ANNUAL REPORT 2009

For the Year Ended December 31, 2009

TOKAI CARBON CO., LTD.

ANNUAL REPORT 2009

Contents

CAUTIONARY STATEMENT WITH REGARD TO FORWARD-LOOKING STATEMENTS

Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. The Tokai Carbon Group undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

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.

The Company engages in the production and sale of **Carbon black** for use in automotive tires and other rubber products, **Graphite electrodes** for use in electric arc furnaces for steel production, **Fine carbon** for use in a wide range of new energy related fields, such as solar batteries and semi-conductors, **Friction materials** for use in brakes and clutches on engineering vehicles, motorcycles and automobiles, etc., and **Industrial furnaces & related products**, for use in 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.

Corporate Philosophy

Our corporate philosophy is "**Ties of reliability**". We believe in the importance of trust between Tokai Carbon and our stakeholders (as represented by customers, shareholders, employees, and society). This idea of mutual reliability, which is based on common values shared with our stakeholders, is the foundation of our continued business and existence.

This concept allows us to provide added value to our stakeholders, thus enabling them to achieve their individual goals. Through this cycle of trust, we will strive to further enhance our ties of reliability.

Medium Term Management Strategies

The Group has formulated a new three-year management plan, "**T-2012,**" which begins in 2010.

Targets for T-2012	
Net Sales	120 billion yen
Operating Income Ratio	13% (15.6 billion yen)
Ordinary Income Ratio	13% (15.6 billion yen)
Net Income Ratio	7.5% (9.0 billion yen)
ROA (ordinary income / total assets)	9%
ROE (net income / equity)	8%

The following management policies will be deployed by the Group to achieve these targets.

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

The Tokai Group follows the basic policies it has been implementing since the deployment of "T-2006," and aims to achieve superiority in terms of magnitudes of sales, earnings power, technical capabilities, and product development capabilities as it continues to work towards its goal of becoming the global leader in the manufacture of carbon materials. In addition, the Group places priority on activating human resources through frequent personnel changes among group companies, including overseas affiliates, and on developing and enhancing the abilities of personnel to facilitate success in global expansion efforts.

2) Developing a cost structure that is resistant to demand fluctuations and improving capital efficiency

The Tokai Group strives to develop a cost structure that allows it to generate profits stably even under a low capacity utilization rate in response to demand fluctuations. In addition, the Group focuses its efforts on increasing asset turnover ratio and improving cash flows.

3) Accelerating commercialization of development items

The Group is working to accelerate the commercialization of highly functional and reliable development items by promoting joint development with other companies and educational and public institutions, as well as by strengthening inter-group and inter-divisional cooperation, and commercializing such items to make a business with the potential to drive its sustainable growth for the future.

4) Emphasizing CSR activities including environmental protection

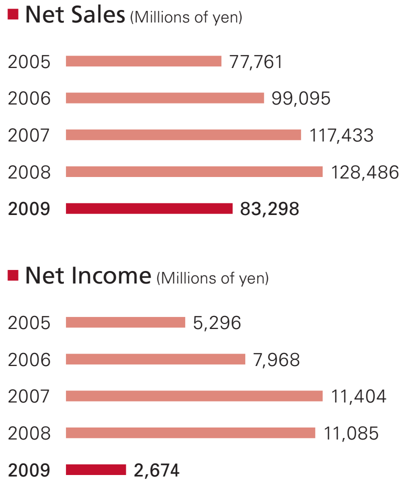
Building on its efforts to date, and being aware of the energy-intensive nature of the industries in which it operates, the Group will further increase its commitment to activities in this area, particularly those aimed at preventing global warming (reduction of CO_2 emission units).

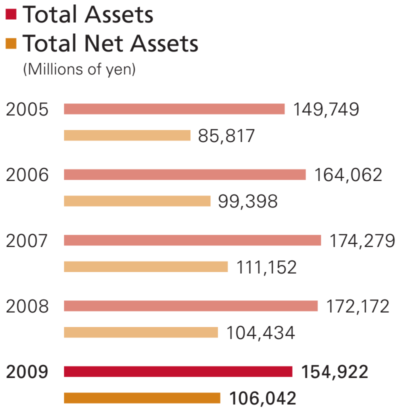
Consolidated Financial Highlights

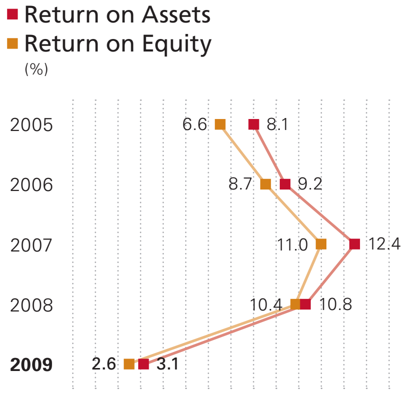
TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years ended December 31, 2009, 2008, 2007, 2006 and 2005

	Millions of Yen					Thousands of U.S. Dollars
	2005	2006	2007	2008	**2009**	**2009**
For the Year:						
Net sales	¥ 77,761	¥ 99,095	¥117,433	¥128,486	**¥ 83,298**	**$ 904,430**
Carbon and Graphite Products	70,779	90,812	108,236	119,269	**78,425**	**851,520**
Industrial Furnaces and Related Products	6,159	7,570	8,543	8,709	**4,406**	**47,839**
Others	823	713	654	508	**467**	**5,071**
Gross profit	23,059	29,327	37,340	38,580	**18,323**	**198,947**
Operating income	10,778	14,800	20,746	21,619	**5,299**	**57,535**
Income before income taxes and minority interests	9,968	13,716	21,044	18,789	**4,938**	**53,616**
Net income	5,296	7,968	11,404	11,085	**2,674**	**29,034**
Depreciation and amortization	4,164	5,112	6,283	8,046	**9,525**	**103,420**
Research and development costs	1,525	1,491	1,655	2,026	**2,073**	**22,508**
Capital expenditures	10,527	6,276	13,034	17,544	**8,066**	**87,578**
At Year-End:						
Total assets	¥149,749	¥164,062	¥174,279	¥172,172	**¥154,922**	**$1,682,106**
Total net assets	85,817	99,398	111,152	104,434	**106,042**	**1,151,378**
						U.S. Dollars
Per Share Data: (Yen)						
Net income	¥ 26.20	¥ 39.92	¥ 53.42	¥ 50.43	**¥ 12.28**	**$0.13**
Total net assets	436.11	475.25	499.42	471.61	**478.26**	**5.19**
Cash dividends applicable to the year	6.00	7.00	9.00	10.00	**8.00**	**0.09**
Financial Ratios: (%)						
Return on assets	8.1%	9.2%	12.4%	10.8%	**3.1%**	**3.1%**
Return on equity	6.1	8.7	11.0	10.4	**2.6**	**2.6**
Equity ratio	57.3	59.7	62.8	59.7	**67.2**	**67.2**

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥92.10=US$1, the approximate rate of exchange at December 31, 2009.







President's Message

Business Results for Year Ended December 31, 2009

The global economy experienced a rapid contraction of economic and financial activities in 2009 as the U.S. and European countries were in the adjustment process following the collapse of their asset inflation-led economies, combined with the impacts of a financial crisis that occurred in the autumn of the year before last, originating from the sub-prime loan issue. The financial crisis began to approach an end after the spring on the strength of measures taken to achieve recovery of financial systems implemented by the governments and financial authorities of major countries. In addition, emerging economies in Asia, notably China, grew steadily and economic stimulus measures taken by the major countries of the world proved effective. Consequently, near-term economic conditions began to stabilize. Looking at the Japanese economy, however, economic activity remained low due to the impacts of unprecedented slumps in production and employment, etc., as manufacturing industries, which are the driving force of the nation's economy, were hit by major negative factors including production adjustments, declining capital spending on a global basis, as well as the end of brisk demand for consumer durable goods and adverse foreign exchange rates.

Against such a backdrop, the industries in which the Tokai Carbon Group's customers operate (e.g., rubber products, steel, IT hardware, and industrial machinery) carried out sweeping inventory adjustments and production cutbacks, resulting in sharp decreases in the Group's sales volume and net sales in the period under review.

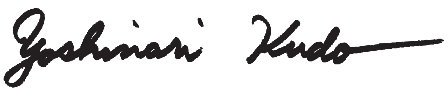
As a result, consolidated net sales for the fiscal year under review declined 35.2% to ¥83,298 million from the year earlier, despite a pick up of sales of carbon black after the third quarter, due to sales in other business segments remaining sluggish overall. The Group continued to take measures, including reducing the remunerations of Directors and salaries of employees, sharply cutting back various expenses, implementing a temporary shutdown, and receiving employment adjustment subsidies. Despite these efforts, however, operating income plunged 75.5% to ¥5,299 million; ordinary income declined 73.4% to ¥4,993 million; and, net income fell 75.9% to ¥2,674 million from the year earlier. The fiscal year under review fell on the last year of the Group's three-year management plan, "T-2009," however, we were unable to achieve the numerical targets for sales and operating income margin, etc., due to rapid changes in the economic environment, but were able to make progress in improving the efficiency of business and developing a wide range of new products.

Issues to Be Addressed

While the Japanese economy is heading toward recovery on the strength of a rebound of the global economy, notably in Asia, and economic stimulus measures implemented by major countries, it remains in an unpredictable situation with the effects of economic measures in Japan and overseas expected to moderate in the future.

Amid such an environment, the Group formulated the above-mentioned new three-year management plan, "T-2012," which begins in 2010, to enhance its corporate value and take up the challenge once again of achieving sustainable growth based on its four guiding principles (enhancement of value-creation capabilities, fair management, ecological harmony, and internationalism) and its core principle of "Ties of Reliability". With a view to achieving steady results in these areas, the Group will also undertake appropriate capital spending to prepare for the future in fields such as new product development and environmental measures. In addition, the Group will pay increased attention to the basics of a manufacturing company, which specifically are security, quality control, and environmental protection, and will continue to work on reinforcing corporate governance. Effective from fiscal year 2009, the Group has been instituting internal controls over financial reporting in compliance with the Financial Instruments and Exchange Act (J-SOX), and intends to continue strengthening its operational foundation through implementing, assessing, and improving 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.

Demand for carbon black fell sharply up until the second quarter of the period under review in the industries in which the Group's customers for the product operate (tires and auto parts), and sales volume dropped substantially. After the third quarter, sales volume began to pick up following a recovery of production of automobiles and tires, but the increase was not large enough to offset the decrease of sales volume up until the second quarter.

Consequently, net sales in the carbon black business decreased 33.4% year-on-year to ¥29,482 million.

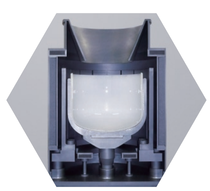
Graphite Electrodes

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

The sales volume of graphite electrodes dropped sharply both in Japan and overseas, although global steel production bottomed out at the beginning of the year and subsequently followed a gradual recovery trend, because production rebounds were delayed in countries where the product is mainly in demand including Japan, the U.S., and European countries. In addition, the Group revised prices of the product, but sales remained at low levels throughout the year affected by factors such as losses from exports resulting from the yen's appreciation.

Consequently, net sales of graphite electrodes fell 31.8% year-on-year to ¥32,204 million.

Fine Carbon

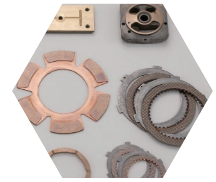


Fine carbon products are a wide variety of specialty graphites that are characterized by excellent electric conductance, high heat resistance, mechanical strength and lubricant ability, and are applied as key parts in the manufacturing processes of electric appliances, semiconductors and solar cells,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

The fine carbon business saw a significant decrease of sales up until the second quarter of the fiscal year under review, due to a downturn in demand arising from shrinking markets for solar cells, semiconductors, and automobiles, and excess inventories carried by the main sources of demand for our products. Demand began to pick up after the third quarter with these markets showing signs of recovery, but sales did not recover as they were also affected by a decrease of export sales caused by the appreciation of the yen.

As a result, net sales in the fine carbon business dropped 37.9% year-on-year to ¥11,496 million.

Friction Materials

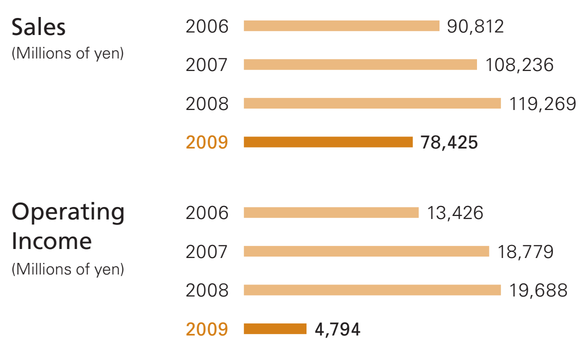


Friction materials are widely used in clutches and brakes of construction, agricultural, transportation and other industrial machinery.

In the friction materials business, the decline of demand for products with applications including auto repair parts was relatively small, but demand for products for key applications including construction machinery and two-wheeled vehicles continued to fall substantially up until the third quarter. However, the main sources of demand eased production adjustments through inventory adjustments, etc., from the fourth quarter, and demand recovered gradually.

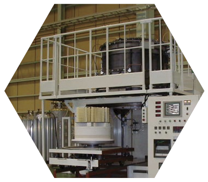
As a result, net sales of the friction materials business decreased 43.2% year-on-year to ¥5,241 million.

Fiscal 2009 Sales by Segments



Overall, the carbon products segment's net sales totaled ¥78,425 million, a 34.2% decrease year-on-year, and its operating income was down 75.6% year-on-year to ¥4,794 million.

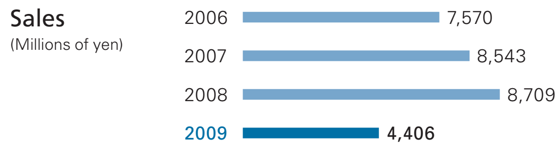
Industrial Furnaces and Related Products

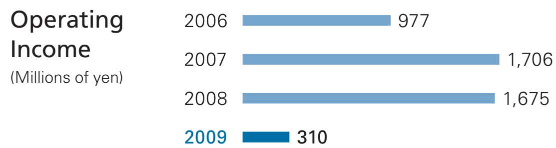


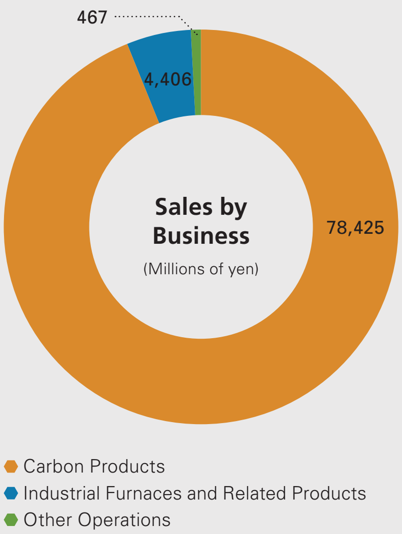
Industrial furnaces and heating elements are manufactured by Tokai Konetsu Kogyo Co., Ltd., which became a wholly owned subsidiary through a share exchange this year, for the purposes of heating, sintering, dissolving and heat-treating such objects as ceramics, electronic parts, metals, glass and powdered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

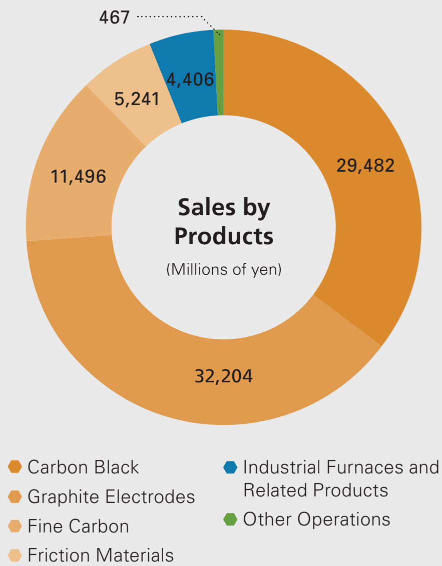
The segment faced headwinds in the form of cancellations and postponements of capital spending in IT-related industries, the main source of demand for its products. Consequently, sales of industrial furnaces, the core products of the segment, dropped sharply. Sales of heating elements and other related products also plunged due to the fall of our customers' capacity utilization rates of equipment.

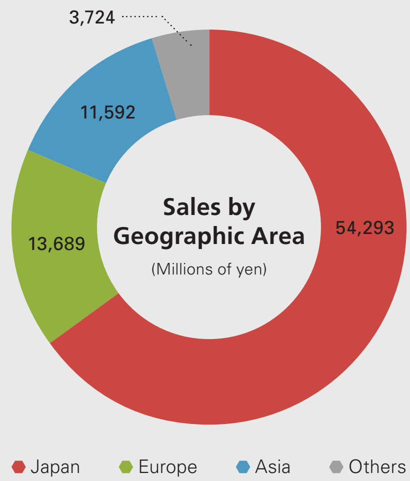
Overall, the segment's net sales totaled ¥4,406 million, a 49.4% decrease year-on-year. Its operating income was down 81.4% year-on-year to ¥310 million, despite our efforts to reduce costs and improve productivity in all business segments.





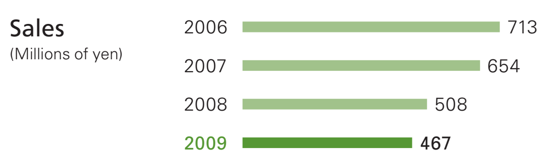


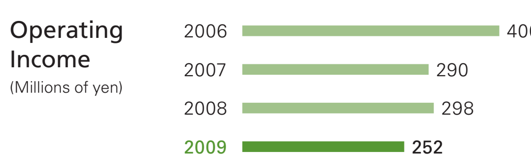




Other Operations

Net revenues from other operations (e.g., real estate rental revenues) declined 8.0% to ¥467 million. Operating income decreased 15.5% to ¥252 million.





Research and Development

In a tie-up with our Development and Technology divisions, the Tokai Carbon Group mainly consists of Fuji Research Laboratory, Chita Laboratory, and Carbon and Ceramics Laboratories (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 ¥2,073 million.

Carbon Negative-Electrode Materials

Tokai Carbon developed new carbon negative-electrode materials for lithium ion batteries jointly with Kyoto University and AIST*1. The new negative-electrode materials retain four times the capacity of conventional batteries through fast charge and discharge. Tokai Carbon has been striving to enhance production capacity of these materials to respond to the demand for applications of consumer and automotive, etc.

Carbon Nano Tube (CNT)

Tokai Carbon and JFCC*2 developed CNT cohesion which possesses special properties; high purity, high density and high orientation. It is a substitute material of glass used in cars, and its market appearance is expected near future.

Carbon Resin Molding Separator for Fuel Cells

Tokai Carbon succeeded in developing a carbon resin-molding separator with high productivity. This new separator solves disadvantages of the carbon separator, such as thickness and vulnerability, and contributes to weight and size reduction and improve mobility of fuel cells.

*1 National Institute of Advanced Industrial Science and Technology (Japan)
*2 Japan Fine Ceramics Center

Fuji Research Laboratory (Shizuoka, Japan)

Forecast of Consolidated Earnings for Fiscal 2010 (Jan. 1,2010 – Dec. 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
First six months	49,000	31.9	3,600	348.6	3,300	177.7	1,700	–	7.81
Full year	100,000	20.1	8,000	51.0	7,500	50.2	4,100	53.3	18.83

Notes: 1. Percentages represent year-on-year changes for the full year and increase / decrease from the same period of the previous year
2. "FY2010 (expected)" represents estimates announced in February 2010.

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, two 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 andotherwise 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 thirteen 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, Koichi Yano

Composition of the Assistants Involved in Auditing Duties:
Seven certified accountants and eight other personnel.

(5) Relationship between External Members of the Board and

External Corporate Auditor Tokai Carbon appoints one External Member of the Board and two 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 ¥242 million, and the total sum appropriated for the remuneration paid to Corporate Auditors is ¥49 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) 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 (Yoshio Kumakura) and the external Corporate Auditor (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.

5) 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.

6) 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.

7) 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.

8) 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.

9) 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.

10) Audit Remuneration

(1) Account Auditor Remuneration

Source	Fiscal year 2008		**Fiscal year 2009**	
	Remuneration for audit certification services (Millions of Yen)	Remuneration for non-auditing services (Millions of Yen)	Remuneration for audit certification services (Millions of Yen)	Remuneration for non-auditing services (Millions of Yen)
Submitting company	–	–	**63**	**8**
Consolidated subsidiaries	–	–	**8**	**–**
Total	–	–	**71**	**8**

(2) Other Major Remuneration

Tokai carbon's consolidated subsidiaries pay ¥23 million as remuneration for audit certification services and ¥15 million as remuneration for non-auditing services to Deloitte&Touche, which belongs to the same network as Tokai carbon's account auditors.

(3) Non-Auditing Services by Account Auditors for Consolidated Companies

Non-auditing services by account auditors for which Tokai carbon pays remuneration are mainly guidance and advice related to internal control concerning financial reports.

(4) Audit Remuneration Policy

Although Tokai carbon does not have a policy related to determining the amount of remuneration paid to account auditors, we take into consideration the number of days spent for auditing when we decide the amount.

Consolidated Balance Sheets

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 8,978**	¥ 13,274	**$ 97,481**
Receivables:			
Trade notes and accounts	**27,569**	35,410	**299,338**
Unconsolidated subsidiaries and associated companies	**839**	1,135	**9,109**
Allowance for doubtful receivables	**(110)**	(115)	**(1,194)**
Inventories (Note 4)	**36,821**	36,836	**399,794**
Deferred tax assets (Note 10)	**897**	678	**9,739**
Prepaid expenses and other current assets	**1,884**	3,601	**20,456**
Total current assets	**76,878**	90,819	**834,723**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**7,264**	7,651	**78,871**
Buildings and structures	**46,032**	44,310	**499,805**
Machinery and equipment	**114,618**	108,348	**1,244,495**
Furniture and fixtures	**6,627**	6,513	**71,954**
Lease assets	**12**		**130**
Construction in progress	**4,081**	5,786	**44,311**
Total	**178,634**	172,608	**1,939,566**
Accumulated depreciation	**(123,866)**	(116,134)	**(1,344,908)**
Net property, plant and equipment	**54,768**	56,474	**594,658**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**18,566**	19,156	**201,585**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,777**	2,523	**30,152**
Goodwill		961	
Deferred tax assets (Note 10)	**342**	442	**3,713**
Other assets	**1,591**	1,797	**17,275**
Total investments and other assets	**23,276**	24,879	**252,725**
TOTAL	**¥154,922**	¥172,172	**$1,682,106**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 10,678**	¥ 26,539	**$ 115,939**
Current portion of long-term debt (Note 5)	**12**	546	**130**
Payables:			
Trade notes and accounts	**10,416**	18,389	**113,094**
Unconsolidated subsidiaries and associated companies	**72**	113	**782**
Income taxes payable	**1,844**	2,384	**20,022**
Accrued expenses	**1,522**	2,070	**16,526**
Other current liabilities	**4,038**	8,404	**43,844**
Total current liabilities	**28,582**	58,445	**310,337**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**11,342**		**123,149**
Liability for retirement benefits (Note 7)	**2,569**	2,080	**27,894**
Retirement allowances for directors, corporate auditors and operating officers (Note 8)	**332**	325	**3,605**
Allowance for environmental safety measures (Note 2.i)	**728**	728	**7,904**
Deferred tax liabilities (Note 10)	**4,180**	5,064	**45,385**
Other	**1,147**	1,096	**12,454**
Total long-term liabilities	**20,298**	9,293	**220,391**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Note 9)**:**			
Common stock—authorized, 598,764,000 shares; issued, 224,943,104 shares in 2009 and 2008	**20,436**	20,436	**221,889**
Capital surplus	**17,503**	17,503	**190,043**
Retained earnings	**67,500**	66,778	**732,899**
Net unrealized gain on available-for-sale securities	**5,988**	5,913	**65,017**
Deferred gain on derivatives under hedge accounting		6	
Foreign currency translation adjustments	**(2,167)**	(2,817)	**(23,529)**
Treasury stock — at cost, 7,176,461 shares in 2009 and 7,148,889 shares in 2008	**(5,112)**	(5,105)	**(55,505)**
Total	**104,148**	102,714	**1,130,814**
Minority interests	**1,894**	1,720	**20,564**
Total equity	**106,042**	104,434	**1,151,378**
TOTAL	**¥154,922**	¥172,172	**$1,682,106**

See notes to consolidated financial statements.

Consolidated Statements of Income

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
NET SALES	**¥83,298**	¥128,486	**$904,430**
COST OF SALES	**64,975**	89,906	**705,483**
Gross profit	**18,323**	38,580	**198,947**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**13,024**	16,961	**141,412**
Operating income	**5,299**	21,619	**57,535**
OTHER INCOME (EXPENSES):			
Interest and dividends	**437**	612	**4,745**
Interest expense	**(606)**	(902)	**(6,580)**
Exchange gain (loss)	**175**	(2,274)	**1,900**
Equity in gains (losses) of associated companies	**(111)**	574	**(1,205)**
Gain on sales of property, plant and equipment	**192**	468	**2,085**
Gain on sales of investment securities	**940**		**10,206**
Impairment losses (Note 6)	**(880)**		**(9,555)**
Special retirement payments	**(258)**		**(2,801)**
Other — net	**(250)**	(1,308)	**(2,714)**
Other expenses — net	**(361)**	(2,830)	**(3,919)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,938**	18,789	**53,616**
INCOME TAXES (Note 10)**:**			
Current	**2,620**	7,364	**28,447**
Deferred	**(349)**	243	**(3,789)**
Total	**2,271**	7,607	**24,658**
MINORITY INTERESTS IN NET INCOME (LOSS)	**(7)**	97	**(76)**
NET INCOME	**¥ 2,674**	¥ 11,085	**$ 29,034**
	Yen		U.S. Dollars
	2009	2008	**2009**
PER SHARE OF COMMON STOCK (Notes 2.q and 15)**:**			
Net income	**¥12.28**	¥50.43	**$0.13**
Cash dividends applicable to the year	**8.00**	10.00	**0.09**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Common Stock			
	Shares	Amount	Capital Surplus	Retained Earnings
BALANCE, JANUARY 1, 2008	**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**
Net income				2,674
Cash dividends, ¥8.00 per share				(1,960)
Purchase of treasury stock				
Disposal of treasury stock				(4)
Increase due to application of PITF No. 18				12
Net change in the year				
BALANCE, DECEMBER 31, 2009	**224,943**	**¥20,436**	**¥17,503**	**¥67,500**

	Common Stock	Capital Surplus	Retained Earnings
BALANCE, DECEMBER 31, 2008	**$221,889**	**$190,043**	**$725,060**
Net income			29,034
Cash dividends, $0.09 per share			(21,281)
Purchase of treasury stock			
Disposal of treasury stock			(44)
Increase due to application of PITF No. 18			130
Net change in the year			
BALANCE, DECEMBER 31, 2009	**$221,889**	**$190,043**	**$732,899**

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 Shares	Treasury Stock Amount	Total	Minority Interests	Total Equity
	¥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**
						2,674		2,674
						(1,960)		(1,960)
				(40)	(16)	(16)		(16)
				12	9	5		5
						12		12
	75	(6)	650			719	174	893
	¥ 5,988		**¥(2,167)**	**(7,176)**	**¥(5,112)**	**¥104,148**	**¥1,894**	**¥106,042**

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
	$64,192	**$65**	**$(30,586)**	**$(55,429)**	**$1,115,234**	**$18,665**	**$1,133,899**
					29,034		29,034
					(21,281)		(21,281)
				(174)	(174)		(174)
				98	54		54
					130		130
	825	(65)	7,057		7,817	1,899	9,716
	$65,017		**$(23,529)**	**$(55,505)**	**$1,130,814**	**$20,564**	**$1,151,378**

Consolidated Statements of Cash Flows

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,938**	¥18,789	**$ 53,616**
Adjustments for:			
Income taxes — paid	**(3,716)**	(9,399)	**(40,347)**
Depreciation and amortization	**9,525**	8,046	**103,420**
Amortization of consolidation differences	**80**	315	**869**
Increase in liability for retirement benefits	**442**	101	**4,799**
(Increase) decrease in prepaid expense for pension cost	**153**	(55)	**1,661**
Exchange loss		361	
Equity in gains (losses) of associated companies	**111**	(574)	**1,205**
Gain on sales of investment securities	**(940)**		**(10,206)**
Gain on sales of property, plant and equipment	**(192)**	(468)	**(2,085)**
Impairment losses	**880**		**9,555**
(Increase) decrease in trade notes and accounts receivable	**8,447**	(2,132)	**91,716**
(Increase) decrease in inventories	**435**	(10,369)	**4,712**
(Increase) decrease in payment in advance	**1,214**	(462)	**13,181**
Increase (decrease) in notes and accounts payable	**(8,198)**	2,197	**(89,012)**
Increase (decrease) in consumption tax payable	**155**	(13)	**1,683**
Decrease in accrued expenses	**(556)**	(258)	**(6,026)**
Decrease in interest and dividend receivables	**58**	39	**630**
Increase (decrease) in interest payable	**50**	(13)	**543**
Increase in special retirement payments	**(16)**		**(174)**
Other — net	**(789)**	2,174	**(8,567)**
Total adjustments	**7,143**	(10,510)	**77,557**
Net cash provided by operating activities	**12,081**	8,279	**131,173**
INVESTING ACTIVITIES:			
Payment for purchase of property, plant and equipment	**(10,812)**	(16,437)	**(117,394)**
Proceeds from sales of property, plant and equipment	**629**	536	**6,830**
Payment for purchase of intangible fixed assets	**(260)**	(150)	**(2,823)**
Payment for purchase of investment securities	**(415)**	(415)	**(4,506)**
Proceeds from sales of investment securities	**1,578**		**17,133**
Payment for long-term loans	**(286)**	(98)	**(3,105)**
Other	**334**	(4)	**3,626**
Net cash used in investing activities	**(9,232)**	(16,568)	**(100,239)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans — net	**(16,181)**	14,829	**(175,689)**
Proceeds from long-term debt	**11,332**		**123,040**
Repayments of long-term debt	**(580)**	(190)	**(6,298)**
Payment for purchase of treasury stock	**(16)**	(3,385)	**(174)**
Dividends paid	**(1,980)**	(2,223)	**(21,498)**
Proceeds from issuance of common stock by consolidated subsidiaries to minority shareholders	**133**	549	**1,444**
Other	**5**	57	**54**
Net cash provided by (used in) financing activities	**(7,287)**	9,637	**(79,121)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**142**	(1,140)	**1,542**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,296)**	208	**(46,645)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**13,274**	13,066	**144,126**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 8,978**	¥13,274	**$ 97,481**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TOKAI CARBON Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

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 Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), 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 2008 consolidated financial statements to conform to the classifications used in 2009.

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 ¥92.10 to $1, the approximate rate of exchange at December 31, 2009. 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, 2009 include the accounts of the Company and its significant 24 (24 in 2008) subsidiaries (together, the "Group").

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 2008) associated companies are accounted for by the equity method. Investments in the remaining 2 (2 in 2008) 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. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective January 1, 2009. The effect of this change was to increase operating income by ¥160 million ($1,737 thousand) and income before income taxes and minority interests by ¥95 million ($1,031 thousand). In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. 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.

d. Inventories — Prior to January 1, 2009, inventories of the Company and consolidated domestic subsidiaries were stated at cost, being determined by the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company and consolidated domestic subsidiaries applied the new accounting standard for measurement of inventories effective for the year ended December 31, 2009. The effect of this change decreased income before income taxes and minority interests for the year ended December 31, 2009 by ¥686 million ($7,449 thousand).

Inventories of foreign consolidated subsidiaries are stated principally at the lower of cost or market, with cost being determined using first-in, first-out method.

e. 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.

f. 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, and from 2 to 22 years for machinery and equipment.

Effective from the year ended December 31, 2009, the Company and consolidated subsidiaries in Japan, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery, equipment and furnace, reflecting the actual usage of machinery, equipment and furnace. This change had the effect of decreasing operating income and income before income taxes and minority interests ¥253 million ($2,747 thousand).

g. 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.

h. 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.

i. 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.

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

k. Leases — Effective from the year ended December 31, 2009, the Company and consolidated subsidiaries in Japan adopted the new accounting standard "Accounting Standard for Lease Transactions" (Statement No. 13 issued by the ASBJ revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16 issued by the ASBJ revised on March 30, 2007), and capitalized assets used under leases, except the lease transactions started before December 31, 2008, which are accounted for as operating leases. Leased assets are depreciated over the leased term by the straight-line method with no residual value. This change had no effect on operating income and income before income taxes and minority interests.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

Gains and losses on 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, 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.

q. 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. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of December 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Non-current:			
Marketable equity securities	**¥18,527**	¥19,108	**$201,162**
Non-marketable equity securities	**38**	47	**412**
Trust fund investments and other	**1**	1	**11**
Total	**¥18,566**	¥19,156	**$201,585**

The carrying amounts and aggregate fair values of marketable and investment securities at December 31, 2009 and 2008 were as follows:

	Millions of Yen			
December 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as				
available-for-sale — Equity securities	**¥9,022**	**¥9,930**	**¥(425)**	**¥18,527**
December 31, 2008				
Securities classified as available-for-sale:				
Equity securities	¥9,238	¥10,355	¥(490)	¥19,103
Debt securities with contractual maturities	11		(6)	5
	Thousands of U.S. Dollars			
December 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as				
available-for-sale — Equity securities	**$97,959**	**$107,818**	**$(4,615)**	**$201,162**

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥38**	¥47	**$412**
Other	**1**	1	**11**
Total	**¥39**	¥48	**$423**

Proceeds from sales of available-for-sale securities for the years ended December 31, 2009 and 2008 were ¥1,578 million ($17,133 thousand) and ¥0 million, respectively. Realized gains on these sales, computed on the moving average cost basis, were ¥940 million ($10,206 thousand) for the year ended December 31, 2009 and ¥0 million for the year ended December 31, 2008.

4. INVENTORIES

Inventories at December 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Merchandise	**¥ 99**	¥ 112	**$ 1,075**
Finished products	**6,861**	7,552	**74,495**
Work in process	**20,123**	19,615	**218,491**
Raw materials and supplies	**9,738**	9,557	**105,733**
Total	**¥36,821**	¥36,836	**$399,794**

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

Short-term bank loans at December 31, 2009 and 2008 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.305% to 4.860% at December 31, 2009 and 2008, respectively.

Long-term debt at December 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Long-term loans from banks and insurance companies 2009: 1.40% – 4.39% due 2010 – 2014 2008: 5.75% – 6.18% due 2009	**¥11,343**	¥546	**$123,160**
Obligations under finance leases	**11**		**119**
Total	**11,354**	546	**123,279**
Less current portion	**(12)**	(546)	**(130)**
Long-term debt, less current portion	**¥11,342**		**$123,149**

Annual maturities of long-term debt, excluding finance leases (see Note 12), at December 31, 2009 were as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 12	$ 130
2011	12	130
2012	10,006	108,643
2013	3	33
2014	1,321	14,343
Total	**¥11,354**	**$123,279**

The carrying amounts of assets pledged as collateral at December 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment — net of accumulated depreciation	¥128	$1,390

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 December 31, 2009 and, as a result, recognized an impairment loss of ¥880 million ($9,555 thousand) as an other expense for goodwill on Tokai Carbon Deutschland GmbH group.

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, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Projected benefit obligation	**¥6,366**	¥6,081	**$69,121**
Fair value of plan assets	**(3,700)**	(3,709)	**(40,174)**
Unrecognized actuarial loss	**(201)**	(549)	**(2,182)**
Prepaid expense for pension cost	**104**	257	**1,129**
Net liability	**¥2,569**	¥2,080	**$27,894**

The components of net periodic benefit costs for the years ended December 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Service cost	**¥475**	¥435	**$5,157**
Interest cost	**80**	82	**869**
Expected return on plan assets		(101)	
Amortization of actuarial gain	**85**	(43)	**923**
Other	**66**	71	**717**
Net periodic benefit costs	**¥706**	¥444	**$7,666**

Assumptions used for the years ended December 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**0.0%**	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 Companies Act of Japan (the "Companies Act").

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, 2009 and 2008 were ¥50 million ($543 thousand) and ¥48 million, respectively.

In addition, the director retirement bonus plan was abolished.

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the yea-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 Companies Act 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act 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.

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, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at December 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Depreciation and amortization	**¥ 135**	¥ 161	**$ 1,466**
Impairment loss on long-lived assets	**495**	444	**5,375**
Retirement and severance benefits	**488**	317	**5,299**
Allowance for officers' retirement benefits	**102**	99	**1,107**
Allowance for environmental safety measures	**291**	291	**3,160**
Accrued enterprise tax	**144**	195	**1,563**
Unrealized gain on sale of assets eliminated in consolidation	**448**	477	**4,864**
Loss carryforward of subsidiaries	**693**	1,429	**7,524**
Valuation loss on investment securities	**387**	485	**4,202**
Other	**708**	454	**7,687**
Less valuation allowance	**(1,805)**	(1,774)	**(19,598)**
Deferred tax assets	**2,086**	2,578	**22,649**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**3,557**	3,944	**38,621**
Deferred profits on property for income tax purposes	**1,046**	1,235	**11,357**
Retained earnings of overseas consolidated subsidiaries	**231**	1,080	**2,508**
Prepaid expense for pension cost		103	
Other	**200**	161	**2,172**
Deferred tax liabilities	**5,034**	6,523	**54,658**
Net deferred tax liabilities	**¥2,948**	¥3,945	**$32,009**

Net deferred tax liabilities presented in the consolidated balance sheets at December 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current assets — deferred tax assets	**¥ (897)**	¥ (678)	**$ (9,739)**
Investments and other assets — deferred tax assets	**(342)**	(442)	**(3,713)**
Current liabilities — deferred tax liabilities	**7**	1	**76**
Long-term liabilities — deferred tax liabilities	**4,180**	5,064	**45,385**
Deferred tax liabilities	**¥2,948**	¥ 3,945	**$32,009**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	**40.0%**	40.0%
Expenses not deductible for income tax purposes	**2.5**	0.8
Income not taxable for income tax purpose	**(0.9)**	(0.6)
Minimum inhabitant taxes	**0.9**	
Amortization of consolidation differences	**7.8**	0.7
Undistributed earnings of overseas subsidiaries	**(17.9)**	1.8
Valuation allowance	**18.5**	1.4
Tax credit for experimental and research expense	**(3.1)**	(1.0)
Differences of effective tax rate for overseas subsidiaries	**(3.1)**	(4.0)
Other — net	**1.3**	1.4
Actual effective tax rate	**46.0%**	40.5%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,073 million ($22,508 thousand) and ¥2,026 million for the years ended December 31, 2009 and 2008, respectively.

12. LEASES

As discussed in Note 2, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on an "as if capitalized" basis for the years ended December 31, 2009 and 2008 was as follows:

As a Lessee

	Millions of Yen							
	2009				2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**¥7**	**¥20**	**¥4**	**¥31**	¥8	¥44	¥3	¥55
Accumulated depreciation	**4**	**17**	**2**	**23**	3	35	1	39
Net leased property	**¥3**	**¥ 3**	**¥2**	**¥ 8**	¥5	¥ 9	¥2	¥16

	Thousands of U.S. Dollars			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$76**	**$217**	**$44**	**$337**
Accumulated depreciation	**43**	**185**	**22**	**250**
Net leased property	**$33**	**$ 32**	**$22**	**$ 87**

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	**¥4**	¥ 8	**$43**
Due after one year	**4**	8	**44**
Total	**¥8**	¥16	**$87**

Paid lease fees and depreciation expense:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Paid lease fees	**¥8**	¥11	**$87**
Depreciation expense	**8**	11	**87**

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.

14. CONTINGENT LIABILITIES

At December 31, 2009, the Group guaranteed borrowings of affiliated companies in the amount of ¥372 million ($4,039 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, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended December 31, 2009	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common shareholders	**¥2,674**	**217,780**	**¥12.28**	**$0.13**
Year Ended December 31, 2008				
Basic EPS — Net income available to common shareholders	¥11,085	219,799	¥50.43	

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

16. SUBSEQUENT EVENT

The following appropriations of retained earnings at December 31, 2009 were approved at the Company's shareholders meeting held on March 26, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 ($0.04) per share	¥871	$9,457

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, 2009 and 2008 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2009				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Sales to customers	**¥78,425**	**¥4,406**	**¥467**		**¥83,298**
Intersegment sales	**174**	**338**	**416**	**¥(928)**	
Total sales	**78,599**	**4,744**	**883**	**(928)**	**83,298**
Operating expenses	**73,805**	**4,433**	**631**	**(870)**	**77,999**
Operating income	**¥ 4,794**	**¥ 311**	**¥252**	**¥ (58)**	**¥ 5,299**

b. Assets, Depreciation, Impairment Losses and Capital Expenditures

	Millions of Yen				
	2009				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Assets	**¥129,817**	**¥11,088**	**¥1,925**	**¥12,092**	**¥154,922**
Depreciation	**9,057**	**405**	**69**	**(6)**	**9,525**
Impairment losses	**880**				**880**
Capital expenditures	**7,901**	**212**	**19**	**(66)**	**8,066**

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2009				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Sales to customers	**$851,520**	**$47,839**	**$5,071**		**$904,430**
Intersegment sales	**1,889**	**3,670**	**4,517**	**$(10,076)**	
Total sales	**853,409**	**51,509**	**9,588**	**(10,076)**	**904,430**
Operating expenses	**801,357**	**48,132**	**6,852**	**(9,446)**	**846,895**
Operating income	**$ 52,052**	**$ 3,377**	**$2,736**	**$ (630)**	**$ 57,535**

b. Assets, Depreciation, Impairment Losses and Capital Expenditures

	Thousands of U.S. Dollars				
	2009				
	Carbon and Graphite Products	Industrial Furnaces and Related Products	Others	Eliminations / Corporate	Consolidated
Assets	**$1,409,522**	**$120,391**	**$20,901**	**$131,292**	**$1,682,106**
Depreciation	**98,339**	**4,397**	**749**	**(65)**	**103,420**
Impairment losses	**9,555**				**9,555**
Capital expenditures	**85,787**	**2,302**	**206**	**(717)**	**87,578**

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

Effective from the year ended December 31, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standard “Accounting Standard for Measurement of Inventories” (Statement No. 9 issued by the ASBJ on July 5, 2006). As a result, operating income decreased by ¥599 million ($6,504 thousand) for “Carbon and graphite products” segment and ¥86 million ($934 thousand) for “Industrial furnaces and related products” segment.

The Company adopted the new accounting standard “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” (PITF No. 18 issued by the ASBJ on May 17, 2006). As a result, operating income increased by ¥160 million ($1,737 thousand) for “Carbon and graphite products” segment.

The Company and its consolidated domestic subsidiaries, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery, equipment and furnace reflecting the actual usage of machinery, equipment and furnace. As a result, operating income decreased by ¥211 million ($2,291 thousand) for “Carbon and graphite products” segment and ¥42 million ($456 thousand) for “Industrial furnaces and related products” segment.

(2) Geographical Segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended December 31, 2009 and 2008 are summarized as follows:

	Millions of Yen					
	2009					
	Japan	Europe	Asia	Others	Eliminations / Corporate	Consolidated
Sales to customers	**¥ 54,293**	**¥13,689**	**¥11,592**	**¥3,724**		**¥ 83,298**
Interarea transfer	**5,122**	**392**	**772**	**30**	**¥(6,316)**	
Total sales	**59,415**	**14,081**	**12,364**	**3,754**	**(6,316)**	**83,298**
Operating expenses	**57,089**	**11,797**	**11,935**	**3,542**	**(6,364)**	**77,999**
Operating income	**¥ 2,326**	**¥ 2,284**	**¥ 429**	**¥ 212**	**¥ 48**	**¥ 5,299**
Assets	**¥112,751**	**¥14,149**	**¥16,784**	**¥3,408**	**¥7,830**	**¥154,922**

	Thousands of U.S. Dollars					
	2009					
	Japan	Europe	Asia	Others	Eliminations / Corporate	Consolidated
Sales to customers	**$ 589,501**	**$148,632**	**$125,863**	**$40,434**		**$ 904,430**
Interarea transfer	**55,613**	**4,256**	**8,382**	**326**	**$ (68,577)**	
Total sales	**645,114**	**152,888**	**134,245**	**40,760**	**(68,577)**	**904,430**
Operating expenses	**619,859**	**128,089**	**129,587**	**38,458**	**(69,098)**	**846,895**
Operating income	**$ 25,255**	**$ 24,799**	**$ 4,658**	**$ 2,302**	**$ 521**	**$ 57,535**
Assets	**$1,224,224**	**$153,626**	**$182,237**	**$37,003**	**$ 85,016**	**$1,682,106**

	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

Effective from the year ended December 31, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standard "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the ASBJ on July 5, 2006). As a result, operating income decreased by ¥686 million ($7,448 thousand) for "Japan" segment.

The Company adopted the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (PITF No. 18 issued by the ASBJ on May 17, 2006). As a result, operating income increased by ¥50 million ($543 thousand) for "Europe" segment and ¥109 million ($1,183 thousand) for "Asia" segment.

The Company and its consolidated domestic subsidiaries, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery, equipment and furnace, reflecting the actual usage of machinery, equipment and furnace. As a result, operating income decreased by ¥253 million ($2,747 thousand) for "Japan" segment.

(3) Sales to Foreign Customers

	Millions of Yen			
	2009			
	Asia	Europe	Others	Total
Overseas sales	**¥21,053**	**¥12,459**	**¥6,862**	**¥40,374**
Net sales				**83,298**
Ratio of overseas sales to net sales	**25.3%**	**15.0%**	**8.2%**	**48.5%**

	Thousands of U.S. Dollars			
	2009			
	Asia	Europe	Others	Total
Overseas sales	**$228,588**	**$135,277**	**$74,506**	**$438,371**
Net sales				**904,430**

	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%

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.

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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, 2009 and 2008, 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, 2009 and 2008, 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 LLC

March 26, 2010

Member of
Deloitte Touche Tohmatsu

Board of Directors, Executive Officers and Corporate Auditors (as of March 26, 2010)

Board of Directors

Chairman	Shikio Ohtake
President and CEO	Yoshinari Kudo
Senior Managing Executive Officer	Kiyonari Nakai Nobuyuki Murofushi
Managing Executive Officer	Hajime Nagasaka Hiroshi Hirama Naoshi Takahashi
Executive Officer	Masanao Hosoya
External Director	Yoshio Kumakura

Executive Officers

Managing Executive Officer	Shigeto Mori
Executive Officer	Yuji Serizawa Tatsuo Abe Hideo Toko Itsuro Imazu Takekuni Kawaguchi Eiichi Nishii Jinichi Suzuki

Corporate Auditors

Tsunehisa Samukawa
Masahiro Kusaba*
Ryuichi Sato*
Katsuhiko Namba

* External Auditor

Corporate Data (as of December 31, 2009)

Company Name	TOKAI CARBON CO., LTD.
Established	April 8, 1918
Paid-in Capital	¥20,436 million ($221,889,000)
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	1,799 (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
- Tokai Erftcarbon GmbH
- Tokai Carbon Europe GmbH
- Tokai Carbon Deutschland GmbH
- Carbon-Mechanik GmbH

Italy
Consolidated Subsidiary
- Tokai Carbon Italia S.R.L.

Sweden
Consolidated Subsidiary
- Svensk Special grafit 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.

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

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.

Investor Information (as of December 31, 2009)

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 17,659

Major shareholders

Shareholders	Number of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,256,000
Japan Trustee Services Bank, Ltd. (Trust Account)	14,710,000
Bank of Tokyo-Mitsubishi UFJ	8,842,000
Mitsubishi UFJ Trust and Banking Corp.	6,988,000
The Chase Manhattan Bank 385036	6,000,000
The Master Trust Bank of Japan, Ltd. (Mitsubishi Chemical Corp. Retirement Benefit Trust Account)	5,900,000
Mitsubishi Corp.	5,844,000
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	5,055,000
Trust & Custody Services Bank, Ltd. (Trust Account)	4,417,000
JPMorgan Securities Japan Co., Ltd.	3,005,000

Stock Exchange Listing First Section of the Tokyo Stock Exchange

Securities code number 5301

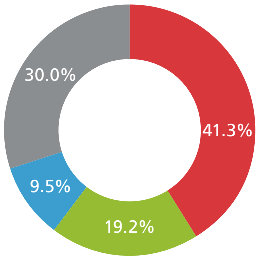
Transfer agent Mitsubishi UFJ Trust and Banking Corp.

Head Office: 4-5 Marunouchi 1- Chome, Chiyoda-ku, Tokyo, Japan

Ownership and Distribution of Shares

Financial Institutions	91,802,000
Other Companies	21,209,000
Foreign Companies and Individuals	42,627,000
Individuals and Others	66,796,000
Total	222,434,000

Notes: 1. Stocks less than 1,000 are rounded down.
2. “Others” contains 7,177, 000 treasury stocks.



Leading the Way into the Future >>

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