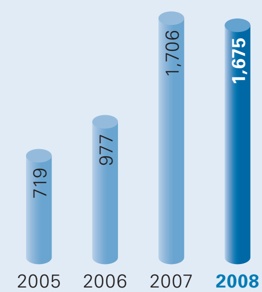
Industrial furnaces and heating elements are manufactured by Tokai Konetsu Kogyo Co., Ltd., which became a wholly owned subsidiary through a share exchange this year, for the purposes of heating, sintering, dissolving and heat-treating such objects as ceramics, electronic parts, metals, glass and powdered materials.

The segment faced headwinds in the form of capital spending cutbacks in IT-related industries, the main source of demand for its products. Capital spending started to slow from early 2008, but from the third quarter IT-related companies halted or postponed capital spending plans in rapid succession, leading to a falloff in demand and, in turn, sales. In the first two quarters, however, the segment achieved solid year-on-year sales growth. Its 2008 consolidated net sales consequently managed to grow 1.9% to ¥8,709 million. Its consolidated operating income was down 1.8% to ¥1,675 million.

Sales
(Millions of yen)



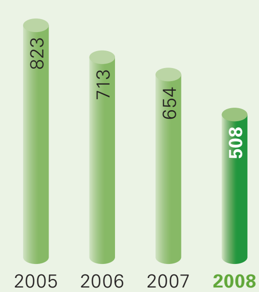
Operating Income
(Millions of yen)



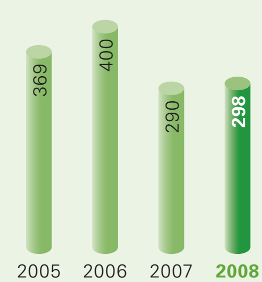
Other Operations

Net revenues from other operations (e.g., real estate rental revenues) declined 22.3% to ¥508 million.
Operating income increased 3.0% to ¥298 million.

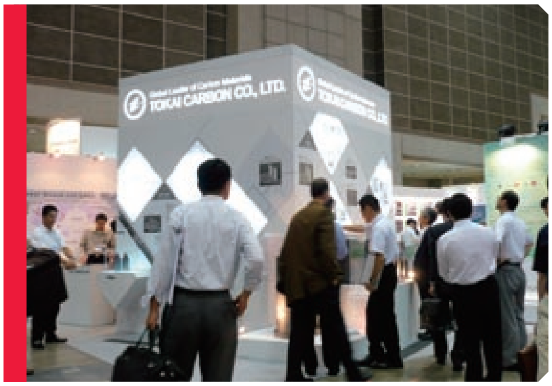
Sales
(Millions of yen)



Operating Income
(Millions of yen)



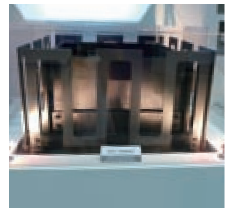
2008 Topics

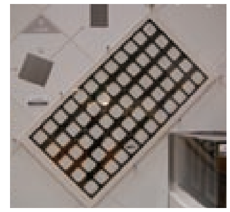


PV Japan 2008

PV Japan 2008, exhibition for the photovoltaic industry, was held for a period of three days at Tokyo Big Sight between July 30 and August 01, 2008. We offered a full-size demonstration of our complete line-up of the carbon products that are indispensable to all solar cell manufacturing processes.


CZ Furnace


Polycrystalline Casting Furnace


Anti-reflection Layer Coating Component

Production capacity expansion work on our Isotropic Graphite facilities was completed in August, 2008, and our annual production volume have increased to 9,000 tons per annum.

Newly constructed large-scale production facility
(at the Tanoura Plant, Kumamoto, Japan)

Research and Development

In a tie-up with our Development and Technology divisions, the Tokai Carbon Group mainly consists of the Fuji Research Laboratory, the Chita Laboratory, and the Carbon and Ceramics Laboratories (the Hofu Laboratory and Tanoura Laboratory), all of which are actively forging ahead with research into new products based on our fundamental research, the development of technology and enhancement of existing products for industrial use, and all forms of research and development in quest of improved quality.

The cost of research and development for the consolidated accounting year amounted to ¥2,026 million.

1) Carbon Products

Although our fine carbons and fine ceramics, which are experiencing continued growth, use superior material characteristics and are utilized in a wide range of fields, we continue to develop carbon products that match up with high-tech requirements caused by the recent remarkable growth in the fields of energy, semi-conductors, electronics, high-temperature insulation materials and environmental areas.

We have invested in the research and development of water-based CB for use as inkjet printer pigments, heat cell separators, negative electrode materials for use in lithium ion batteries and other materials based on the technology we have cultivated up until now.

The cost of research and development within this field of business amounted to ¥1,977 million.

2) Industrial Furnaces and Related Products

Tokai Konetsu Kogyo Co., Ltd. is currently involved in the development of a next-generation multi-layered ceramic condenser furnace, a rapid temperature-increase furnace for use in heat treatment, a multi-crystal silicone solar battery manufacturing unit for use in the energy-related industry, and a silicon nitride that represents the core of our ceramics manufacturing technology.

In addition to this, every effort is being expended in manufacturing industrial furnaces that meet all potential requirements, such as a device for manufacturing thin-film solar batteries and industrial furnaces for manufacturing secondary battery materials.

Tokai Konetsu Kogyo Co., Ltd. is also actively working on the development of new products and new applications based on carbonized heating elements, structural components and ceramic resistors that incorporate their in-house technology.

The cost of research and development within this field of business amounted to ¥49 million.

Board of Directors, Executive Officers and Corporate Auditors (as of March 27, 2009)

Board of Directors

Chairman	Shikio Ohtake
President and CEO	Yoshinari Kudo
Deputy President	Katsuhiko Namba
Senior Managing Executive Officer	Kiyonari Nakai Nobuyuki Murofushi
Managing Executive Officer	Takashi Takenaka Hajime Nagasaka
Executive Officer	Naoshi Takahashi
External Director	Yoshio Kumakura

Executive Officers

Managing Executive Officer	Shigeto Mori Hiroshi Hirama
Executive Officer	Masahiro Saeki Yuji Serizawa Masanao Hosoya Hideo Toko Tatsuo Abe Itsuro Imazu

Corporate Auditors

Tsunehisa Samukawa
Masahiro Kusaba*
Masanobu Dohki*
Ryuichi Sato*

* External Auditor

Corporate Governance

The Tokai Carbon Group recognizes that the aim of managing a corporation should be to enhance the soundness and transparency of business management and ensure continual advancement of corporate value. With a top priority on strengthening corporate governance, we therefore strive to improve our management organization and the function of supervisory management.

1) Corporate Organization and Internal Administrative Systems

(1) Basic Description of Corporate Organization

Tokai Carbon's basic management policies and strategies are determined by its Board of Directors, which consists of nine Members of the Board. Their meetings are usually held once a month and otherwise as necessary to make decisions on matters required by corporate laws and important business issues or to share reports on the status of business operations. Since the Company introduced the Executive Officer System in March 1999, the Board of Directors selects and appoints Executive Officers who take charge of business operations in different departments of the Company to accelerate operational decision making and clarify responsibilities. The President and Executive Officers in charge of different business operations have a Managing Executives Meeting once a month to deliberate on managerial matters.

The Company also has a board of Corporate Auditors, which consists of four auditors, three of which are external auditors. Corporate Auditors are required to conduct a fair and independent audit of the Company's business operations. They attend the Board Meeting, the Managing Executives Meeting, and any other important meetings to oversee directors' decision making and the execution of business, and then present their opinions. The Corporate Auditors Meeting is usually held once a month and otherwise as required.

(2) Internal Administrative System

"Fair business activities" represent one of our corporate policies, and this has led to the enactment of our Corporate Code of Ethics, which govern all basic activities that must be strictly observed by all executives and other employees, and in addition to ensuring both lawful and fair business practices on a daily basis, we have also placed the emphasis on the importance of our newly-established CSR Promotion Committee to ensure that we consistently nurture an awareness of compliance.

Tokai Carbon has also enacted a wide range of internal regulations regarding the execution of our business affairs in order to clarify the organization of work allocation, as well as authority and responsibility, and we are working hard to establish a system in which fair business practices and clear financial reports are guaranteed.

(3) Internal Auditing and Auditing System

For enhanced internal control, the Company has established an Internal Auditing Office that currently consists of four personnel.

The Internal Auditing Office is in charge of improving and enhancing all internal systems by initiating internal surveys on all business practices observed by the companies in the Group. The internal auditing surveys are provided with full back-up once they have been carried out to ensure that all suggestions for improvement have been implemented. The results of these audits are reported to the executive directors.

In addition to attending the Board Meetings and other important meetings in accordance with the auditing policies and work allocation prescriptions stipulated by the Board of Corporate Auditors, the Corporate Auditors also peruse all important decision-making documents. The Board of Corporate Auditors has met fourteen times during the period in question. The Corporate Auditors also examine business practices and asset management within the head office and all other offices, request reports from subsidiary companies when necessary, and closely audit the business practices of all Members of the Board and Executive Officers.

Meetings are held between the Corporate Auditors and Internal Auditing Office when necessary to report on, and issue instructions related to the results of internal audits, to undertake mutual investigations and exchange opinions on recommendations, and to generally ensure that information is exchanged on an intimate level.

Meetings are also held between the Corporate Auditors and

Accounting Auditors when necessary to exchange information and generally ensure that communication links are maintained.

Corporate Auditors cooperate with Accounting Auditors to establish auditing plans, report on and receive reports on auditing processes and results, and audit consolidated accounts, account statements, and other necessary documents.

(4) Accounts Auditing

Tokai Carbon has concluded an auditing contract with Deloitte Touche Tohmatsu for the purpose of having our accounts audited in accordance with corporate laws and financial commerce laws. The auditors audit all account statements and financial statements from the standpoint of independent third parties and report the results of the audit to Tokai Carbon. Arbitrary opinions on the results of surveys into internal systems, etc., are then exchanged, and improvements are implemented in accordance with recommendations. Tokai Carbon also submits information and data to the accounting auditors in order to guarantee an environment in which audits can be carried out both swiftly and accurately.

No vested interests exist between Tokai Carbon and the affiliated auditing companies or the personnel in charge of carrying out the duties of affiliated auditing companies involved in company audits.

The names of the certified accountants and the composition of the assistants involved in all auditing duties for the relevant period are listed below.

Names of certified accountants involved in implementing auditing duties:

Specified Employees, Duty Implementation Employees: Masahiro Watanabe, Riichiro Isobata

Composition of the Assistants Involved in Auditing Duties: Four certified accountants and nine other personnel.

(5) Relationship between External Members of the Board and External Corporate Auditor

Tokai Carbon appoints one External Member of the Board and three External Corporate Auditors. No vested interests exist between Tokai Carbon and the External Member of the Board or External Corporate Auditor.

2) Risk Management System

In addition to ensuring that all departments initiate constant levels of risk management to minimize and avoid the risks inherent in its business operations, we have also established a system in which all related departments are linked together to ensure that appropriate measures are instituted both swiftly and accurately.

The Legal Affairs Department in our Corporate Administration Division investigates all decisions that come under the jurisdiction of the law, and we also seek advice from consumer attorneys if it is deemed necessary to obtain expert opinions.

3) Executive Remuneration

The total sum appropriated for the remuneration paid to Members of the Board is ¥285 million, and the total sum appropriated for the remuneration paid to Corporate Auditors is ¥54 million.

Note: (1) It was decided during the 144th General Meeting of Shareholders held on March 30, 2006, that the maximum amount of remuneration paid to Members of the Board shall be less than ¥350 million per annum.
(2) It was decided during the 144th General Meeting of Shareholders held on March 30, 2006, that the maximum amount of remuneration paid to Corporate Auditors shall be less than ¥65 million per annum.

4) Auditor Remuneration

The remuneration paid to accounting auditors is as follows.

(1) Total sum to be paid in remuneration to Tokai Carbon and Tokai Carbon's subsidiary auditors: ¥61 million.

(2) Of the total sum listed in (1) above, the sum to be paid in remuneration to Tokai Carbon and Tokai Carbon's subsidiary auditors as compensation in alignment with Article #2, Clause #1 duties (auditing certification duties) as stipulated by the Certified Public Account Law (ordinance #103, enacted 1948) is: ¥50 million.

(3) Of the total sum listed in (2) above, the sum to be paid in remuneration to auditors by Tokai Carbon as accounting auditors is: ¥42 million.

Note: As it is neither possible nor feasible to categorize the remuneration of auditors based on corporate laws or on financial commerce laws in auditing contracts concluded between Tokai Carbon and accounting auditors, the total sum of this is included in the sum listed in (3).

5) Overview of Responsibility Limitation Contracts

Contracts limiting responsibility related to damage liabilities based on Article #427, Clause #1 on the Corporate Law and Article #423, Clause #1 of the same law are concluded between Tokai Carbon and the external Members of the Board and the two external Corporate Auditors (Masanobu Dohki and Ryuichi Sato). The sum limited for damage liabilities as stipulated in these contracts shall be determined in accordance with the law for both the external Member of the Board and the external Corporate Auditor. The limitations on responsibility as stipulated in these contracts apply only in the event that the external Member of the Board and the external Corporate Auditor exercised their responsibility in all good will in the course of their duties and that the amount of loss is not excessive.

6) Number of Members of the Board

The fact that the Tokai Carbon Members of the Board shall consist of thirteen or less members is stipulated in the Articles of Incorporation.

7) Appointment of Members of the Board

The fact that Members of the Board are appointed only in the event of one third or more of all shareholders who have the authority to vote attending the relevant meeting and that the motion to appoint said Member of the Board is passed only on a majority vote is stipulated in the Articles of Incorporation.

8) Acquisition of Treasury Stocks

The fact that treasury stocks may be acquired in accordance with the decision of the Board Meeting as stipulated in Article #165, Clause #2, of the Corporate Law is stipulated in the Articles of Incorporation. The objective of this is to enable the company to acquire its own stocks via market transactions in order to promote a flexible capital agenda that is able to withstand changes in the administrative environment.

9) Interim Dividends

The fact that it is possible for Tokai Carbon to pay out surplus funds as dividends (Interim Dividends) in accordance with Article #454, Clause #5, of the Corporate Law upon the decision of the Board of Directors is stipulated in the Articles of Incorporation. The objective of this is to provide a flexible and profitable return to shareholders.

10) Requests for Extraordinary Resolutions during the General Meeting of Shareholders

The fact that requests for extraordinary resolutions during the General Meeting of Shareholders as stipulated in Article #309, Clause #2, of the Corporate Law may be passed only in the event of one third or more of all shareholders who have the authority to vote attending the relevant meeting and that the motion is passed by a two-third majority vote is stipulated in the Articles of Incorporation. The objective of this is to facilitate the smooth running of the General Meeting of Shareholders by establishing a quorum with regards to extraordinary resolutions during the General Meeting of Shareholders.

Consolidated Balance Sheets

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 13,274**	¥ 13,066	**$ 145,820**
Receivables:			
Trade notes and accounts	**35,410**	36,182	**388,993**
Unconsolidated subsidiaries and associated companies	**1,135**	956	**12,468**
Allowance for doubtful receivables	**(115)**	(66)	**(1,263)**
Inventories (Note 4)	**36,836**	29,543	**404,658**
Deferred tax assets (Note 10)	**678**	763	**7,448**
Prepaid expenses and other current assets	**3,601**	2,724	**39,558**
Total current assets	**90,819**	83,168	**997,682**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**7,651**	7,557	**84,049**
Buildings and structures	**44,310**	42,214	**486,763**
Machinery and equipment	**108,348**	105,085	**1,190,245**
Furniture and fixtures	**6,513**	6,058	**71,548**
Construction in progress	**5,786**	4,379	**63,561**
Total	**172,608**	165,293	**1,896,166**
Accumulated depreciation	**(116,134)**	(114,391)	**(1,275,777)**
Net property, plant and equipment	**56,474**	50,902	**620,389**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**19,156**	33,525	**210,436**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,523**	2,954	**27,716**
Goodwill	**961**	1,281	**10,557**
Deferred tax assets (Note 10)	**442**	281	**4,855**
Other assets	**1,797**	2,168	**19,741**
Total investments and other assets	**24,879**	40,209	**273,305**
TOTAL	**¥172,172**	¥174,279	**$1,891,376**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 26,539**	¥ 14,603	**$ 291,542**
Current portion of long-term debt (Note 5)	**546**	1,717	**5,998**
Payables:			
Trade notes and accounts	**18,389**	17,396	**202,010**
Unconsolidated subsidiaries and associated companies	**113**	291	**1,241**
Income taxes payable	**2,384**	4,448	**26,189**
Accrued expenses	**2,070**	2,632	**22,740**
Other current liabilities	**8,404**	6,369	**92,321**
Total current liabilities	**58,445**	47,456	**642,041**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)		805	
Liability for retirement benefits (Note 7)	**2,080**	2,360	**22,850**
Retirement allowances for directors, corporate auditors and operating officers (Note 8)	**325**	314	**3,570**
Allowance for environmental safety measures (Note 2.h)	**728**	728	**7,997**
Deferred tax liabilities (Note 10)	**5,064**	10,434	**55,630**
Other	**1,096**	1,030	**12,040**
Total long-term liabilities	**9,293**	15,671	**102,087**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Note 9):			
Common stock — authorized, 598,764,000 shares; issued, 224,943,104 shares in 2008 and 222,029,384 shares in 2007	**20,436**	19,693	**224,497**
Capital surplus	**17,503**	16,769	**192,277**
Retained earnings	**66,778**	57,896	**733,582**
Net unrealized gain on available-for-sale securities	**5,913**	14,499	**64,957**
Deferred gain (loss) on derivatives under hedge accounting	**6**	(1)	**66**
Foreign currency translation adjustments	**(2,817)**	2,446	**(30,946)**
Treasury stock — at cost, 7,148,889 shares in 2008 and 2,742,327 shares in 2007	**(5,105)**	(1,785)	**(56,080)**
Total	**102,714**	109,517	**1,128,353**
Minority interests	**1,720**	1,635	**18,895**
Total equity	**104,434**	111,152	**1,147,248**
TOTAL	**¥172,172**	¥174,279	**$1,891,376**

See notes to consolidated financial statements.

Consolidated Statements of Income

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
NET SALES	**¥128,486**	¥117,433	**$1,411,469**
COST OF SALES	**89,906**	80,093	**987,653**
Gross profit	**38,580**	37,340	**423,816**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**16,961**	16,594	**186,323**
Operating income	**21,619**	20,746	**237,493**
OTHER INCOME (EXPENSES):			
Interest and dividends	**612**	613	**6,723**
Interest expense	**(902)**	(863)	**(9,909)**
Exchange loss	**(2,274)**	(323)	**(24,981)**
Equity in gains of associated companies	**574**	749	**6,306**
Gain on sales of property, plant and equipment	**468**		**5,141**
Other — net	**(1,308)**	122	**(14,369)**
Other (expenses) income — net	**(2,830)**	298	**(31,089)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**18,789**	21,044	**206,404**
INCOME TAXES (Note 10)**:**			
Current	**7,364**	8,755	**80,896**
Deferred	**243**	895	**2,669**
Total	**7,607**	9,650	**83,565**
MINORITY INTERESTS IN NET INCOME (LOSS)	**97**	(10)	**1,066**
NET INCOME	**¥ 11,085**	¥ 11,404	**$ 121,773**
	Yen		U.S. Dollars
	2008	2007	**2008**
PER SHARE OF COMMON STOCK (Notes 2.p and 15)**:**			
Net income	**¥50.43**	¥53.42	**$0.55**
Diluted net income		51.29	
Cash dividends applicable to the year	**10.00**	9.00	**0.11**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2008 and 2007

	Common Stock		Capital Surplus	Retained Earnings
	Shares	Amount		
BALANCE, JANUARY 1, 2007	**208,378**	**¥16,212**	**¥13,285**	**¥48,295**
Conversion of convertible bonds	13,651	3,481	3,481	
Net income				11,404
Cash dividends, ¥8.00 per share				(1,670)
Purchase of treasury stock				
Disposal of treasury stock			3	
Net change in the year				(133)
BALANCE, DECEMBER 31, 2007	**222,029**	**19,693**	**16,769**	**57,896**
Conversion of convertible bonds	2,914	743	743	
Net income				11,085
Cash dividends, ¥10.00 per share				(2,203)
Purchase of treasury stock				
Disposal of treasury stock			(9)	
Net change in the year				
BALANCE, DECEMBER 31, 2008	**224,943**	**¥20,436**	**¥17,503**	**¥66,778**

	Common Stock	Capital Surplus	Retained Earnings
BALANCE, DECEMBER 31, 2007	**$216,335**	**$184,214**	**$636,010**
Conversion of convertible bonds	8,162	8,162	
Net income			121,773
Cash dividends, $0.11 per share			(24,201)
Purchase of treasury stock			
Disposal of treasury stock		(99)	
Net change in the year			
BALANCE, DECEMBER 31, 2008	**$224,497**	**$192,277**	**$733,582**

See notes to consolidated financial statements.

Thousands of Shares / Millions of Yen

Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock		Total	Minority Interests	Total Equity
			Shares	Amount			
¥19,805	**¥(10)**	**¥1,706**	**(2,405)**	**¥(1,404)**	**¥ 97,889**	**¥1,509**	**¥ 99,398**
					6,962		6,962
					11,404		11,404
					(1,670)		(1,670)
			(342)	(384)	(384)		(384)
			5	3	6		6
(5,306)	9	740			(4,690)	126	(4,564)
14,499	**(1)**	**2,446**	**(2,742)**	**(1,785)**	**109,517**	**1,635**	**111,152**
					1,486		1,486
					11,085		11,085
					(2,203)		(2,203)
			(4,490)	(3,385)	(3,385)		(3,385)
			84	65	56		56
(8,586)	7	(5,263)			(13,842)	85	(13,757)
¥ 5,913	**¥ 6**	**¥(2,817)**	**(7,148)**	**¥(5,105)**	**¥102,714**	**¥1,720**	**¥104,434**

Thousands of U.S. Dollars (Note 1)

Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
$159,277	**$(11)**	**$26,870**	**$(19,609)**	**$1,203,086**	**$17,961**	**$1,221,047**
				16,324		16,324
				121,773		121,773
				(24,201)		(24,201)
			(37,185)	(37,185)		(37,185)
			714	615		615
(94,320)	77	(57,816)		(152,059)	934	(151,125)
$ 64,957	**$66**	**$(30,946)**	**$(56,080)**	**$1,128,353**	**$18,895**	**$1,147,248**

Consolidated Statements of Cash Flows

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥18,789**	¥21,044	**$206,404**
Adjustments for:			
Income taxes — paid	**(9,399)**	(8,793)	**(103,252)**
Depreciation and amortization	**8,046**	6,283	**88,388**
Amortization of consolidation differences	**315**	768	**3,460**
Increase in liability for retirement benefits	**101**		**1,110**
Increase in prepaid expense for pension cost	**(55)**	(4)	**(604)**
Exchange loss	**361**	41	**3,966**
Equity in gains of associated companies	**(574)**	(749)	**(6,306)**
Gain on sales of securities		(91)	
Gain on sales of property, plant and equipment	**(468)**		**(5,141)**
Impairment loss on long-lived assets		23	
Increase in trade notes and accounts receivable	**(2,132)**	(3,038)	**(23,421)**
Increase in inventories	**(10,369)**	(4,273)	**(113,908)**
(Increase) decrease in payment in advance	**(462)**	644	**(5,075)**
Increase in notes and accounts payable	**2,197**	2,919	**24,135**
Decrease in consumption tax payable	**(13)**	(318)	**(143)**
Decrease in interest and dividend receivables	**39**	63	**429**
Decrease in interest payable	**(13)**	(3)	**(143)**
Other — net	**1,916**	1,599	**21,049**
Total adjustments	**(10,510)**	(4,929)	**(115,456)**
Net cash provided by operating activities	**8,279**	16,115	**90,948**
INVESTING ACTIVITIES:			
Payment for deposit		(200)	
Payment for purchase of property, plant and equipment	**(16,437)**	(10,364)	**(180,567)**
Proceeds from sales of property, plant and equipment	**536**		**5,888**
Payment for purchase of intangible fixed assets	**(150)**	(248)	**(1,647)**
Payment for purchase of investment securities	**(415)**	(1,010)	**(4,559)**
Proceeds from sales of investment securities		112	
Proceeds from purchase of investment in consolidated subsidiaries		113	
Proceeds from sales of investment in consolidated subsidiaries		59	
Payment for long-term loans	**(98)**	(247)	**(1,077)**
Other	**(4)**	78	**(44)**
Net cash used in investing activities	**(16,568)**	(11,707)	**(182,006)**
FINANCING ACTIVITIES:			
Decrease (increase) in short-term bank loans — net	**14,829**	(77)	**162,903**
Repayments of long-term debt	**(190)**	(194)	**(2,087)**
Payment for purchase of treasury stock	**(3,385)**	(384)	**(37,185)**
Dividends paid	**(2,223)**	(1,686)	**(24,421)**
Proceeds from issuance of common stock by consolidated subsidiaries to minority shareholders	**549**		**6,031**
Other	**57**	6	**625**
Net cash provided by (used in) financing activities	**9,637**	(2,335)	**105,866**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(1,140)**	(20)	**(12,523)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**208**	2,053	**2,285**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		151	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**13,066**	10,862	**143,535**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥13,274**	¥13,066	**$145,820**
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Convertible bonds converted into common stock (Note 9.d)	**¥ 743**	¥ 3,481	**$ 8,162**
Convertible bonds converted into capital surplus (Note 9.d)	**743**	3,481	**8,162**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKAI CARBON Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥91.03 to $1, the approximate rate of exchange at December 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of December 31, 2008 include the accounts of the Company and its significant 24 (21 in 2007) subsidiaries (together, the "Group").

Three subsidiaries are newly included in the consolidated financial statements as of December 31, 2008.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 6 (6 in 2007) associated companies are accounted for by the equity method. Investments in the remaining 2 (2 in 2007) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost and underlying net equity of investments in consolidated subsidiaries and associated companies is deferred and amortized using the straight-line method over a certain period which is derived on an individual case basis, with the exception of minor differences which are charged or credited to income in the period of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, mutual funds invested in bonds that represent short-term investments, and securities purchased under resale arrangements, all of which mature or become due within three months of the date of acquisition.

c. Inventories — Inventories of the Company and consolidated domestic subsidiaries are stated at cost, cost being determined by the average method. Inventories of foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

d. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and (2) available-for-sale securities, which are not classified as the aforementioned securities, are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic subsidiaries, and to the all property, plant and equipment of consolidated foreign subsidiaries. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

The range of useful lives is principally from 2 to 60 years for buildings and structures, from 2 to 22 years for machinery and equipment, and from 4 to 12 years for furniture and fixtures.

Effective April 1, 2007, the Company and its domestic subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. When such tangible fixed assets have been depreciated to the equivalent of 5% of their acquisition cost, the difference between the equivalent of 5% of acquisition cost and an appropriate nominal value is amortized over a period of five years. As a result, for the year ended December 31, 2008, the operating income and income before income taxes were each ¥452 million ($4,965 thousand) and ¥458 million ($5,031 thousand) less than they would have been using the previous method. The impact on segment information as a result of this change is described in detail in the segment information section.

f. Employees' Retirement Benefits — The Company and certain domestic consolidated subsidiaries have contributory funded pension plans. Other domestic consolidated subsidiaries have funded and unfunded retirement benefit plans.

Employees' retirement benefits are accounted for as a liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

g. Retirement Allowances for Directors, Corporate Auditors and Operating Officers — Retirement allowances for directors, corporate auditors and operating officers are recorded to state the liability at the amount that would be required if all directors, corporate auditors and operating officers retired at each balance sheet date.

The liability for retirement benefits for directors and corporate auditors is stated at the fixed amount required to be paid in accordance with the Company's internal regulations if they had retired on March 30, 2006, because such plan for directors and corporate auditors was repealed, effective March 30, 2006.

h. Allowance for Environmental Safety Measures — In accordance with the Special Measures Law for the Promotion of Proper Disposal of Polychlorinated Biphenyl ("PCB") Waste, the Company sets aside a reserve in an amount equal to the estimated disposal expenses for stored PCB's as of the balance sheet date.

i. Research and Development Costs — Expenditures for research and development activities are charged to income as incurred.

j. Leases — The Company and its consolidated domestic subsidiaries account for all leases as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

k. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Appropriations of Retained Earnings — Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

m. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value.

The interest rate swaps are measured at the fair value and the unrealized gains/losses are recognized in income.

p. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. INVESTMENT SECURITIES

Investment securities as of December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Non-current:			
Marketable equity securities	**¥19,155**	¥33,524	**$210,425**
Trust fund investments and other	**1**	1	**11**
Total	**¥19,156**	¥33,525	**$210,436**

The carrying amounts and aggregate fair values of marketable and investment securities at December 31, 2008 and 2007 were as follows:

	Millions of Yen			
December 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥9,238**	**¥10,355**	**¥(490)**	**¥19,103**
Debt securities with contractual maturities	**11**		**(6)**	**5**
December 31, 2007				
Securities classified as available-for-sale:				
Equity securities	¥9,293	¥24,216	¥(46)	¥33,463
Debt securities with contractual maturities	12		(2)	10
	Thousands of U.S. Dollars			
December 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$101,483**	**$113,754**	**$(5,383)**	**$209,854**
Debt securities with contractual maturities	**121**		**(66)**	**55**

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Available-for-sale:			
Equity securities	**¥47**	¥51	**$516**
Other	**1**	1	**11**
Total	**¥48**	¥52	**$527**

Proceeds from sales of available-for-sale securities for the years ended December 31, 2008 and 2007 were ¥0 million ($0 thousand) and ¥112 million, respectively. Realized gains on these sales, computed on the moving average cost basis, were ¥0 million ($0 thousand) for the year ended December 31, 2008 and ¥91 million for the year ended December 31, 2007.

4. INVENTORIES

Inventories at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 112	¥ 96	$ 1,230
Finished products	7,552	6,300	82,962
Work in process	19,615	15,252	215,479
Raw materials and supplies	9,557	7,895	104,987
Total	**¥36,836**	¥29,543	**$404,658**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at December 31, 2008 and 2007 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.0292% to 5.04% at December 31, 2008 and 2007, respectively.

Long-term debt at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured zero coupon yen convertible bonds, due 2008		¥1,486	
Long-term loans from banks and insurance companies due through at interest rates ranging from 5.75% to 6.18%	¥546	1,036	$5,998
Less current portion	(546)	(1,717)	(5,998)
Long-term debt, less current portion		¥ 805	

Annual maturities of long-term debt at December 31, 2008 were as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥546	$5,998
Total	¥546	$5,998

On August 10, 2004, the Company issued ¥10,000 million ($109,854 thousand) of zero coupon yen convertible bonds (convertible bond-type bonds with stock acquisition rights) due 2008.

The stock acquisition rights were exercisable on or after August 24, 2004 up to and including July 25, 2008 at a conversion price of ¥510 ($5.60) per share.

The carrying amounts of assets pledged as collateral at December 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment — net of accumulated depreciation	¥134	$1,472

6. LONG-LIVED ASSETS

The Group groups the long-lived assets, principally based on the division of management accounting, but the leasehold improvements and idle assets are grouped by respective asset category. The Group reviewed its long-lived assets for impairment as of the year ended December 31, 2008 and as a result, did not recognize an impairment loss.

7. RETIREMENT AND PENSION PLANS

Employees whose service with the Company and certain consolidated domestic subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

The liability (asset) for employees' retirement benefits at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥6,081**	¥6,440	**$66,802**
Fair value of plan assets	**(3,709)**	(5,051)	**(40,745)**
Unrecognized actuarial gain (loss)	**(549)**	769	**(6,031)**
Prepaid expense for pension cost	**257**	202	**2,824**
Net liability	**¥2,080**	¥2,360	**$22,850**

The components of net periodic benefit costs for the years ended December 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥435**	¥449	**$4,779**
Interest cost	**82**	98	**901**
Expected return on plan assets	**(101)**	(115)	**(1,110)**
Amortization of actuarial gain	**(43)**	(28)	**(472)**
Other	**71**	76	**780**
Net periodic benefit costs	**¥444**	¥480	**$4,878**

Assumptions used for the years ended December 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain / loss	**10 years**	10 years

8. RETIREMENT ALLOWANCES FOR DIRECTORS, CORPORATE AUDITORS AND OPERATING OFFICERS

Retirement allowances for directors, corporate auditors and operating officers are paid subject to approval of the shareholders in accordance with the Japanese Corporate Law (the "Corporate Law").

The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors, corporate auditors and operating officers. The annual provisions for retirement allowances for directors, corporate auditors and operating officers for the years ended December 31, 2008 and 2007 were ¥48 million ($532 thousand) and ¥42 million, respectively.

In addition, the director retirement bonus plan was abolished.

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Issuance of New Shares

During the years ended December 31, 2008 and 2007, common stock increased by 2,914 thousand shares and 13,651 thousand shares, respectively, upon the execution of the stock acquisition rights associated with convertible bonds.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended December 31, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at December 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Depreciation and amortization	**¥ 161**	¥ 170	**$ 1,769**
Impairment loss on long-lived assets	**444**	444	**4,877**
Retirement and severance benefits	**317**	302	**3,482**
Allowance for officers' retirement benefits	**99**	97	**1,088**
Allowance for environmental safety measures	**291**	291	**3,197**
Accrued enterprise tax	**195**	304	**2,142**
Unrealized gain on sale of assets eliminated in consolidation	**477**	440	**5,240**
Loss carryforward of subsidiaries	**1,429**	1,178	**15,698**
Valuation loss on investment securities	**485**	297	**5,328**
Other	**454**	415	**4,987**
Less valuation allowance	**(1,774)**	(1,515)	**(19,488)**
Deferred tax assets	**2,578**	2,423	**28,320**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**3,944**	9,669	**43,326**
Deferred profits on property for income tax purposes	**1,235**	1,278	**13,567**
Retained earnings of overseas consolidated subsidiaries	**1,080**	737	**11,864**
Prepaid expense for pension cost	**103**	80	**1,131**
Other	**161**	49	**1,769**
Deferred tax liabilities	**6,523**	11,813	**71,657**
Net deferred tax liabilities	**¥3,945**	¥ 9,390	**$43,337**

Net deferred tax liabilities presented in the consolidated balance sheets at December 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current assets — deferred tax assets	**¥ (678)**	¥ (763)	**$ (7,448)**
Investments and other assets — deferred tax assets	**(442)**	(281)	**(4,855)**
Current liabilities — deferred tax liabilities	**1**		**10**
Long-term liabilities — deferred tax liabilities	**5,064**	10,434	**55,630**
Deferred tax liabilities	**¥3,945**	¥ 9,390	**$43,337**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	**40.0%**	40.0%
Expenses not deductible for income tax purposes	**0.8**	0.8
Income not taxable for income tax purpose	**(0.6)**	(0.4)
Amortization of consolidation differences	**0.7**	1.7
Undistributed earnings of overseas subsidiaries	**1.8**	3.5
Valuation allowance	**1.4**	1.4
Tax credit for experimental and research expense	**(1.0)**	(0.6)
Differences of effective tax rate for overseas subsidiaries	**(4.0)**	
Other — net	**1.4**	(0.5)
Actual effective tax rate	**40.5%**	45.9%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,026 million ($22,256 thousand) and ¥1,655 million for the years ended December 31, 2008 and 2007, respectively.

12. LEASES

Certain key information on such lease contracts for the years ended December 31, 2008 and 2007 was as follows:

As a lessee

	Millions of Yen							
	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**¥8**	**¥44**	**¥3**	**¥55**	¥7	¥44	¥4	¥55
Accumulated depreciation	**3**	**35**	**1**	**39**	5	26	1	32
Net leased property	**¥5**	**¥ 9**	**¥2**	**¥16**	¥2	¥18	¥3	¥23

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$88**	**$483**	**$33**	**$604**
Accumulated depreciation	**33**	**384**	**11**	**428**
Net leased property	**$55**	**$ 99**	**$22**	**$176**

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 8**	¥10	**$ 88**
Due after one year	**8**	17	**88**
Total	**¥16**	¥27	**$176**

Paid lease fees and depreciation expense:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Paid lease fees	**¥11**	¥11	**$121**
Depreciation expense	**11**	11	**121**

The acquisition cost and future minimum lease payments include the imputed interest expense portion. Depreciation is based on the straight-line method over the lease term of the lease assets.

13. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group enters into interest rate swap contracts as derivative financial instruments. Interest rate swap transactions are made in order to minimize the risk of interest rate increases on floating rate borrowing. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

All derivative transactions the Group enters into are approved by directors in charge. The conditions of such transactions are reported periodically to the Board of Directors.

Fair Value of Derivative Financial Instruments

The fair value of the Group's derivative financial instruments at December 31, 2008 and 2007:

	Millions of Yen					
	2008			2007		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps — Pay fixed / receive floating	**¥384**	**¥1**	**¥1**	¥875	¥7	¥7

	Thousands of U.S. Dollars		
	2008		
	Contract Amount	Fair Value	Unrealized Gain
Interest rate swaps — Pay fixed / receive floating	**$4,218**	**$11**	**$11**

Foreign currency forward contracts which qualify for hedge accounting for the years ended December 31, 2008 and 2007 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at December 31, 2008 and 2007, are excluded from the disclosure of market value information.

14. CONTINGENT LIABILITIES

At December 31, 2008, the Group guaranteed borrowings of affiliated companies in the amount of ¥367 million ($4,032 thousand).

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended December 31, 2008	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	**¥11,085**	**219,799**	**¥50.43**	**$0.55**

Diluted EPS is not disclosed because it is anti-dilutive.

	Millions of Yen	Thousands of Shares	Yen
Year Ended December 31, 2007	Net Income	Weighted-average Shares	EPS
Basic EPS — Net income available to common shareholders	¥11,404	213,476	¥53.42
Effect of dilutive securities — Convertible bonds		8,880	
Diluted EPS — Net income for computation	¥11,404	222,356	¥51.29

16. SUBSEQUENT EVENT

The following appropriations of retained earnings at December 31, 2008 were approved at the Company's shareholders meeting held on March 27, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 ($0.05) per share	¥1,089	$11,963

17. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended December 31, 2008 and 2007 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2008				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Sales to customers	**¥119,269**	**¥8,709**	**¥ 508**		**¥128,486**
Intersegment sales	**671**	**170**	**596**	**¥(1,437)**	
Total sales	**119,940**	**8,879**	**1,104**	**(1,437)**	**128,486**
Operating expenses	**100,252**	**7,204**	**805**	**(1,394)**	**106,867**
Operating income	**¥ 19,688**	**¥1,675**	**¥ 299**	**¥ (43)**	**¥ 21,619**

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2008				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Assets	**¥135,434**	**¥12,515**	**¥3,325**	**¥20,898**	**¥172,172**
Depreciation	**7,624**	**323**	**104**	**(5)**	**8,046**
Capital expenditures	**16,499**	**800**	**253**	**(7)**	**17,545**

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2008				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Sales to customers	**$1,310,216**	**$95,672**	**$ 5,581**		**$1,411,469**
Intersegment sales	**7,371**	**1,868**	**6,547**	**$(15,786)**	
Total sales	**1,317,587**	**97,540**	**12,128**	**(15,786)**	**1,411,469**
Operating expenses	**1,101,307**	**79,139**	**8,843**	**(15,313)**	**1,173,976**
Operating income	**$ 216,280**	**$18,401**	**$ 3,285**	**$ (473)**	**$ 237,493**

b. Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2008				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Assets	**$1,487,795**	**$137,482**	**$36,526**	**$229,573**	**$1,891,376**
Depreciation	**83,753**	**3,548**	**1,142**	**(55)**	**88,388**
Capital expenditures	**181,248**	**8,789**	**2,779**	**(77)**	**192,739**

a. Sales and Operating Income

	Millions of Yen				
	2007				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Sales to customers	¥108,236	¥8,543	¥ 654		¥117,433
Intersegment sales	723	128	613	¥(1,464)	
Total sales	108,959	8,671	1,267	(1,464)	117,433
Operating expenses	90,180	6,964	977	(1,434)	96,687
Operating income	¥ 18,779	¥1,707	¥ 290	¥ (30)	¥ 20,746

b. Assets, Depreciation, Impairment Loss on Long-lived Assets and Capital Expenditures

	Millions of Yen				
	2007				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Assets	¥123,249	¥13,249	¥1,918	¥35,863	¥174,279
Depreciation	5,742	248	297	(4)	6,283
Impairment loss on long-lived assets			23		23
Capital expenditures	12,697	308	38	(9)	13,034

As described in Note 2.e, for the year ended December 31, 2008, the Company and its domestic subsidiaries changed the accounting method of residual value of tangible fixed assets. As a result, operating expenses increased by ¥446 million ($4,899 thousand) for "Carbon and graphite products" segment, ¥6 million ($66 thousand) for "Industrial furnaces and related products" segment and ¥0 million ($0 thousand) for "Others" segment over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended December 31, 2008.

(2) Geographical Segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended December 31, 2008 and 2007 are summarized as follows:

	Millions of Yen					
	2008					
	Japan	Europe	Asia	Others	Eliminations / Corporate	Consolidated
Sales to customers	**¥ 86,140**	**¥23,173**	**¥15,576**	**¥3,597**		**¥128,486**
Interarea transfer	**6,515**	**47**	**941**	**35**	**¥(7,538)**	
Total sales	**92,655**	**23,220**	**16,517**	**3,632**	**(7,538)**	**128,486**
Operating expenses	**78,414**	**17,831**	**15,082**	**3,176**	**(7,636)**	**106,867**
Operating income	**¥ 14,241**	**¥ 5,389**	**¥ 1,435**	**¥ 456**	**¥ 98**	**¥ 21,619**
Assets	**¥117,701**	**¥13,559**	**¥17,620**	**¥3,195**	**¥20,097**	**¥172,172**

	Thousands of U.S. Dollars					
	2008					
	Japan	Europe	Asia	Others	Eliminations / Corporate	Consolidated
Sales to customers	**$ 946,281**	**$254,565**	**$171,109**	**$39,514**		**$1,411,469**
Interarea transfer	**71,570**	**516**	**10,337**	**385**	**$ (82,808)**	
Total sales	**1,017,851**	**255,081**	**181,446**	**39,899**	**(82,808)**	**1,411,469**
Operating expenses	**861,408**	**195,881**	**165,682**	**34,890**	**(83,885)**	**1,173,976**
Operating income	**$ 156,443**	**$ 59,200**	**$ 15,764**	**$ 5,009**	**$ 1,077**	**$ 237,493**
Assets	**$1,292,991**	**$148,951**	**$193,563**	**$35,098**	**$220,773**	**$1,891,376**

	Millions of Yen					
	2007					
	Japan	Europe	Asia	Others	Eliminations / Corporate	Consolidated
Sales to customers	¥ 77,279	¥22,554	¥13,168	¥4,432		¥117,433
Interarea transfer	5,430	57	511	37	¥ (6,035)	
Total sales	82,709	22,611	13,679	4,469	(6,035)	117,433
Operating expenses	68,065	17,536	13,197	3,875	(5,986)	96,687
Operating income	¥ 14,644	¥ 5,075	¥ 482	¥ 594	¥ (49)	¥ 20,746
Assets	¥100,250	¥15,329	¥19,906	¥3,768	¥35,026	¥174,279

As described in Note 2.e, for the year ended December 31, 2008, the Company and its domestic subsidiaries changed the accounting method of residual value of tangible fixed assets. As a result, operating expenses increased by ¥452 million ($4,965 thousand) for "Japan" segment over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended December 31, 2008.

(3) Sales to Foreign Customers

	Millions of Yen			
	2008			
	Asia	Europe	Others	Total
Overseas sales	**¥30,646**	**¥21,606**	**¥14,270**	**¥ 66,522**
Net sales				**128,486**
Ratio of overseas sales to net sales	**23.9%**	**16.8%**	**11.1%**	**51.8%**

	Thousands of U.S. Dollars			
	2008			
	Asia	Europe	Others	Total
Overseas sales	**$336,658**	**$237,350**	**$156,762**	**$ 730,770**
Net sales				**1,411,469**

	Millions of Yen			
	2007			
	Asia	Europe	Others	Total
Overseas sales	¥26,482	¥19,549	¥12,394	¥ 58,425
Net sales				117,433
Ratio of overseas sales to net sales	22.6%	16.6%	10.6%	49.8%

Note: The countries included in each segment are as follows:
(1) Asia: Korea, China, Thailand, Indonesia, etc.
(2) Europe: Germany, United Kingdom, Italy, Sweden, etc.
(3) Others: North and South America, Middle East and Central and Western Asia, Oceania, etc.

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TOKAI CARBON Co., Ltd.:

We have audited the accompanying consolidated balance sheets of TOKAI CARBON Co., Ltd. (the "Company") and consolidated subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOKAI CARBON Co., Ltd. and consolidated subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

March 27, 2009

Corporate Data (as of December 31, 2008)

Company Name	TOKAI CARBON CO., LTD.
Established	April 8, 1918
Paid-in Capital	¥20,436 million ($224,497,000)
Head Office	Aoyama Bldg.2-3, Kita-Aoyama 1-Chome, Minato-ku, Tokyo 107-8636, Japan TEL: +81-3-3746-5100 FAX: +81-3-3405-7205 Web site: http://www.tokaicarbon.co.jp/
Number of Employees	1,864 (as a consolidated basis)
Branch Offices	Osaka Branch (Osaka) Nagoya Branch (Aichi) Fukuoka Branch (Fukuoka)
Laboratories	Fuji Research Laboratory (Shizuoka) Chita Laboratory (Aichi) Hofu Laboratory (Yamaguchi) Tanoura Laboratory (Kumamoto)
Industrial Complexes	Shonan Industrial Complex (Kanagawa) Chigasaki Plant (Kanagawa) Chigasaki Second Plant (Kanagawa)
Plants	Ishinomaki Plant (Miyagi) Chita Plant (Aichi) Shiga Plant (Shiga) Hofu Plant (Yamaguchi) Kyusyu Wakamatsu Plant (Fukuoka) Tanoura Plant (Kumamoto)

Group Companies and Affiliates

EUROPE

United Kingdom

Consolidated Subsidiaries

- Tokai Carbon Europe Ltd.
- Tokai Carbon UK Ltd.

Germany

Consolidated Subsidiaries

- ERFTCARBON GmbH
- Tokai Carbon Europe GmbH
- Carbon Industrie-Produkte GmbH
- Carbon-Mechanik GmbH

Italy

Consolidated Subsidiary

- Tokai Carbon Italia S.R.L.

Sweden

Consolidated Subsidiary

- Svensk Specialgrafit AB

NORTH AMERICA

U.S.A.

Consolidated Subsidiaries

- Tokai Carbon U.S.A., Inc.
- Tokai Carbon Electrode Sales Inc.
- Tokai Carbon Electrode Sales LLC.

Affiliate Accounted for by Equity Method

- MWI, Inc.

ASIA

Japan

Consolidated Subsidiaries

- Tokai Konetsu Kogyo Co., Ltd.
- Tokai Material Co., Ltd.
- Tokai Fine Carbon Machining Co., Ltd.
- Oriental Sangyo Co., Ltd.
- Tokai Unyu Co., Ltd.
- Tokai Noshiro Seiko Co., Ltd.
- Erema Sangyo Co., Ltd.
- Mitomo Brake Co., Ltd.
- Daiya Tsusho Co., Ltd.

Affiliate Accounted for by Equity Method

- Heisei Ceramics Co., Ltd.

China

Consolidated Subsidiaries

- Tokai Carbon (Tianjin) Co., Ltd.
- Tokai Carbon (Shanghai) Co., Ltd.
- Shanghai Tokai Konetsu Co., Ltd.

Affiliates Accounted for by Equity Method

- SGL Tokai Carbon Ltd.Shanghai
- Dalian Tokai-Jinqi-Fuji Carbon Co.,Ltd.

Korea

Affiliate Accounted for by Equity Method

- Tokai Carbon Korea Co., Ltd.

Thailand

Consolidated Subsidiary

- Thai Tokai Carbon Product Company Ltd.

Singapore

Affiliate Accounted for by Equity Method

- SGL Tokai Process Technology Pte. Ltd.

- Carbon and Graphite Products
- Industrial Furnaces and Related Products
- Other

Investor Information (as of December 31, 2008)

Fiscal year end	December 31
Annual shareholders meeting	March
Common Stock	Authorized Shares: 598,764,000 shares Outstanding Shares: 224,943,104 shares
Number of shareholders	19,019

Major shareholders

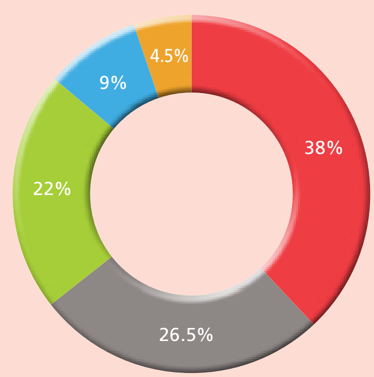
Shareholders	Number of shares held
Trust account of Japan Trustee Services Bank, Ltd.	16,427,000
Trust account of The Master Trust Bank of Japan, Ltd.	12,692,000
Bank of Tokyo-Mitsubishi UFJ	8,842,000
Trust account 4G of Japan Trustee Services Bank, Ltd.	7,156,000
Mitsubishi UFJ Trust and Banking Corp.	6,988,000
The Chase Manhattan Bank 385036	6,000,000
Trust account of the Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900,000
Mitsubishi Corp.	5,844,000
State Street Bank and Trust Company	5,223,000
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	5,055,000

Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Securities code number	5301
Transfer agent	Mitsubishi UFJ Trust and Banking Corp. Head Office 4-5 Marunouchi 1- Chome, Chiyoda-ku, Tokyo, Japan

Ownership and Distribution of Shares

Financial Institutions	84,535,000
Financial Instruments Company	10,066,000
Other Companies	20,066,000
Foreign Companies and Individuals	48,900,000
Individuals and Others	58,756,000
Total	222,323,000

Notes: 1. Stocks less than 1,000 are rounded down.
2. "Others" contains 7,148,889 treasury stocks.



Leading the Way into the Future >>

TOKAI CARBON CO., LTD.

Head Office
Aoyama Bldg. 2-3, Kita-Aoyama 1-Chome, Minato-ku,
Tokyo 107-8636 Japan
Tel: +81-3-3746-5100 Fax: +81-3-3405-7205

www.tokaicarbon.co.jp

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