

Securities report

Fiscal year (January 1 to December 31,
2022 2022)

Tokai Carbon Co., Ltd.

(Translation) This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

S e c u r i t i e s r e p o r t

- 1 This document has been outputted and printed by adding a table of contents and page numbers to the data contained in the securities report (pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act) that was submitted using the Electronic Disclosure for Investors' NETwork (EDINET) as stipulated in Article 27-30-2 of the Act.
- 2 Appended to the back of this document are the audit report that was attached to the securities report when it was filed using the aforementioned method, and the internal control report and confirmation letter that were filed at the same time as the securities report.

Contents

Securities Report for Fiscal 2022	
[Cover].....	1
Part I Company Information	2
Section 1 Overview of the Company	2
1 Key Financial Data	2
2 Company History	4
3 Description of Business	6
4 Status of Subsidiaries and Associates	8
5 Employees.....	11
Section 2 Status of Business	12
1 Management Policy, Business Environment and Challenges to be Addressed, etc.	12
2 Risk of Business, etc.	13
3 Management’s Analysis of Financial Position, Operating Results, and Cash Flows.....	17
4 Important Agreements for Operation, etc.....	22
5 Research and Development.....	23
Section 3 Facilities and Equipment.....	24
1 Capital Investment, etc.....	24
2 Major Facilities and Equipment	25
3 Plans for New Installation, Disposal, etc. of Facilities.....	27
Section 4 Status of the Submitting Company	28
1 Status of Shares, etc.	28
2 Acquisition of Treasury Stock, etc.	32
3 Dividend Policy	33
4 Corporate Governance, etc.....	34
Section 5 Status of Accounting.....	60
1 Consolidated Financial Statements, etc.....	61
2 Financial Statements, etc.....	107
Section 6 Outline of Stock-related Administration of Submitting Company	123
Section 7 Reference Information on Submitting Company	124
1 Information on Parent of Submitting Company, etc.....	124
2 Other Reference Information	124
Part 2 Information on Submitting Company’s Surety Company, etc.	125
Audit Report	
Internal Control Report	
Confirmation Letter	

[Cover]

[Document submitted]	Securities report
[Applicable law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director of the Kanto Local Finance Bureau
[Date submitted]	March 30, 2023
[Fiscal year]	Fiscal 2022 (from January 1 to December 31, 2022)
[Company name]	Tokai Carbon Co., Ltd.
[Company name in English]	TOKAI CARBON CO.,LTD.
[Name and title of representative]	Hajime Nagasaka, President & Chief Executive Officer
[Address of head office]	1-2-3, Kita Aoyama, Minato-ku, Tokyo
[Telephone number]	03-3746-5100 (Switchboard)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
[Nearest place of contact]	1-2-3, Kita Aoyama, Minato-ku, Tokyo
[Telephone number]	03-3746-5100 (Switchboard)
[Contact person]	Akira Yamada, General Manager, General Affairs Department
[Place available for public inspection]	Tokai Carbon Co., Ltd. Osaka Branch (Osaka Fukoku Seimei Bldg., 2-4 Komatsubaracho, Kita-ku, Osaka-shi, Osaka) Tokai Carbon Co., Ltd. Nagoya Branch (Nagoya International Center Bldg., 1-47-1 Nagono, Nakamura-ku, Nagoya, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

Section 1 Overview of the Company

1 Key Financial Data

(1) Consolidated financial data, etc.

Fiscal year		2018	2019	2020	2021	2022
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	(Million yen)	231,302	262,028	201,542	258,874	340,371
Ordinary income	(Million yen)	72,991	52,986	6,262	24,770	42,521
Net income attributable to owners of the parent company	(Million yen)	73,393	31,994	1,019	16,105	22,418
Comprehensive income	(Million yen)	65,354	33,484	743	39,006	56,689
Net assets	(Million yen)	207,833	232,975	224,815	256,570	300,868
Total assets	(Million yen)	329,868	462,872	459,709	512,503	576,465
Net assets per share	(Yen)	877.96	993.84	944.16	1,075.19	1,260.95
Net income per share	(Yen)	344.32	150.10	4.78	75.55	105.16
Diluted net income per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	56.7	45.8	43.8	44.7	46.6
Return on equity	(%)	46.8	16.0	0.5	7.5	9.0
Price-to-earnings ratio	(Times)	3.6	7.3	269.6	16.0	10.2
Cash flows from operating activities	(Million yen)	44,109	41,664	55,022	38,072	41,205
Cash flows from investing activities	(Million yen)	(53,849)	(99,159)	(44,301)	(35,282)	(49,900)
Cash flows from financing activities	(Million yen)	29,677	64,568	927	1,211	(10,629)
Cash and cash equivalents at end of the period	(Million yen)	41,124	46,443	57,727	64,435	49,377
Number of employees (Average number of temporary employees; excluded)	(Number)	2,944 (453)	3,714 (457)	4,178 (444)	4,289 (448)	4,378 (434)

(Notes) 1. Diluted net income per share amount is not shown because there were no dilutive shares.

2. Provisional accounting treatments for the business combinations with Tokai Carbon Korea Co., Ltd. and Tokai Carbon CB Ltd. were finalized in fiscal 2019. Key financial data for fiscal 2018 are amounts reflecting the significant revision of the initial allocation amount of the acquisition cost due to finalization of provisional accounting treatments.

3. The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Key financial data for the current consolidated fiscal year are those after the application of these accounting standards.

(2) Financial data, etc. for the submitting company

Fiscal year		2018	2019	2020	2021	2022
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	(Million yen)	87,807	84,543	48,915	58,646	74,570
Ordinary income	(Million yen)	29,652	34,687	4,758	5,926	21,230
Net income	(Million yen)	21,487	26,511	4,349	7,126	18,607
Common stock	(Million yen)	20,436	20,436	20,436	20,436	20,436
Total number of shares issued	(Shares)	224,943,104	224,943,104	224,943,104	224,943,104	224,943,104
Net assets	(Million yen)	107,167	126,699	121,271	123,897	136,901
Total assets	(Million yen)	200,726	304,689	305,707	327,488	336,648
Net assets per share	(Yen)	502.77	594.41	568.89	581.18	642.14
Dividend per share (Interim dividend per share)	(Yen)	24.00 (12.00)	48.00 (24.00)	30.00 (15.00)	30.00 (15.00)	30.00 (15.00)
Net income per share	(Yen)	100.81	124.38	20.40	33.43	87.28
Diluted net income per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	53.4	41.6	39.7	37.8	40.7
Return on equity	(%)	21.4	22.7	3.5	5.8	14.3
Price-to-earnings ratio	(Times)	12.4	8.8	63.2	36.1	12.3
Dividend payout ratio	(%)	23.8	38.6	147.0	89.7	34.4
Number of employees (Average number of temporary employees; excluded)	(Number)	729 (236)	769 (224)	778 (203)	760 (203)	763 (206)
Total shareholder return (Comparative indicator: TOPIX including dividends)	(%) (%)	91.2 (84.0)	83.7 (99.2)	99.8 (106.6)	96.1 (120.2)	88.5 (117.2)
Highest share price	(Yen)	2,373	1,644	1,302	1,960	1,329
Lowest share price	(Yen)	1,164	922	666	1,139	930

- (Notes)
1. Diluted net income per share is not shown as there were no dilutive shares.
 2. Highest and lowest share prices until April 3, 2022 are quoted market prices on the First Section of the Tokyo Stock Exchange and from April 4, 2022 are quoted market prices on the Prime Market of the Tokyo Stock Exchange.
 3. The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Key financial data for the current consolidated fiscal year are those after the application of these accounting standards.

2 Company History

Date	Company history
April 1918	Founded as Tokai Electrode Mfg. Co. Ltd. with the aim of enabling self-sufficient supply of graphite electrodes and other carbon products in Japan. Capital: ¥500,000. Headquartered in Tokyo, with plant established in Nagoya. (The plant closed in October 1987)
March 1935	Established Second Tokai Denkyoku K. K. (capital: ¥3 million). Headquartered in Tokyo; began producing graphite electrodes at plant established in Ashikita, Kumamoto. (Merged with the Company in July 1936)
January 1936	Established Kyushu-Wakamatsu plant in Kitakyushu, Fukuoka and began producing pitch coke.
February 1936	Established Tokyoku Kougyo Co., Ltd. (now Tokai Konetsu Kogyo Co., Ltd.) for refractory brick production and research. (Converted into a wholly owned subsidiary in July 2006)
June 1938	Completed Chigasaki plant in Chigasaki, Kanagawa and began producing carbon motor brushes and carbon rods. (Began producing TOKABATE (impermeable graphite) at the Chigasaki plant in April 1949; Chigasaki plant shut down in April 2013)
January 1941	Began first domestic full-scale production of carbon black at Kyusyu-Wakamatsu plant.
May 1949	Listed on the Tokyo, Osaka, and Nagoya Stock Exchanges. (Delisted from Osaka and Nagoya Stock Exchanges in October 2003)
December 1962	Completed Chita plant in Taketoyo, Aichi and began producing carbon black.
June 1971	Completed Hofu plant in Hofu, Yamaguchi and began producing graphite electrodes.
June 1975	Company name changed to Tokai Carbon Co., Ltd
October 1975	Established Chita Laboratory as a carbon black research facility.
July 1978	Completed Ishinomaki plant in Ishinomaki, Miyagi and began producing carbon black.
January 1986	Established Tanoura Laboratory as a fine carbon research facility.
July 1986	Established Fuji Research Laboratory as a central research facility.
September 1987	Established US subsidiary TOKAI CARBON AMERICA, INC. in New York. (TOKAI CARBON U.S.A., INC. established in Oregon in February 1996; integrated with TOKAI CARBON AMERICA, INC.'s business in September that year)
October 1989	Established THAI CARBON PRODUCT CO., LTD. through a joint venture with THAI OIL CO., LTD. and other companies in Thailand. (THAI CARBON PRODUCT CO., LTD. converted into a subsidiary in June 2000; company name changed to THAI TOKAI CARBON PRODUCT CO., LTD. in October that year)
January 1992	Merged with Toyo Carbon Co., Ltd. (capital: ¥3,800 million) and expanded plant network, acquiring Chigasaki No.2 plant, Yamanashi plant, Shiga plant. (Yamanashi plant closed in June 1993; Chigasaki No.2 plant renamed Shonan plant in April 2013)
July 1994	Established Italian subsidiary TOKAI CARBON EUROPE S.R.L. (now TOKAI CARBON ITALIA S.R.L.) in Milan.
August 1996	Established Tokai Carbon Korea Co., Ltd. through a joint venture with K.C.Tech Co., Ltd. and other companies in Korea.
March 1998	Established Hofu Laboratory as a graphite electrode research facility.
March 1999	Established UK subsidiary TOKAI CARBON EUROPE LTD.; Italian subsidiary and other group companies placed under its umbrella.
April 2001	Shonan office established via the integration of three businesses locations in Chigasaki, Kanagawa. (Shonan office closed in April 2013)
June 2003	Established subsidiary Tokai Material Co., Ltd. in Yachiyo, Chiba for the manufacture and sale of friction materials.
April 2004	Established Tokai Carbon (Tianjin) Co., Ltd. in Tianjin, China via a joint venture with Sumitomo Corporation. (Operations launched in February 2006; converted into a wholly owned subsidiary following the Company's acquisition of an additional equity stake in October 2013)
July 2005	Acquired a 100% stake in German graphite electrode manufacturer/seller ERFTCARBON GmbH (now TOKAI ERFTCARBON GmbH).
March 2006	Established Tokai Carbon (Dalian) Co., Ltd. in Dalian, China as a joint venture for processing and selling fine carbon. (Converted into a consolidated subsidiary following the Company's acquisition of an additional equity stake in September 2013)
December 2006	Acquired an 80% stake in Germany's CARBON INDUSTRIE-PRODUKTE GmbH group (now TOKAI CARBON DEUTSCHLAND GmbH). (Converted into a wholly owned subsidiary following the Company's acquisition of an additional equity stake in the group in July 2013)
April 2007	Noshiro plant, which was separated from Tokai Fine Carbon Machining Co., Ltd., established; Tokai Noshiro Seiko Co., Ltd. established as a wholly owned consolidated subsidiary.
September 2007	Established TOKAI CARBON EUROPE GmbH in Germany as European headquarters for the fine carbon business.
January 2008	Established fine carbon sales company Tokai Carbon (Shanghai) Co., Ltd. in Shanghai, China. (Closed in August 2015)
October 2010	Established representative office in Singapore. (Representative office closed in November 2013)
June 2012	Established subsidiary Tokai Carbon (Suzhou) Co., Ltd. in Suzhou, China for the manufacture and sale of friction materials.
January 2013	Established Chigasaki Laboratory as a fine carbon research facility.
April 2013	Transferred part of the Company's fine carbon manufacturing business and domestic sales business to Tokai Fine Carbon Machining Co., Ltd.; the latter's name changed to Tokai Fine Carbon Co., Ltd.

Date	Company history
September 2013	Tokai Konetsu (Suzhou) Co., Ltd. established in Suzhou, China as a joint venture for the manufacture and sale of industrial furnaces through investment from Tokai Konetsu Kogyo Co., Ltd.
April 2014	Acquired a 100% stake in Canadian carbon black manufacturing/sales company Cancarb Limited.
August 2014	Tokai Konetsu Kogyo Co., Ltd.'s Tokai Konetsu Techno Center closed; industrial furnace design/manufacturing base transferred and integrated to Tokai Konetsu Engineering Co., Ltd., Tokai Konetsu Kogyo's subsidiary.
March 2017	Separated anode materials business from R&D Strategy Division and converted into an independent business division in light of accelerating growth for LIB anode materials. (In May 2020, the Anode Materials Division was abolished and its functions were reorganized into the R&D Strategy Division.)
November 2017	Acquired shares of the U.S. subsidiary of SGL GE, a graphite electrodes manufacturing and sales company. Company named TOKAI CARBON GE LLC; tri-regional structure consisting of bases in Asia, North America, and Europe established.
May 2018	Tokai Carbon Korea Co., Ltd. converted into a consolidated subsidiary based on the effective control standards via the Company's acquisition of an additional shares in Tokai Carbon Korea.
September 2018	US carbon black manufacturer Sid Richardson Carbon, Ltd. (now Tokai Carbon CB Ltd.) and its group companies SRCG, Ltd. (TCCB US Ltd.) and New SRCG Genpar, LLC (TCCB Genpar LLC) converted into subsidiaries following the Company's acquisition of a 100% stake.
July 2019	German carbon and graphite products manufacturer COBEX HoldCo GmbH (now Tokai COBEX HoldCo GmbH) and its group companies COBEX GmbH (Tokai COBEX GmbH), COBEX Polska sp. z o.o. (now Tokai COBEX Polska sp. z o.o.), and COBEX (Shanghai) Ltd. (procedures for liquidation completed in December 2020; Tokai COBEX (Beijing) Ltd. newly established in September 2020) converted into subsidiaries following the Company's acquisition of all shares in these companies, to obtain Smelting and Lining business. As of April 2022, "Smelting and Lining" was renamed to "Smelting and Lining." ("Seiren Lining Jigyo" to "Smelting & Lining Jigyo" in Japanese, no change in English translation.)
July 2020	Division created for Smelting and Lining as a main business. Acquired all shares of Carbon Savoie International SAS (trade name changed to Tokai Carbon Savoie International SAS), a holding company of Carbon Savoie SAS (now Tokai COBEX Savoie SAS), a French carbon graphite product manufacturer, jointly with Tokai COBEX GmbH, a subsidiary of the Company, and made it a subsidiary.
July 2021	Tokai COBEX Savoie SAS becomes a wholly owned subsidiary of Tokai COBEX GmbH through its holding company, Tokai Carbon Savoie International SAS.
November 2021	An agreement was concluded with Cabot (China) Limited, a subsidiary of Cabot Corporation, to transfer interest in Tokai Carbon (Tianjin) Co., Ltd. (the transfer of interest was completed in February 2022).

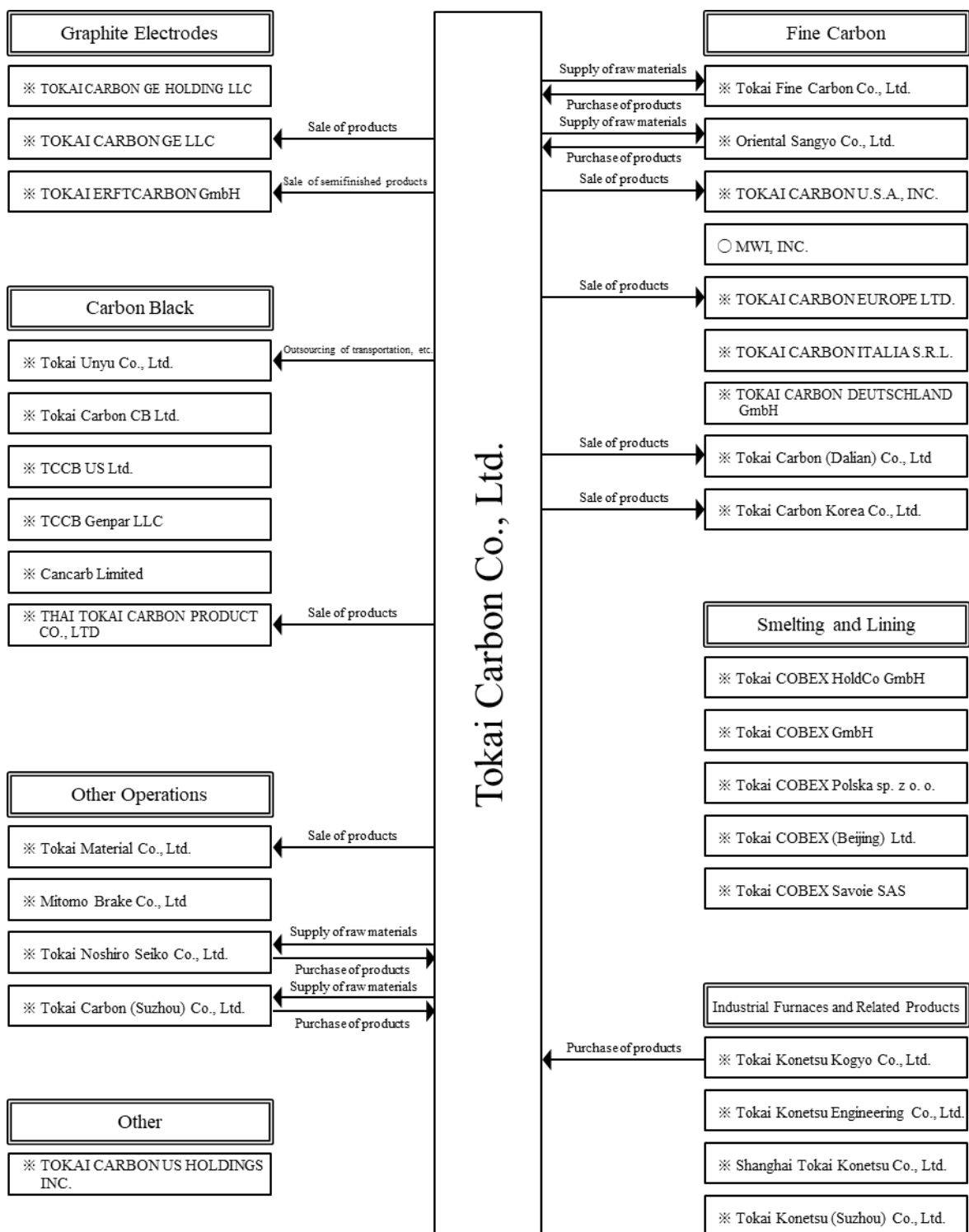
3 Description of Business

The Group (the Company and its affiliated companies) is comprised of the Company (Tokai Carbon Co., Ltd.) and its 31 subsidiaries and one associate. Its main business fields and the positioning of the Company and its affiliated companies within these fields are as described below.

The six business segments listed below are based on the same segment classifications shown in “Section 5. Status of Accounting, 1. Consolidated Financial Statements etc., (1) Notes to consolidated financial statements.”

Business segment	Major products		Affiliated companies (Subsidiaries and associates)
Graphite Electrodes	Graphite electrodes for electric arc furnace	Japan	The Company
		Overseas	TOKAI CARBON GE HOLDING LLC TOKAI CARBON GE LLC TOKAI ERFTCARBON GmbH
Carbon Black	Carbon black (for rubber products, black pigments, electric conduction)	Japan	The Company Tokai Unyu Co., Ltd.
		Overseas	Tokai Carbon CB Ltd. TCCB US Ltd. TCCB Genpar LLC Cancarb Limited THAI TOKAI CARBON PRODUCT CO., LTD.
Fine Carbon	Specialty graphite materials, solid SiC, SiC coating	Japan	The Company Tokai Fine Carbon Co., Ltd. Oriental Sangyo Co., Ltd.
		Overseas	TOKAI CARBON U.S.A., INC. MWI, INC. TOKAI CARBON EUROPE LTD. TOKAI CARBON ITALIA S.R.L. TOKAI CARBON DEUTSCHLAND GmbH Tokai Carbon (Dalian) Co., Ltd. Tokai Carbon Korea Co., Ltd.
Smelting and Lining	Cathodes for aluminum smelters, lining blocks for blast furnaces, carbon electrodes, etc.	Overseas	Tokai COBEX HoldCo GmbH Tokai COBEX GmbH Tokai COBEX Polska sp. z o.o. Tokai COBEX (Beijing) Ltd. Tokai COBEX Savoie SAS
Industrial Furnaces and Related Products	Industrial electric furnaces, silicon carbide heating elements	Japan	Tokai Konetsu Kogyo Co., Ltd. Tokai Konetsu Engineering Co., Ltd.
		Overseas	Shanghai Tokai Konetsu Co., Ltd. Tokai Konetsu (Suzhou) Co., Ltd.
Other Operations	Friction materials, anode materials for secondary lithium-ion batteries	Japan	The Company Tokai Material Co., Ltd. Mitomo Brake Co., Ltd. Tokai Noshiro Seiko Co., Ltd.
		Overseas	Tokai Carbon (Suzhou) Co., Ltd.
Other	-	Overseas	TOKAI CARBON US HOLDINGS INC.

A structural diagram of the Group’s business activities, as outlined above, is shown on the following page.



- (Notes)
- ※: consolidated subsidiaries, ○: associates accounted for by the equity method
 - Tokai Carbon (Tianjin) Co., Ltd., which was a consolidated subsidiary in the past, is excluded from the scope of consolidation as all equity interests have been transferred to a subsidiary of Cabot Corporation.

4 Status of Subsidiaries and Associates

Name	Location	Capital or investment (Million yen)	Main line of business	Ownership ratio of voting rights (%)	Relationship			
					Concurrently serving director etc.	Lending and borrowing of funds	Business transactions	Equipment leasing
(Consolidated subsidiaries)								
Tokai Unyu Co., Ltd.	Minato-ku, Tokyo	39	Carbon Black	100.0	✓	Borrowing	Transportation and packaging of Company products	Leasing office and part of warehouse site, building, etc.
Tokai Fine Carbon Co., Ltd.	Chigasaki-shi, Kanagawa	220	Fine Carbon	100.0	✓	Borrowing	Processing of Company products	Leasing part of offices, plant site, buildings, etc.
Oriental Sangyo Co., Ltd.	Kofu-shi, Yamanashi	40	Fine Carbon	83.6	✓	Borrowing	Processing of Company products	-
Tokai Konetsu Kogyo Co., Ltd.	Minato-ku, Tokyo	1,400	Industrial Furnaces and Related Products	100.0	✓	Borrowing	Purchase of refractories etc.	-
Tokai Konetsu Engineering Co., Ltd. (Note) 2	Omihachiman-shi, Shiga	50	Industrial Furnaces and Related Products	100.0 (100.0)	-	-	-	Leasing part of offices, plant site, buildings, etc.
Tokai Material Co., Ltd.	Yachiyo-shi, Chiba	250	Other Operations	100.0	✓	Borrowing	Processing of Company products	Leasing part of offices, plant site, buildings, etc.
Mitomo Brake Co., Ltd. (Note) 2	Ogawa-machi, Hiki-gun, Saitama	10	Other Operations	67.1 (67.1)	✓	-	-	-
Tokai Noshiro Seiko Co., Ltd.	Noshiro-shi, Akita	10	Other Operations	100.0	✓	Borrowing	Supply of the Company raw materials and purchase of products	Leasing part of plant site, buildings, etc.
TOKAI CARBON GE HOLDING LLC (Note) 2	Charlotte U.S.A.	USD 1,000	Graphite Electrodes	100.0 (100.0)	✓	-	-	-
TOKAI CARBON GE LLC (Notes) 2, 3, 5	Charlotte U.S.A.	-	Graphite Electrodes	100.0 (100.0)	✓	-	Sale of Company products	-
TOKAI ERFTCARBON GmbH	Grevenbroich Germany	EUR 818,067	Graphite Electrodes	100.0	✓	-	Sale of semi-finished Company products	-
Tokai Carbon CB Ltd. (Notes) 2, 3, 5, 6	Fort Worth U.S.A.	-	Carbon Black	100.0 (100.0)	-	-	-	-
TCCB US Ltd. (Notes) 2, 3, 5	Fort Worth U.S.A.	-	Carbon Black	100.0 (100.0)	-	-	-	-
TCCB Genpar LLC (Notes) 2, 5	Fort Worth U.S.A.	-	Carbon Black	100.0 (100.0)	✓	-	-	-
Cancarb Limited (Note) 3	Medicine Hat Canada	CAD 80,276,731	Carbon Black	100.0	✓	-	-	-
THAI TOKAI CARBON PRODUCT CO., LTD. (Note) 3	Bangkok Thailand	THB 800,000,000	Carbon Black	100.0	✓	-	Sale of Company products	-
TOKAI CARBON U.S.A., INC. (Note) 3	Hillsboro U.S.A.	USD 16,200,000	Fine Carbon	100.0	✓	-	Sale of Company products	-
TOKAI CARBON EUROPE LTD.	West Midlands U.K.	GBP 2,500,000	Fine Carbon	100.0	✓	-	Sale of Company products	-

Name	Location	Capital or investment (Million yen)	Main line of business	Ownership ratio of voting rights (%)	Relationship			
					Concurrently serving director etc.	Lending and borrowing of funds	Business transactions	Equipment leasing
TOKAI CARBON ITALIA S. R. L. (Note) 2	Milan Italy	EUR 240,000	Fine Carbon	100.0 (100.0)	-	-	-	-
TOKAI CARBON DEUTSCHLAND GmbH	Troisdorf Germany	EUR 52,000	Fine Carbon	100.0	✓	-	-	-
Tokai Carbon (Dalian) Co., Ltd.	Dalian People's Republic of China	RMB 11,000,000	Fine Carbon	51.0	✓	-	Sale of Company products	-
Tokai Carbon Korea Co., Ltd. (Notes) 3, 4	Anseong Republic of Korea	KRW 5,837,500,000	Fine Carbon	47.4	✓	-	Sale of Company products	-
Tokai COBEX HoldCo GmbH (Note) 3	Wiesbaden Germany	EUR 25,100	Smelting and Lining	100.0	✓	-	-	-
Tokai COBEX GmbH (Notes) 2, 3, 6	Wiesbaden Germany	EUR 25,100	Smelting and Lining	100.0 (100.0)	✓	Lending	-	-
Tokai COBEX Polska sp. z o. o. (Note) 2	Racibórz Poland	Zloty 61,048,080	Smelting and Lining	100.0 (100.0)	✓	-	-	-
Tokai COBEX (Beijing) Ltd. (Note) 2	Beijing People's Republic of China	EUR 200,000	Smelting and Lining	100.0 (100.0)	-	-	-	-
Tokai COBEX Savoie SAS (Note) 2	La Lechere France	EUR 565,133.8	Smelting and Lining	100.0 (100.0)	✓	-	-	-
Shanghai Tokai Konetsu Co., Ltd. (Note) 2	Shanghai People's Republic of China	USD 3,400,000	Industrial Furnaces and Related Products	100.0 (100.0)	-	-	-	-
Tokai Konetsu (Suzhou) Ind. Co., Ltd. (Notes) 2, 4	Suzhou People's Republic of China	USD 2,250,000	Industrial Furnaces and Related Products	50.0 (50.0)	-	-	-	-
Tokai Carbon (Suzhou) Co., Ltd.	Suzhou People's Republic of China	RMB 29,000,000	Other Operations	100.0	✓	-	Supply of the Company raw materials and purchase of products	-
TOKAI CARBON US HOLDINGS INC. (Note) 3	Charlotte U.S.A.	USD 505,001,000	Other	100.0	✓	Lending	-	-
(Associates Accounted for by Equity Method)								
MWI, INC. (Note) 2	Rochester U.S.A.	USD 10,429	Fine Carbon	40.2 (40.2)	✓	-	-	-

- (Notes) 1. The "Main line of business" column includes business segment information.
2. Figures in () in ownership ratio of voting rights indicate indirect ownership ratio included in the total.
3. TOKAI CARBON GE LLC, Tokai Carbon CB Ltd., TCCB US Ltd., Cancarb Limited, THAI TOKAI CARBON PRODUCT CO., LTD., TOKAI CARBON U.S.A., INC., Tokai Carbon Korea Co., Ltd., Tokai COBEX HoldCo GmbH, Tokai COBEX GmbH and TOKAI CARBON US HOLDINGS INC. are specified subsidiaries.
4. Although the Company's stakes in Tokai Carbon Korea Co., Ltd. and Tokai Konetsu (Suzhou) Co., Ltd. are below 50%, both are treated as subsidiaries, as the Company effectively has a controlling interest in both companies.
5. The capital of TOKAI CARBON GE LLC, Tokai Carbon CB Ltd., TCCB US Ltd., and TCCB Genpar LLC is not stated because these companies are limited liability companies or limited partnerships under US laws, which do not have exactly the same concept of capital as a general company has.
6. Net sales for each of Tokai Carbon CB Ltd. and Tokai COBEX GmbH (excluding intercompany sales between consolidated companies) account for over 10% of consolidated net sales.

Principal information on profit and loss, etc.

(1) TOKAI CARBON CB Ltd.

(1) Net sales ¥66,458 million

(2) Ordinary income ¥75 million

(3) Net (loss)	¥(7) million
(4) Net assets	¥44,027 million
(5) Total assets	¥77,291 million
(2) Tokai COBEX GmbH	
(1) Net sales	¥63,808 million
(2) Ordinary income	¥2,198 million
(3) Net income	¥2,198 million
(4) Net assets	¥52,762 million
(5) Total assets	¥79,375 million

5 Employees

(1) Status of consolidated companies

(As of December 31, 2022)

Segment name	Number of employees
Graphite Electrodes	670 (35)
Carbon Black	802 (40)
Fine Carbon	970 (112)
Smelting and Lining	1,222 (7)
Industrial Furnaces and Related Products	274 (47)
Other Operations	317 (168)
Corporate (common)	123 (23)
Total	4,378 (434)

- (Note) 1. The number of employees is that of regular employees, and the average annual number of temporary employees is indicated separately in parentheses.
2. The number of employees in Carbon Black decreased by 150 compared to the end of previous fiscal year. This decrease is mainly due to the completion of the transfer of all equity interests in Tokai Carbon (Tianjin) Co., Ltd. to Cabot (China) Limited, one of the subsidiaries of Cabot Corporation, as of February 28, 2022, and exclusion from the Company's scope of consolidation.

(2) Status of the company

(As of December 31, 2022)

Number of employees	Average age	Average years of service (years)	Average annual salary (yen)
763 (206)	42.4	15.7	7,365,402

Segment name	Number of employees
Graphite Electrodes	176 (23)
Carbon Black	213 (21)
Fine Carbon	125 (25)
Smelting and Lining	4 (0)
Other Operations	122 (113)
Corporate (common)	123 (23)
Total	763 (206)

- (Note) 1. The number of employees is that of regular employees, and the average annual number of temporary employees is indicated separately in parentheses.
2. Average annual salary includes bonuses and non-standard wages.

(3) Status of labor union

Major union organizations in the Group (the Company and its consolidated subsidiaries) are Tokai Carbon Labor Union (member affiliated with the Japanese Federation of Energy and Chemistry Workers' Union; 648 members) and Tokai Konetsu Labor Union (member affiliated with the Chemical and General Workers' Union Confederation; 106 members). There are no particular matters concerning labor-management relations which require mentioning.

Section 2 Status of Business

1 Management Policy, Business Environment and Challenges to be Addressed, etc.

Forward-looking statements in the document are based on the judgments of the Group at the end of the current consolidated fiscal year.

(1) T-2024 progress

(Summary)

In February 2022, the Group formulated and disclosed the rolling mid-term management plan “T-2024,” which covers the three years from 2022 to 2024 and has been conducting business activities under the 3 basic policies of “returning core businesses to a path of growth,” “optimizing the business portfolio (selection and concentration),” and “strengthening the consolidated governance structure”. Despite the effects of the Russian invasion of Ukraine and its prolonged duration, as well as rising costs of raw materials and energy, selling price hiked to adjust the increase in costs to sales prices and the yen depreciated. As a result, in 2022, the first year of “T-2024”, the Company’s performance exceeded its initial projections of ¥305,000 million in net sales and ¥35,000 million in operating income, resulting in ¥340,371 million in net sales and ¥40,588 million in operating income.

(Returning core businesses to a path of growth)

Centering on our core businesses in graphite electrode and carbon black, we aim to secure appropriate profits by raising the selling price to adjust the increase in costs stemming from rising raw material prices and environmental investments to our selling prices. At the same time, we are also strengthening production capacity with a view to future demand growth. We will continue to reduce costs and improve productivity to strengthen profitability.

(Optimizing the business portfolio)

As part of our selection and concentration operations, in February 2022 we transferred our equity interest in Tokai Carbon (Tianjin) Co., Ltd., a Chinese subsidiary that manufactures and sells carbon black, and in May 2022 we additionally acquired 350,000 shares in our consolidated subsidiary, Tokai Carbon Korea Co., Ltd. In September 2022, with the aim of establishing a more sustainable supply system in carbon black, THAI TOKAI CARBON PRODUCT CO., LTD., a consolidated subsidiary in Thailand, decided to acquire its own land and relocate its plant from the current leased land.

(Strengthening the consolidated governance structure)

In February 2022, we disclosed our new long-term vision for 2030 “Contributing to a Sustainable Society through Advanced Materials and Solutions,” and we established the Sustainability Committee to discuss important matters related to sustainability and the Carbon Neutral Committee to serve as a high-level command tower for our carbon neutral efforts. To achieve carbon neutrality by 2050, we aim to reduce CO2 emissions by 25% (compared to 2018) by 2030. In July 2022, the Tokai Carbon Group established new Guidelines and Global Code of Conduct consisting of “integrity,” “innovation,” “challenge,” “co-creation” and “agility,” in an effort to foster a corporate culture as a Group.

(2) Challenges to be addressed

Aiming to realize our long-term vision for 2030, we have formulated and disclosed a new rolling mid-term management plan, T-2025. Based on the three basic policies of “returning core businesses to a path of growth,” “optimizing the business portfolio (selection and concentration),” and “establishing a sustainable management base,” we aim to achieve ¥484,000 million in net sales, ¥69,000 million in operating income, and ROS of 14% for 2025. Carbon neutrality, which cannot be avoided in order to realize a sustainable society, is an extremely important challenge for our company, which makes carbon its living. These goals are difficult to achieve on our own, however, we will work together with our customers and business partners to raise the collective strength of the Group and work with a sense of urgency.

2 Risk of Business, etc.

I. Risk Management System

In order to avoid a risk of loss from business operations, we are striving to identify and mitigate the risks, with each department in charge carrying out daily risk management in accordance with rules and regulations concerning accounting and financial management, business partner management, export management, environmental and disaster prevention management, quality management, information management, investment management, etc., and the Risk Management & Compliance Committee discusses important matters related to risk and compliance at meetings held every quarter, in principle, and based on the results of such discussions, it gives advice to related departments, etc., and makes reports and proposals to the Board of Directors and other management. Moreover, based on the Rules Concerning Management of Subsidiaries, we have established a system to report to the related departments and Audit & Supervisory Board Members of the Company on matters that may cause significant damage to the Company and the Group companies.

Of the matters relating to Status of Business and Status of Accounting stated in this Securities Report, major factors that might affect investor decisions are described below. The forward-looking statements in the following paragraphs are based on the judgments of the Group as of the submission date of this report (March 30, 2023).

II. Individual Risk Items

(1) Risks associated with the financial, economic and social environment

1) Natural disasters, infectious diseases, war, and terrorism

Natural disasters such as major earthquakes, tsunamis, typhoons, and floods, as well as infectious diseases, wars, and terrorist acts, are significant risks that could affect the continuation of our business. To reduce these impacts, the Group has implemented a Business Continuity Plan (BCP) and other business continuity management initiatives. These initiatives include appropriate insurance coverage and gathering information on the situation and safety in each country. However, if such initiatives fail or are insufficient, the Group's business performance may be adversely affected.

2) Climate change risks

Upon the adoption of the "Paris Agreement" at the 21st Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change held in 2016, and its ratification by various countries, initiatives have been taken globally, aiming to reduce emissions of greenhouse gases, which are considered to be causing climate change and global warming. In some countries and regions, measures to reduce greenhouse gas emissions such as carbon taxes have already been introduced. The Group established the Carbon Neutral Committee in January 2022 to act as a high-level command tower for our carbon neutral efforts. While formulating company-wide policies and strategies, the committee is also working to visualize and centrally manage issues and initiatives. However, if such initiatives fail or are insufficient, the Group's business performance may be adversely affected.

3) Domestic and overseas environment surrounding the Group's business

The Group conducts business operations not only in Japan but also in Asia, Europe, and the United States, so trends in the global economy may affect the Group business performance. In addition to the COVID-19 pandemic over the past several years, uncertainties surrounding the global economy have become apparent, including the prolonged crisis in Ukraine, the rise of concerns over global inflation and money tightening, conflict between the United States and China, the spread of protectionist trade policies and confusion in the supply chain, confusion over how to respond to climate change, and economic stagnation in emerging and resource-rich countries that cannot escape the impacts of the COVID-19 pandemic. If these factors worsen further, it may adversely affect the Group's business performance.

4) Fluctuations in exchange rates

Since the Group engages in international business activities such as import of raw materials and export of products, using foreign currencies in its transactions, fluctuations in exchange rates will affect the Group's business performance. Moreover, since the revenues and expenses of the Company's overseas consolidated subsidiaries and associates accounted for by the equity method are translated into yen using the average exchange rate for the fiscal year, fluctuations in foreign exchange rates may adversely affect the Group's business performance. In the case of the Group, the appreciation of the yen against the US dollar and the euro, in particular, tends to have an unfavorable impact on the Group's business performance, while the depreciation of the yen has a favorable impact.

With regard to the exchange rate fluctuation risk, the maximum amount of loss according to the statistical method is periodically measured and monitored using VaR (Value at Risk).

5) Financing and fluctuations in interest rates

Our Group has procured the necessary funds for the Group by issuing bonds and commercial papers, in addition to borrowing from financial institutions. In procuring funds, we strive to manage cash flow and secure stable funds while keeping an eye on

developments in financial markets. However, the Group's business performance may be adversely affected if the financial environment deteriorates rapidly, impairing the stability of fund-raising or forcing the Group to raise funds under significantly disadvantageous conditions.

With regard to the interest rate fluctuation risk, the maximum amount of loss according to the statistical method is periodically measured and monitored using VaR (Value at Risk).

6) Securities held by the Group

As the Group may acquire and hold equity shares of its business partners, etc. based on the judgment that such holdings will enhance the Group's corporate value over the medium- to long-term by creating and maintaining business opportunities, and by establishing, maintaining, strengthening business and collaboration relations, etc., it reviews its policy of holding the securities by regularly verifying their effects. However, since these securities include marketable securities, there is a possibility that, in the event of a decline in stock prices due to the environmental deterioration of the domestic and foreign economies, and stock markets or deterioration in the business conditions of investment destinations, loss on valuation of stocks owned may occur (see "Section 4 Status of the Submitting Company 4 Corporate Governance, etc. (5) Status of shareholdings.") With regard to the risk of fluctuations in the prices of investment securities, the maximum amount of loss according to the statistical method is periodically measured and monitored using VaR (Value at Risk).

(2) Risks associated with the industry and business

1) Competition with other companies (quality, technology, and reduced price competitiveness)

The Group is in a severely competitive environment with various companies in each business segment, and as a result, many products are exposed to pricing pressure. The Group aims to make efforts to grasp market needs, pursue technological capabilities, thoroughly implement quality control, reduce costs and improve efficiency. However, if sufficient results are not achieved, net sales and profitability may decrease due to a declining share, falling sales prices, etc. In such situation, the Group's business performance may be adversely affected.

2) Globalization of corporate business activities (global supply chain)

The Group positions business expansion in overseas markets as a component of its business strategy. Global business expansion entails a variety of risks, which are different from those related to domestic business, such as political instability, unanticipated changes in legislation and regulation, differences in religion and culture, and local labor relation problems, in addition to uncertainties in economy and foreign exchange rates, and the spread of COVID-19. If the Group is unable to respond properly to such risks, the Group's business performance may be adversely affected.

3) Research and development

Under the Group's recognition that research and development activities are essential for the sustainable enhancement of corporate value, the Fuji Research Laboratory is leading the development of new products and technologies for the next generation. Moreover, for the products of existing businesses, each divisions laboratories are leading the efforts to develop new products that meet customer needs, further improve quality, and drastically reduce costs. However, the Group's growth potential and profitability may decline and adversely affect its business performance if, for example, needs decline due to changes in market trends, decarbonization efforts fail, or the Group fails to promptly develop technologies that can compete with the technological innovations of other companies in the same industry.

4) Management strategy (acquisition, business alliance, and strategic investment)

As part of its growth strategy, the Group will actively engage in corporate acquisitions, business alliances, and strategic investments. Aiming for the early realization of acquisition synergies from large-scale M&As conducted in past years, we are promoting management integration by sharing production technologies, exchanging human resources, and thoroughly supervising local management. However, there is a possibility that changes in the business environment, assumptions, etc. may make it difficult to achieve the results initially assumed. If recording impairment loss of goodwill becomes necessary to reflect a decrease in expected future cash flows, for example, the Group's business performance may be adversely affected.

5) Dependence on specific industry (market fluctuations of specific products)

Most of the Group's sales are concentrated in the car, steel, and semiconductor industries. In order to reduce our dependence on specific industries, we acquired two carbon and graphite product manufacturers whose main customer industry was the aluminum industry and established the Smelting and Lining Division in July 2020 to diversify the portfolio. However, if the business in these customer industries of the Group deteriorates significantly and the diversification of the portfolio does not function well, it may result in lower net sales and profitability and adversely affect the Group's business performance.

6) Securing talented and diverse human resources

Important issues for the Group's competitiveness and future prospects are as follows: securing and developing talented and diverse personnel equipped with specialized knowledge and skills in each of the divisions, including research, development, technology, manufacturing, sales, planning and administration as well as management, and the retention rates thereof. In recent years, however, competition in securing human resources has become increasingly severe due to the mobility of human resources, mass retirement of the baby boomer generation, and a decrease in the working population as a result of the declining birthrate and aging population. Our Group is striving to secure, develop and retain talented and diverse human resources through active recruitment of diverse human resources, development of a working environment based on flexible and diverse ways of working, a review of the Group's personnel system, and the introduction and implementation of new training systems. However, in the event that the Group is unable to hire or develop talented personnel as planned, or to keep talented personnel from leaving the Group, business execution will be constrained and the Group's business performance may be adversely affected.

(3) Other risks

1) Conflicts with laws and regulations

The Group conducts business activities in Japan and overseas, in accordance with various laws and regulations. The Group as a whole endeavors to ensure strict compliance with laws and regulations. In addition to the commercial transactions law, the antimonopoly law, the labor law, the securities laws, the intellectual property law, the environmental law, the tax law, the export and import law, the penal code, and other laws and regulations, there are various government approvals, licenses and regulations necessary for conducting business activities and investment. Future introduction of new laws and regulations or unanticipated changes of the existing laws and regulations may adversely affect the Group's business performance by imposing restrictions or adding costs, etc. to its business activities.

In addition, the Group is implementing legal and compliance education for directors and employees in Japan and overseas, recognizing that compliance is the basis for business activities. However, if the authorities judge the Group to be in violation of these laws and regulations, it may be subject to administrative punishment including surcharges, criminal charges, lawsuits, etc., and see its social evaluation decline and its business performance adversely affected.

2) Changes to accounting and tax systems

The Group's performance and financial position may be adversely affected if the accounting or tax system changes significantly in countries where the Group operates or if they are interpreted or applied unfavorably to the Group.

3) Intellectual property

Positioning intellectual property as an important management resource, the Group has set up a department that specializes in intellectual property management, striving to detect infringements of intellectual property rights by third parties and manage and protect its intellectual property rights. However, due to differences of opinion, if a third party files an infringement lawsuit seeking injunction against the use of patents, etc. or a lawsuit seeking compensation for damages, or if the Group's competitive advantage is threatened by a third party's infringement of intellectual property rights, the Group's business performance may be adversely affected by possibly seeing a large amount of costs, etc. required for the dispute or its reputation and superiority impaired.

4) Workplace injuries and accidents

The Group focuses on safety and the prevention of industrial accidents, which are fundamental to the manufacturing industry and is striving to put safety first at all of its sites. Occupational accidents are a serious risk to the health and lives of workers. The Group promotes safety activities on a global basis and incorporates specific, continuous, and voluntary activities into its Health and Safety plan at each site. We strive to improve health and safety standards by preventing occupational accidents, promoting the health of workers, and creating a comfortable work environment. The stoppage of manufacturing or accidents resulting from manufacturing facilities pose a serious risk of interfering with the Group's business activities and we conduct periodic inspections and maintenance for all manufacturing facilities to minimize potential negative factors. However, due to unforeseen circumstances or accidents, there is a possibility that the Group's business performance will be adversely affected by the suspension or reduction of operations, damage to facilities, etc., and significant restoration costs, etc.

5) Quality and product liability

The Group is taking all possible measures to ensure product quality by having acquired Quality Management System (ISO9001) certification at its major domestic production sites; having established quality control regulations, standards, and work standards; having established a quality check system; and making group-wide efforts to continuously improve quality through quality audits. The Group has insurance policies for product liability damages and damages caused by defects in certain products. However, if a material product defect or product liability lawsuit is caused by unforeseeable reasons, the Group's business performance may be adversely affected due to an expected substantial increase in costs, decline in the Group's social evaluation and resulting decrease in sales revenues.

6) IT systems and information security

The Group has built and operates various systems and retains confidential information regarding production technology, research and development, procurement and sales in the course of its business and the importance of these is increasing. The Group strictly controls IT, information systems and telecommunications networks, and takes measures to prevent leakage and loss and to minimize the impact of security incidents. However, if a failure occurs due to external factors such as disasters or cyber attacks, or due to man-made factors etc., it may cause the suspension of important operations and services, or incidents such as the theft or leakage of confidential information, data, or private information, which may hinder the continuation of operations, thereby adversely affecting the Group's performance.

3 Management's Analysis of Financial Position, Operating Results, and Cash Flows

The following section outlines the financial position, operating results, and cash flows (hereafter "operating results, etc.") for the Group (the Company and its consolidated subsidiaries and equity-method associates) for the fiscal year under review as well as management's views and analysis/points of consideration regarding the Group's operating results, etc.

(1) Outline of operating results, etc.

1) Operating results

The global economy in the current fiscal year (from January 1 to December 31, 2022) simultaneously experienced a significant slowdown in the pace of economic recovery and an increase in inflation, contrary to expectations at the beginning of the year. Generally speaking, as countries around the world were making progress in balancing anti-infection measures and economic activities, the disruption of supply chains stemming from Russia's invasion of Ukraine, and the ongoing global inflation and resulting monetary tightening have become major downward factors. As a result, uncertainty about the future of the global economy has once again increased.

Under these circumstances, in February 2022, the Tokai Carbon Group, disclosed the rolling mid-term management plan "T-2024". Based on the three basic policies of "returning core businesses to a path of growth," "optimizing the business portfolio (selection and concentration)" and "strengthening the consolidated governance structure", we have aimed to achieve net sales of ¥356,000 million, operating income of ¥57,000 million, ROS of 16%, and EBITDA of ¥91,000 million as quantitative targets for 2024. Focusing on our core businesses of graphite electrodes and carbon black, we are working to secure appropriate profits by raising selling prices to adjust the increase in costs to selling prices. At the same time, we are expanding our production capacity for the growing future demand.

As a result, net sales for the fiscal year under review increased 31.5% year on year to ¥340,371 million. Operating income increased 64.7% year on year to ¥40,588 million. Ordinary income increased 71.7% year on year to ¥42,521 million. Net income attributable to owners of the parent company increased 39.2% year on year to ¥22,418 million.

Operating results by business segment were as follows:

Graphite Electrodes

Sales and profit increased due to the recovery in the market price for graphite electrodes, which had been delayed compared with face-to-face industries. Also, the inventory adjustments in the market led higher sales volume in the period, despite the current concerns of global economy slowdown and the rising energy costs.

As a result, net sales for the Graphite Electrodes business increased 46.8% year on year to ¥59,630 million, while operating income increased significantly to ¥8,032 million (compared with ¥400 million in operating loss for the same period of the previous year).

Carbon Black

Automobile production recovery was behind schedule due to the prolonged shortage of semiconductors, however, demand in replacement tires was strong, particularly for truck and bus applications in North America driving the overall robust carbon black demand. Sales volume dropped due to the sale of China operation, although the revenue and profit increased due to the selling price hike to adjust the increase in raw material oil prices.

As a result, net sales for the Carbon Black business increased 39.2% year on year to ¥138,484 million, while operating income increased 39.8% year on year to ¥12,282 million.

Fine Carbon

In the semiconductor market, some components for manufacturing equipment are slowing down due to a decline in demand for smartphones and PCs and the impact of the U.S. policy toward China. On the other hand, demand for SiC (silicon carbide) semiconductors and other products in the power semiconductor industry steadily increased. Demand for graphite and SiC in this segment was generally robust, and the effects of increased production also emerged. As a result, both sales and profit increased.

As a result, net sales for the Fine Carbon business increased 26.2% year on year to ¥49,393 million, while operating income increased 54.3% year on year to ¥14,825 million.

Smelting and Lining

Sales of aluminum electrolytic furnaces cathodes were strong as smelters in other regions compensated for the suspension of operations and reduced production at European smelters due to rising energy prices. Sales in carbon electrodes also remained strong on the back of strong metallic silicon demand. The impact of the Ukraine crisis, including difficulties in procuring raw materials and rising costs, far exceeded the above-mentioned positive factors, however, efforts were made to maintain profitability by raising prices and increasing production and sales.

As a result, net sales for the Smelting and Lining business increased by 31.2% year on year to ¥65,203 million, while operating income decreased by 30.1% year on year to ¥1,345 million.

Industrial Furnaces and Related Products

Demand for energy-related products remained firm, however, the expected delivery schedule was delayed due to a slowdown in the electronic component-related industries, which are our main customers for industrial furnaces and heating elements.

As a result, net sales for the Industrial Furnaces and Related Products business decreased 9.7% year on year to ¥16,272 million and while operating income decreased 17.1% year on year to ¥4,475 million.

Other Operations

Friction materials

Demand from major applications remained firm, although there were negative factors such as the slowdown in Chinese construction machinery and supply chain disruptions.

As a result, net sales of friction materials increased 5.4% year on year to ¥9,362 million.

Anode materials

Sales decreased year on year due to intensified competition from a rise in new competitors and sluggish sales of EVs using our materials.

As a result, net sales of anode materials decreased 35.1% year on year to ¥1,888 million.

Other

Net sales from real estate leasing and other business increased 0.7% year on year to ¥136 million.

As a result, net sales for Other Operations decreased 4.5% year on year to ¥11,387 million, while operating income increased 47.0% year on year to ¥1,108 million.

2) Financial position

(Assets)

Total assets at the end of the consolidated fiscal year under review came to ¥576,465 million, an increase of ¥63,962 million from the end of the previous consolidated fiscal year.

Current assets amounted to ¥246,691 million, an increase of ¥31,541 million from the end of the previous consolidated fiscal year, mainly due to increases in inventories and accounts receivable. Fixed assets amounted to ¥329,773 million, an increase of ¥32,420 million from the end of the previous consolidated fiscal year, mainly due to increases in tangible fixed assets and investment securities despite decreases in goodwill, customer-related assets, etc.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review came to ¥275,596 million, an increase of ¥19,664 million from the end of the previous consolidated fiscal year. Current liabilities amounted to ¥146,696 million, an increase of ¥16,277 million from the end of the previous consolidated fiscal year, mainly due to increases in short-term loans payable and commercial papers. Long-term liabilities amounted to ¥128,900 million, an increase of ¥3,386 million from the end of the previous consolidated fiscal year, mainly due to an increase in deferred tax liabilities despite a decrease in long-term loans payable.

(Net assets)

Total net assets at the end of the consolidated fiscal year under review came to ¥300,868 million, an increase of ¥44,297 million from the end of the previous consolidated fiscal year, mainly due to increases in foreign currency translation adjustments and retained earnings.

As a result, the Group's equity ratio increased 1.9 points year on year to 46.6%.

3) Cash flows

At the end of the consolidated fiscal year under review, the Group's cash and cash equivalents totaled ¥49,377 million, a decrease of ¥15,057 million from the previous consolidated fiscal year. Cash flows and the major sources and uses of cash in the consolidated fiscal year under review are summarized as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥41,205 million, an increase of ¥3,133 million from the previous consolidated fiscal year. This was mainly due to an increase in proceeds primarily from higher net income before income taxes despite a decrease in proceeds from an increase in inventories and other factors.

(Cash flows from investing activities)

Investing activities used net cash of ¥49,900 million, an increase of ¥14,618 million from the previous consolidated fiscal year. This was mainly due to an increase in expenditures on purchase of tangible fixed assets.

(Cash flows from financing activities)

Financing activities used net cash of ¥10,629 million, a decrease of ¥11,841 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in expenditures from repayments of long-term loans payable.

4) Production, orders, and sales

a. Production

Production value by business segment in the fiscal year under review was as follows.

Segment name	Amount (Million yen)	Year-on-year (%)
Graphite Electrodes	67,552	+ 48.8
Carbon Black	137,110	+ 39.8
Fine Carbon	53,540	+ 27.1
Smelting and Lining	65,203	+ 31.2
Industrial Furnaces and Related Products	16,827	(10.3)
Other Operations	11,327	(5.5)
Total	351,560	+ 32.1

(Notes) 1. Intersegment transactions are eliminated.
2. Amounts are based on selling prices.

b. Orders

Orders by business segment in the fiscal year under review were as follows.

Note that the Industrial Furnaces and Related Products carries out production on a made-to-order basis.

Segment name	Orders (Million yen)	Year-on-year (%)	Order backlog (Million yen)	Year-on-year (%)
Industrial Furnaces and Related Products	13,071	(32.8)	15,249	(15.2)
Total	13,071	(32.8)	15,249	(15.2)

(Note) Intersegment transactions are eliminated.

c. Sales

Sales by business segment in the fiscal year under review were as follows.

Segment name	Amount (Million yen)	Year-on-year (%)
Graphite Electrodes	59,630	+ 46.8
Carbon Black	138,484	+ 39.2
Fine Carbon	49,393	+ 26.2
Smelting and Lining	65,203	+ 31.2
Industrial Furnaces and Related Products	16,272	(9.7)
Other Operations	11,387	(4.5)
Total	340,371	+ 31.5

(Note) Intersegment transactions are eliminated.

(2) Management's analysis and points of consideration regarding operating results, etc.

Management's views and analysis/points of consideration regarding the Group's operating results, etc. are as follows. Forward-looking statements in the document are based on the judgments of the Group at the end of the current consolidated fiscal year.

1) Management's views and analysis/points of consideration regarding operating results, etc. for the fiscal year under review

Net sales for the current fiscal year increased 31.5% year on year to ¥340,371 million due to the selling price hike to adjust the increase in raw material oil prices to selling prices in the Carbon Black business and higher sales volume in the Graphite Electrodes business. The sales-cost ratio was largely unchanged from the previous fiscal year, down 0.3 points to 72.4%.

Selling, general and administrative expenses increased by 16.0% year on year to ¥53,463 million due to an increase in selling expenses associated with an increase in net sales and increase in employees' bonuses. As a result, operating income increased 64.7% year on year to ¥40,588 million.

Non-operating income increased 74.3% year on year to ¥4,368 million due to an increase in foreign exchange gains. Non-operating expenses were ¥2,436 million, roughly the same as the previous fiscal year.

In extraordinary income, the Company and its consolidated subsidiaries recorded a gain of ¥544 million on sales of investment securities. In extraordinary loss, the Company and its consolidated subsidiaries recorded ¥624 million in loss on retirement of fixed assets which was generated by the replacement of facilities for capacity additions at our manufacturing facilities. As a result, net income before income taxes increased 80.3% year on year to ¥42,111 million.

Total income taxes significantly increased year on year to ¥14,782 million, while net income attributable to non-controlling interests of ¥4,910 million was recorded. As a result, net income attributable to owners of the parent company increased 39.2% year on year to ¥22,418 million.

As for total assets at the end of the fiscal year under review, current assets increased by ¥31,541 million year on year to ¥246,691 million due to increases in accounts receivable and inventories, and fixed assets increased by ¥32,420 million year on year to ¥329,773 million due to increases in tangible fixed assets and investment securities, etc.

2) Analysis of the financial resources for capital and the liquidity of funds

a. Cash flows

For details on the status of cash flows, please refer to (1) 3) Cash flows.

b. Financial Policy

The Group's basic policies are to maintain stability, secure liquidity, and control financing costs by diversifying financing methods, while increasing capital-efficiency, in order to make growth-oriented investments and maintain stable business operations.

The Group is raising the efficiency of its cash on hand by managing its funds at the head office using a consolidated procurement and global cash management system. When executing large-scale investment projects that exceed cash on hand, we will flexibly select procurement methods according to the procurement method and market environment based on borrowing from financial institutions and financing from bonds.

In addition, the Group monitors and analyzes interest rate fluctuation risks and liquidity risks from multiple perspectives to control financial costs while controlling the amount of risks.

3) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group are prepared in accordance with the generally accepted accounting principles in Japan. Significant accounting policies are stated in "Section 5 Status of Accounting 1. Consolidated Financial Statements, (1) Notes to consolidated financial statements (Significant basis for preparation of consolidated financial statements)."

In preparing the consolidated financial statements, accounting estimates are made for items that need them based on reasonable standards; however, actual results may differ from these estimates due to uncertainties specific to the estimates. Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are provided in "Section 5 Status of Accounting 1 Consolidated Financial Statements, (1) Notes to consolidated financial statements (Significant accounting estimates)."

4 Important Agreements for Operation, etc.

Not applicable.

5 Research and Development

The Group (the Company and its affiliated companies) actively promotes a variety of research and development activities such as new product development based on basic research, production technology research and performance enhancement of existing products, and quality improvement, which are mainly led by Fuji Research Laboratory, Chita Laboratory, and Hofu Laboratory, in collaboration with the Company's development and technology divisions.

The content and amount of research and development activities of the Group are presented in a combined form since they are difficult to be associated with specific segments.

(Major research and development activities)

Fine carbon and fine ceramics, which are positioned as growth areas in the Company, have excellent material properties and a wide variety of applications. Considering the remarkable growth in the energy-related, semiconductors, electronics and environmental areas in recent years, the Company is developing products that will meet these high-tech needs.

Tokai Konetsu Kogyo Co., Ltd. is developing high-performance industrial furnaces and silicon carbide heating elements for electronic components and secondary batteries.

(Amount of research and development expenditure)

Total R&D expenditure in the fiscal year under review was ¥3,171 million.

Section 3 Facilities and Equipment

1 Capital Investment, etc.

With a focus on product areas that are expected to grow over the long term, the Group makes investments for environmental measures, labor-saving, rationalization, and improvement of product reliability. We implemented capital investment totaling ¥48,150 million, mainly in environmental measures, during the fiscal year under review.

In the Graphite Electrodes business, the Group implemented capital investment of ¥6,238 million, mainly at TOKAI CARBON GE LLC.

In the Carbon Black business, the Group implemented capital investment of ¥26,162 million, mainly at Tokai Carbon CB Ltd.

In the Fine Carbon business, the Group implemented capital investment of ¥7,027 million, mainly at Tokai Carbon Korea Co., Ltd.

In the Smelting and Lining business, the Group implemented capital investment of ¥6,461 million, mainly at Tokai COBEX Polska sp. z o.o.

In the Industrial Furnaces and Related Products business, the Group implemented capital investment of ¥978 million, mainly at Tokai Konetsu Engineering Co., Ltd.

In Other Operations business, the Group implemented capital investment of ¥684 million, mainly for the Shonan Plant of the Company.

2 Major Facilities and Equipment

(1) Submitting company

(As of December 31, 2022)

Plant name (Location)	Segment name	Details of facilities and equipment	Book value (Million yen)					Number of employees (people)
			Buildings and structures	Machinery, equipment, and vehicles	Land (area m ²)	Other (Note) 1	Total	
Hofu Plant (Hofu-shi, Yamaguchi)	Graphite Electrodes	Graphite electrodes manufacturing facility	1,115	5,031	152 (317,163)	124	6,423	84
Shiga Plant (Omihachiman-shi, Shiga)	Graphite Electrodes	Graphite electrodes manufacturing facility	647	2,243	324 (202,001)	191	3,407	61
Ishinomaki Plant (Ishinomaki-shi, Miyagi)	Carbon Black	Carbon black manufacturing facility	578	926	756 (82,262)	30	2,291	41
Chita Plant (Taketoyo-cho, Chita-gun, Aichi)	Carbon Black	Carbon black manufacturing facility	1,004	1,564	693 (179,974)	303	3,565	89
Kyushu-Wakamatsu Plant (Wakamatsu-ku, Kitakyushu- shi)	Carbon Black	Carbon black manufacturing facility	685	1,509	304 (32,560)	228	2,729	36
Tanoura Plant (Ashikita-machi, Ashikita- gun, Kumamoto)	Fine Carbon	Fine carbon etc. manufacturing facility	1,760	2,287	10 (178,986)	982	5,040	104
Shonan Plant (Chigasaki-shi, Kanagawa)	Other Operations	Friction materials production facility	282	412	230 (83,285)	103	1,029	84

(2) Domestic subsidiaries

(As of December 31, 2022)

Company name (Location)	Segment name	Details of facilities and equipment	Book value (Million yen)					Number of employees (people)
			Buildings and structures	Machinery, equipment, and vehicles	Land (area m ²)	Other (Note) 1	Total	
Tokai Fine Carbon Co., Ltd. (Chigasaki-shi, Kanagawa, etc.)	Fine Carbon	Fine carbon etc. manufacturing facility (Note) 2	861	770	142 (25,911)	92	1,867	120
Tokai Material Co., Ltd. (Yachiyo-shi, Chiba)	Other Operations	Friction materials production facility (Note) 2	238	271	504 (19,106)	24	1,038	74
Tokai Konetsu Engineering Co., Ltd. (Omihachiman-shi, Shiga)	Industrial Furnaces and Related Products	Industrial furnaces production facility (Note) 2	1,386	60	23 (18,698)	36	1,508	51

(3) Overseas subsidiaries

(As of December 31, 2022)

Company name (Location)	Segment name	Details of facilities and equipment	Book value (Million yen)					Number of employees (people)
			Buildings and structures	Machinery, equipment, and vehicles	Land (area m ²)	Other (Note) 1	Total	
TOKAI CARBON GE LLC (Charlotte, U.S.A., etc.)	Graphite Electrodes	Graphite electrodes manufacturing facility	4,542	14,357	352 (1,272,805)	1,492	20,745	234
TOKAI ERFTCARBON GmbH (Grevenbroich, Germany)	Graphite Electrodes	Graphite electrodes manufacturing facility	115	3,548	311 (146,861)	1,780	5,756	223
Cancarb Limited (Medicine Hat, Canada)	Carbon Black	Carbon black manufacturing facility, etc. (Note) 3	1,112	6,015	453 (255,900)	997	8,578	87
THAI TOKAI CARBON PRODUCT CO., LTD. (Bangkok, Thailand, etc.)	Carbon Black	Carbon black manufacturing facility (Note) 4	42	1,966	— [83,368]	11,005	13,014	118
Tokai Carbon CB Ltd. (Fort Worth, U.S.A., etc.)	Carbon Black	Carbon black manufacturing facility (Note) 5	2,706	22,384	231 (584,539) [582,909]	22,278	47,601	390
Tokai Carbon Korea Co., Ltd. (Anseong, Republic of Korea)	Fine Carbon	Fine carbon manufacturing facility	3,638	6,419	1,175 (32,256)	3,374	14,608	455
Tokai COBEX Polska sp. z o. o. (Racibórz, Poland, etc.)	Smelting and Lining	Production facilities for cathode electrodes for aluminum smelting, etc. (Note) 5	5,648	10,431	28 (8,120) [604,923]	5,253	21,361	806
Tokai COBEX Savoie SAS (La Lechere, France)	Smelting and Lining	Production facilities for cathode electrodes for aluminum smelting, etc.	2,001	8,388	908 (219,632)	2,775	14,073	366

- (Notes)
1. "Other" under book value is the sum of tools, furniture and fixtures, leased assets, and construction in progress.
 2. Land and buildings are primarily leased from the submitting company, and the book value is based on the amount provided by the submitting company.
 3. Includes waste heat treatment facilities acquired incidentally with the acquisition of Cancarb Limited.
 4. Land is leased from outside the Group, and land area is indicated in parentheses.
 5. A portion of land is leased from outside the Group, and land area is indicated in parentheses.
 6. There are no major facilities or equipment currently idle.

3 Plans for New Installation, Disposal, etc. of Facilities

(1) New installation of significant facilities, etc.

Company name Office name	Location	Segment name	Details of facilities and equipment	Estimated investment amount		Funding method	Start and scheduled completion	
				Total amount (Million yen)	Amount paid (Million yen)		Start	Completion
Tokai Carbon CB Ltd.	Fort Worth, U.S.A., etc.	Carbon Black	Environmental protection facility	8,916	8,217	Own funds and borrowing	December 2018	June 2023
Tokai Carbon CB Ltd.	Fort Worth, U.S.A., etc.	Carbon Black	Environmental protection facility	23,823	18,002	Own funds and borrowing	September 2019	September 2023
Tokai COBEX Polska sp. z o.o.	Racibórz, Poland, etc.	Smelting and Lining	Upgrades to manufacturing facility	1,400	1,321	Own funds	November 2021	March 2023
Tokai Carbon Co. Ltd. Tanoura Plant	Ashikita- machi, Ashikita-gun, Kumamoto	Fine Carbon	Capacity additions at manufacturing facility	6,523	695	Own funds and borrowing	January 2022	December 2024
Tokai Carbon (Dalian) Co., Ltd.	Dalian, People's Republic of China	Fine Carbon	Establishment of new manufacturing facility	1,888	364	Own funds	January 2022	July 2024
Tokai COBEX Savoie SAS	La Lechere, France	Smelting and Lining	Relocation of manufacturing facility	1,315	1,057	Own funds	January 2022	March 2023
Tokai Carbon Korea Co., Ltd.	Anseong, Republic of Korea	Fine Carbon	Capacity additions at manufacturing facility	3,614	830	Own funds	April 2022	July 2024
Tokai Carbon Korea Co., Ltd.	Anseong, Republic of Korea	Fine Carbon	Establishment of new manufacturing facility	2,710	650	Own funds	May 2022	April 2024
Tokai Konetsu Kogyo Co., Ltd. Sendai Plant	Shibata-machi, Shibata-gun, Miyagi	Industrial Furnaces and Related Products	Expansion of manufacturing facility	2,311	-	Own funds	August 2022	December 2024
THAI TOKAI CARBON PRODUCT CO., LTD.	Rayong, Thailand	Carbon Black	Establishment of new manufacturing facility	32,984	8,419	Own funds and borrowing	September 2022	March 2026
Tokai Carbon Co. Ltd. Fuji Research Laboratory	Chigasaki-shi, Kanagawa	Corporate (common)	Research and development facility	5,200	-	Own funds and borrowing	November 2022	December 2024

(2) Disposal of significant facilities, etc.

There are no scheduled disposals of significant facilities, etc.

Section 4 Status of the Submitting Company

1 Status of Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

Type	Total number of shares authorized to be issued (Shares)
Common shares	598,764,000
Total	598,764,000

(Note) The Company's articles of incorporation stipulate that the total number of shares authorized to be issued is 598,764,000 shares.

2) Shares issued

Type	Number of shares issued as of end of fiscal year (Shares) (As of December 31, 2022)	Number of shares issued as of date of submission (Shares) (March 30, 2023)	Name of listed financial instruments exchange or registered authorized financial instruments exchange association	Details
Common shares	224,943,104	224,943,104	Tokyo Stock Exchange (Prime Market)	Share unit: 100 shares
Total	224,943,104	224,943,104	-	-

(2) Status of stock warrants

1) Stock option system

Not applicable

2) Shareholder rights plan

Not applicable

3) Status of other stock warrants, etc.

Not applicable

(3) Status of exercise, etc. of moving strike warrants

Not applicable

(4) Change in total number of shares issued and capital, etc.

Period	Increase (decrease) in total number of shares issued (Shares)	Total number of shares issued (Shares)	Increase (decrease) in capital (Million yen)	Capital (Million yen)	Increase (decrease) in capital reserve (Million yen)	Capital reserve (Million yen)
January 1 - December 31, 2008 (Note)	2,913,720	224,943,104	743	20,436	743	17,502

(Note) The increases stemmed from the exercise of stock warrants.

(5) Shareholder composition

(As of December 31, 2022)

Category	Distribution of shares (number of shares per unit: 100 shares)							Odd-lot shares (Shares)	
	National and local government agencies	Financial institutions	Financial instrument trading firms	Other corporations	Foreign corporations, etc.		Individuals, etc.		Total
					Other than individuals	Individuals			
Number of shareholders (Person)	-	53	56	578	293	76	79,602	80,658	-
Number of shares held (Units)	-	938,653	104,705	125,322	365,371	525	712,833	2,247,409	202,204
Ownership ratio (%)	-	41.77	4.66	5.58	16.26	0.02	31.71	100	-

(Notes) 1. The 11,748,117 shares of treasury stock are included as 117,481 units under “Individuals, etc.” and 17 shares under “Odd-lot shares” in the table above.

2. The 10 units of shares held by the Japan Securities Depository Center are included under “Other corporations.”

(6) Major shareholders

(As of December 31, 2022)

Name	Location	Number of shares held (Thousand shares)	Ownership ratio based on total number of shares issued (excluding treasury stock; %)
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	43,878	20.58
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	22,397	10.51
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	5,827	2.73
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	4,609	2.16
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	3,614	1.70
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,541	1.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	2,426	1.14
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,267	1.06
SBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch, Custody Department)	ONE LINCOLN STREET, BOSTON MA USJ 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	2,205	1.03
Meiji Yasuda Life Insurance Company	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	2,032	0.95
Total	-	91,802	43.06

(Notes) 1. In addition to the above, the Company holds 11,748,000 shares of treasury stock 5.22% of total shares issued.

2. All 43,878,000 shares held in The Master Trust Bank of Japan, Ltd. (trust account) are related to trust services.

3. All 22,397,000 shares held in Custody Bank of Japan, Ltd. (trust account) are related to trust services.
4. In the Change Report made available for public disclosure as of September 12, 2022, shares owned by Nomura Securities Co., Ltd. and its joint holders as of September 5, 2022 are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2022, they are not included under “Major shareholders” as shown above. The contents of the Change Report are as follows.

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-13-1, Nihombashi, Chuo-ku, Tokyo	1,299	0.58
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	360	0.16
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	23,080	10.26

5. In the Change Report made available for public disclosure as of October 25, 2022, shares owned by Mitsubishi UFJ Financial Group, Inc. as of October 18, 2022 are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2022, they are not included under “Major shareholders” as shown above. The contents of the Change Report are as follows.

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	7,248	3.22
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,648	3.84
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	4,495	2.00
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	1,068	0.48

6. In the Change Report made available for public disclosure as of January 10, 2023, shares owned by Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders as of December 30, 2022 are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2022, they are not included under “Major shareholders” as shown above. The contents of the Change Report are as follows.

Name	Location	Number of shares held (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	8,145	3.62
Nikko Asset Management Co.	9-7-1, Akasaka, Minato-ku, Tokyo	8,223	3.66

(7) Voting rights

1) Shares issued

(As of December 31, 2022)

Category	Number of shares (Shares)	Number of voting rights	Details
Non-voting shares	-	-	-
Shares with limited voting rights (Treasury stock, etc.)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common 11,748,100 shares	-	-
Shares with full voting rights (Other)	Common 212,992,800 shares	2,129,928	-
Odd-lot shares	Common 202,204 shares	-	Shares below unit number (100 shares)
Total number of shares issued	224,943,104	-	-
Total shareholder voting rights	-	2,129,928	-

(Note) The 1,000 shares (10 voting rights) held by the Japan Securities Depository Center are included under “Shares with full voting rights (Other).”

2) Treasury stock, etc.

(As of December 31, 2022)

Name of holder	Address of holder	Number of shares held in own name (Shares)	Number of shares held under different names (Shares)	Total number of shares held (Shares)	Ownership ratio based on total number of shares issued (%)
(Treasury stock) Tokai Carbon Co., Ltd.	1-2-3, Kita Aoyama, Minato-ku, Tokyo	11,748,100	-	11,748,100	5.22
Total	-	11,748,100	-	11,748,100	5.22

2 Acquisition of Treasury Stock, etc.

[Class of shares, etc.] Acquisition of common shares under the provisions of Article 155, Item 7 of the Companies Act

(1) Acquisition of shares by resolution at a General Meeting of Shareholders

Not applicable

(2) Acquisition of shares by resolution at a Board of Directors' meeting

Not applicable

(3) Acquisitions not based on resolutions at a General Meeting of Shareholders or Board of Directors' meeting

Acquisitions based on shareholder requests for repurchase of odd-lot shares under the provisions of Article 192, Paragraph 1 of the Companies Act

Category	Number of shares (shares)	Total value (yen)
Treasury stock acquired in fiscal year under review	1,389	1,531,375
Treasury stock acquired in period prior to submission of this report	75	83,523

(Note) Treasury stock acquired in period prior to submission of this report does not include shares acquired based on shareholder requests for repurchase of odd-lot shares between March 1, 2023 and date of submission for this report.

(4) Disposal and holding of acquired treasury stock

Category	Fiscal year under review		Period prior to submission of this report	
	Number of shares (shares)	Total value disposed (yen)	Number of shares (shares)	Total value disposed (yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock cancelled	-	-	-	-
Acquired treasury stock transferred in connection with mergers, stock swaps, stock issuances or company splits	-	-	-	-
Other (Sold in response to requests for sale of odd-lot shares, disposal of treasury stock as remuneration in the form of shares with a transfer restriction)	15,841	9,553,932	-	-
Treasury stock held	11,748,117	-	11,748,192	-

(Notes) 1. "Other (Sold in response to requests for sale of odd-lot shares)" for period prior to submission of this report does not include shares acquired in response to requests for sale of odd-lot shares between March 1, 2023 and the date of submission for this report.

2. Figures for "Treasury stock held" for period prior to submission of this report do not include shares purchased/sold in response to requests for repurchase/sale of odd-lot shares between March 1, 2023 and the date of submission for this report.

3 Dividend Policy

The Company regards returning profits to shareholders to be one of its important management priorities in its efforts to increase corporate value over the medium and long term. Accordingly, the Company maintains its basic policy to pay dividends stably and continuously with a consolidated payout ratio of 30% as a target, while giving consideration to its operating results and forecasts, investment plans, and status of cash flows, etc. in each period.

The Company's basic policy is to distribute dividends of surplus twice a year: an interim dividend and a year-end dividend. The decision-making body for such dividends of surplus is the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

Based on the policy outlined above, the Company decided to pay an annual dividend of ¥30 per share (including an interim dividend of ¥15 per share) for the fiscal year under review.

The Company plans to allocate retained earnings to investments in areas that could become sources of future value, such as facility upgrades, environmental investments, growth-oriented investments, and strategic investments.

The Company's articles of incorporation stipulate that "An interim dividend may be distributed with a record date of June 30 every year by the resolution of the Board of Directors."

Dividends of surplus for the fiscal year under review are as follows.

Date of resolution	Total amount of dividend (Million yen)	Dividend per share (Yen)
August 8, 2022 Board of Directors resolution	3,197	15.0
March 30, 2023 Resolution at Annual General Meeting of Shareholders	3,197	15.0

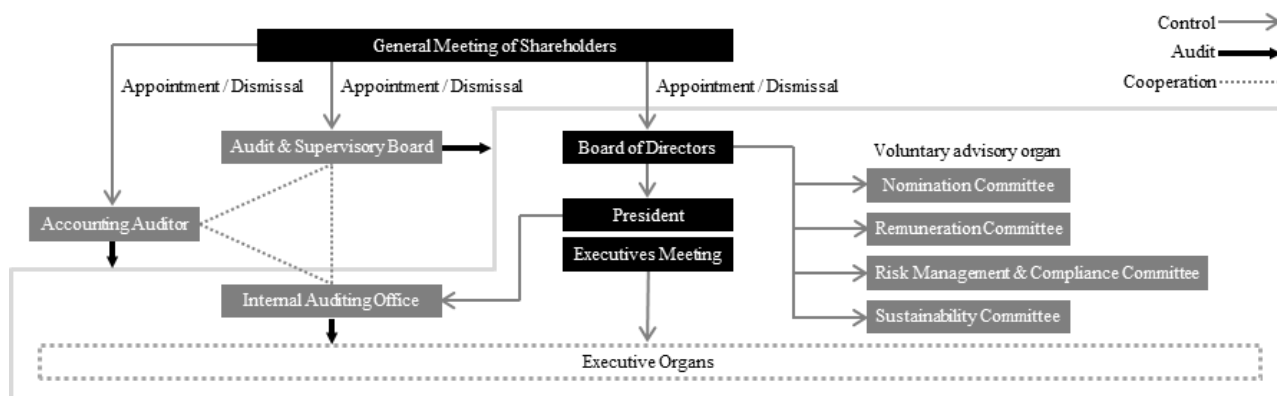
4 Corporate Governance, etc.

(1) Overview of corporate governance

1) Basic views on corporate governance

The Company recognizes that enhancing its corporate value over the medium- to long-term is the most important management objective and believes that responding to the expectations of all stakeholders, including customers and shareholders, and building favorable relationships with them, is essential in achieving this objective. To this end, the Company has adopted a basic corporate philosophy of “Strength in Trust.” Based on this philosophy and taking into account the views defined in its Guidelines and the Global Code of Conduct, the Company strives to develop an effective corporate governance structure.

The Company’s corporate governance system is structured as described below.



2) Corporate governance system

As a company with an Audit & Supervisory Board, the Company operates under the basic stance of reinforcing audits by Audit & Supervisory Board Members and the internal audit function and makes efforts to strengthen management supervision functions of the Board of Directors by appointing multiple External Directors and establishing voluntary committees in order to realize an appropriate corporate governance structure. In addition, from the perspective of clarifying the functions and responsibilities of corporate officers engaged in business execution, the Company has adopted the Executive Officer System and established the Executives Meeting in an effort to enhance and strengthen business execution functions of the organization.

a. Board of Directors

The Board of Directors is responsible for determining important management matters and supervising business execution and meets monthly as a general rule. It held 21 meetings in fiscal 2022. As of the date of submission of this report, there are eight Directors, three of whom are External Directors. The Company has established the Nomination Committee and the Remuneration Committee, the majority of members of which are External Directors, as voluntary advisory organs of the Board of Directors. It has also established the Risk Management & Compliance Committee and the Sustainability Committee as a voluntary committee under the Board of Directors.

b. Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board of the Company meets monthly as a general rule. As of the date of submission of this report, there are four Audit & Supervisory Board Members, two of whom are External Audit & Supervisory Board Members. Based on the auditing policy and the audit plan resolved by the Audit & Supervisory Board, Audit & Supervisory Board Members perform audits of the status of execution of duties by Directors through attending Board of Directors’ meetings and other important meetings and investigating the status of business operations and assets.

c. Executives Meeting

The Executives Meeting was established under the Board of Directors to discuss and determine important matters concerning management based on the basic policies determined by the Board of Directors. Under the Executives Meeting are various committees that complement the discussions at the Executive Meetings by reporting the results of deliberation at the Executives Meeting.

As of March 30, 2023, the Company's corporate governance system is comprised of personnel as described below.

(Position)	(Name)	Board of Directors	Executives Meeting	Remuneration Committee	Nomination Committee	Risk Management & Compliance Committee	Sustainability Committee
President & Chief Executive Officer	Hajime Nagasaka	◎	◎	○	○		◎
Director	Masafumi Tsuji	○	○			◎	○
Director	Katsuyuki Yamaguchi	○	○				○
Director	Shunji Yamamoto	○	○			○	○
Director	Tatsuhiko Yamazaki	○	○				
External Director	Nobumitsu Kambayashi	○		◎	◎		
External Director	Mayumi Asada	○		○	○		
External Director	Toshiro Miyazaki	○		○	○		
Audit & Supervisory Board Member	Yuji Serizawa	○	(Note)			(Note)	(Note)
Audit & Supervisory Board Member	Kazuyuki Kakehashi	○	(Note)			(Note)	(Note)
External Audit & Supervisory Board Member	Kaoru Ogashiwa	○					
External Audit & Supervisory Board Member	Yoshinori Matsushima	○					
Executive Officers, etc.	-		5 persons			2 persons	2 persons
Directors of subsidiaries, Directors, Advisors, etc.	-		5 persons			3 persons	3 persons

◎: Head of organization (chairperson or head of committee); ○: Members of organization

(Note) Participates as associate member/observer

3) Status of company functions and internal control systems

a. Status of internal control systems

To ensure that the Group as a whole executes business operations properly in accordance with relevant laws, regulations, and the articles of incorporation, the Company resolved at a Board of Directors' meeting in May 2006 to set forth the "Basic policy for establishing an internal control system." As of the date of submission for this report, the basic policy is as described below, and the Company is continually working to improve its internal control systems in accordance with the basic policy.

Basic policy for establishing an internal control system

1. System to ensure that the execution of duties by Directors complies with laws, regulations and the articles of incorporation

- 1) The Board of Directors sets forth basic policies, including the Corporate Philosophy, the Guidelines, and the Global Code of Conduct, and ensures the execution of duties in compliance with laws and regulations.
- 2) The Board of Directors determines the execution of important business operations in accordance with laws, regulations and the articles of incorporation, and supervises the execution of duties by Directors.
- 3) Internal audits are performed to address compliance matters and provide advice.
- 4) Education, audits and guidance are provided to ensure compliance.
- 5) An internal reporting system is properly operated to promptly detect and correct any organizational or personal violation of law, etc. and to contribute to reinforcing compliance management.
- 6) Based on the Global Code of Conduct, the Company severs any relations with antisocial forces, organizations, or individuals that threaten the order and safety of civil society, and organizationally takes a resolute stance against and rejects any unjust or illegal demands from such parties.

2. System concerning storage and management of information associated with the execution of duties by Directors
 - 1) Information associated with the execution of duties by Directors is recorded on paper or by electromagnetic means (hereinafter referred to as “documents, etc.”), stored and managed in accordance with the Document Handling Rules and the Electronic Information Management Rules.
 - 2) A system is put in place where Directors and Audit & Supervisory Board Members are able to inspect and search documents, etc. containing information associated with the execution of duties by Directors in an efficient manner.
 - 3) When important decisions are made, such facts are timely and appropriately disclosed in accordance with the Basic Policy for Information Disclosure.

3. Rules concerning management of risk of loss and other systems
 - 1) In the event of a serious disaster, accident or any other unforeseeable situation, the Company and its group companies respond promptly and appropriately to the crisis in accordance with the Emergency Countermeasures Guidelines.
 - 2) In order to avoid the risk of loss from business operations, rules and regulations concerning accounting and financial management, business partner management, export management, environmental and disaster prevention management, quality management, information management, investment management, etc. are formulated, enforced and properly operated.
 - 3) To mitigate and avoid other latent business risks, each responsible department performs risk management on a day-to-day basis. In addition, the Risk Management & Compliance Committee, which meets quarterly in principle, discusses important matters concerning risk management and compliance; provides advice to relevant offices and departments, etc. based on the results of such discussions; reports and makes proposals to the Board of Directors and the management; and makes efforts to identify risks and improve the operating environment.
 - 4) The Tokai Carbon Group companies promptly report matters that might cause significant damage to the Company and its group companies to the Company and the Audit & Supervisory Board Members of the Company in accordance with the Rules Concerning Management of Subsidiaries set forth by the Company.

4. System to ensure effective execution of duties by Directors
 - 1) The Company adopts the Executive Officers System to clarify the roles, etc. of Directors and Executive Officers and promote execution of business operations with agility and speed.
 - 2) A three-year mid-term management plan is formulated as a company-wide target to be shared by Directors and employees, and budgets are set for each business year for implementing specific steps. A General Planning Meeting is held to confirm targets and policies set.
 - 3) Financial reports are prepared monthly, quarterly, and annually, and the results, analyses, etc. are reported quarterly to the Board of Directors.
 - 4) Important matters are deliberated at important meetings including Executives Meeting and General Planning Meeting comprised of Directors, Executive Officers responsible for business operations, and other members.

5. System to ensure that execution of duties by employees complies with laws, regulations and the articles of incorporation
 - 1) The Company widely promotes awareness about its Corporate Philosophy, the Guidelines, and the Global Code of Conduct.
 - 2) Training and education concerning legal compliance are promoted.
 - 3) Internal audits are properly conducted to address compliance matters and provide advice.
 - 4) An internal reporting system is properly operated to promptly detect and correct any organizational or personal violation of law, etc. and to contribute to reinforcing compliance management.
 - 5) Based on the Global Code of Conduct, the Company severs any relations with antisocial forces, organizations, or individuals that threaten the order and safety of civil society, and organizationally takes a resolute stance against and rejects any unjust or illegal demands from such parties.

6. System to ensure appropriateness of operations of the corporate entity consisting of the Company and subsidiaries
 - 1) The Company and its group companies are managed based on the group-wide philosophy and action guidelines, and the appropriateness of their operations is ensured by periodically setting plans for the Group companies, reporting their financial status, making preliminary reports and discussing important matters in accordance with the Rules Concerning Management of Subsidiaries, in order to ensure that they contribute to the implementation of business objectives and the improvement of management efficiency as a corporate entity.
 - 2) The Company establishes a system for promoting awareness of risk management and compliance while promoting reinforcement of group governance by dispatching officers and employees of the Company to its group companies as directors and audit & supervisory board members.
 - 3) The Tokai Carbon Group companies set out management objectives common within the group based on the midterm management plan formulated by the Company and set budgets each business year for realizing specific objectives.

7. Matters concerning employees assisting Audit & Supervisory Board Members with their duties and matters regarding independence of such employees from Directors, in the event that Audit & Supervisory Board Members request the assignment of such employees
 - 1) In the event that Audit & Supervisory Board Members request the assignment of employees to assist with their duties, the Company considers, as necessary, appointing Audit & Supervisory Board staff member(s) to assist the duties of Audit & Supervisory Board Members and reinforcing the existing internal auditing functions.
 - 2) When appointing Audit & Supervisory Board staff member(s), such staff members are granted the authority over examinations performed based on instructions from Audit & Supervisory Board Members.
 - 3) Concurrence of full-time Audit & Supervisory Board Members is obtained in regard to the appointment, dismissal and evaluation of Audit & Supervisory Board staff member(s).

8. System for reporting by Directors and employees to Audit & Supervisory Board Members, other systems concerning reporting to Audit & Supervisory Board Members, and system to ensure that audits by Audit & Supervisory Board Members are performed effectively
 - 1) If detecting a fact that might cause material damage to the Company, Directors immediately report the matter to Audit & Supervisory Board Members.
 - 2) Directors and employees of the Tokai Carbon Group companies promptly report matters that must be reported as stipulated in the Rules on Management of Subsidiaries, etc. to the Company and the Audit & Supervisory Board Members of the Company based on the aforesaid Rules, etc.
 - 3) Directors and employees of the Tokai Carbon Group companies shall not receive unjust treatment for the reason of having made reports to the Audit & Supervisory Board Members of the Company.
 - 4) Audit & Supervisory Board Members attend Board of Directors' meetings in accordance with relevant laws and regulations as well as attend important meetings including Executives Meeting and hear from Directors and employees on the status of execution of their duties as needed.
 - 5) Audit & Supervisory Board Members inspect approval documents and other important reports, etc.
 - 6) Audit & Supervisory Board Members, the accounting audit firm, and the Internal Auditing Office promote mutual understanding and information exchange among one another.
 - 7) Expenses arising in connection with the execution of duties by Audit & Supervisory Board Members are paid in response to claims made by Audit & Supervisory Board Members except when the expenses are considered unnecessary for executing the duties of the said Audit & Supervisory Board Members.

9. System for ensuring the reliability of financial reporting

The Company establishes and operates a system in accordance with the Basic Policy for Internal Control System Concerning Financial Reporting and the Internal Control Regulations for Financial Reporting, continually evaluates whether the mechanism functions appropriately, makes necessary corrections, and thereby ensures the reliability of financial reporting of the Company and its group companies.

4) Outline of limited liability agreement

The Company and its non-executive Directors (External Directors) and Audit & Supervisory Board Members enter into an agreement to limit the liability of damages stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement is the amount stipulated in laws and regulations for both non-executive Directors and Audit & Supervisory Board Members. This limit is applicable only when the performance of duties of a non-executive Director or an External Audit & Supervisory Board Member is recognized to have been carried out in good faith and with no gross negligence.

5) Outline of indemnity agreement and Director and Officer liability insurance

The Company maintains an insurance policy for officers and directors ("D&O insurance policy") that covers Directors, including External Directors; Audit & Supervisory Board Members, including External Audit & Supervisory Board Members; Executive Officers; and retired Officers, to indemnify them within the scope of coverage for losses arising from claims made against the insured during the term of the D&O insurance policy as a result of the execution of duties. The insurance premiums are paid in full by the Company, with 1,000 million yen as the maximum total amount payable under the D&O insurance policy.

- 6) Provisions of articles of incorporation allowing exemption of responsibility of Directors and Audit & Supervisory Board Members based on resolution of Board of Directors
The Company stipulates in its articles of incorporation provisions to allow exemption of responsibilities of Directors and Audit & Supervisory Board Members based on a resolution reached by the Board of Directors in accordance with relevant laws and regulations so that Directors and Audit & Supervisory Board Members can fully demonstrate their expected roles in carrying out their duties.
- 7) Number of Directors
The Company's articles of incorporation stipulate that it shall have no more than 13 Directors.
- 8) Appointment of Directors
The articles of incorporation stipulate that Directors shall be appointed only by a resolution of a meeting of shareholders holding at least one third of the voting rights and being eligible to vote, where the motion to appoint a Director is passed by a majority of the voting rights. Moreover, the articles of incorporation further stipulate that a resolution to appoint a Director may not be decided by cumulative voting.
- 9) Acquisition of treasury stock
The articles of incorporation stipulate that treasury stock may be acquired by a resolution of the Board of Directors as stipulated in Article 165, Paragraph 2 of the Companies Act. The objective of this is to enable the company to acquire its own stock via market transactions in order to promote a flexible capital policy to cope with changes in the business environment.
- 10) Interim dividends
The articles of incorporation stipulate that the Company may pay out surplus funds as dividends (interim dividends) in accordance with Article 454, Paragraph 5 of the Companies Act upon a resolution of the Board of Directors. The objective of this is to provide a flexible return of profits to shareholders.
- 11) Requests for extraordinary resolutions during the General Meeting of Shareholders
The articles of incorporation stipulate that requests for extraordinary resolutions during the General Meeting of Shareholders as stipulated in Article 309, Paragraph 2 of the Companies Act may be passed only by a resolution of a meeting of shareholders holding at least one third of the voting rights and being eligible to vote, where the resolution is passed by a two-third majority. The objective of this is to facilitate the smooth running of the General Meeting of Shareholders by relaxing the quorum requirements for extraordinary resolutions during the General Meeting of Shareholders.

(2) Executive officers

1) List of Executive officers

The Company's executive officers include 11 males and one (1) female (percentage of female executive officers: 8.33%)

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
President & Chief Executive Officer	Hajime Nagasaka	January 9, 1950	April 1972	Joined Tokai Electrode Mfg. Co., Ltd. (currently the Company)	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	156,847
			March 2006	Director/Executive Officer, the Company Deputy General Manager, Carbon Black Division General Manager, Marketing & Sales Department, Carbon Black Division		
			March 2007	Director/Executive Officer, the Company Deputy General Manager, Carbon Black Division General Manager, Marketing & Sales Department, Carbon Black Division General Manager, Purchasing Department, Carbon Black Division		
			March 2008	Director/Managing Executive Officer, the Company Deputy General Manager, Carbon Black Division, General Manager, Marketing & Sales Department, Carbon Black Division General Manager, Purchasing Department, Carbon Black Division General Manager, Osaka Branch		
			March 2009	Director/Managing Executive Officer, the Company Deputy General Manager, Carbon Black Division, General Manager, Purchasing Department, Carbon Black Division General Manager, Osaka Branch		
			March 2010	Director/Managing Executive Officer, the Company General Manager, Carbon Black Division		
			March 2011	Director/Senior Managing Executive Officer, the Company General Manager, Carbon Black Division		
			March 2012	Director/Senior Managing Executive Officer, the Company		
			March 2013	Representative Director/Senior Managing Executive Officer, the Company General Manager, Osaka Branch, General Manager, Nagoya Branch		
			March 2014	Representative Director/Executive Vice President, the Company		
			February 2015	Representative Director/President & Chief Executive Officer, the Company (incumbent)		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director	Masafumi Tsuji	January 10, 1963	April 1986	Joined the Company	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	59,662
			March 2007	General Manager, Human Resources Department, Corporate Strategy Division, the Company		
			March 2010	General Manager, Corporate Planning Department, Corporate Strategy Division, the Company		
			March 2014	Business Director, the Company General Manager, Carbon Black Division		
			March 2015	Executive Officer, the Company General Manager, Carbon Black Division		
			January 2016	Executive Officer, the Company General Manager, Graphite Electrode Division		
			January 2017	Executive Officer, the Company General Manager, Fine Carbon Division		
			March 2017	Director/Executive Officer, the Company General Manager, Fine Carbon Division		
			January 2020	Director/Executive Officer, the Company Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department		
			February 2020	General Manager, Corporate Planning Department Director/Executive Officer, the Company Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department		
Director/General Manager, R&D Strategy Division, General Manager, Intellectual Property Department	Katsuyuki Yamaguchi	March 29, 1964	March 2020	General Manager, Corporate Planning Department General Manager, Sales Research & Planning Department Director/Executive Officer, the Company Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department	One (1) year from Annual General Meeting of Shareholders	32,205
			April 2020	General Manager, Corporate Planning Department General Manager, Sales Research & Planning Department Director/Executive Officer, the Company Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department		
			March 2023	General Manager, Corporate Planning Department General Manager, Sales Research & Planning Department Director/Executive Officer, the Company Chairman, Human Resources Department, General Affairs Department, and Legal Affairs Department (incumbent)		
			April 1988	Joined the Company		
			September 2015	General Manager, Engineering Department, Technology & Engineering Division, the Company		
			December 2016	Business Director, the Company		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
			March 2018	General Manager, Technology & Engineering Division Executive Officer, the Company	held on March 30, 2023	
			March 2019	General Manager, Technology & Engineering Division Director/Executive Officer, the Company		
			June 2019	General Manager, Technology & Engineering Division Director/Executive Officer, the Company		
			March 2020	General Manager, Technology & Engineering Division General Manager, Environment & Safety Department Director/Executive Officer, the Company		
			March 2021	General Manager, Technology & Engineering Division Director/Executive Officer, the Company		
				General Manager, R&D Strategy Division General Manager, Intellectual Property Department (incumbent)		
Director/General Manager, Technology & Engineering Division	Shunji Yamamoto	March 8, 1962	April 1985	Joined the Company	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	9,500
			March 2013	General Manager, Kyushu-Wakamatsu Plant, the Company		
			June 2015	General Manager, Production & Technology Department, Carbon Black Division, the Company		
			March 2016	Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.		
			March 2018	Executive Officer, the Company Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.		
			March 2019	Director/Executive Officer, the Company Director, TCCB Genpar LLC (incumbent)		
			March 2023	Director/Executive Officer, the Company General Manager, Technology & Engineering Division (incumbent)		
Director	Tatsuhiko Yamazaki	November 22, 1964	April 1985	Joined the Company	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	22,338
			March 2013	General Manager, Chita Plant, the Company		
			March 2016	General Manager, Production & Technology Department, Carbon Black Division, the Company		
			March 2017	Business Director, the Company General Manager, Marketing & Sales Department, Carbon Black Division		
			July 2019	Business Director, the Company Director/Senior Vice President, THAI TOKAI CARBON PRODUCT CO., LTD.		
			January 2020	Business Director, the Company Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.		
			March 2023	Director/Executive Officer, the Company Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
				(incumbent)		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director	Nobumitsu Kambayashi	May 28, 1948	<p>April 1971 October 2002</p> <p>June 2005</p> <p>April 2008</p> <p>June 2009</p> <p>April 2010</p> <p>October 2010</p> <p>April 2013</p> <p>June 2013</p> <p>June 2015</p> <p>March 2016</p> <p>June 2017</p>	<p>Joined Kawasaki Heavy Industries, Ltd. Director, Kawasaki Shipbuilding Corporation</p> <p>Managing Director, Kawasaki Shipbuilding Corporation</p> <p>Managing Executive Officer, Kawasaki Heavy Industries, Ltd. Director/Senior Vice President, Kawasaki Shipbuilding Corporation</p> <p>Senior Vice President, Kawasaki Heavy Industries, Ltd.</p> <p>President & Representative Director, Kawasaki Shipbuilding Corporation, Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd.</p> <p>Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd. President, Ship & Offshore Structure Company</p> <p>Director, Kawasaki Heavy Industries, Ltd.</p> <p>Adviser, Kawasaki Heavy Industries, Ltd.</p> <p>Chairman, Japan Ship Technology Research Association (incumbent)</p> <p>Director, the Company (incumbent)</p> <p>Director, Inui Global Logistics Co., Ltd. (incumbent)</p>	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	23,200
Director	Mayumi Asada	February 5, 1968	<p>October 2002</p> <p>July 2013</p> <p>January 2014</p> <p>March 2014</p> <p>April 2015</p> <p>June 2017</p> <p>April 2018</p> <p>April 2020</p> <p>March 2021</p> <p>July 2021</p>	<p>Registered as an attorney-at-law and joined Hiranuma Takaaki Law Office</p> <p>Member of the committee for medical dispute settlement, the Tokyo Metropolitan Medical Association (incumbent)</p> <p>Representative, Marunouchi Building Aoi Law Office (incumbent)</p> <p>Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine</p> <p>Member of the council for disclosure and personal information protection, Meguro-ku (incumbent)</p> <p>Member of the external audit committee for medical safety at Juntendo University Hospital (incumbent)</p> <p>Reconciliation officer at Tokyo Family Court (incumbent)</p> <p>Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent)</p> <p>Director, the Company (incumbent)</p> <p>Juntendo University Part-time Lecturer (incumbent)</p>	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	6,500
Director	Toshiro Miyazaki	August 21, 1949	<p>April 1972</p> <p>October 2002</p> <p>March 2005</p> <p>June 2005</p>	<p>Joined Mitsui Engineering & Shipbuilding Co., Ltd. (currently MITSUI E&S Co., Ltd.)</p> <p>General Manager, Corporate Planning Department, Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>Audit & Supervisory Board Member, MODEC, Inc. (part-time)</p> <p>Executive Officer, President of Corporate Planning Department and</p>	One (1) year from Annual General Meeting of Shareholders held on March 30, 2023	-

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
			<p>June 2007 General Manager of Asset Utilization Project Office, Mitsui Engineering & Shipbuilding Co., Ltd</p> <p>June 2007 Director, Mitsui Engineering & Shipbuilding Co., Ltd. In charge of Accounting & Finance Department, IR and PR</p> <p>March 2008 Director, MODEC, Inc.</p> <p>March 2011 President & Chief Executive Officer, MODEC, Inc.</p> <p>March 2019 Chairman, MODEC, Inc.</p> <p>March 2020 Adviser, MODEC, Inc. (incumbent)</p> <p>March 2022 Director, the Company (incumbent)</p>		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Audit & Supervisory Board Member (full-time)	Yuji Serizawa	December 27, 1959	<p>April 1984 March 2006</p> <p>March 2007</p> <p>March 2008</p> <p>March 2009</p> <p>March 2012</p> <p>March 2013</p> <p>March 2014</p> <p>February 2015</p> <p>March 2015</p> <p>January 2016</p> <p>March 2017</p> <p>March 2023</p>	<p>Joined the Company</p> <p>Executive Officer, the Company</p> <p>Deputy General Manager, Fine Carbon Division</p> <p>General Manager, Carbon Ceramics Sales Department, Fine Carbon Division</p> <p>General Manager, Electronic & Functional Material Sales Department, Fine Carbon Division</p> <p>Executive Officer, the Company</p> <p>Deputy General Manager, Fine Carbon Division</p> <p>General Manager, Sales Department, Fine Carbon Division</p> <p>Executive Officer, the Company</p> <p>Deputy General Manager, Fine Carbon Division</p> <p>Executive Officer, the Company</p> <p>General Manager, Fine Carbon Division</p> <p>Director/Executive Officer, the Company</p> <p>General Manager, Fine Carbon Division</p> <p>Director/Executive Officer, the Company</p> <p>General Manager, Tanoura Laboratory</p> <p>General Manager, Tanoura Plant</p> <p>Executive Officer, the Company</p> <p>General Manager, Graphite Electrode Division</p> <p>Executive Officer, the Company</p> <p>General Manager, Graphite Electrode Division [Responsible for Raw Material Procurement Department]</p> <p>Director/Executive Officer, the Company</p> <p>General Manager, Graphite Electrode Division [Responsible for Raw Material Procurement Department]</p> <p>Director/Executive Officer, the Company</p> <p>General Manager, Corporate Strategy Division</p> <p>Director/Executive Officer, the Company</p> <p>Responsible for Human Resources Department, General Affairs Department, and Legal Affairs Department</p> <p>Audit & Supervisory Board Member (full time), the Company (incumbent)</p>	<p>4 years from Annual General Meeting of Shareholders held on March 30, 2023</p>	65,662
Audit & Supervisory Board Member (full-time)	Kazuyuki Kakehashi	December 7, 1951	<p>April 1975</p> <p>March 2001</p> <p>March 2004</p> <p>March 2009</p> <p>August 2009</p> <p>September 2009</p> <p>March 2010</p> <p>August 2010</p> <p>March 2015</p>	<p>Joined Toyo Carbon Co., Ltd. (currently the Company)</p> <p>General Manager, Production & Technology Department, Fine Carbon Division, the Company</p> <p>General Manager, Tanoura Plant, the Company</p> <p>General Manager, Shonan Office, General Manager, Chigasaki Plant, Industrialization Group Manager, R&D Strategy Division, the Company</p> <p>Assistant to General Manager, Fine Carbon Division</p> <p>Assistant to General Manager, R&D Strategy Division, the Company</p> <p>General Manager, R&D Planning Department, R&D Strategy Division, the Company</p> <p>Director, Tokai Konetsu Kogyo Co., Ltd.</p> <p>Managing Executive Officer, Tokai</p>	<p>4 years from Annual General Meeting of Shareholders held on March 27, 2020</p>	19,900

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
			March 2016	Konetsu Kogyo Co., Ltd. Audit & Supervisory Board Member, the Company		
			November 2018	Audit & Supervisory Board Member (full time), the Company		
			March 2019	Audit & Supervisory Board Member, the Company		
			May 2019	Audit & Supervisory Board Member (full time), the Company (incumbent)		
Audit & Supervisory Board Member	Kaoru Ogashiwa	January 7, 1967	October 1990	Joined Shin Nihon Shoken Chosa Center Keiei Kenkyusho (currently Japan Investor Relations and Investor Support, Inc.)	4 years from Annual General Meeting of Shareholders held on March 30, 2022	400
			December 1992	Registered as Certified Tax Accountant Representative, Kaoru Ogashiwa Tax Accountant Office (incumbent)		
			June 2005	Auditor, Senkon Logistics Co., Ltd.		
			June 2017	External Director and Auditor, the Company (incumbent)		
			May 2019	Audit & Supervisory Board Member, the Company (incumbent)		
Audit & Supervisory Board Member	Yoshinori Matsushima	February 7, 1968	November 1997	Joined Tohmatsu & Co.	4 years from Annual General Meeting of Shareholders held on March 30, 2023	-
			May 2001	Registered as a Certified Public Accountant Representative, Matsushima Certified Public Accountant Office (incumbent)		
			May 2006	Registered as Certified Tax Accountant Joined Tohmatsu & Co. [currently Deloitte Touche Tohmatsu LLC]		
			March 2023	Audit & Supervisory Board Member, the Company (incumbent)		
Total						396,214

- (Notes)
1. Mr. Nobumitsu Kambayashi, Ms. Mayumi Asada and Mr. Toshiro Miyazaki are External Directors.
 2. Audit & Supervisory Board Members Mr. Kaoru Ogashiwa and Mr. Yoshinori Matsushima are External Audit & Supervisory Board Members.
 3. The Company has designated Mr. Nobumitsu Kambayashi, Ms. Mayumi Asada and Mr. Toshiro Miyazaki, Directors, and Mr. Kaoru Ogashiwa and Mr. Yoshinori Matsushima, both Audit & Supervisory Board Members, as independent officers provided for in the provisions of the Tokyo Stock Exchange and has registered them accordingly with the said exchange.
 4. The Company has selected one substitute auditor to prepare for a situation in which there is a shortfall in the number of Audit & Supervisory Board Members required by laws and regulations. The candidate for Substitute Auditor is as follows.

Name	Date of birth	Career summary		Number of shares held (Shares)
Toshiya Konuma	January 23, 1971	October 1997	Joined Chuo Audit Corporation	-
		April 2003	Registered as a Certified Public Accountant	
		June 2004	Representative, Konuma Certified Public Accountant Office (incumbent)	
		November 2010	Registered as Certified Tax Accountant	

5. The company has adopted an executive officer system. The 17 executive officers included in this system are listed below.

Rank	Name	Responsibilities
* President & Chief Executive Officer	Hajime Nagasaka	
* Executive Officer	Masafumi Tsuji	Responsible for Human Resources Department, General Affairs Department, and Legal Affairs Department
* Executive Officer	Katsuyuki Yamaguchi	General Manager, R&D Strategy Division General Manager, Intellectual Property Department
* Executive Officer	Shunji Yamamoto	General Manager, Technology & Engineering Division
* Executive Officer	Tatsuhiko Yamazaki	(Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD.)
Executive Officer	Hirofumi Masuda	General Manager, Friction Materials Division
Executive Officer	Hiroshi Takahashi	Responsible for General Administration Department for Group Companies
Executive Officer	Takashi Masaki	General Manager, Smelting and Lining Division
Executive Officer	Kazuhito Kataoka	Responsible for Business Incubation Department, General Manager, Business Incubation Department
Executive Officer	Koji Miura	General Manager, Chita Laboratory
Executive Officer	Kenji Enokidani	(Managing Director, TOKAI CARBON US HOLDINGS INC.)
Executive Officer	Takeshi Nakashima	(Strategic Integration Officer, Tokai COBEX GmbH)
Executive Officer	Akira Yamada	General Manager, General Affairs Department General Manager, Legal Affairs Department
Executive Officer	Akihiko Sato	Responsible for Corporate Planning Department and General Manager of Corporate Planning Department
Executive Officer	Kazuyoshi Haino	General Manager, Japan Operations of Graphite Electrodes, General Manager, Hofu Plant, and General Manager, Hofu Laboratory
Executive Officer	Keiichiro Machihara	Deputy General Manager of Technology & Engineering Division and General Manager of Engineering Department
Executive Officer	Tsunayuki Sato	Responsible for Strategic Planning Department

* Concurrently serving directors

2) Relationship with External Directors and External Audit & Supervisory Board Members

The Company appoints three External Directors and two External Audit & Supervisory Board Members.

In selecting External Directors and External Audit & Supervisory Board Members, the Company selects candidates who bear no risk of causing conflicts of interest with general shareholders, based on the independence standards prescribed in the Guidelines for Listing set forth by Tokyo Stock Exchange, Inc. and the Independence Standards for External Directors (Note) established by the Company.

Although External Director Nobumitsu Kambayashi is from Kawasaki Heavy Industries, Ltd., one of the Company's business partners, Kawasaki Heavy Industries, Ltd. accounts for only a very small percentage of the Company's overall business transactions, and Mr. Nobumitsu Kambayashi satisfies the independence standards prescribed in the Guidelines for Listing as well as the Company's Independence Standards for External Directors and bears no risk of causing conflicts of interest with general shareholders.

External Director Mayumi Asada satisfies the independence standards prescribed in the Guidelines for Listing as well as the Company's Independence Standards for External Directors and bears no risk of causing conflicts of interest with general shareholders.

External Director Toshiro Miyazaki satisfies the independence standards prescribed in the Guidelines for Listing as well as the Company's Independence Standards for External Directors and bears no risk of causing conflicts of interest with general shareholders.

External Audit & Supervisory Board Member Kaoru Ogashiwa satisfies the independence standards prescribed in the Guidelines for Listing as well as the Company's Independence Standards for External Directors and bears no risk of causing conflicts of interest with general shareholders.

External Audit & Supervisory Board Member Yoshinori Matsushima satisfies the independence standards prescribed in the Guidelines for Listing as well as the Company's Independence Standards for External Directors and bears no risk of causing conflicts of interest with general shareholders.

At Board of Directors' meetings, External Directors and External Audit & Supervisory Board Members receive reports on the basic policy for the establishment of an internal control system as well as the status of relevant initiatives taken and their results. Moreover, External Audit & Supervisory Board Members collaborate with other Audit & Supervisory Board Members in meetings of the Audit & Supervisory Board to conduct audits from multiple perspectives through mutual coordination with internal audits and accounting audits and with the departments responsible for internal control, as noted in "Status of internal audits and audits by Audit & Supervisory Board Members."

(Note) "Independence Standards for External Directors"

With regard to the independence of External Directors and External Audit & Supervisory Board Members, in addition to the independence standards prescribed by the Tokyo Stock Exchange, the Company has established its own standards as follows, and makes a judgment after confirming that they fall under none of the following standards.

- 1 An executive person (Executive Director, Operating Officer, Executive Officer, Manager and other employee, including a person who was an executive person in the Group in the past) of the Group (the Company and its consolidated subsidiaries)
- 2 A current major shareholder of the Company (Shareholder with 10% or more of the total voting rights) or an executive person thereof
- 3 (1) A major business partner of the Group (entity whose transaction(s) with the Company in the most recent fiscal year exceeds 2% of the Company's consolidated net sales for the year) or an executive person thereof
(2) A business partner of the Company whose transaction(s) with the Company in the most recent fiscal year exceeds 2% of the partner's consolidated net sales for the year or an executive person thereof
- 4 A major lender to the Group (entity whose outstanding lending at the end of the most recent fiscal year exceeds 2% of the Company's consolidated total assets) or an executive person thereof
- 5 A professional service provider including a consultant, lawyer, or certified public accountant who has received money or other assets from the Company that is more than ¥10 million on average over the past three years other than the officer's remuneration. In addition, the Group is a principal business partner of the accounting firm, legal firm, or other organization to which the professional service provider belongs (whose transaction amount exceeds 2% of their annual revenue)
- 6 Representative partner or partner of the accounting auditor of the Company
- 7 An executive person of a corporation of which the Group holds 10% or more of the total voting rights
- 8 An entity which receives a large amount of donations or assistance (based on the criteria of ¥10 million or more annually) from the Group or an executive person thereof
- 9 An executive person of a corporation that has appointed an officer, etc. (Director, Accounting Advisor, Audit & Supervisory Board Member, Executive Officer or Accounting Auditor) or an employee of the Group as an officer, etc.
- 10 Close relatives of the persons listed in 1-9 (spouse or a relative within the second degree of kinship)

11 A person who has fallen under 2-9 in the past three years or a close relative of such person

Even in cases of falling under any of the above, if it is determined that the relevant person has substantial independence, the reason for such determination shall be explained and disclosed at the time of appointment as an External Director or Audit & Supervisory Board Member.

(3) Status of audits

1) Status of internal audits and audits by Audit & Supervisory Board Members

The Company has established an Internal Auditing Office to serve as an internal auditing department. Nine staff members have been appointed to the Internal Auditing Office, which is in charge of improving and enhancing the internal control systems by performing internal audits on business operations of the Company and its group companies. The Internal Auditing Office ensures it follows up on audits performed to see that recommendations for improvement have been implemented. Important audit results are reported to the Board of Directors.

The Company's Audit & Supervisory Board is comprised of four members (two full-time Audit & Supervisory Board Members and two External Directors) and is chaired by a full-time Audit & Supervisory Board Member. The two External Audit & Supervisory Board Members are independent officers as prescribed by Tokyo Stock Exchange, Inc. External Audit & Supervisory Board Member Kaoru Ogashiwa has vast experience as a certified tax accountant and specialized knowledge regarding accounting.

Audit & Supervisory Board Members provide independent supervision and oversight regarding the status of execution of duties by Directors through attending important meetings such as Board of Directors' meetings and Executives meetings, viewing important documents, interviewing Directors about the status of execution of their duties, and carrying out visiting audits of group companies and business locations, in accordance with the auditing policy, audit approach, audit plan, and division of duties stipulated at the start of the fiscal period. They also confirm the status and quality of audits carried out by accounting auditors by accompanying accounting auditors on visiting audits of business locations and attending interviews with management.

Audit & Supervisory Board meetings are, in principle, held once each month, and 13 meetings were held in fiscal 2022. All Audit & Supervisory Board Members attended all such meetings to discuss and resolve important matters concerning audits, and share details regarding audit implementation. The main matters to be considered include the election of Audit & Supervisory Board Members, etc., the election, dismissal or non-reappointment of Accounting Auditors, remuneration of Accounting Auditors, audit policies and plans, preparation of audit reports, and reports on the status of the execution of duties by Audit & Supervisory Board Members (full-time).

In addition, the Audit & Supervisory Board has engaged in opinion exchange meetings with the Representative Director and External Directors. It has also held information liaison meetings with group subsidiaries' Audit & Supervisory Board Members in the interests of strengthening/enhancing internal control.

The Audit & Supervisory Board periodically holds meetings with the Internal Auditing Office and provides advice and engages in close exchanges of information concerning internal audit results and recommendations. Also, full-time Audit & Supervisory Board Members participate in exchanges of information with risk management and compliance departments, and express necessary opinions.

2) Status of accounting audits

a. Name of accounting audit firm

KPMG AZSA LLC

b. Continuous audit period

Since 2021

c. Certified public accountants who executed audit work

Designated Limited Liability Partner and Executive Members: Ryoichi Isashi and Takeshi Nakatani

d. Composition of the assistants assigned to audit work

6 certified public accountants, 18 others

e. Accounting auditor selection policy and reasons

When selecting accounting auditors, the Company's policy is to make balanced decisions taking into account factors such as quality control systems, the level of specialization and independence, the content of audit plans, implementation systems for effectively and efficiently carrying out accounting audits of the Group, audit fee estimates, and communication with Audit & Supervisory Board Members and management. Based on this policy, the Company selected KPMG AZSA LLC as its accounting auditor, determining that KPMG AZSA LLC would provide suitable accounting audit services.

Accounting auditors for whom any of the items stipulated in Article 340, Paragraph 1 of the Companies Act are deemed applicable will be dismissed, subject to approval from all Audit & Supervisory Board Members. Also, where it is deemed that events have occurred that could hinder the suitable execution of accounting auditors' duties, or where the replacement of accounting auditors is deemed appropriate, the Audit & Supervisory Board decides on proposals to be submitted at the General Meeting of Shareholders for the dismissal or non-reappointment of accounting auditors.

- f. Accounting auditor evaluation carried out by Audit & Supervisory Board and its members, and evaluation contents
In accordance with the Japan Audit & Supervisory Board Members Association's "Practical Guidelines for Audit & Supervisory Board Members Concerning Accounting Auditor Evaluations and Establishing Selection Criteria," the Audit & Supervisory Board and its members evaluated accounting auditors' capabilities for carrying out audits based on seven criteria: (1) the state of quality control at the accounting audit firm, (2) the independence, professional expertise, and composition of audit teams, (3) the appropriateness of audit fees as well as the effectiveness and efficiency of audit services, (4) communication with Audit & Supervisory Board Members, etc., (5) communication with management, etc., (6) communication with other auditors in group audits, and (7) action taken in response to risks of wrongdoing.

3) Change of the audit firm

At the 2020 General Meeting of Shareholders held on March 30, 2021, the election of the Accounting Auditor was resolved as follows.

Fiscal 2020 (Consolidated and non-consolidated) Deloitte Touche Tohmatsu LLC

Fiscal 2021 (Consolidated and non-consolidated) KPMG AZSA LLC

The matters included in the Extraordinary Report are as follows:

- a. Name of the new certified public accountant, etc. pertaining to the change
- (a) Name of the elected certified public accountant, etc.
KPMG AZSA LLC
- (b) Name of the retiring certified public accountant, etc.
Deloitte Touche Tohmatsu LLC
- b. Date of the change
March 30, 2021
- c. Year on which the retiring certified public accountant, etc. assumed the position as certified public accountant, etc.
1982
- d. Matters concerning the opinion, etc. on audit reports prepared by the retiring certified public accountant, etc. during the last three years
Not applicable
- e. The decision to make the change or the grounds and the particulars that led to the change
The term of office of the Company's Accounting Auditor, Deloitte Touche Tohmatsu LLC, expired at the conclusion of the 2020 Annual General Meeting of Shareholders held on March 30, 2021. The Audit & Supervisory Board has received proposals from multiple audit firms, including the current Accounting Auditor, considering the number of years the current Accounting Auditor has been conducting audits, and has reviewed the details of the proposals. By electing KPMG AZSA LLC, in addition to the possibility of implementing an audit in a new way, the Company believes the firm is considered to have a system in place to ensure the implementation of financial audits. This has been decided while taking into consideration various factors including its size, expertise, independence, quality control system, and global audit system.
- f. Opinion on the grounds and the particulars that led to the change set forth in e. above
- (a) Opinions of the retiring certified public accountant, etc.
We have received a reply that there is no particular opinion.
- (b) Opinion of the Audit & Supervisory Board
It was deemed appropriate.

4) Contents of audit fees

a. Fees for certified public accountants

Category	Previous fiscal year		Current fiscal year	
	Fees based on audit attestation (Million yen)	Fees based on non-audit services (Million yen)	Fees based on audit attestation (Million yen)	Fees based on non-audit services (Million yen)
Submitting Company	68	1	74	0
Consolidated subsidiaries	10	-	10	-
Total	78	1	85	0

(Previous fiscal year)

The compensation paid to KPMG AZSA LLC is stated. The non-audit services for which the Company pays compensation are preparation of comfort letters and applications for exemptions from surcharges for renewable energy promotion.

(Current fiscal year)

The compensation paid to KPMG AZSA LLC is stated. The non-audit services for which the Company pays compensation is applications for exemptions from surcharges for renewable energy promotion.

b. Compensation for the same network as certified public accountants, etc. (excluding a.)

Category	Previous fiscal year		Current fiscal year	
	Fees based on audit attestation (Million yen)	Fees based on non-audit services (Million yen)	Fees based on audit attestation (Million yen)	Fees based on non-audit services (Million yen)
Submitting Company	-	65	-	25
Consolidated subsidiaries	119	10	261	5
Total	119	75	261	30

(Previous fiscal year)

The non-audit services paid by the Company to the same network (KPMG) as the certified public accountants include support services related to ESG promotion. Non-audit services paid by consolidated subsidiaries include tax-related services.

(Current fiscal year)

The non-audit services paid by the Company to the same network (KPMG) as the certified public accountants include support services related to ESG promotion and such. Non-audit services paid by consolidated subsidiaries include tax-related services.

c. Fees based on other important audit and attestation services

Not applicable

d. Policy for determining audit fees

The Company has not set a policy for determining amounts to be paid as fees for certified public accountants, etc. but gives consideration to factors such as audit periods when deciding on fee amounts.

e. Reasons why the Audit & Supervisory Board agreed to the accounting auditor's fees, etc.

The Audit & Supervisory Board agreed to the accounting auditor's fees, as it determined that accounting auditors' fees, etc. were reasonable after verifying whether the contents of the auditor's audit plans, the state of work execution by accounting auditors, and the calculation basis for its fee estimates were appropriate.

(4) Executive remuneration, etc.

1) Policy for determining the amounts of remuneration for Directors and Audit & Supervisory Board Members

The policy for determining the amount of remuneration for Directors is a matter for resolution by the Board of Directors. Remuneration for Directors is set within the maximum limits approved at the General Meeting of Shareholders and with the aim of having Directors and Audit & Supervisory Board Members in charge of business execution be strongly committed to achieving high management targets and maximizing medium- to long-term corporate value by fulfilling the following requirements. The Company aims to pay remuneration commensurate with the operating performance of the Company and the performance and achievement of each individual.

- Remuneration for encouraging commitment of Directors and Audit & Supervisory Board Members toward short- and medium- to long-term management targets
- Remuneration guaranteeing the level of remuneration that can motivate incumbent and future candidates for Directors and Audit & Supervisory Board Members, and that is the same level as competitors
- Remuneration that is transparent and reasonable enough to be accountable to Directors, Audit & Supervisory Board Members, shareholders and investors

The remuneration for Directors and Audit & Supervisory Board Members of the Company consists of “basic remuneration,” which is the fixed portion, and “performance-linked remuneration,” which varies depending on the level of achievement of performance targets. For Directors who are responsible for business execution, the standard amount of “basic remuneration,” which is the fixed portion, and the percentage of “performance-linked remuneration” to “basic remuneration” are set higher as the level of officer rises. This is by taking into account responsibility of each Director and Audit & Supervisory Board Member and impact on the Company’s performance. The performance-linked remuneration consists of “bonus,” which is paid based on the level of achievement of financial performance each year, and “medium- to long-term incentive” (performance cash) which is paid based on the magnitude of achievement of the three-year financial performance targets and on the evaluation of important initiatives taken that are unlikely to be clearly reflected in short-term financial results. Our target financial indicators are net sales, ROS, and ROIC, all of which are positioned as key indicators in our mid-term management plan as well. Because performance-linked remuneration is not suitable for non-executive Directors and Audit & Supervisory Board Members who are independent from business execution, only fixed remuneration is paid to such Directors and Audit & Supervisory Board Members.

Financial indicator	Target	Result
Net sales	¥305,000 million	¥340,371 million
ROS	11.4%	11.9%
ROIC	6.5%	7.1%

Regarding performance evaluations and remuneration for Directors, the Company has adopted a mechanism whereby remuneration is set within the maximum limit approved at the General Meeting of Shareholders, with the degree of achievement of financial targets and various initiatives deliberated by the Remuneration Committee, which is chaired by an External Director. It is a highly transparent remuneration system that incorporates objective viewpoints. When determining the content of individual compensation for Directors, etc., the Remuneration Committee comprehensively deliberates including consistency with the determination policy, the Board of Directors deliberates and makes decisions, etc., and the Board of Directors judges that it is in line with the determination policy. At the Board of Directors’ meeting held on March 30, 2022, the Company resolved to entrust decisions on remuneration to the Remuneration Committee. The Remuneration Committee held meetings regarding executive remuneration during the fiscal year under review on March 7, 2022 and March 30, 2022 and decided the amount of individual remuneration based on the consideration of the remuneration system for Directors and the business performance, responsibilities and achievements of Directors. The Remuneration Committee consists of four members: External Director (Chairman) Nobumitsu Kambayashi, External Director Mayumi Asada, External Director Toshiro Miyazaki, and Representative Director/President & Chief Executive Officer Hajime Nagasaka. The Board of Directors has determined that individual compensation amounts will be appropriately determined by deliberating compensation amounts for Directors in the Remuneration Committee, where External Directors hold a majority.

Remuneration for Audit & Supervisory Board Members is set within the maximum limit approved at the General Meeting of Shareholders and is determined through discussions at Audit & Supervisory Board meetings.

In addition, to provide incentives for Directors other than External Directors to continuously improve corporate value, and to promote value sharing with shareholders, the Company pays remuneration for the granting of shares with a transfer restriction as monetary claims of up to ¥100 million per year. The transfer restriction period shall be 30 years from the day of receiving the allotment, and the transfer restriction shall be lifted by resolution of the Board of Directors in the case of expiration of the transfer restriction period, resignation due to expiration of the term of office, death or other justifiable reasons. The Board of Directors determines the specific timing and distribution of payments.

- 2) Total amounts of remuneration paid to Directors and Audit & Supervisory Board Members, total amounts by type of remuneration, and number of eligible recipients

Officer classification	Total amount of remuneration (Million yen)	Total amount of remuneration by type (Million yen)			Number of eligible recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc. Remuneration in the form of shares with a transfer restriction	
Directors (excluding External Directors)	182	97	66	18	6
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	37	37	-	-	2
External Directors and Audit & Supervisory Board Members	54	54	-	-	6

(Notes) 1. It was resolved at the Annual General Meeting of Shareholders for fiscal 2005, held on March 30, 2006, that the maximum amount of remuneration paid to Directors shall be no more than ¥350 million per year (number of Directors capped at 13).

2. It was resolved at the Annual General Meeting of Shareholders for fiscal 2005, held on March 30, 2006, that the maximum amount of remuneration paid to Audit & Supervisory Board Members shall be no more than ¥65 million per year (number of Audit & Supervisory Board Members capped at 4).

3. The number of executives at the end of the fiscal year under review was nine Directors (three of whom were External Directors) and four Audit & Supervisory Board Members (two of whom were External Audit & Supervisory Board Members).

- 3) Total amount of consolidated remuneration, etc. paid to individual Directors and Audit & Supervisory Board Members
There is no data to disclose, as no Director or Audit & Supervisory Board Member received consolidated remuneration in excess of ¥100 million for the fiscal year under review.

(5) Status of shareholdings

1) Classification standards and approach for investment stocks

The Company classifies investment stocks into two categories: investment stocks held for pure investment purposes, and investment stocks held for purposes other than pure investment. Investment stocks held for pure investment purposes are held for the purpose of gaining profits from fluctuations in the value of such stocks or from stock-related dividends. Investment stocks held for other purposes are referred to as investment stocks held for purposes other than pure investment.

2) Investment stocks held for purposes other than pure investment

a. Method for verifying the policy and rationale for holdings as well as the results of verification carried out at Board of Directors' meetings, etc., regarding the suitability of individual stocks

The Company acquires/holds shares in business partners, etc. where it determines that doing so would help in creating further business opportunities or enhancing corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. When holding individual stocks, the Company designates the department with administrative authority, which analyzes the profitability and purpose of holding the relevant stock(s), as well as whether the risks of holding are commensurate with the cost of capital. The Company thereafter carries out periodic verifications from a company-wide strategic perspective at Executives Meetings and Board of Directors' meetings. The Company will reduce its holdings of stocks for which there are deemed to be insufficient grounds for maintaining holdings based on verification results.

b. Number of stocks and amount recorded on balance sheet

	Number of stocks (Stocks)	Total amount recorded on balance sheet (Million yen)
Unlisted stocks	5	27
Stocks other than unlisted stocks	49	19,073

(Stocks for which the number of shares increased in the fiscal year under review)

	Number of stocks (Stocks)	Total acquisition amount related to increase in shareholdings (Million yen)	Reason for the increase in the number of shares
Unlisted stocks	-	-	
Stocks other than unlisted stocks	3	516	Shares acquired through client's stock ownership plan and acquisition of shares for the purpose of maintaining and strengthening business relationships

(Stocks for which the number of shares decreased in the fiscal year under review)

	Number of stocks (Stocks)	Total proceeds from sale related to decrease in shareholdings (Million yen)
Unlisted stocks	-	-
Stocks other than unlisted stocks	5	605

c. Information on the number of shares and amount recorded on balance sheet by stock name for specified investment stocks and deemed shareholdings

Specified investment stocks

Stock name	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of holding and the reason for the increase in the number of shares	Tokai Carbon shareholder
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
Mitsubishi UFJ Financial Group, Inc.	5,494,680	5,494,680	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	4,884	3,433		
Bridgestone Corporation	695,108	695,108	Same as above.	No
	3,260	3,440		
Mitsubishi Corporation	362,387	472,987	Same as above.	No
	1,552	1,727		
Daido Steel Co., Ltd.	287,914	171,126	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. The increase in the number of shares was due to purchases for the purpose of maintaining and strengthening business relationships.	Yes
	1,242	713		
Zeon Corporation	890,475	890,475	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	1,189	1,181		
Fukuoka Financial Group, Inc.	220,756	220,756	Same as above.	Yes
	663	435		
Kyushu Financial Group Inc.	1,385,504	1,385,504	Same as above.	Yes
	629	579		
Toyo Tire Corporation	379,811	379,811	Same as above.	No
	568	681		
Toagosei Co., Ltd.	464,951	464,951	Same as above.	Yes
	517	537		
Mitsubishi Estate Co., Ltd.	292,075	292,075	Same as above.	Yes
	499	465		
Tokio Marine Holdings, Inc.	148,830	49,610	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. The increase in number of shares is due to the division of stock.	Yes
	420	317		
NOK Corporation	317,000	317,000	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	372	396		
K.C.Tech Co., Ltd.	152,996	152,996	Same as above.	No
	238	358		
Yamato Kogyo Co., Ltd.	52,064	52,064	Same as above.	No
	234	193		
The Yokohama Rubber Co., Ltd.	109,298	109,298	Same as above.	No
	224	201		
JEOL Ltd.	62,500	62,500	Same as above.	Yes
	224	574		
Yamaguchi Financial Group, Inc.	220,000	220,000	Same as above.	Yes
	189	148		

Stock name	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of holding and the reason for the increase in the number of shares	Tokai Carbon shareholder
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
KC Co., Ltd.	104,525	104,525	Same as above.	Yes
	188	232		
The Shiga Bank, Ltd.	69,600	69,600	Same as above.	Yes
	184	144		
Sumitomo Rubber Industries, Ltd.	157,455	157,455	Same as above.	Yes
	181	184		
Nippon Steel Corporation	78,666	78,666	Same as above.	No
	180	147		
Sumitomo Corporation	71,973	71,973	Same as above.	No
	158	122		

Stock name	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of holding and the reason for the increase in the number of shares	Tokai Carbon shareholder
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
Toyoda Gosei Co., Ltd.	68,252	68,252	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	140	170		
Topy Industries, Ltd.	80,020	75,799	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. Shares acquired through client's stock ownership plan.	No
	129	84		
TYK Corporation	485,000	485,000	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	128	149		
Kyoei Steel Co.	90,000	90,000	Same as above.	No
	113	127		
Miyoshi Oil & Fat Co., Ltd.	110,000	110,000	Same as above.	Yes
	103	138		
Osaka Steel Co., Ltd.	55,000	55,000	Same as above.	Yes
	63	63		
Soda Nikka Co., Ltd.	87,285	87,285	Same as above.	Yes
	62	71		
Makino Milling Machine Co., Ltd.	14,400	14,400	Same as above.	Yes
	62	59		
Sanyo Special Steel Co., Ltd.	26,446	26,446	Same as above.	No
	57	53		
Tokyo Tekko Co., Ltd.	39,787	39,787	Same as above.	Yes
	56	52		
DMW Corporation	16,200	16,200	Same as above.	Yes
	49	58		
The Yamanashi Chuo Bank, Ltd.	43,787	43,787	Same as above.	Yes
	48	37		
Itochu Corporation	9,315	9,315	Same as above.	No
	38	32		
Mitsubishi Kakoki Kaisha, Ltd.	18,600	18,600	Same as above.	Yes
	38	40		
SUMCO Corporation	21,700	21,700	Same as above.	No
	38	50		
JFE Holdings Corporation	19,988	19,988	Same as above.	No
	30	29		
The Bank of Iwate, Ltd.	11,550	11,550	Same as above.	Yes
	22	21		
AGC Inc.	4,410	4,410	Same as above.	Yes
	19	24		
Aichi Steel Corporation	8,572	8,003	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. Shares acquired through client's stock ownership plan.	No
	18	19		
Sumitomo Riko Company Limited	23,104	23,104	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	14	13		
Bando Chemical Industries, Ltd.	14,006	14,006	Same as above.	No
	13	12		

Stock name	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of holding and the reason for the increase in the number of shares	Tokai Carbon shareholder
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
Kimura Chemical Plants Co., Ltd.	14,500	14,500	Same as above.	Yes
	10	12		
ENEOS Holdings, Inc.	15,536	15,536	Same as above.	No
	6	6		
Kobe Steel, Ltd.	1,369	1,369	Same as above.	No
	0	0		
Daiwa Securities Group Inc.	1,000	1,000	Same as above.	Yes
	0	0		
Nomura Holdings, Inc.	1,000	1,000	Same as above.	Yes
	0	0		

Stock name	Fiscal year under review	Previous fiscal year	Purpose and quantitative effect of holding and the reason for the increase in the number of shares	Tokai Carbon shareholder
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Million yen)	Amount recorded on balance sheet (Million yen)		
Godo Steel, Ltd.	64	64	Increase corporate value over the medium- to long-term by creating business opportunities and building, maintaining and strengthening business and collaborative relationships.	No
	0	0		
Mitsubishi Heavy Industries, Ltd.	-	10,000	-	No
	-	26		
Shinko Corporation	-	7,100	-	No
	-	24		
Hitachi Construction Machinery Co., Ltd	-	6,473	-	No
	-	21		
Nachi-Fujikoshi Corp.	-	1,620	-	No
	-	6		

(Note) 1. It is difficult to list the quantitative effects of holdings. However, the Company periodically verifies the rationale for its holdings based on analysis of factors such as the purpose of acquiring or holding, profitability, and whether the risks of holding are commensurate with the cost of capital.

2. “-” indicates that the Company does not hold the relevant issue.

3) Investment stocks held for the purpose of pure investment
Not applicable

4) Investment stocks for which the purpose of holding was changed from pure investment to other than pure investment during the fiscal year under review
Not applicable

5) Investment stocks for which the purpose of holding was changed from other than pure investment to pure investment during the fiscal year under review.
Not applicable

Section 5 Status of Accounting

1. Method of preparation for consolidated and non-consolidated financial statements

- (1) The Company's consolidated financial statements are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Ordinance on Consolidated Financial Statements").
- (2) The Company's financial statements are prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as "Ordinance on Financial Statements"). The Company corresponds to the Company Submitting Financial Statement under special provision and prepares financial statements pursuant to the provision of Article 127 of the Ordinance on Financial Statements.

2. Audit certificate

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company receives audits from KPMG AZSA LLC in regard to the consolidated financial statements for the fiscal year from January 1 to December 31, 2022 and the financial statements for the business year from January 1 to December 31, 2022.

3. Special initiatives to ensure the appropriateness of consolidated financial statements, etc.

The Company takes special initiatives to ensure the appropriateness of consolidated financial statements, etc. Specifically, in order to establish a system to properly identify the contents of accounting standards, etc. and to respond appropriately to changes, etc. to accounting standards, the Company is a member of the Financial Accounting Standards Foundation and also participates in seminars organized by the accounting audit firm, etc. and subscribes to accounting journals.

1 Consolidated Financial Statements, etc.

(1) Consolidated financial statements

1) Consolidated balance sheets

(Million yen)

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	78,858	70,909
Notes and accounts receivable	56,668	* 165,197
Merchandise and finished goods	20,169	26,198
Work in progress	29,362	41,584
Raw materials and supplies	22,947	33,548
Other	7,377	9,528
Allowance for doubtful accounts	(234)	(274)
Total current assets	215,149	246,691
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	29,783	30,944
Machinery, equipment and vehicles, net	84,239	90,597
Land	7,724	8,035
Construction in progress	15,085	44,366
Other, net	7,332	8,004
Total tangible fixed assets	* 2 144,165	* 2 181,948
Intangible fixed assets		
Goodwill	55,553	52,837
Customer-related assets	57,880	55,724
Other	9,914	10,276
Total intangible assets	123,349	118,839
Investments and other assets		
Investment securities	* 3 21,802	* 3 22,548
Net defined benefit asset	3,500	2,927
Deferred tax assets	3,620	2,210
Other	958	1,325
Allowance for doubtful accounts	(43)	(25)
Total investments and other assets	29,838	28,986
Total fixed assets	297,353	329,773
Total assets	512,503	576,465

(Million yen)

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable	22,294	28,119
Electronically recorded obligations	3,934	4,153
Short-term loans payable	* 4 2,000	* 4 10,940
Commercial papers	50,000	60,000
Current portion of loans payable	12,710	9,805
Income taxes payable	5,913	5,673
Contract liability	-	2,271
Provision for bonuses	2,777	3,887
Current portion of bonds payable	10,000	-
Provision for loss on sale of equity invested in associates	1,137	-
Other	19,650	21,845
Total current liabilities	130,418	146,696
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	38,539	35,706
Deferred tax liabilities	18,499	24,171
Retirement benefit liability	7,340	6,567
Provision for retirement benefits for directors	90	105
Provision for executive officers' retirement benefits	58	58
Provision for environment and safety measures	284	315
Other	5,701	6,974
Total long-term liabilities	125,514	128,900
Total liabilities	255,932	275,596
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	17,350	13,811
Retained earnings	175,727	191,750
Treasury stock	(7,244)	(7,236)
Total shareholders' equity	206,269	218,761
Accumulated other comprehensive income		
Valuation difference on other securities	9,370	9,587
Deferred gains or losses on hedges	(41)	274
Foreign currency translation adjustments	11,805	37,681
Cumulative remeasurements of defined benefit plans	1,805	2,521
Total accumulated other comprehensive income	22,940	50,065
Non-controlling interests	27,360	32,041
Total net assets	256,570	300,868
Total liabilities and net assets	512,503	576,465

2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net sales	258,874	*1 340,371
Cost of sales	*2, *4 188,142	*2, *4 246,318
Gross profit	70,732	94,052
Selling, general and administrative expenses	*3, *4 46,085	*3, *4 53,463
Operating income	24,647	40,588
Non-operating income		
Interest income	288	607
Dividend income	586	737
Share of profit of entities accounted for using equity method	112	332
Foreign exchange gains	657	2,162
Other	861	529
Total non-operating income	2,506	4,368
Non-operating expenses		
Interest expenses	1,043	1,042
Other	1,340	1,393
Total non-operating expenses	2,383	2,436
Ordinary income	24,770	42,521
Extraordinary income		
Gain on sale of investment securities	47	544
Gain on sales of fixed assets	*5 216	*5 88
Gain on liquidation of subsidiaries and associates	6	-
Total extraordinary income	270	633
Extraordinary losses		
Loss on retirement of fixed assets	*6 104	*6 624
Loss on sale of equity invested in associates	-	160
Accident-related loss	-	*7 141
Loss on valuation of investment securities	-	116
Loss on sales of fixed assets	*8 5	*8 0
Loss on sale of investment securities	-	0
Provision for loss on sale of equity invested in associates	1,137	-
Impairment losses	*9 385	-
Demolition and removal costs	30	-
Loss on liquidation of subsidiaries and associates	24	-
Total extraordinary losses	1,685	1,043
Net income before income taxes	23,354	42,111
Income taxes - current	8,744	8,685
Income taxes - deferred	(5,496)	6,096
Total income taxes	3,248	14,782
Net income	20,106	27,329
Net income attributable to non-controlling interests	4,000	4,910
Net income attributable to owners of the parent company	16,105	22,418

Consolidated statements of comprehensive income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net income	20,106	27,329
Other comprehensive income		
Valuation difference on other securities	1,915	218
Deferred gains or losses on hedges	28	316
Foreign currency translation adjustments	15,676	28,353
Remeasurements of defined benefit plans	917	716
Share of other comprehensive income of entities accounted for using equity method	362	(244)
Total other comprehensive income	* 18,900	* 1 29,360
Comprehensive income	39,006	56,689
(Breakdown)		
Comprehensive income attributable to owners of the parent company	34,306	49,543
Comprehensive income attributable to non-controlling interests	4,699	7,145

3) Consolidated statements of changes in equity
Previous fiscal year (January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,436	17,338	166,017	(7,248)	196,543
Change during period					
Dividends of surplus			(6,395)		(6,395)
Net income attributable to owners of the parent company			16,105		16,105
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		11		6	18
Net change in items other than shareholders' equity					
Total change in items during period	-	11	9,710	3	9,725
Balance at end of period	20,436	17,350	175,727	(7,244)	206,269

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Cumulative remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,436	(70)	(3,529)	887	4,723	23,548	224,815
Change during period							
Dividends of surplus							(6,395)
Net income attributable to owners of the parent company							16,105
Purchase of treasury stock							(3)
Disposal of treasury stock							18
Net change in items other than shareholders' equity	1,934	28	15,335	917	18,216	3,812	22,029
Total change in items during period	1,934	28	15,335	917	18,216	3,812	31,755
Balance at end of period	9,370	(41)	11,805	1,805	22,940	27,360	256,570

Current fiscal year (January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,436	17,350	175,727	(7,244)	206,269
Change during period					
Dividends of surplus			(6,395)		(6,395)
Net income attributable to owners of the parent company			22,418		22,418
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		8		10	19
Changes in the parent company's interest due to transactions with non-controlling interests		(3,547)			(3,547)
Net change in items other than shareholders' equity					
Total change in items during period	-	(3,538)	16,023	8	12,492
Balance at end of period	20,436	13,811	191,750	(7,236)	218,761

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Cumulative remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,370	(41)	11,805	1,805	22,940	27,360	256,570
Change during period							
Dividends of surplus							(6,395)
Net income attributable to owners of the parent company							22,418
Purchase of treasury stock							(2)
Disposal of treasury stock							19
Changes in the parent company's interest due to transactions with non-controlling interests							(3,547)
Net change in items other than shareholders' equity	216	316	25,875	716	27,125	4,680	31,805
Total change in items during period	216	316	25,875	716	27,125	4,680	44,297
Balance at end of period	9,587	274	37,681	2,521	50,065	32,041	300,868

4) Consolidated statements of cash flows

(Million yen)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Cash flows from operating activities		
Net income before income taxes	23,354	42,111
Depreciation	22,900	27,460
Loss (gain) on retirement / sales of tangible fixed assets	(107)	535
Amortization of goodwill	6,971	7,522
Increase (decrease) in allowance for doubtful accounts	(5)	1
Increase (decrease) in provision for bonuses	959	867
Increase (decrease) in provision for loss on sale of equity invested in associates	1,137	(1,137)
Increase (decrease) in retirement benefit liability	593	(890)
Decrease (increase) in retirement benefit asset	(771)	573
Interest and dividend income	(875)	(1,344)
Interest expenses	1,043	1,042
Foreign exchange losses (gains)	(349)	(1,593)
Share of (profit) loss of entities accounted for using equity method	(112)	(332)
Decrease (increase) in notes and accounts receivable - trade	(13,566)	(6,140)
Decrease (increase) in inventories	(6,147)	(24,711)
Increase (decrease) in notes and accounts payable - trade	9,142	4,659
Other	470	80
Subtotal	44,636	48,706
Interest and dividends received	1,208	1,345
Interest paid	(1,080)	(1,038)
Income taxes paid	(7,168)	(8,368)
Other	477	560
Cash flows from operating activities	38,072	41,205
Cash flows from investing activities		
Payments into time deposits	(14,223)	(20,767)
Proceeds from withdrawal of time deposits	9,513	15,080
Purchase of tangible fixed assets	(28,955)	(43,989)
Proceeds from sales of tangible fixed assets	302	188
Purchase of intangible assets	(575)	(1,222)
Proceeds from sales of equity invested in subsidiaries resulting in a change in the scope of consolidation	-	* 2 740
Other	(1,344)	69
Cash flows from investing activities	(35,282)	(49,900)

(Million yen)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,142)	8,875
Net increase (decrease) in commercial papers	10,000	10,000
Proceeds from long-term loans payable	-	7,227
Repayments of long-term loans payable	(9,461)	(13,154)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds payable	-	(10,000)
Dividends paid	(6,395)	(6,395)
Dividends paid to non-controlling interests	(887)	(988)
Payments for acquisition of shares of subsidiaries without change in scope of consolidation	-	(5,024)
Other	(901)	(1,168)
Cash flows from financing activities	1,211	(10,629)
Effect of exchange rate change on cash and cash equivalents	2,705	4,266
Net increase (decrease) in cash and cash equivalents	6,707	(15,057)
Cash and cash equivalents at beginning of the period	57,727	64,435
Cash and cash equivalents at end of the period	* 1 64,435	* 1 49,377

Notes to Consolidated Financial Statements

(Significant basis for preparation of consolidated financial statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: 31

The names of consolidated subsidiaries are mentioned in “Section 1 Overview of the Company, 4 Status of Subsidiaries and Associates” and hence omitted here.

Tokai Carbon (Tianjin) Co., Ltd., which was a consolidated subsidiary, is excluded from the scope of consolidation due to the transfer of all equity interests to a subsidiary of Cabot Corporation.

(2) Status of non-consolidated subsidiaries

Not applicable

2. Matters concerning application of equity method

(1) Number of associates accounted for by the equity method: 1

(2) Special notes on equity method application procedures

Of the companies accounted for by the equity method, for those that have a closing date that differs from the consolidated closing date, the financial statements for each such company’s fiscal year are used.

3. Matters concerning fiscal years of consolidated subsidiaries

The closing date for consolidated subsidiaries is the same as the consolidated closing date.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

1) Marketable securities

Other securities

a. Securities other than shares without market value

Market value method (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated according to the moving-average method).

b. Shares without market value

Based on the moving average cost method

2) Inventories

The Company and its domestic consolidated subsidiaries adopt cost method based on monthly average method (values in the balance sheet are subject to the book value reduction method based on a decline in profitability) and overseas consolidated subsidiaries principally use lowest cost accounting based on first in, first out method.

3) Derivatives

Based on market value method.

- (2) Depreciation/amortization method for significant depreciable/amortizable assets
- 1) Tangible fixed assets (excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. However, the accounting of buildings (excluding auxiliary facilities) acquired on or after April 1, 1998 and auxiliary facilities and structures acquired on or after April 1, 2016 is based on the straight-line method. Overseas consolidated subsidiaries mainly use the straight-line method.

The useful life of each of these structures is as follows:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 50 years
 - 2) Intangible fixed assets (excluding leased assets)

Based on straight-line method.

Client-related assets are amortized based on the straight-line method over the projected profit-making period (6 to 21 years) on the basis of which compensation is calculated.
 - 3) Leased assets

Depreciation is calculated by using the straight-line method which considers the residual value to be zero and treats the lease term as the useful life of the asset.
- (3) Standards for recognition of significant allowances
- 1) Allowance for doubtful accounts

To provide for losses due to uncollectible general accounts receivables, such allowance is calculated based on reasonable standards such as historical collection losses. For specific accounts receivables such as doubtful accounts receivables, a case-by-case review is conducted and an estimation of the uncollectible amount is recorded.
 - 2) Provision for bonuses

To provide for employee bonuses, the estimated amount to be paid out in the current consolidated fiscal year is recorded under liabilities for that year.
 - 3) Provision for retirement benefits for directors

To provide for retirement benefits of directors, the Company and its domestic subsidiaries record the required amount at the end of the consolidated fiscal year based on the internal rules for payment of directors' retirement benefits.
 - 4) Provision for executive officers' retirement benefits

To provide for executive officers' retirement benefits, the required amount is recorded at the end of the consolidated fiscal year based on internal rules.
 - 5) Provision for environment and safety measures

As a provision for expenses such as PCB waste disposal expenses based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, an amount that can be reasonably estimated to be incurred by the end of the consolidated fiscal year is recorded.
- (4) Accounting method for retirement benefits
- 1) Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of the current fiscal year.
 - 2) Accounting method for actuarial gains and losses and prior service costs

Prior service costs are treated as a one-time charge in the fiscal year of their accrual.

Actuarial gains and losses are amortized on a straight-line basis over a certain period of years (10 years), which is within the average remaining service period of employees, commencing from the succeeding fiscal year.
 - 3) Accounting treatment for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are recorded as rereasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting for tax effects.
 - 4) Adoption of simplified accounting method by small-scale companies, etc.

In calculating retirement benefit liability and retirement benefit expenses, some consolidated subsidiaries adopt the simplified method of using the amount required for voluntary retirements at the end of the fiscal year relating to retirement benefits as the retirement benefit obligation.

- (5) Standards for significant revenues and expenses
 The Group manufactures and sells products in Graphite Electrodes, Carbon Black, Fine Carbon, Smelting and Lining, Industrial Furnaces and Related Products, and Other Operations.
 With respect to sales of products other than industrial furnaces, revenue is recognized at the amount expected to be received as consideration at the time of delivery of products, in principle, because it is determined that customers gain control over the products and performance obligations are fulfilled at the time of delivery of the products. In domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period. In export sales, revenue is recognized upon transfer of risk to customers based on trade terms stipulated in Incoterms and other agreements.
 With respect to industrial furnaces, as the period from the date of commencement of the contract to when performance obligations are expected to be fully satisfied is very short, revenue is recognized at the time of acceptance by customers when performance obligations are fully satisfied.
 The consideration for the transaction is received within approximately four months from the time when the performance obligation is satisfied and does not include any significant financial elements.
- (6) Standard for translation of significant foreign currency-denominated assets or liabilities into Japanese yen
 Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and translation adjustments are treated as profits or losses. Furthermore, assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen at the spot exchange rate on the consolidated closing date; revenue and expenses are translated into Japanese yen at the average exchange rate for the fiscal year. Translation adjustments are included under foreign currency translation adjustments account and non-controlling interests in the net assets section of the consolidated balance sheet.
- (7) Significant hedge accounting method
- 1) Hedge accounting method
 Deferred hedge accounting is adopted.
 Foreign exchange forward contracts that meet the requirements for allocation treatment are accounted for by the allocation treatment.
 - 2) Hedging instruments and hedged items
 The hedging instruments and hedged items are as follows.

Hedging instruments:	Foreign exchange forward contracts
Hedged items:	Foreign currency receivables and payables and forecasted foreign currency transactions arising from product exports
 - 3) Hedging policy
 In accordance with the internal regulations that prescribe the authority and transaction limit for derivative transactions, foreign exchange risks pertaining to hedged items are hedged within a certain range.
 - 4) Method for assessing hedge effectiveness
 The method for assessing the effectiveness of hedges is to check whether there is a high correlation between the hedged item's market fluctuation or cash flow fluctuation and the hedging instrument's market fluctuation or cash flow fluctuation.
- (8) Method and period for amortization of goodwill
 Goodwill is amortized using the straight-line method over a period of 10 to 17 years. However, goodwill of immaterial value is amortized on a lump-sum basis.
- (9) Scope of cash and cash equivalents in consolidated statements of cash flows
 Cash and cash equivalents in consolidated statements of cash flows comprise cash on hand, deposits that can be withdrawn at any time, and short-term investments with an original maturity of three months or less that can be readily converted into cash and that are subject to only an insignificant risk of change in value.

(Significant accounting estimates)

1. Assessment of goodwill

(1) Amounts included in current fiscal year's consolidated financial statements

The balance of goodwill recorded in the consolidated balance sheets in the previous fiscal year was ¥55,553 million, of which the balance of goodwill related to Smelting and Lining was ¥33,654 million. The balance of goodwill recorded in the consolidated balance sheets in current fiscal year was ¥52,837 million, of which the balance of goodwill related to Smelting and Lining was ¥31,772 million.

(2) Information on significant accounting estimates related to the identified items

1) Method of calculating the amount included in current fiscal year's consolidated financial statements

Goodwill is amortized on a straight-line basis over the period during which the effect of impairment losses is expected to be realized. However, in the event that business performance does not progress as planned at the time of the acquisition of control and the profit or loss from operating activities continues to be negative, or if the business environment significantly deteriorates, the Company may recognize that there is an indication of impairment in the asset group including goodwill, and it would be necessary to determine whether impairment losses should be recorded. If the recognition of impairment losses is deemed necessary, the book value is reduced to the recoverable amount and the reduced amount of the book value is reported as impairment losses.

The Company has determined that there is no indication of impairment in the current fiscal year.

2) Major assumptions used in the calculation

The indication of impairment is determined by Smelting and Lining operating profit and loss performance, achievement of business plans, future business plans, etc. This business plan includes assumptions regarding the net sales and operating profit and loss of the business. The Company is also taking into consideration changes in the business environment, including the heightened geopolitical risks associated with the situation in Russia and Ukraine.

3) Impact on consolidated financial statements for the following fiscal year

These assumptions are determined by management's best estimates. However, they may be affected by changes in uncertain economic conditions in the future, etc. If it becomes necessary to review these assumptions, they may have a significant impact on goodwill amounts in the consolidated financial statements for the following fiscal year.

2. Assessment of fixed assets (excluding goodwill)

(1) Amounts included in current fiscal year's consolidated financial statements

(Million yen)

	Previous fiscal year	Current fiscal year
Tangible fixed assets	144,165	181,948
Intangible fixed assets (excluding Goodwill)	67,795	66,001
Impairment losses	385	-

(2) Information on significant accounting estimates related to the identified items

1) Method of calculating the amount included in current fiscal year's consolidated financial statements

The Group uses management accounting classifications as grouping units when considering the impairment losses in fixed assets.

If any indication of impairment exists with respect to the fixed assets of the Company or any of its domestic consolidated subsidiaries, the Company will examine whether undiscounted future cash flows are below book value and determine whether impairment losses recognition is necessary. If, as a result of the determination, undiscounted future cash flows are less than book value and it is determined that recognition of impairment losses is necessary, book value is reduced to the recoverable amount and the decrease is recorded as impairment losses. The recoverable amount is measured at the higher of the value in use or the net selling price. The value in use is calculated based on certain assumptions regarding future cash flows, discount rate, etc. Fixed assets of major foreign subsidiaries are based on International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (US GAAP) in accordance with ASBJ PITF No.18 (revised 2019) "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements."

2) Major assumptions used in the calculation

Estimates of future cash flows are based on business plans approved by management and include assumptions about the net sales, operating income and expenses of each business.

3) Impact on consolidated financial statements for the following fiscal year

Any change in the conditions or assumptions used in the estimates may have a significant impact on fixed asset amounts.

3. Deferred tax assets recoverability

(1) Amounts included in current fiscal year's consolidated financial statements

(Million yen)

	Previous fiscal year	Current fiscal year
Deferred tax assets	3,620	2,210
Deferred tax liabilities	18,499	24,171

(2) Information on significant accounting estimates related to the identified items

1) Method of calculating the amount included in current fiscal year's consolidated financial statements

The allowance for doubtful receivables of the Group is determined based on a reasonable estimate of future taxable income and tax planning based on the business plan for deferred tax assets. In principle, deferred tax liabilities accounts for all future additional temporary differences.

2) Major assumptions used in the calculation

Future taxable income is based on business plans approved by management, which include assumptions about the net sales, operating income and expenses of each business.

3) Impact on consolidated financial statements for the following fiscal year

Factors that may affect estimates of future taxable income and changes in tax rates due to tax system revisions may have a significant impact on deferred tax assets amounts.

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition etc.)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “Revenue Recognition Accounting Standard”) etc. has been applied from the beginning of the current fiscal year. With the application of the Revenue Recognition Accounting Standard, revenue is recognized as the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Moreover, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control over the goods or products is transferred to the customer is a normal period in domestic sales of the goods or products by applying the alternative treatment set forth in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition.”

The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, the application of the Revenue Recognition Accounting Standard, etc. does not have any impact on the profit or loss and the beginning retained earnings of the current fiscal year. Due to the application of the Revenue Recognition Accounting Standard, etc., “Other,” which was shown in “Current liabilities” in the previous fiscal year’s consolidated balance sheets, is included in “Contract liability” and “Other” from the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the previous fiscal year has not been reclassified using the new presentation method.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, no notes on revenue recognition for the previous fiscal year are stated.

(Application of Accounting Standard for Fair Value Measurement etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as “Fair Value Measurement Accounting Standard”) etc. has been applied from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Accounting Standard, etc. will be applied in the future. The impact on the consolidated financial statements is minor.

In addition, in the “Notes regarding financial instruments,” matters related to the breakdown of financial instruments by market value level will be included. However, in accordance with the transitional treatment set forth in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the notes pertaining to the previous fiscal year are not stated.

(Changes in presentation)

(Consolidated statements of cash flows)

“Purchase of investment securities” as shown under “Cash flows from investing activities”, which was presented separately on the consolidated statement of cash flows for the previous fiscal year, has been reclassified as “Other” from the current fiscal year due to decreased materiality. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, (¥1,498 million) in “Purchase of investment securities” and ¥154 million in “Other” as shown under “Cash flows from investing activities” on the consolidated statements of cash flows for the previous fiscal year, have been reclassified as (¥1,344 million) in “Other”.

(Notes regarding consolidated balance sheet)

* 1 Within notes and accounts receivable, the amounts of receivables arising from contracts with customers are as follows.

	Fiscal year under review (As of December 31, 2022)
Notes receivable	¥1,317 million
Accounts receivable	63,115
Electronically recorded monetary claims	764

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

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
	¥292,791 million	¥315,284 million

* 3 Items associated with associates are as follows

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Investment securities (Shares)	¥970 million	¥1,058 million

* 4 Overdraft agreements and commitment line agreements

The Company and one of the consolidated subsidiaries have overdraft facility agreements and loan commitment contracts with 12 financial institutions to facilitate the efficient procurement of working capital. At the end of the consolidated fiscal year, the balance of unexecuted loans under these agreements was as follows.

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Total value of overdraft limits and loan commitment contracts	¥62,000 million	¥83,366 million
Executed loans	2,000	10,940
Unused balance	60,000	72,426

5 The transferred amount of notes receivable endorsed is as follows:

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Transferred amount of notes receivable endorsed	¥69 million	- million

(Notes regarding consolidated statement of income)

* 1 Revenue arising from contracts with customers

Revenue arising from contracts with customers and other revenue are not presented separately for net sales. The amount of revenue arising from contracts with customers is stated in “Notes regarding revenue recognition) 1. Breakdown of revenue from contracts with customers” in the consolidated financial statements.

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

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
	¥(4,332) million	¥997 million

* 3 Major items included in selling, general and administrative expenses and their amounts were as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Warehousing and shipping expenses	¥10,966 million	¥12,934 million
Salaries and allowances	8,003	9,915
Additions to provision for bonuses	637	778
Retirement benefit expenses	194	101
Depreciation	7,717	8,278
Amortization of goodwill	6,971	7,522

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

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
	¥2,823 million	¥3,171 million

* 5 Gains on sales of fixed assets were as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Machinery, equipment and vehicles	¥51 million	¥6 million
Land	160	80
Other	4	1
Total	216	88

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

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Buildings and structures	¥46 million	¥76 million
Machinery, equipment and vehicles	55	522
Other	2	24
Total	104	624

* 7 Loss related to accident

Previous fiscal year (January 1 to December 31, 2021)

Not applicable

Current fiscal year (January 1 to December 31, 2022)

Restoration costs etc., incurred due to an accident at a manufacturing facility.

* 8 Losses on sale of fixed assets were as follows.

	Previous fiscal year (January 1, 2021 to December 31, 2021)	Current fiscal year (January 1, 2022 to December 31, 2022)
Machinery, equipment and vehicles	¥1 million	¥0 million
Land	2	-
Other	0	0
Total	5	0

* 9 Impairment loss

The Group recorded impairment losses with respect to the asset groups below.

Previous fiscal year (January 1 to December 31, 2021)

(1) Assets that have suffered impairment

Use	Type	Company name	Location	Impairment loss (Million yen)
Anode material manufacturing facility	Buildings and structures Machinery, equipment and vehicles Construction in progress Other	Tokai Carbon Co., Ltd.	Hofu-shi, Yamaguchi	385

(2) Background to recognition of impairment loss

The Group recognized an impairment loss for the anode material manufacturing facility in Hofu-shi, Yamaguchi because profitability worsened, and their recoverable amounts have fallen below the book value.

(3) Breakdown of the amount and types of impairment loss

Buildings and structures	¥223 million
Machinery, equipment and vehicles	134
Construction in progress	23
Other	3

(4) Outline of asset groups that have suffered impairment loss and method of grouping

- Asset group
Anode material manufacturing facility of Tokai Carbon Co., Ltd.
- Method of grouping
The sections under management accounting are considered as grouping units.

(5) Method of calculating recoverable amount

The recoverable amount for the anode material manufacturing facility in Hofu-shi, Yamaguchi was calculated by estimating the value-in-use and applying a discount rate of 6.57% to the future cash flows.

Current fiscal year (January 1 to December 31, 2022)

Not applicable

(Notes regarding consolidated statements of comprehensive income)

* 1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Valuation difference on other securities:		
Gain (loss) arising during the period	¥ 2,789 million	¥ 739 million
Reclassification adjustments	(47)	(427)
Before tax effects	2,742	311
Tax effects	(827)	(93)
Valuation difference on other securities	1,915	218
Deferred gains or losses on hedges:		
Gain (loss) arising during the period	(35)	348
Reclassification adjustments	70	41
Before tax effects	34	389
Tax effects	(6)	(73)
Deferred gains or losses on hedges	28	316
Foreign currency translation adjustments:		
Gain (loss) arising during the period	15,652	30,684
Reclassification adjustments	24	(2,331)
Foreign currency translation adjustments	15,676	28,353
Remeasurements of defined benefit plans:		
Gain (loss) arising during the period	1,485	1,173
Reclassification adjustments	(268)	(415)
Before tax effects	1,217	757
Tax effects	(299)	(41)
Remeasurements of defined benefit plans	917	716
Share of other comprehensive income of associates accounted for using equity method:		
Gain (loss) arising during the period	362	(244)
Share of other comprehensive income of associates accounted for using equity method	362	(244)
Total other comprehensive income	18,900	29,360

(Notes regarding consolidated statements of changes in equity)

Previous fiscal year (January 1 to December 31, 2021)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of fiscal year (Thousand shares)	Increase during fiscal year (Thousand shares)	Decrease during fiscal year (Thousand shares)	Number of shares at end of fiscal year (Thousand shares)
Shares issued				
Common shares	224,943	-	-	224,943
Total	224,943	-	-	224,943
Treasury stock				
Common shares (Notes) 1, 2	11,771	1	10	11,762
Total	11,771	1	10	11,762

(Notes) 1. The increase of 1,000 common shares of treasury stock is due to the repurchase of odd-lot shares.

2. The decrease of 10,000 common shares of treasury stock is due to the sale of odd-lot shares and the disposition of treasury stock as remuneration in the form of shares with a transfer restriction.

2. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 30, 2021	Common shares	3,197	15.0	December 31, 2020	March 31, 2021
Board of Directors' meeting on August 10, 2021	Common shares	3,197	15.0	June 30, 2021	September 1, 2021

(2) Dividend payments for which the record date is in the current fiscal year and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 30, 2022	Common shares	3,197	Retained earnings	15.0	December 31, 2021	March 31, 2022

Current fiscal year (January 1 to December 31, 2022)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of fiscal year (Thousand shares)	Increase during fiscal year (Thousand shares)	Decrease during fiscal year (Thousand shares)	Number of shares at end of fiscal year (Thousand shares)
Shares issued				
Common shares	224,943	-	-	224,943
Total	224,943	-	-	224,943
Treasury stock				
Common shares (Notes) 1, 2	11,762	1	15	11,748
Total	11,762	1	15	11,748

(Notes) 1. The increase of 1,000 common shares of treasury stock is due to the repurchase of odd-lot shares.

2. The decrease of 15,000 common shares of treasury stock is due to the sale of odd-lot shares and the disposition of treasury stock as remuneration in the form of shares with a transfer restriction.

2. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 30, 2022	Common shares	3,197	15.0	December 31, 2021	March 31, 2022
Board of Directors' meeting on August 8, 2022	Common shares	3,197	15.0	June 30, 2022	September 1, 2022

(2) Dividend payments for which the record date is in the current fiscal year and the effective date is in the following fiscal year

Resolution	Class of shares	Total dividend (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 30, 2023	Common shares	3,197	Retained earnings	15.0	December 31, 2022	March 31, 2023

(Notes regarding consolidated statements of cash flows)

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

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Cash and deposits	¥78,858 million	¥70,909 million
Time deposits with original maturities of more than three months	(14,423)	(21,532)
Cash and cash equivalents	64,435	49,377

* 2 Principal assets and liabilities of companies that are no longer consolidated subsidiaries due to the transfer of all equity interests

Previous fiscal year (January 1 to December 31, 2021)

Not applicable

Current fiscal year (January 1 to December 31, 2022)

The breakdown of assets and liabilities at the time of transfer and the relationship between the sale price and proceeds from the sale of investments in Tokai Carbon (Tianjin) Co., Ltd., which is no longer a consolidated subsidiary due to the transfer of all equity interests, are as follows.

Current assets	¥3,705 million
Fixed assets	2,272
Current liabilities	(389)
Long-term liabilities	(168)
Foreign currency translation adjustments	(2,331)
Loss on sale of investments	(1,297)
Proceeds from sale of investments	1,791
Cash and cash equivalents	1,050
Difference: Proceeds from sales of investments in subsidiaries and associates resulting in a change in scope of consolidation	740

(Notes regarding lease transactions)

(As lessee)

1. Finance lease transactions

Finance lease transactions without title transfer

(1) Leased assets

1) Tangible fixed assets

These are primarily land and vehicles and transport equipment. Moreover, right-of-use assets held by some of the foreign subsidiaries under IFRS 16 are included in “Other, net” on the consolidated balance sheet.

2) Intangible assets

Consists of software

(2) Depreciation and amortization methods for leased assets

As described in “4. Matters concerning accounting policies, (2) Depreciation/amortization method for significant depreciable/amortizable assets” under “Significant basis for preparation of consolidated financial statements”.

(Details on impairment losses)

There are no impairment losses on leased assets.

2. Operating lease transactions

Future minimum lease payments under non-cancellable operating lease transactions

(Million yen)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Due within 1 year	36	22
Due after more than 1 year	45	28
Total	81	51

(Notes regarding financial instruments)

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

To raise necessary funds for the business, the Group conducts direct financing through issuance of bonds payable and commercial papers, in addition to indirect financing through bank borrowings. In order to make efficient use of funds and reduce financial costs, the Group has introduced a cash management system (CMS) to centrally manage borrowing and lending among Group companies. It carries out derivative transactions to hedge against risks as described below and does not engage in such transactions for speculative purposes.

(2) Description of financial instruments and associated risks

Notes and accounts receivable, which are operating receivables, are exposed to credit risk arising from customer defaults. Operating receivables denominated in foreign currencies generated from global business operations are exposed to foreign exchange fluctuation risk.

Investment securities, primarily shares held for the purpose of strengthening the business base and management base, including business with partner companies and capital tie-ups, are exposed to the risk of market price fluctuations.

Notes and accounts payable and electronically recorded obligations, which are operating payables, are due for payment within one year. Certain operating payables are denominated in foreign currencies and are exposed to foreign exchange risk.

Short-term loans payable and commercial paper consist mainly of items aimed at raising short-term working capital, while loans payable and bonds payable consist mainly of items aimed at raising funds needed for capital investment.

Derivative transactions consist of foreign exchange forward contract transactions aimed at hedging against exchange rate fluctuation risks for foreign currency-denominated operating receivables and payables. In the Tokai Carbon Group, execution and management of derivative transactions is conducted in accordance with internal rules that stipulate the trading authority and to minimize credit risks associated with counterparty default, the Group only engages in derivative transactions with financial institutions that have high credit ratings. With regard to hedge accounting, the Company's hedging instruments, hedged items, hedging policy, and method for assessing the effectiveness of hedges are as described in "4. Matters concerning accounting policies, (7) Significant hedge accounting method" under "Significant basis for preparation of consolidated financial statements."

(3) Risk management system for financial instruments

1) Management of credit risk (risk pertaining to contractual default on the part of business partners)

The Group aims to mitigate credit risk by quickly identifying any concerns about the collection of operating receivables resulting from deterioration in a business partner's financial position or other factors, while also periodically monitoring the status of our main business partners, credit limits, credit information management, internal ratings, and managing deadlines and balances in accordance with credit management rules.

2) Management of market risk

The Group hedges its net position in foreign currency-denominated operating receivables and payables through use of foreign exchange forward contracts as needed. With investment securities, the Group periodically monitors their market value and the financial position of the issuing entity (trading partner) and continually reviews the status of its investment holdings, factoring in its relationship with the business partners.

With regard to the risk of fluctuations in the prices of exchange rate and investment securities, the maximum amount of loss according to the statistical method is periodically measured and monitored using VaR (Value at Risk).

3) Management of liquidity risk related with financing activities

Although operating payables and borrowing, etc. are exposed to liquidity risks, the Group manages such risks by maintaining a certain amount of cash and deposits, diversifying fund procurement methods, acquiring overdraft agreements and commitment lines from multiple financial institutions, and adjusting the balance between short- and long-term funding in consideration of the market environment, in addition to managing funds for the entire company in a timely manner through the Cash Management System (CMS).

(4) Supplementary explanation on matters concerning market value of financial instruments, etc.

Because certain variables are factored into the calculation of the market value of financial instruments, the values obtained may vary when different assumptions, etc. are employed.

2. Matters concerning market value of financial instruments, etc.

Amount recorded on the consolidated balance sheet, market value, and differences between these are as outlined below. Notes are omitted for “cash and deposits,” “notes and accounts receivable,” “notes and accounts payable,” “electronically recorded obligations,” “short-term loans payable” and “commercial papers” because they are cash, and their market values are close to the book values since they are settled in a short period.

Previous fiscal year (December 31, 2021)

	Amount recorded on consolidated balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Investment securities (*1)	20,654	20,654	-
Total assets	20,654	20,654	-
Bonds payable (*2)	65,000	65,534	534
Loans payable (*3)	51,249	51,261	11
Total liabilities	116,249	116,796	546
Derivative transactions (*4)			
1) Transactions not subject to hedge accounting	31	31	-
2) Transactions subject to hedge accounting	(81)	(81)	-
Total derivative transactions	(50)	(50)	-

(*1) The following financial instrument is not included in “Investment securities” because it does not have a market price and it is extremely difficult to determine its market value. The amount recorded on the consolidated balance sheet for the financial instrument is as follows.

Category	Previous fiscal year (Million yen)
Unlisted stocks, etc.	1,147

(*2) “Bonds payable” includes current portion of bonds payable.

(*3) “Loans payable” includes current portion of loans payable.

(*4) Net receivables and payables arising from derivative transactions are shown. Figures of items that become net payables in total are shown in parentheses.

Current fiscal year (December 31, 2022)

	Amount recorded on consolidated balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Investment securities (*1)	21,296	21,296	-
Total assets	21,296	21,296	-
Bonds payable	55,000	53,577	(1,422)
Loans payable (*2)	45,512	44,731	(781)
Total liabilities	100,512	98,308	(2,203)
Derivative transactions (*3)			
1) Transactions not subject to hedge accounting	79	79	-
2) Transactions subject to hedge accounting	295	295	-
Total derivative transactions	374	374	-

(*1) Stocks that do not have market prices are not included in "Investment securities." The amount recorded on the consolidated balance sheet for such financial instrument is as follows.

Category	Current fiscal year (Million yen)
Unlisted stocks, etc.	1,251

(*2) "Loans payable" includes current portion of loans payable.

(*3) Net receivables and payables arising from derivative transactions are shown.

(Note 1) Redemption schedule after the consolidated closing date for monetary claims

Previous fiscal year (December 31, 2021)

	Due within 1 year (Million yen)	Due after 1 to 5 years (Million yen)	Due after 5 to 10 years (Million yen)	Due after more than 10 years (Million yen)
Cash and deposits	78,858	-	-	-
Notes and accounts receivable	56,668	-	-	-
Total	135,526	-	-	-

Current fiscal year (December 31, 2022)

	Due within 1 year (Million yen)	Due after 1 to 5 years (Million yen)	Due after 5 to 10 years (Million yen)	Due after more than 10 years (Million yen)
Cash and deposits	70,909	-	-	-
Notes and accounts receivable	65,197	-	-	-
Total	136,106	-	-	-

(Note 2) Repayment schedule after the consolidated closing date for bonds payable, loans payable, and other interest-bearing debt
Previous fiscal year (December 31, 2021)

	Due within 1 year (Million yen)	Due after 1 to 2 years (Million yen)	Due after 2 to 3 years (Million yen)	Due after 3 to 4 years (Million yen)	Due after 4 to 5 years (Million yen)	Due after more than 5 years (Million yen)
Short-term loans payable	2,000	-	-	-	-	-
Commercial papers	50,000	-	-	-	-	-
Bonds payable	10,000	-	-	-	10,000	45,000
Long-term loans payable	12,710	8,261	81	5,126	69	25,000
Total	74,710	8,261	81	5,126	10,069	70,000

Current fiscal year (December 31, 2022)

	Due within 1 year (Million yen)	Due after 1 to 2 years (Million yen)	Due after 2 to 3 years (Million yen)	Due after 3 to 4 years (Million yen)	Due after 4 to 5 years (Million yen)	Due after more than 5 years (Million yen)
Short-term loans payable	10,940	-	-	-	-	-
Commercial papers	60,000	-	-	-	-	-
Bonds payable	-	-	-	10,000	-	45,000
Long-term loans payable	9,805	1,494	6,537	1,530	1,144	25,000
Total	80,745	1,494	6,537	11,530	1,144	70,000

3. Matters concerning the breakdown of the fair value of financial instruments by their level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs to fair value measurement.

Level 1 fair value: Among the observable inputs to fair value measurement, fair value measured based on the quoted prices of assets or liabilities subject to the measurement of such fair value in active markets.

Level 2 fair value: Among the observable inputs to fair value measurement, fair value measured using inputs to fair value measurement other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs to fair value measurement.

When multiple inputs that have a significant impact on the fair value measurement are used, the fair value is classified into the lowest priority level in the fair value measurement among the levels to which these inputs belong.

(1) Financial instruments recorded on consolidated balance sheets in fair value

Current fiscal year (December 31, 2022)

	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	21,296	-	-	21,296
Derivative transactions				
Currency-related	-	374	-	374
Total assets	21,296	374	-	21,671

(2) Financial instruments other than financial instruments recorded on consolidated balance sheets in fair value

Current fiscal year (December 31, 2022)

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	53,577	-	53,577
Long-term loans payable	-	44,731	-	44,731
Total liabilities	-	98,308	-	98,308

Note: Explanation of the valuation techniques used in the fair value measurement and the inputs to fair value measurement.

Investment securities

All investment securities are listed stocks and valued using quoted prices. Since listed stocks are traded in an active market, the fair value is classified as a Level 1 fair value.

Derivative transactions

Since derivative transactions are over-the-counter transactions and there is no published quoted price, they are measured based on prices, etc. provided by the financial institutions with which the Company does business, and they are classified as Level 2 fair value.

Bonds payable

The fair value of bonds payable issued by the Company is measured based on present value as calculated by discounting the sum of principal and interest by an interest rate factoring in credit risk and the remaining maturity for the relevant bonds, and they are classified as Level 2 fair value.

Long-term loans payable

Among long-term loans payable, items based on variable interest rates reflect market rates at short intervals, and the credit standing of the Company involved therein has not changed significantly. As such, book value is considered to be almost equal to market value, and the book value is stated for these items. For items based on fixed interest rates, figures are based on present value as calculated by discounting the sum of principal and interest of loans classified by agreements by an interest rate factoring in credit risk and the remaining maturity for the relevant debts, and they are classified as Level 2 fair value.

(Notes regarding marketable securities)

1. Other securities

Previous fiscal year (December 31, 2021)

	Type	Amount recorded on consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Amount recorded on consolidated balance sheet above acquisition cost	(1) Shares	17,500	3,719	13,781
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	17,500	3,719	13,781
Amount recorded on consolidated balance sheet not above acquisition cost	(1) Shares	3,153	3,743	(590)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	3,153	3,743	(590)
Total		20,654	7,463	13,191

(Note) Unlisted stocks (¥177 million recorded on the consolidated balance sheet) have no market prices, and it is deemed to be extremely difficult to determine their market value. As such, they are not included in “Other securities” in the above table.

Current fiscal year (December 31, 2022)

	Type	Amount recorded on consolidated balance sheet (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Amount recorded on consolidated balance sheet above acquisition cost	(1) Shares	19,324	5,521	13,802
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	19,324	5,521	13,802
Amount recorded on consolidated balance sheet not above acquisition cost	(1) Shares	1,972	2,271	(299)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	1,972	2,271	(299)
Total		21,296	7,793	13,503

(Note) Unlisted stocks (¥193 million recorded on the consolidated balance sheet) have no market prices. As such, they are not included in “Other securities” in the above table.

2. Other securities sold

Previous fiscal year (January 1 to December 31, 2021)

Type	Sale price (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	128	47	-
Other	-	-	-

Current fiscal year (January 1 to December 31, 2022)

Type	Sale price (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	612	544	-
Other	0	-	(0)

3. Securities for which impairment losses recognized

In the current fiscal year, the Company recorded an impairment loss of ¥116 million for marketable securities (¥116 million for shares in other securities).

With respect to impairment loss, if the market value at the end of the fiscal year falls by 50% or more compared to acquisition cost, impairment loss is recorded for the whole amount. If it falls by 30% to 50%, impairment loss is recorded for the amount deemed necessary considering the recoverability and other factors.

(Notes regarding derivative transactions)

1. Derivative transactions not subject to hedge accounting

Currency-related transactions

Previous fiscal year (December 31, 2021)

Category	Type of transaction	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Market value (Million yen)	Valuation gain/loss (Million yen)
Non-market transactions	Foreign exchange forward contract transactions				
	Sold				
	USD	3,908	-	(5)	(5)
	EUR	3,758	-	36	36
Total		7,666	-	31	31

(Note) Method for calculating market value

Market value is calculated based on prices, etc. provided by financial institutions, etc. with which the Company does business.

Current fiscal year (December 31, 2022)

Category	Type of transaction	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Market value (Million yen)	Valuation gain/loss (Million yen)
Non-market transactions	Foreign exchange forward contract transactions				
	Sold				
	USD	5,284	-	(6)	(6)
	EUR	2,822	-	84	84
	Purchased				
	JPY	400	-	1	1
Total		8,507	-	79	79

2. Derivative transactions subject to hedge accounting

Currency-related transactions

Previous fiscal year (December 31, 2021)

Hedge accounting method	Type of transaction	Major hedged items	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Market value (Million yen)
Principle treatment method	Foreign exchange forward contract transactions Sold EUR	Forecast foreign currency transactions	9,005	-	(81)
Total			9,005	-	(81)

(Note) Method for calculating market value

Market value is calculated based on prices, etc. provided by financial institutions, etc. with which the Company does business.

Current fiscal year (December 31, 2022)

Hedge accounting method	Type of transaction	Major hedged items	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Market value (Million yen)
Principle treatment method	Foreign exchange forward contract transactions Sold EUR	Forecast foreign currency transactions	7,957	-	295
Total			7,957	-	295

(Notes regarding retirement benefits)

1. Overview of adopted retirement benefit program

The Company and some of its consolidated subsidiaries have adopted a retirement benefit program comprised of a defined benefit plan (defined benefit corporate pension plan), a lump-sum retirement allowance plan, a defined contribution plan, or a combination of these.

Some consolidated subsidiaries employ a simplified method for calculating retirement benefit obligations.

2. Defined benefit plan

- (1) Reconciliation of beginning and ending balance of retirement benefit obligations (excluding plans using simplified method as stated in (3) below)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Retirement benefit obligation at beginning of period	¥13,624 million	¥13,885 million
Service cost	591	602
Interest cost	159	197
Actuarial differences	(539)	(2,127)
Retirement benefits paid	(417)	(453)
Foreign currency translation gains (losses)	468	906
Retirement benefit obligation at end of period	13,885	13,011

- (2) Reconciliation of beginning and ending balance of pension assets (excluding plans using a simplified method as stated in (3) below)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Pension assets at beginning of period	¥9,938 million	¥11,150 million
Expected return on plan assets	52	67
Actuarial differences	839	(1,143)
Employer contributions	391	404
Retirement benefits paid	(263)	(299)
Foreign currency translation gains (losses)	191	304
Pension assets at end of period	11,150	10,483

- (3) Reconciliation of beginning and ending balance of retirement benefit obligations for plans to which a simplified accounting method is applied

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Retirement benefit liability at beginning of period	¥1,129 million	¥1,104 million
Retirement benefit expenses	107	102
Retirement benefits paid	(132)	(94)
Retirement benefit liability at end of period	1,104	1,111

- (4) Reconciliation of balance of retirement benefit obligations and pension assets at end of fiscal year and retirement benefit liability and asset recorded on consolidated balance sheet

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Retirement benefit obligation for funded plans	¥9,106 million	¥8,266 million
Pension assets	(11,150)	(10,483)
	(2,044)	(2,216)
Retirement benefit obligation for unfunded plans	5,883	5,856
Net liability and asset recorded on consolidated balance sheet	3,839	3,640
Retirement benefit liability	7,340	6,567
Net defined benefit asset	(3,500)	(2,927)
Net liability and asset recorded on consolidated balance sheet	3,839	3,640

(Notes) Figures include plans to which a simplified accounting method is applied.

- (5) Retirement benefit expenses and breakdown

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Service cost	¥591 million	¥602 million
Interest cost	159	197
Expected return on plan assets	(52)	(67)
Amortization of actuarial differences	(303)	(415)
Retirement benefit expenses calculated by simplified method	107	102
Retirement benefit expenses related to defined benefit plans	502	419

- (6) Remeasurements of defined benefit plans

The breakdown of items (prior to tax effect deduction) recorded as remeasurements of defined benefit plans is shown below.

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Actuarial differences	¥1,217 million	¥757 million
Total	1,217	757

- (7) Cumulative remeasurements of defined benefit plans

The breakdown of items (prior to tax effect deduction) recorded as cumulative remeasurements of defined benefit plans is shown below.

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Unrecognized actuarial differences	¥2,553 million	¥3,311 million
Total	2,553	3,311

(8) Matters concerning pension assets

1) Breakdown of major pension assets

Weightings within the total amount of pension assets for major categories are as follows.

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Bonds	41%	41%
Stock	42	41
General accounts	15	17
Other	2	1
Total	100	100

2) Method for setting long-term expected rate of return

The current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise the pool of pension assets are considered when determining the long-term expected rate of return on pension assets.

(9) Matters concerning basis for actuarial calculations

Major assumptions in actuarial calculations are as follows:

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Discount rate	0.5 ~ 3.4%	0.5 ~ 6.9%
Long-term expected rate of return	0.0 ~ 3.1%	0.0 ~ 3.8%

3. Defined contribution plan

Contributions required by defined contribution plans of consolidated subsidiaries totaled ¥774 million in the previous fiscal year and ¥853 million for the current fiscal year.

4. Multi-employer plan

There is no required contribution to the multi-employer employee pension plan, which is accounted for in the same manner as the defined contribution plan.

(Notes regarding tax effect accounting)

1. Breakdown of deferred tax assets and liabilities by major cause

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Deferred tax assets		
Retirement benefit liability	¥2,688 million	¥2,775 million
Excess depreciation and amortization	4,341	4,171
Valuation loss on shares of subsidiaries and associates	4,113	-
Tax credits carryforward	2,813	1,398
Tax loss carryforward (Note) 2	9,230	9,777
Other	4,471	3,701
Deferred tax assets (subtotal)	27,659	21,823
Valuation allowance for tax loss carryforward (Note) 2	(531)	-
Valuation allowance for total deductible temporary difference	(2,931)	(2,070)
Valuation allowance (subtotal) (Note) 1	(3,463)	(2,070)
Total deferred tax assets	24,196	19,753
Amount offset by deferred tax liabilities	(20,575)	(17,543)
Net deferred tax assets	3,620	2,210
Deferred tax liabilities		
Valuation difference on other securities	(3,817)	(3,911)
Valuation difference on consolidated subsidiaries	(14,130)	(13,600)
Reserve for reduction entry of fixed assets	(1,964)	(2,124)
Retained earnings of overseas subsidiaries	(3,606)	(4,722)
Shortfall of depreciation	(8,663)	(9,878)
Net defined benefit asset	(2,122)	(2,482)
Redemption of shares of subsidiaries and associates	(3,124)	(3,124)
Other	(1,645)	(1,870)
Total deferred tax liabilities	(39,074)	(41,714)
Amount offset by deferred tax assets	20,575	17,543
Net deferred tax liabilities	(18,499)	(24,171)

(Notes) 1. Valuation allowance decreased by ¥1,393 million. The main reason for this decrease is the valuation allowance of ¥1,055 million, which was recognized at the end of previous fiscal year, is no longer recognized because the sale of all equity interests in Tokai Carbon (Tianjin) Co., Ltd., which used to be a consolidated subsidiary, was completed, and Tokai Carbon (Tianjin) Co., Ltd. was excluded from the Company's scope of consolidation.

2. Tax loss carryforwards and their deferred tax assets by expiration period

Previous fiscal year (December 31, 2021)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after more than 5 years	Total
Tax loss carryforward (a)	158	9	154	137	74	8,695	¥9,230 million
Valuation allowance	(158)	(9)	(151)	(137)	(74)	-	(531)
Deferred tax assets	-	-	2	-	-	8,695	(b) 8,698

(a) Tax loss carryforward was calculated by multiplying statutory tax rate.

(b) The ¥8,698 million in deferred tax assets was recognized for tax loss carryforwards of ¥9,230 million (amount multiplied by the statutory tax rate). The ¥8,698 million in deferred tax assets stemmed mainly from recognizing the full amount of tax loss carryforwards for our Company which totaled ¥3,476 million (amount multiplied by the statutory tax rate), for consolidated subsidiary TOKAI CARBON GE LLC which totaled ¥1,830 million (amount multiplied by the statutory tax rate), and for consolidated subsidiary TOKAI ERFTCARBON GmbH which totaled ¥1,712 million (amount multiplied by the statutory tax rate). No valuation allowance was recognized for the tax loss carryforwards, which was recognized as the relevant deferred tax assets, because these were determined to be recoverable based on expected future taxable income.

Current fiscal year (December 31, 2022)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after more than 5 years	Total
Tax loss carryforward (c)	-	-	-	-	-	9,777	¥9,777 million
Valuation allowance	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	9,777	(d) 9,777

(c) Tax loss carryforward was calculated by multiplying statutory tax rate.

(d) The ¥9,777 million in deferred tax assets was recognized for tax loss carryforwards of ¥9,777 million (amount multiplied by the statutory tax rate). The ¥9,777 million in deferred tax assets stemmed mainly from recognizing the full amount of tax loss carryforwards for our Company which totaled ¥4,970 million (amount multiplied by the statutory tax rate), for consolidated subsidiary TOKAI ERFTCARBON GmbH which totaled ¥1,792 million (amount multiplied by the statutory tax rate), and for consolidated subsidiary TOKAI CARBON US HOLDINGS INC. which totaled ¥1,230 million (amount multiplied by the statutory tax rate). No valuation allowance was recognized for the tax loss carryforwards, which was recognized as the relevant deferred tax assets, because these were determined to be recoverable based on expected future taxable income.

(Changes in presentation)

“Denial of loss on valuation of inventories” and “Denial of impairment loss” which was separately listed in “Deferred tax assets” for the previous fiscal year, has been included in “Others” from the current fiscal year because its monetary significance has decreased. In order to reflect these changes in presentation, the notes of the previous fiscal year have been reclassified. As a result, ¥687 million in “Denial of loss on valuation of inventories,” ¥871 million in “Denial of impairment loss” and ¥2,913 million in “Other,” as shown under “Deferred tax assets” for the previous fiscal year, have been reclassified as ¥4,471 million in “Other.”

2. Breakdown of items that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax effect accounting

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Statutory tax rate	30.0%	30.0%
(Adjustment)		
Entertainment expenses and other permanently non-deductible expenses	1.2	1.1
Dividend income and other permanently non-taxable income	(4.0)	(0.7)
Amortization of goodwill	9.0	5.4
Increase (decrease) in valuation allowance	(2.9)	(0.8)
Difference in tax rates applied at overseas subsidiaries	(7.8)	(5.5)
Valuation loss on shares of subsidiaries and associates	(14.5)	-
Tax credits	(2.3)	(0.1)
Retained earnings of overseas subsidiaries	3.6	2.7
Foreign withholding tax	0.5	0.5
Unrecognized tax effect of unrealized gains	-	1.2
Other	1.2	1.5
Effective tax rate after application of tax effect accounting	13.9	35.1

(Notes regarding business combinations)

Separation of business

The Company concluded an equity transfer agreement on November 15, 2021 to transfer all equity interests in Tokai Carbon (Tianjin) Co., Ltd. (hereinafter, “Tokai Carbon (Tianjin)”) to Cabot (China) Limited, a wholly owned subsidiary of Cabot Corporation, and transferred the shares on February 28, 2022. As a result, Tokai Carbon (Tianjin) Co., Ltd. was excluded from the Company's scope of consolidation.

(1) Outline of the business divestiture

(a) Name of the successor company

Cabot (China) Limited

(b) Name and description of business of the divested subsidiary

Name of subsidiary: Tokai Carbon (Tianjin) Co., Ltd.

Description of business: Production and sales of carbon black

(c) Reason for business divestiture

In 2004, the Company established a joint venture Tokai Carbon (Tianjin) Co., Ltd. in the Tianjin Economic and Technology Development Zone in order to respond to rapidly growing Chinese demand for carbon black. In 2013, the Company acquired all shares of the then joint venture partner and made it a wholly owned subsidiary. To date, Tokai Carbon (Tianjin) Co., Ltd. has responded to the needs of customers, mainly tire and industrial rubber component manufacturers, by supplying high-quality carbon black. However, the business environment surrounding Tokai Carbon (Tianjin) Co., Ltd. has become increasingly severe year by year due to intensified market competition and price competition, as well as stricter environmental regulations and operational restrictions. Under these circumstances, the Company reviewed the redistribution of the Company's resources from various points of view under the basic policies of optimizing the business portfolio (selection and concentration) in its medium-term management plan, T-2023, and decided to sell the Tokai Carbon (Tianjin) Co., Ltd. business.

(d) Date of business divestiture

February 28, 2022 (deemed date of sale: January 1, 2022)

(e) Legal form of business divestiture

Transfer of contribution in exchange for cash

(2) Outline of the total treatment implemented

(a) Transfer gains and losses

Loss on sale of equity invested in associates ¥1,297 million

Of this, ¥1,137 million has been accounted to provision for loss on sale of equity invested in associates in the previous fiscal year.

(b) Proper book value of assets and liabilities of the transferred businesses and their major breakdown

Current assets	¥3,705	million
<u>Fixed assets</u>	<u>¥2,272</u>	<u>million</u>
<u>Total assets</u>	<u>¥5,977</u>	<u>million</u>
Current liabilities	¥389	million
<u>Long-term liabilities</u>	<u>¥168</u>	<u>million</u>
<u>Total liabilities</u>	<u>¥557</u>	<u>million</u>

(c) Accounting treatment

The book value between the consolidated difference of the capital contribution and the sale price is recorded as transfer gain or loss total.

(3) The reportable segment in which the divested enterprise was included;

Carbon Black

(4) The estimated amount of profit or loss pertaining to the divested business which is reported in total at consolidated statements of income for the current fiscal year;

As the beginning of the current fiscal year is deemed to be the date of sale, the consolidated statements of income of the current fiscal year does not include profit or loss from the divested businesses.

Common control transactions, etc.

Additional shares of subsidiaries acquisition

(1) Outline of transaction

(a) Names and description of business of the company involved in the combination

Name	Tokai Carbon Korea Co., Ltd. (a consolidated subsidiary of the Company)
Description of business	Manufacture and sale of carbon graphite products and CVD-SiC coating products

(b) Date of business combination

May 11, 2022

(c) Legal form of business combination

Stock acquisition from non-controlling shareholders

(d) Name of the company after business combination

There is no change.

(e) Other information related to the outline of transaction

In order to stabilize the management of Tokai Carbon Korea Co., Ltd. and improve the corporate value of the Tokai Group, the Company additionally acquired 350,000 shares of Tokai Carbon Korea Co., Ltd. held by KC Co., Ltd., the second largest stockholder after the Company.

(2) Outline of the accounting treatment implemented

In accordance with the Accounting Standard for Business Combinations (ASBJ statement No. 21, January 16, 2019) and Implementation Guidance for Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), transactions under common control, etc. are treated as transactions with non-controlling shareholders.

(3) The matters set forth in the case of additional acquisition of shares of subsidiaries

Breakdown by acquisition cost of the acquired company and type of consideration

Consideration for acquisition	Cash	¥5,024 million
Acquisition cost		¥5,024 million

(4) Matters related to changes in the Company's ownership interest in transactions with non-controlling shareholders

(a) Major fluctuation factors in capital surplus

Additional shares of subsidiaries acquisition

(b) Decrease in capital surplus due to transactions with non-controlling shareholders

¥3,547 million

(Notes regarding asset retirement obligations)

The end of previous fiscal year (December 31, 2021)

Disclosure omitted due to lack of materiality.

The end of current fiscal year (December 31, 2022)

Disclosure omitted due to lack of materiality.

(Notes regarding real estate for lease)

Previous fiscal year (January 1 to December 31, 2021)

Disclosure omitted due to lack of materiality.

Current fiscal year (January 1 to December 31, 2022)

Disclosure omitted due to lack of materiality.

(Notes regarding revenue recognition)

1. Breakdown of revenue from contracts with customers

Current fiscal year (January 1 to December 31, 2022)

(Unit: Million yen)

	Reportable segment						Other Operations (Note)	Total
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Total		
Japan	8,486	35,352	5,209	46	10,379	59,473	10,077	69,550
Asia	1,713	30,745	22,326	18,273	5,460	78,520	823	79,343
North America	33,678	67,404	18,580	9,616	171	129,451	-	129,451
Europe	13,218	2,831	3,138	12,493	183	31,865	436	32,302
Other	2,533	2,150	139	24,772	76	29,673	49	29,723
External sales	59,630	138,484	49,393	65,203	16,272	328,984	11,387	340,371

(Note) "Other Operations" is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.

2. Information that serves as the basis for understanding revenue from contracts with customers

Please refer to "Notes to Consolidated Financial Statements (Significant basis for preparation of consolidated financial statements) 4. Matters concerning accounting policies (5) Standards for significant revenues and expenses."

3. Information regarding the relationship between fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue expected to be recognized after the current fiscal year from contracts with customers existing at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

Disclosure of contract assets and contract liabilities is omitted because their balances are not significant, and no significant changes have occurred.

(2) Transaction price allocated to the remaining performance obligations

Disclosure of transaction prices allocated to the remaining performance obligations is omitted by applying the practical expedient as there are no significant contracts with expected contract term longer than a year. There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction prices.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

The Company's reportable segments are those components of the Company for which discrete financial information is available and that are subject to regular reviews by the Board of Directors to determine the allocation of managerial resources and to evaluate business performance.

The Company establishes product-specific divisions at the head office, and each division carries out business activities by formulating comprehensive domestic and overseas strategies for the products that it handles.

Accordingly, the Company is composed of product-specific segments based on divisions, and its five reportable segments are the Graphite Electrodes business, Carbon Black business, Fine Carbon business, Smelting and Lining business, and Industrial Furnaces and Related Products business.

The major products of each reportable segment are as follows.

Reportable Segments	Major Products
Graphite Electrodes	Graphite electrodes for electric furnaces
Carbon Black	Carbon black (for rubber products, black pigment, electric conduction)
Fine Carbon	Specialty graphite materials, solid SiC, SiC coating
Smelting and Lining	Cathodes for aluminum smelters, lining blocks for blast furnaces, carbon electrodes, etc.
Industrial Furnaces and Related Products	Industrial electric furnaces, silicon carbide heating elements

2. Methods for calculating the amounts of net sales, operating income or loss, assets and other account items for each reportable segment

The accounting methods adopted for reportable business segments are the same as those outlined in "Significant basis for preparation of consolidated financial statements."

Figures shown as income for reportable segments are based on operating income.

Figures for intersegment sales/transfers are based on prevailing market prices.

3. Information on the amounts of net sales, operating income or loss, assets, and other account items for each reportable segment
Previous fiscal year (January 1 to December 31, 2021)

(Million yen)

	Reportable Segments						Other Operations (Note) 1, 3	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 4
	Graphite Electrode	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Total				
Net sales										
External sales	40,619	99,491	39,125	49,696	18,019	246,951	11,922	258,874	-	258,874
Intersegment sales/transfers	152	70	114	115	743	1,196	28	1,224	(1,224)	-
Total	40,771	99,561	39,240	49,812	18,762	248,148	11,950	260,098	(1,224)	258,874
Segment income (loss)	(400)	8,783	9,611	1,925	5,396	25,316	754	26,070	(1,423)	24,647
Segment assets	81,394	126,217	90,965	146,303	29,100	473,980	10,689	484,669	27,833	512,503
Other items										
Depreciation and amortization	4,072	5,521	3,992	7,849	305	21,741	559	22,301	598	22,900
Impairment losses	-	-	-	-	-	-	385	385	-	385
Investment in equity method associates	-	-	970	-	-	970	-	970	-	970
Increase in tangible and intangible fixed assets	8,707	10,722	4,074	5,896	121	29,522	520	30,042	304	30,347

(Notes) 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.

2. The adjustment amounts are as follows.

(1) The (¥1,423 million) adjustment in segment income (loss) includes company-wide expenses of (¥1,352 million) that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to reportable segments.

(2) The adjustment of segment assets, which is ¥27,833 million, includes ¥38,313 million of corporate-wide assets that are not allocated to each reportable segment. The main components of company-wide assets are surplus funds (e.g., cash and deposits) and investment securities.

(3) The adjustment of the increase in tangible fixed assets and intangible fixed assets, which is ¥304 million, is the amount of capital expenditure of the corporate-wide assets that is not allocated to each reportable segment.

3. The impairment loss of Other Operations, which is ¥385 million is impairment loss of anode material manufacturing facility.

4. Segment income (loss) is adjusted with operating income as reported in consolidated financial statements.

Current fiscal year (January 1 to December 31, 2022)

(Million yen)

	Reportable Segment						Other Operations (Notes) 1	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Graphite Electrode	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Total				
Net sales										
External sales	59,630	138,484	49,393	65,203	16,272	328,984	11,387	340,371	-	340,371
Intersegment sales/transfers	310	60	155	409	479	1,415	34	1,449	(1,449)	-
Total	59,940	138,545	49,549	65,612	16,751	330,399	11,421	341,820	(1,449)	340,371
Segment income (loss)	8,032	12,282	14,825	1,345	4,475	40,960	1,108	42,069	(1,480)	40,588
Segment assets	95,430	165,576	108,382	161,035	26,774	557,198	10,365	567,564	8,900	576,465
Other items										
Depreciation and amortization	4,930	7,557	4,754	8,889	322	26,453	480	26,934	525	27,460
Impairment losses	-	-	-	-	-	-	-	-	-	-
Investment in equity method associates	-	-	1,058	-	-	1,058	-	1,058	-	1,058
Increase in tangible and intangible fixed assets	6,238	26,162	7,027	6,461	978	46,868	684	47,552	598	48,150

(Notes) 1. The Other Operations segment is a business segment that is not included among reportable segments. It consists of the friction materials business, anode materials business, real estate leasing business, and other businesses.

2. The adjustment amounts are as follows.

(1) The (¥1,480 million) adjustment in segment income (loss) includes company-wide expenses of (¥1,322 million) that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses and other expenses not attributable to reportable segments.

(2) The adjustment of segment assets, which is ¥8,900 million, includes ¥18,296 million of corporate-wide assets that are not allocated to each reportable segment. The main components of company-wide assets are surplus funds (e.g., cash and deposits) and investment securities.

(3) The adjustment of the increase in tangible fixed assets and intangible fixed assets, which is ¥598 million, is the amount of capital expenditure of the corporate-wide assets that is not allocated to each reportable segment.

3. Segment income (loss) is adjusted with operating income as reported in consolidated financial statements.

4. Information on assets by reportable segment

Compared to the end of the previous fiscal year, the amount of assets in reportable segment in the current fiscal year decreased by ¥5,977 million in the Carbon Black segment since all equity interests in Tokai Carbon (Tianjin) Co., Ltd. was transferred in the first quarter of the current fiscal year and Tokai Carbon (Tianjin) Co., Ltd. was excluded from the Company's scope of consolidation.

5. Matters related to changes in reportable segment

From the current fiscal year, the name of a reportable segment has been changed from “精錬ライニング事業 (Smelting and Lining)” to “スメルティング&ライニング事業 (Smelting and Lining).” This is a change of the segment name and has no impact on segment information.

As a result of this change, segment information for the previous fiscal year is also shown under the new name.

Related Information

Previous fiscal year (January 1 to December 31, 2021)

1. Information by product and service

Because the same information is disclosed in the segment information, this entry is omitted here.

2. Information by region

(1) Net sales

(Million yen)

US	Japan	Asia	Europe	Other regions	Total
75,483	61,311	67,470	27,375	27,233	258,874

(Note) Net sales are based on customer locations and are classified into countries or regions.

(2) Tangible fixed assets

(Million yen)

US	Japan	Asia	Poland	Other regions	Total
51,413	32,621	16,493	18,642	24,994	144,165

3. Information by major customer

Within external sales, there is no individual customer that accounts for 10% or more of net sales as shown on the consolidated statement of income. Therefore, this entry is omitted here.

Current fiscal year (January 1 to December 31, 2022)

1. Information by product and service

Because the same information is disclosed in the segment information, this entry is omitted here.

2. Information by region

(1) Net sales

(Million yen)

US	Japan	Asia	Europe	Other regions	Total
117,909	69,550	79,343	32,302	41,266	340,371

(Note) Net sales are based on customer locations and are classified into countries or regions.

(2) Tangible fixed assets

(Million yen)

US	Japan	Asia	Poland	Other regions	Total
69,002	33,674	28,900	21,361	29,008	181,948

3. Information by major customer

Within external sales, there is no individual customer that accounts for 10% or more of net sales as shown on the consolidated statement of income. Therefore, this entry is omitted here.

[Information on impairment loss of non-current assets for each reportable segment]

Previous fiscal year (January 1 to December 31, 2021)

Because the same information is disclosed in the segment information, this entry is omitted here.

Current fiscal year (January 1 to December 31, 2022)

Not applicable

[Information regarding goodwill amortization and unamortized balance by reportable segment]

Previous fiscal year (January 1 to December 31, 2021)

(Million yen)

	Reportable Segment						Eliminations /unallocated	Total
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Total		
Amount amortized	490	562	1,595	4,322	-	6,971	-	6,971
Balance at end of period	2,994	5,306	13,597	33,654	-	55,553	-	55,553

Current fiscal year (January 1 to December 31, 2022)

(Million yen)

	Reportable Segment						Eliminations /unallocated	Total
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Total		
Amount amortized	586	652	1,690	4,593	-	7,522	-	7,522
Balance at end of period	2,862	5,210	12,991	31,772	-	52,837	-	52,837

[Information regarding profit on negative goodwill by reportable segment]

Previous fiscal year (January 1 to December 31, 2021)

Not applicable

Current fiscal year (January 1 to December 31, 2022)

Not applicable

[Information regarding related parties]

Previous fiscal year (January 1 to December 31, 2021)

Not applicable

Current fiscal year (January 1 to December 31, 2022)

Not applicable

(Per-share information)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net assets per share	1,075.19 yen	1,260.95 yen
Net income per share	75.55 yen	105.16 yen

- (Notes) 1. Diluted net income per share is not shown due to the absence of dilutive shares.
2. The basis for calculating net income per share is as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net income attributable to owners of the parent (million yen)	16,105	22,418
Amount not attributable to common shareholders (million yen)	-	—
Net income attributable to owners of the parent related to common shares (million yen)	16,105	22,418
Average number of common shares during period (thousands of shares)	213,178	213,190

(Significant subsequent events)

Not applicable

5) Consolidated Supplementary Schedules

Schedule of Bonds Payable

Company name	Name	Date of issue	Balance at beginning of period (Million yen)	Balance at end of period (Million yen)	Interest rate (%)	Collateral	Maturity
Tokai Carbon Co., Ltd.	1st Unsecured Bonds	July 5, 2019	10,000	-	0.12	None	July 5, 2022
Tokai Carbon Co., Ltd.	1st Unsecured Bonds with Deferred Interest Payments and Premature Redemption (Subordinated)	December 10, 2019	25,000	25,000	0.82 (Note 1)	None	December 10, 2049
Tokai Carbon Co., Ltd.	2nd Unsecured Bonds with Deferred Interest Payments and Premature Redemption (Subordinated)	June 30, 2020	20,000	20,000	1.77 (Note 2)	None	June 30, 2050
Tokai Carbon Co., Ltd.	2nd Unsecured Bonds	June 23, 2021	10,000	10,000	0.12	None	June 23, 2026
Total	-	-	65,000	55,000	-	-	-

(Notes) 1. Fixed interest rate from the day after December 10, 2019 to December 10, 2024; variable interest rate from the day after December 10, 2024 (interest rate shall step up on the day after December 10, 2024).

2. Fixed interest rate from the day after June 30, 2020 to June 30, 2030; variable interest rate from the day after June 30, 2030 (interest rate shall step up on the day after June 30, 2030).

3. Bonds due for redemption within five years of the consolidated closing date are as follows.

Due within 1 year (Million yen)	Due after 1 to 2 years (Million yen)	Due after 2 to 3 years (Million yen)	Due after 3 to 4 years (Million yen)	Due after 4 to 5 years (Million yen)
-	-	-	10,000	-

Schedule of Loans Payable

Category	Balance at beginning of period (Million yen)	Balance at end of period (Million yen)	Average interest rate (%)	Repayment date
Short-term loans payable	2,000	10,940	0.8	-
Current portion of long-term loans payable	12,710	9,805	0.1	-
Current portion of lease obligations	699	970	-	-
Commercial paper	50,000	60,000	0.0	-
Long-term loans payable (excluding current portion)	38,539	35,706	0.8	2024 to 2049
Lease obligations (excluding current portion)	3,017	3,511	-	2024 to 2090
Other interest-bearing debt (long-term)	591	664	0.7	-
Total	107,559	121,599	-	-

(Notes) 1. The average interest rate represents the weighted-average rate. This rate was calculated based on interest rates and balances at the end of the fiscal year.

2. The average interest rate for lease obligations is not shown, as the amount of lease obligations is recorded on the consolidated balance sheet as the amount before deducting the interest equivalent amount included in the entire lease fee.

3. The redemption schedule for long-term loans payable and lease obligations (excluding current portion) for the five years subsequent to the consolidated closing date is as follows.

Category	Due after 1 to 2 years (Million yen)	Due after 2 to 3 years (Million yen)	Due after 3 to 4 years (Million yen)	Due after 4 to 5 years (Million yen)
Long-term loans payable	1,494	6,537	1,530	1,144
Lease obligations	875	501	392	304

Schedule of Asset Retirement Obligations

In accordance with Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the schedule of asset retirement obligations is not disclosed because the amounts of asset retirement obligations as of the beginning and end of the current fiscal year were not larger than 1% of total liabilities and net assets at the beginning and end of the current fiscal year.

(2) Others

Quarterly information for the current fiscal year

Cumulative period		1st Quarter	2nd Quarter	3rd Quarter	Current fiscal year
Net sales	(Million yen)	69,512	157,070	246,332	340,371
Net income before income taxes	(Million yen)	8,335	19,181	31,330	42,111
Net income attributable to owners of the parent company	(Million yen)	4,044	9,253	16,121	22,418
Net income per share	(Yen)	18.97	43.41	75.62	105.16

Each quarter		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly net income per share	(Yen)	18.97	24.44	32.22	29.54

2 Financial Statements, etc.

(1) Financial Statements

1) Balance sheet

(Million yen)

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	27,870	9,204
Notes receivable	115	162
Accounts receivable	* 1 21,473	* 1 26,696
Merchandise and finished goods	5,279	5,355
Work in progress	9,591	10,211
Raw materials and supplies	4,448	6,161
Other	* 1 3,274	* 1 8,831
Allowance for doubtful accounts	(14)	(20)
Total current assets	72,037	66,603
Fixed assets		
Tangible fixed assets		
Buildings	* 2 6,290	* 2 6,296
Structures	* 2 2,058	* 2 2,091
Machinery and equipment	* 2 14,999	* 2 14,541
Vehicles and transport equipment	25	24
Tools, furniture and fixtures	575	659
Land	4,415	4,415
Construction in progress	1,054	1,565
Total tangible fixed assets	29,419	29,593
Intangible fixed assets		
Software	933	973
Other	14	13
Total intangible fixed assets	947	987
Investments and other assets		
Investment securities	17,659	19,100
Shares of subsidiaries and associates	196,377	214,672
Equity invested in associates	7,855	3,699
Prepaid pension cost	1,430	1,729
Deferred tax assets	1,491	-
Other	306	280
Allowance for doubtful accounts	(36)	(18)
Total investments and other assets	225,083	239,463
Total fixed assets	255,450	270,045
Total assets	327,488	336,648

(Million yen)

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
Liabilities		
Current liabilities		
Electronically recorded obligations	* 1 2,996	* 1 3,092
Accounts payable	* 1 8,641	* 1 10,366
Short-term loans payable	* 3 2,000	* 3 6,000
Short-term loans payable from subsidiaries and associates	15,657	12,798
Commercial paper	50,000	60,000
Current portion of loans payable	12,496	9,574
Accounts payable-other	* 1 1,900	* 1 2,373
Income taxes payable	96	148
Provision for bonuses	178	190
Current portion of bonds payable	10,000	-
Provision for loss on sale of equity invested in associates	2,389	-
Other	3,361	3,028
Total current liabilities	109,719	107,572
Long-term liabilities		
Bonds payable	55,000	55,000
Long-term loans payable	38,174	35,250
Deferred tax liabilities	-	1,277
Provision for executive officers' retirement benefits	58	58
Provision for environment and safety measures	7	3
Other	631	584
Total long-term liabilities	93,871	92,174
Total liabilities	203,591	199,747
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus		
Capital reserve	17,502	17,502
Other capital surplus	17	26
Total capital surplus	17,520	17,529
Retained earnings		
Legal retained earnings	2,864	2,864
Other retained earnings		
Reserve for reduction entry of fixed assets	1,118	1,097
General reserve	34,368	34,368
Retained earnings carried forward	47,487	59,719
Total retained earnings	85,838	98,050
Treasury stock	(7,244)	(7,236)
Total shareholders' equity	116,550	128,778
Valuation and translation adjustments		
Valuation difference on other securities	7,346	8,122
Total valuation and translation adjustments	7,346	8,122
Total net assets	123,897	136,901
Total liabilities and net assets	327,488	336,648

2) Statement of income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Net sales	* 1 58,646	* 1 74,570
Cost of sales	* 1 48,240	* 1 58,656
Gross profit	10,405	15,914
Selling, general and administrative expenses	* 1, * 2 8,874	* 1, * 2 9,473
Operating income	1,531	6,440
Non-operating income		
Interest and dividend income	* 1 4,296	* 1 13,291
Foreign exchange gains	337	1,630
Other	* 1 1,316	* 1 1,324
Total non-operating income	5,950	16,246
Non-operating expenses		
Interest expenses	* 1 946	* 1 925
Rental equipment expenses	221	228
Other	* 1 388	* 1 303
Total non-operating expenses	1,555	1,456
Ordinary income	5,926	21,230
Extraordinary income		
Gain on sale of investment securities	47	539
Gain on sales of fixed assets	* 3 160	* 3 80
Total extraordinary income	207	619
Extraordinary losses		
Loss on sale of equity invested in associates	-	160
Accident-related loss	-	* 4 141
Loss on retirement of fixed assets	* 5 47	* 5 123
Loss on valuation of investment securities	-	116
Loss on sale of investment securities	-	0
Loss on sales of fixed assets	* 6 2	* 6 0
Provision for loss on sale of equity invested in associates	2,389	-
Impairment loss	385	-
Demolition and removal costs	30	-
Total extraordinary losses	2,854	542
Net income before income taxes	3,279	21,306
Income taxes - current	140	263
Income taxes - deferred	(3,987)	2,436
Total income taxes	(3,847)	2,699
Net income	7,126	18,607

3) Statement of changes in equity

Previous fiscal year (January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity
		Capital Reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
						Reserve for reduction entry of fixed assets	General reserve	Retained earnings carried forward			
Balance at beginning of period	20,436	17,502	5	17,508	2,864	1,269	34,368	46,605	85,107	(7,248)	115,803
Change during period											
Dividends of surplus								(6,395)	(6,395)		(6,395)
Net income								7,126	7,126		7,126
Reversal of reserve for reduction entry of fixed assets						(151)		151	-		-
Purchase of treasury stock										(3)	(3)
Disposal of treasury stock			11	11						6	18
Net change in items other than shareholders' equity											
Total change in items during period	-	-	11	11	-	(151)	-	882	731	3	746
Balance at end of period	20,436	17,502	17	17,520	2,864	1,118	34,368	47,487	85,838	(7,244)	116,550

	Valuation and translation adjustments		Total net assets
	Valuation difference on other securities	Total valuation and translation adjustments	
Balance at beginning of period	5,467	5,467	121,271
Change during period			
Dividends of surplus			(6,395)
Net income			7,126
Reversal of reserve for reduction entry of fixed assets			-
Purchase of treasury stock			(3)
Disposal of treasury stock			18
Net change in items other than shareholders' equity	1,879	1,879	1,879
Total change in items during period	1,879	1,879	2,626
Balance at end of period	7,346	7,346	123,897

Current fiscal year (January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity
		Capital Reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
						Reserve for reduction entry of fixed assets	General reserve	Retained earnings carried forward			
Balance at beginning of period	20,436	17,502	17	17,520	2,864	1,118	34,368	47,487	85,838	(7,244)	116,550
Change during period											
Dividends of surplus								(6,395)	(6,395)		(6,395)
Net income								18,607	18,607		18,607
Reversal of reserve for reduction entry of fixed assets						(20)		20	-		-
Purchase of treasury stock										(2)	(2)
Disposal of treasury stock			8	8						10	19
Net change in items other than shareholders' equity											
Total change in items during period	-	-	8	8	-	(20)	-	12,232	12,211	8	12,228
Balance at end of period	20,436	17,502	26	17,529	2,864	1,097	34,368	59,719	98,050	(7,236)	128,778

	Valuation and translation adjustments		Total net assets
	Valuation difference on other securities	Total valuation and translation adjustments	
Balance at beginning of period	7,346	7,346	123,897
Change during period			
Dividends of surplus			(6,395)
Net income			18,607
Reversal of reserve for reduction entry of fixed assets			-
Purchase of treasury stock			(2)
Disposal of treasury stock			19
Net change in items other than shareholders' equity	776	776	776
Total change in items during period	776	776	13,004
Balance at end of period	8,122	8,122	136,901

Notes to Financial Statements

(Significant accounting policies)

1. Basis and method of valuation of assets

(1) Valuation standards and methods for marketable securities

a. Shares of subsidiaries

Based on the moving average cost method.

b. Other securities

Securities other than shares without market value

Market value method (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated according to the moving average method).

Shares without market value

Based on the moving average cost method

(2) Valuation standards and methods for derivatives

Based on market value method.

(3) Valuation standards and methods for inventories

Merchandise, finished goods, semi-finished products, raw materials, work in progress, supplies:

The Company employs the cost method based on monthly average method (values in the balance sheet are subject to the book value reduction based on a decline in profitability).

2. Depreciation methods for fixed assets

(1) Tangible fixed assets (excluding leased assets)

Based on declining-balance method. However, the accounting of buildings (excluding auxiliary facilities) acquired on or after April 1, 1998 and auxiliary facilities and structures acquired on or after April 1, 2016 is based on the straight-line method.

The useful life of each of these structures is as follows:

Buildings	3 to 50 years
Structures	2 to 60 years
Machinery and equipment	2 to 22 years

(2) Intangible fixed assets (excluding leased assets)

Based on straight-line method.

Software for internal use is amortized on a straight-line basis over the period of internal use (5 years).

(3) Leased assets

Depreciation is calculated by using the straight-line method which considers the residual value to be zero and treats the lease term as the useful life of the asset.

3. Standards for recognition of allowances

(1) Allowance for doubtful accounts

To provide for losses due to uncollectible general accounts receivables, such allowance is calculated based on reasonable standards such as historical collection losses. For specific accounts receivables such as doubtful accounts receivables, a case-by-case review is conducted and an estimation of the uncollectible amount is recorded.

(2) Provision for bonuses

To provide for bonuses to employees, a reserve is recorded based on the estimated amount to be paid out in the fiscal year under review.

(3) Provision for retirement benefits

To provide for retirement benefits to employees, a provision is recorded based on the estimated retirement benefit obligations and pension assets as of the end of the fiscal year under review.

Actuarial gains and losses are amortized on a straight-line basis over a certain period of years (10 years), which is within the average remaining service period of employees, commencing from the succeeding fiscal year.

Prior service costs are treated as a one-time charge in the fiscal year of their accrual.

(4) Provision for executive officers' retirement benefits

To provide for executive officers' retirement benefits, the required amount is recorded at the end of the fiscal year based on internal rules.

(5) Provision for environment and safety measures

As a provision for expenses such as PCB waste disposal expenses based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, an amount that can be reasonably estimated to be incurred by the end of the fiscal year is recorded.

4. Standards for revenues and expenses

The Company manufactures and sells products in Graphite Electrodes, Carbon Black, Fine Carbon, and Other Operations.

With respect to sales of products, revenue is recognized at the amount expected to be received as consideration at the time of delivery of products, in principle, because it is determined that customers gain control over the products and performance obligations are fulfilled at the time of delivery of the products. In domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period. In export sales, revenue is recognized upon transfer of risk to customers based on trade terms stipulated in Incoterms and other agreements.

The consideration for the transaction is received within approximately four months from the time when the performance obligation is satisfied and does not include any significant financial elements.

5. Other significant basis for preparation of financial statements

(1) Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the end of the fiscal year under review, and translation adjustments are treated as profits or losses.

(2) Hedge accounting method

1) Hedge accounting method

Deferred hedge accounting is adopted. Foreign exchange forward contracts that meet the requirements for allocation treatment are accounted for by the allocation treatment.

2) Hedging instruments and hedged items

The hedging instruments and hedged items are as follows.

Hedging instruments Foreign exchange forward contracts

Hedged items Foreign currency receivables and payables and forecasted foreign currency transactions

3) Hedging policy

In accordance with the internal regulations that prescribe the authority and transaction limit for derivative transactions, foreign exchange risks pertaining to hedged items are hedged within a certain range.

4) Method for assessing hedge effectiveness

The method for assessing the effectiveness of hedges is to check whether there is a high correlation between the hedged item's market fluctuation or cash flow fluctuation and the hedging instrument's market fluctuation or cash flow fluctuation.

(3) Accounting for retirement benefits

The accounting method for unrecognized actuarial differences on retirement benefits is different from the method used in the consolidated financial statements.

(4) Accounting method for deferred assets

For bond issuance costs, the full amount is recorded as expenses at the time of expenditure.

(Significant accounting estimates)

1. Assessment of shares of subsidiaries and associates

(1) Amounts included in the current fiscal year's financial statements

The balance of shares of subsidiaries and associates recorded in the balance sheet of the previous fiscal year is ¥196,377 million, of which the book value of Tokai COBEX HoldCo GmbH shares is ¥108,687 million. In addition, the balance of shares of subsidiaries and associates recorded in the balance sheet of this fiscal year is ¥214,672 million, of which book value of Tokai COBEX HoldCo GmbH shares is ¥108,687 million.

(2) Information on significant accounting estimates related to the identified items

1) Method of calculating the amount included in the current fiscal year's financial statements

For shares of subsidiaries and associates without market value, the actual value shall be the net assets per share or the value reflecting excess earning power in the net assets per share. If the actual value has significantly decreased, the recognition of loss on valuation is required unless there is sufficient evidence of performance recoverability.

The fiscal year under review does not recognize a valuation loss because the actual value of shares of subsidiaries and associate has not decreased significantly.

2) Major assumptions used in the calculation

The calculation of the actual value reflecting the excess earning power and the determination of whether the recoverability is supported by sufficient evidence are based on the business plan of the subsidiaries and associates and takes into account assumptions regarding the net sales of the business, operating income and loss, etc.

3) Impact on financial statements of the following fiscal year

The financial results of the subsidiaries and associates may be affected by uncertain economic and business conditions in the future, and if it becomes necessary to review the above major assumptions, it may have a significant impact on the amount of shares of subsidiaries and associates on the financial statements of the following fiscal year.

2. Assessment of fixed assets

(1) Amounts included in the current fiscal year's financial statements

(Million yen)

	Previous fiscal year	Fiscal year under review
Tangible fixed assets	29,419	29,593
Intangible assets	947	987
Impairment losses	385	-

(2) Information on significant accounting estimates related to the identified items

The same as described in "Notes (Significant accounting estimates) 2. Assessment of fixed assets (excluding goodwill)" of the consolidated financial statements.

3. Deferred tax assets recoverability

(1) Amounts included in the current fiscal year's financial statements

(Million yen)

	Previous fiscal year	Fiscal year under review
Deferred tax assets	1,491	-
Deferred tax assets (amount before offsetting with deferred tax liabilities)	8,478	6,123

(2) Information on significant accounting estimates related to the identified items

The same as described in "Notes (Significant accounting estimates) 3. Deferred tax assets recoverability" of the consolidated financial statements.

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition etc.)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “Revenue Recognition Accounting Standard”) etc. has been applied from the beginning of the current fiscal year. With the application of the Revenue Recognition Accounting Standard, revenue is recognized as the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Moreover, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control over the goods or products is transferred to the customer is a normal period in domestic sales of the goods or products by applying the alternative treatment set forth in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition.”

The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, the application of the Revenue Recognition Accounting Standard, etc. does not have any impact on the profit or loss and the beginning retained earnings of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, no notes on revenue recognition for the previous fiscal year are stated.

(Application of “Accounting Standard for Fair Value Measurement” etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as “Fair Value Measurement Accounting Standard”) etc. has been applied from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Accounting Standard, etc. will be applied in the future. Moreover, there is no impact on the financial statements.

(Change in Presentation Method)

(Statement of income)

“Royalty income” as shown under “Non-operating income”, which was presented separately in the previous fiscal year, has been reclassified as “Other” from this fiscal year due to decreased materiality. In order to reflect this change in presentation, the financial statements of the previous fiscal year have been reclassified.

As a result, ¥680 million in “Royalty income” and ¥635 million in “Other”, as shown under “Non-operating income” on the statement of income of the previous fiscal year, have been reclassified as ¥1,316 million in “Other”.

(Notes regarding balance sheet)

* 1 Monetary claims and monetary liabilities in subsidiaries and associates (excluding those shown separately)

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
Short-term monetary claims	¥6,113 million	¥11,443 million
Short-term monetary debts	442	1,149

* 2 Reduction entry amount

Reduction entry amounts for national subsidies, etc. and gain on insurance claims are deducted from each asset's acquisition price.

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
	(Current portion)	(Current portion)
Buildings	¥194 million (¥-7 million)	¥194 million (¥- million)
Structures	19 (-)	19 (-)
Machinery and equipment	799 (-0)	791 (-7)
Total	1,013 (-7)	1,005 (-7)

* 3 Overdraft facility agreements and commitment line agreements

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

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
Total value of overdraft limits and loan commitment contracts	¥62,000 million	¥66,000 million
Executed loans	2,000	6,000
Unused balance	60,000	60,000

4 Guarantee obligations

This is a guarantee for bank loans, etc., and is as outlined below.

Previous fiscal year (December 31, 2021)

Surety	Amount (million yen)	Content of guaranteed obligations
Tokai COBEX GmbH	1,798 (12,755,000 euros, 1,008,000 USD, etc.)	Bank guarantees (Note)
Total	1,798	

(Note) Guarantees are provided mainly for the issuance of letters of guarantee by banks mainly in connection with performance guarantees for orders received and refund guarantees for advances received.

Current fiscal year (December 31, 2022)

Surety	Amount (million yen)	Content of guaranteed obligations
TOKAI CARBON GE LLC	544 (4,105,000 USD)	Accounts payable
THAI TOKAI CARBON PRODUCT CO., LTD.	4,940 (THB 1,300,000,000)	Bank loans
Tokai COBEX GmbH	1,268 (7,364,000 EUR, 1,008,000 USD, etc.)	Bank guarantees (Note)
Total	6,753	

(Note) Guarantees are provided mainly for the issuance of letters of guarantee by banks mainly in connection with performance guarantees for orders received and refund guarantees for advances received.

(Notes regarding statement of income)

* 1 Transaction with subsidiaries and associates

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Operating transactions		
Net sales	¥13,141 million	¥18,560 million
Purchase amount	3,132	4,097
Transactions other than operating transactions	5,133	14,205

* 2 Selling expenses accounted for around 24% of selling, general and administrative expenses in the previous fiscal year and around 23% in the current fiscal year, while general and administrative expenses accounted for around 76% in the previous fiscal year and 77% in the current fiscal year.

Major items included in selling, general and administrative expenses and their amounts are as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Warehousing and shipping expenses	¥1,832 million	¥2,005 million
Sales commission	301	154
Additions to allowance for doubtful accounts	2	5
Salaries and allowances	2,016	2,358
Additions to provision for bonuses	160	60
Retirement benefit expenses	17	(16)
Additions to provision for executive officers' retirement benefits	9	8
Amount paid to subcontractors	225	282
Depreciation	233	188
Rent expenses	373	449
Research and development expenses	1,618	1,632

* 3 Gains on sales of fixed assets were as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Land	¥160 million	¥80 million
Total	160	80

* 4 Loss related to accident

Previous fiscal year (January 1, 2021 to December 31, 2021)

Not applicable

Current fiscal year (January 1, 2022 to December 31, 2022)

Expenses include restoration costs etc., incurred due to an accident at a manufacturing facility.

* 5 Losses on retirement of fixed assets were are as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Buildings	¥35 million	¥24 million
Structures	9	48
Machinery and equipment	0	27
Other	1	23
Total	47	123

(Change in Presentation Method)

“Machinery and equipment,” which was included in “Other” in the previous fiscal year is separately presented as “Machinery and equipment” from this fiscal year because its monetary significance has increased. The previous fiscal year has been reclassified to reflect this change in presentation.

As a result, ¥2 million, which was shown as “Other” in the previous fiscal year, has been reclassified as ¥0 million “Machinery and equipment” and ¥1 million “Other”.

* 6 Loss on sales of fixed assets were are as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Fiscal year under review (January 1 to December 31, 2022)
Land	¥2 million	¥- million
Other	-	0
Total	2	0

(Notes regarding marketable securities)

Shares of subsidiaries

Previous fiscal year (December 31, 2021)

Category	Amount recorded on balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Shares of subsidiaries	8,353	74,893	66,539
Total	8,353	74,893	66,539

(Note) Amount recorded on balance sheet for subsidiary shares whose market value is deemed extremely difficult to determine
(Million yen)

Category	Previous fiscal year (December 31, 2021)
Shares of subsidiaries	188,024

These items have no market prices, and it is deemed to be extremely difficult to determine their market value. As such, they are not included in "Shares of subsidiaries" in the above table.

Current fiscal year (December 31, 2022)

Category	Amount recorded on balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Shares of subsidiaries	13,377	55,223	41,846
Total	13,377	55,223	41,846

(Note) Shares etc. with no market value recorded on balance sheet not included above

(Million yen)

Category	Fiscal year under review (December 31, 2022)
Shares of subsidiaries	201,294

(Notes regarding tax effect accounting)

1. Breakdown of deferred tax assets and liabilities by major cause

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
Deferred tax assets		
Denial of valuation loss on shares of subsidiaries and associates, etc.	¥5,043 million	¥930 million
Excess depreciation	1,710	1,496
Denial of impairment loss	280	206
Redemption of shares of subsidiaries and associates	558	558
Denial of loss on valuation of investment securities	139	139
Tax loss carryforward	3,476	4,970
Tax credits carryforward	103	191
Other	395	531
Deferred tax assets (subtotal)	11,707	9,024
Valuation allowance for tax loss carryforward	-	-
Valuation allowance for total deductible temporary difference	(3,228)	(2,901)
Valuation allowance (subtotal)	(3,228)	(2,901)
Total deferred tax assets	8,478	6,123
Deferred tax liabilities		
Redemption of shares of subsidiaries and associates	(3,124)	(3,124)
Valuation difference on other securities	(2,949)	(3,281)
Reserve for tax purpose reduction entry of fixed assets	(479)	(470)
Prepaid pension cost	(429)	(518)
Other	(5)	(5)
Total deferred tax liabilities	(6,987)	(7,400)
Net deferred tax assets or net deferred tax liabilities	1,491	(1,277)

(Change in Presentation Method)

“Tax credits carryforward,” which was included in “Other” of “Deferred tax assets” of the previous fiscal year, is separately presented from the current fiscal year because its monetary significance has increased. In order to reflect this change in presentation, the notes of the previous fiscal year have been reclassified.

As a result, ¥498 million in “Other” as shown under “Deferred tax assets” for the previous fiscal year, have been reclassified as ¥103 million in “Tax credits carryforward” and ¥395 million in “Other.”

2. Breakdown of items that caused significant differences between the statutory tax rate and the effective tax rate after application of tax effect accounting

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
Statutory tax rate	30.0%	30.0%
(Adjustments)		
Entertainment expenses and other permanently non-deductible expenses	2.5	0.5
Dividend income and other permanently non-taxable income	(54.5)	(16.8)
Withholding tax on dividend income from overseas subsidiaries	3.2	0.8
Valuation allowance	(98.4)	(1.5)
Other	(0.1)	(0.3)
Effective tax rate after application of tax effect accounting	(117.3)	12.7

(Business Combinations)

Notes have been omitted as the same content is shown under “Notes regarding business combinations” of the consolidated financial statements.

(Revenue Recognition)

Information that provides the basis for understanding revenue arising from customer contracts can be found in “Notes to Financial Statements (Significant accounting policies) 4. Standards for revenues and expenses.”

(Significant Subsequent Events)

Not applicable

4) Supplementary Schedules

Schedule of Tangible Fixed Assets

(Million yen)

Category	Assets	Balance at beginning of period	Increase during period	Decrease during period	Amount amortized	Balance at end of period	Cumulative amount of depreciation
Tangible fixed assets	Buildings	6,290	468	10	453	6,296	20,275
	Structures	2,058	280	3	244	2,091	11,509
	Machinery and equipment	14,999	3,593	86	3,965	14,541	91,872
	Vehicles and transport equipment	25	18	0	19	24	293
	Tools, furniture and fixtures	575	514	9	420	659	4,405
	Land	4,415	-	0	-	4,415	-
	Construction in progress	1,054	5,438	4,927	-	1,565	-
	Total	29,419	10,314	5,037	5,102	29,593	128,355
Intangible assets	Software	933	391	0	350	973	-
	Other	14	-	-	0	13	-
	Total	947	391	0	350	987	-

(Notes) The significant item within the increase for tangible fixed assets during the period was as follows:

Machinery and equipment	Tanoura Plant	Fine carbon etc. manufacturing facility	¥935 million
-------------------------	---------------	---	--------------

Schedule of Provisions

(Million yen)

Item	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	51	9	21	39
Provision for bonuses	178	2,090	2,079	190
Provision for loss on sale of equity invested in associates	2,389	-	2,389	-
Provision for executive officers' retirement benefits	58	8	7	58
Provision for environment and safety measures	7	12	16	3

(2) Principal Assets and Liabilities

Because the consolidated financial statements have been compiled, this entry is omitted here.

(3) Other

Not applicable

Section 6 Outline of Stock-related Administration of Submitting Company

Fiscal year	From January 1 to December 31										
Annual General Meeting of Shareholders	In March										
Record date	December 31										
Record date for dividends of surplus	June 30 December 31										
Number of shares constituting one unit	100 shares (Note) 1										
Purchase and additional purchase of odd-lot shares	<p>(Special Account)</p> <p>1-4-5, Marunouchi, Chiyoda-ku, Tokyo</p> <p>Stock Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation</p> <p>(Special Account)</p> <p>1-4-5, Marunouchi, Chiyoda-ku, Tokyo</p> <p>Mitsubishi UFJ Trust and Banking Corporation</p> <p>Agency</p> <p>-</p> <p>Commissions are set at 85% of the amount obtained based on the number of odd-lot shares purchased or additionally purchased, after calculating a per-unit amount using the formula shown below (Formula) As outlined below based on the total amount obtained by multiplying the per-share purchase price by the number of shares constituting one unit</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Equal to or less than ¥1 million</td> <td style="text-align: right;">1.150%</td> </tr> <tr> <td>More than ¥1 million and equal to or less than ¥5 million</td> <td style="text-align: right;">0.900%</td> </tr> <tr> <td>More than ¥5 million and equal to or less than ¥10 million</td> <td style="text-align: right;">0.700%</td> </tr> <tr> <td>More than ¥10 million and equal to or less than ¥30 million</td> <td style="text-align: right;">0.575%</td> </tr> <tr> <td>More than ¥30 million and equal to or less than ¥50 million</td> <td style="text-align: right;">0.375%</td> </tr> </table> <p>(Fractions of less than one yen rounded down)</p> <p>However, commissions set at ¥2,500 where the calculated amount per-unit is below ¥2,500, and ¥272,500 where the calculated amount per-unit is above ¥50 million.</p>	Equal to or less than ¥1 million	1.150%	More than ¥1 million and equal to or less than ¥5 million	0.900%	More than ¥5 million and equal to or less than ¥10 million	0.700%	More than ¥10 million and equal to or less than ¥30 million	0.575%	More than ¥30 million and equal to or less than ¥50 million	0.375%
Equal to or less than ¥1 million		1.150%									
More than ¥1 million and equal to or less than ¥5 million		0.900%									
More than ¥5 million and equal to or less than ¥10 million		0.700%									
More than ¥10 million and equal to or less than ¥30 million		0.575%									
More than ¥30 million and equal to or less than ¥50 million	0.375%										
Handling office											
Shareholder Registry Administrator											
Agency											
Commission for purchase and additional purchase											
Method of public notice	<p>Electronic public notice</p> <p>URL for public notice: https://www.tokaicarbon.co.jp/en/</p> <p>However if public notice cannot be provided electronically due to the occurrence of an accident or other unavoidable circumstances, public notice shall be published in the Nihon Keizai Shimbun.</p>										
Shareholder benefits	Shareholder special benefit program (Note) 2										

(Notes) 1. In accordance with the Company's articles of incorporation, shareholders' rights with respect to odd-lot shares consist only of: the right to make a claim under the provisions of Article 166, Paragraph 1 of the Companies Act; rights specified in each Item of Article 189, Paragraph 2 of the Companies Act; the right to receive share subscription or allotment of stock acquisition rights in accordance with the number of shares held by the shareholder; and the right to make a request for the sale of odd-lot shares.

2. The benefits outlined below are offered to shareholders who are recorded in the shareholder registry as of December 31 each year and hold at least 100 common shares of the Company over a minimum specified period, as well as other shareholders who hold at least 1,000 shares.

* Shareholders can receive items of their choice from the Company's original catalog, with eligibility depending on the number of shares held and the length of their continuous holding period.

Number of shares held	Continuous holding period		
	Less than 1 year	At least 1 year, but less than 3 years	At least 3 years
At least 100 shares, but less than 500 shares	-	Items with value of ¥2,000	Items with value of ¥3,000
At least 500 shares, but less than 1,000 shares	-	Items with value of ¥3,000	Items with value of ¥5,000
At least 1,000 shares	Items with value of ¥3,000	Items with value of ¥5,000	Items with value of ¥8,000

Section 7 Reference Information on Submitting Company

1 Information on Parent of Submitting Company, etc.

The Company does not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 Other Reference Information

From the beginning of the current fiscal year until the filing date of this Securities report, the Company has filed the following documents.

(1) Securities report, appendices and confirmation letter

Fiscal year (Fiscal 2021) (January 1 to December 31, 2021), filed to the Director-General of the Kanto Local Finance Bureau on March 30, 2022

(2) Internal control report and appendices

Fiscal year (Fiscal 2021) (January 1 to December 31, 2021), filed to the Director-General of the Kanto Local Finance Bureau on March 30, 2022

(3) Quarterly reports and confirmation letter

(1st quarter of fiscal 2022) (January 1 to March 31, 2022), filed to the Director-General of the Kanto Local Finance Bureau on May 12, 2022

(2nd quarter of fiscal 2022) (April 1 to June 30, 2022), filed to the Director-General of the Kanto Local Finance Bureau on August 10, 2022

(3rd quarter of fiscal 2022) (July 1 to September 30, 2022), filed to the Director-General of the Kanto Local Finance Bureau on November 11, 2022

(4) Extraordinary report

Extraordinary report based on Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meeting of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs, filed to the Director-General of the Kanto Local Finance Bureau on April 1, 2022

Part 2 Information on Submitting Company's Surety Company, etc.

Not applicable

Independent Auditor's Audit Report and Internal Control Audit Report

March 30, 2023

Tokai Carbon Co., Ltd.

To: The Board of Directors

KPMG AZSA LLC

Tokyo Office

Designated Limited
Liability Partner and
Executive Member

Certified public
accountant

Ryoichi Isashi

Designated Limited
Liability Partner and
Executive Member

Certified public
accountant

Takeshi Nakatani

<Audit of financial statements>

Audit Opinion

To provide an audit attestation as stipulated in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Tokai Carbon Co., Ltd. included in the "Status of Accounting" section, which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, significant basis for preparation of consolidated financial statements, other notes, and consolidated supplementary schedules for the fiscal year from January 1 to December 31, 2022. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokai Carbon Co., Ltd. and its consolidated subsidiaries as of December 31, 2022, and their operating results and cash flows for the consolidated fiscal year ended on that day in conformity with the generally accepted accounting principles as fair and valid in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with auditing standards that are generally accepted as fair and valid in Japan. Our responsibility under auditing standards is described in "Auditor's Responsibility for Auditing Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with provisions of the Code of Professional Ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

The key audit matters are what the auditor considers to be of particular professional importance in the audit of current fiscal year's consolidated financial statements. The key audit matters are the response to the audit process and the formation of an audit opinion on the consolidated financial statements as a whole, and we do not express an opinion on this matter individually.

Appropriateness of Judgment on Indication of Goodwill Impairment for Smelting and Lining	
Contents and reasons for decision of key audit matters	Audit response
<p>The ¥52,837 million of goodwill recorded in Consolidated Balance Sheets of Tokai Carbon Co., Ltd. includes ¥ 31,772 million of goodwill related to Smelting and Lining as described in Note "(Significant Accounting Estimates) 1. Assessment of goodwill."</p> <p>Goodwill is amortized on a straight-line basis over a period of time during which the goodwill's effect is expected to be reasonably estimated. However, if an asset group, including impairment losses, is deemed to have an indication of impairment, it is necessary to determine whether or it is necessary to recognize the impairment. As a result, if the recognition of the impairment losses is judged to be necessary, the book value is reduced to the recoverable amount, and the reduction of the book value is recorded as the impairment losses.</p> <p>Tokai Carbon Co., Ltd. believes there are no signs of impairment in the asset group, including goodwill in Smelting and Lining. Whether an asset qualifies as an indication of impairment is determined mainly by whether profit or loss or cash flow arising from operating activities is continuously negative or whether it qualifies as a significant deterioration in the business environment. These decisions are based on Smelting and Lining operating income and expenses, the achievement of business plans, and future business plans. Future business plans take into account changes in the business environment, including increased geopolitical risks associated with the Russia-Ukraine situation. As described in the note "(Significant Accounting Estimates) 1. Assessment of goodwill," the business plan contains assumptions regarding the net sales and operating income and expenses of the business. These assumptions are subject to uncertainty and therefore require management's judgment in determining the indication of impairment.</p> <p>Accordingly, we believe that the appropriateness of our determination of goodwill's indication of impairment losses related to Smelting and Lining is particularly important for the Company's consolidated audit of financial statements in current fiscal year and falls under the category of "Key Audit Matters."</p>	<p>We conducted the following audit procedures to evaluate the appropriateness of our assessment of goodwill's indication of impairment losses related to Smelting and Lining.</p> <p>(1) Assessment of internal control</p> <p>The effectiveness of the development and operation of the internal control in relation to the indication of impairment of the asset group including goodwill was evaluated. The assessment focused specifically on the Smelting and Lining in which the control's operating results and business plan performance and business plan performance information needed to determine signs of impairment were collected to validate future business plans.</p> <p>(2) Evaluation of appropriateness of judgments regarding indication of impairment</p> <p>With regard to the appropriateness of the Company's judgment as to whether there is an indication of impairment, the following procedures were mainly implemented.</p> <ul style="list-style-type: none"> • Internal materials of the Company such as Board of Directors materials related to the business plan were inspected. • Compared and analyzed business plans and achievements, and asked questions to the department in charge about the achievement status of past business plans to confirm whether there were any changes in the management environment. • Asked the department in charge whether the business plan was formulated based on rational assumptions and examined the feasibility of the business plan. • The appropriateness of assumptions regarding future market growth in net sales was examined, including comparisons with available external information. • The gross profit rate and selling, general and administrative expenses estimates (including the impact of heightened geopolitical risks associated with the Russia-Ukraine situation on market conditions, material procurement prices, and energy costs in Europe) were compared with past performance. At the same time, questions were asked to the department in charge about the forecast of future trends, and the validity of the estimates were examined.

Other Information

The other information comprises the information included in the Securities Report but does not include the consolidated financial statements, financial statements, and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to streamlining and operating the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the generally accepted accounting principles in Japan. Responsibilities include those for designing and operating an internal control system as management deems necessary in order to prepare and properly present consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the same based on the going concern assumption as well as for disclosing matters concerning a going concern if it is necessary to do so based on accounting standards generally accepted as fair and valid in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Auditing Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements in the audit report from an independent standpoint based on the audit by the auditor, after obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement due to fraud or error. A misstatement is deemed material if it may arise from fraud or error, and it is reasonably expected, either individually or in aggregate, to affect the decision making of the users of the consolidated financial statements.

We shall, in accordance with auditing standards generally accepted as fair and valid in Japan, make professional judgments throughout the auditing process and, with professional skepticism, shall:

- Identify and assess the risk of material misstatement due to fraud or error. Moreover, we shall plan and implement audit procedures to address material misstatement risks. Audit procedures shall be selected and applied at the discretion of the Auditor. Furthermore, sufficient and appropriate audit evidence shall be obtained for the basis of the audit opinion.
- The purpose of auditing the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in conducting risk assessment, we shall examine internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Assess the appropriateness of accounting policies adopted by management and the methods of their application as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes.
- Determine whether it is appropriate for management to prepare consolidated financial statements based on going concern assumptions, and based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumptions. An audit report shall be required to draw attention to the notes to the consolidated financial statements if significant uncertainties are recognized concerning the going concern assumptions, or the expression of an opinion, with exceptions, on the consolidated financial statements shall be required if the notes to significant uncertainties in the consolidated financial statements are not appropriate. Our conclusions are based on audit evidence obtained up to the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.
- Evaluate the presentation, composition, and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements appropriately present the transactions and accounting events on which they are based, as well as whether the presentation and notes to the consolidated financial statements conform to accounting standards generally accepted as fair and valid in Japan.
- Obtain sufficient and appropriate audit evidence on the financial information of the Company and its consolidated subsidiaries for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and implementing the audit on the consolidated financial statements. An Auditor is solely responsible for the audit opinion.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit, material audit findings, including material defects in internal control identified during the audit process, and other matters required by the audit standards.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards to remove or mitigate any impediments.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of internal control>

Audit Opinion

To provide an attestation as stipulated in Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Tokai Carbon Co., Ltd. as of December 31, 2022.

In our opinion, the internal control report referred to above, in which Tokai Carbon Co., Ltd. states that the internal control over financial reporting as of December 31, 2022, is effective, presents fairly, in all material respects, the assessment results of internal control over financial reporting in conformity with evaluation standards for internal control over financial reporting generally accepted as fair and valid in Japan.

Basis for the Audit Opinion

We conducted our internal control audit in accordance with the auditing standards for internal control over financial reporting generally accepted as fair and valid in Japan. Our responsibility under the auditing standards for internal control over financial reporting is described in "Auditor's Responsibility for Auditing Internal Control." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with provisions of the Code of Professional Ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Internal Control Report Management is responsible for the development and operation of internal control over financial reporting, and for the preparation and fair presentation of the internal control report in accordance with evaluation standards for internal control over financial reporting generally accepted as fair and valid in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the development and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility for Auditing Internal Control

Our responsibility is to express an opinion on the internal control report in the internal control audit report from an independent standpoint based on the audit on internal control by the auditor, after obtaining reasonable assurance about whether the internal control report is free of material misstatement.

We shall, in accordance with the auditing standards for internal control over financial reporting generally accepted as fair and valid in Japan, make professional judgments throughout the auditing process and, with professional skepticism, shall:

- Implement audit procedures to obtain audit evidence about the assessment results of internal control over financial reporting in the internal control report. The internal control audit procedures shall be selected and applied at our discretion, based on the significance of effects on the reliability of financial reporting.
- Examine the overall presentation of the internal control report, including the scope and procedures of assessment pertaining to internal control over financial reporting, and statements by management on the results of the assessment.
- Obtain sufficient and appropriate audit evidence about the assessment results of internal control over financial reporting in the internal control report. We are responsible for directing, supervising and implementing the audit on the internal control report. An Auditor is solely responsible for the audit opinion.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit on internal control, the results of the audit on internal control, material defects in internal control that are identified to be disclosed, the results of correcting the same, and other matters required by the auditing standards for internal control.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards to remove or mitigate any impediments.

Conflict of interest

Our firm and executive members have no interest in the Company and its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Act.

-
- (Notes)
1. The original copy of the above audit report is kept separately by the Company (the company filing this securities report).
 2. XBRL data is excluded from the scope of audit.

Independent Auditor's Audit Report

March 30, 2023

Tokai Carbon Co., Ltd.

To: The Board of Directors

KPMG AZSA LLC

Tokyo Office

Designated Limited
Liability Partner and
Executive Member

Certified public
accountant

Ryoichi Isashi

Designated Limited
Liability Partner and
Executive Member

Certified public
accountant

Takeshi Nakatani

Audit Opinion

To provide an audit attestation as stipulated in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Tokai Carbon Co., Ltd. included in the "Status of Accounting" section, which consist of the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, important accounting policies, other notes, and non-consolidated supplementary schedules for the fiscal year from January 1 to December 31, 2022.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokai Carbon Co., Ltd. as of December 31, 2022 and its operating results for the fiscal year ended on that day in conformity with the generally accepted accounting principles as fair and valid in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with auditing standards that are generally accepted as fair and valid in Japan. Our responsibility under auditing standards is described in "Auditor's Responsibility for Auditing Non-consolidated Financial Statements." We are independent of the Company and fulfill our other ethical responsibilities as an auditor in accordance with provisions of the Code of Professional Ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

The key audit matters are what the auditor considers to be of particular professional importance in the audit of the fiscal year's financial statements. The key audit matters are the response to the audit process and the formation of the audit opinion on the financial statements as a whole, and we do not express an opinion on this matter individually.

Appropriateness of judgment regarding the necessity of recording a valuation loss for shares of subsidiaries and associates Cobex HoldCo GmbH	
Contents and reasons for decision of key audit matters	Audit response
<p>¥214,672 million in shares of subsidiaries and associates, which is included in the Balance sheet of Tokai Carbon Co., Ltd., includes ¥108,687 million in investment in Tokai COBEX HoldCo GmbH, a non-listed subsidiary, as described in Note "(Significant Accounting Estimates) 1. Assessment of shares of subsidiaries and associates."</p> <p>Shares without market prices acquired through investments in non-listed subsidiaries shall be valued at acquisition cost on the balance sheet. However, in cases where the actual value has declined significantly due to deterioration in the financial position of the issuing corporation, it is necessary to recognize a valuation loss unless there is sufficient evidence of recoverability.</p> <p>Tokai Carbon Co., Ltd. does not recognize a valuation loss because the real value of net assets COBEX HoldCo GmbH, which reflects excess earning power, has not declined significantly. The calculation of the real value reflecting the excess profitability and the determination of whether the recoverability is supported by sufficient evidence are based on the business plan of Tokai Cobex HoldCo GmbH and takes into account changes in the market environment and long-term business strategies. The performance of Tokai Cobex HoldCo GmbH may be affected by uncertain economic and business conditions in the future, and the judgment of management has a significant impact on the calculation of the actual value reflecting excess profitability.</p> <p>Accordingly, we believe that the appropriateness of our determination regarding the necessity of recording a valuation loss on the investment in our subsidiary, Tokai Cobex HoldCo GmbH, is particularly important in the audit of financial statements in current fiscal year and falls under the category of "Key Audit Matters."</p>	<p>In order to evaluate our judgment as to whether or not to record a loss on valuation of investments in our subsidiary, Tokai Cobex HoldCo GmbH, we have primarily conducted the following audit procedures.</p> <p>(1) Assessment of internal control</p> <p>The effectiveness of the development and operation of internal control related to the determination of the necessity of recording the valuation loss of shares of subsidiaries and associates was evaluated. The assessment focused specifically on the control in which the adequacy of the business plan underlying the assessment of excess of the assessment of excess profitability is verified.</p> <p>(2) Assessment of shares of subsidiaries and associates</p> <p>In order to examine the appropriateness of the valuation of the Tokai COBEX HoldCo GmbH shares, the following procedures were mainly implemented regarding the excess profitability of the company considered in estimating the real value.</p> <ul style="list-style-type: none"> • Internal materials of the Company such as Board of Directors materials related to the business plan were inspected. • Compared and analyzed business plans and achievements, and asked questions to the department in charge about the achievement status of past business plans to confirm whether there were any changes in the management environment. • Asked the department in charge whether the business plan was formulated based on rational assumptions and examined the feasibility of the business plan. • The appropriateness of assumptions regarding future market growth in net sales was examined, including comparisons with available external information. • The gross profit rate and selling, general and administrative expenses estimates (including the impact of heightened geopolitical risks associated with the Russia-Ukraine situation on market conditions, material procurement prices, and energy costs in Europe) were compared with past performance. At the same time, questions were asked to the department in charge about the forecast of future trends, and the validity of the estimates was examined.

Other Information

The other information comprises the information included in the Securities Report but does not include the consolidated financial statements, financial statements, and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to streamlining and operating the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider

whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the generally accepted accounting principles in Japan. Responsibilities include those for designing and operating an internal control system as management deems necessary in order to prepare and properly present non-consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare non-consolidated financial statements based on the going concern assumption as well as for disclosing matters concerning a going concern if it is necessary to do so based on accounting standards generally accepted as fair and valid in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of their duties in the development and operation of the financial reporting process.

Auditor's Responsibility for Auditing Non-consolidated Financial Statements

Our responsibility is to express an opinion on the non-consolidated financial statements in the audit report from an independent standpoint based on the audit by the auditor, after obtaining reasonable assurance about whether the non-consolidated financial statements as a whole are free of material misstatement due to fraud or error. A misstatement is deemed material if it may arise from fraud or error, and it is reasonably expected, either individually or in aggregate, to affect the decision making of the users of the non-consolidated financial statements.

We shall, in accordance with auditing standards generally accepted as fair and valid in Japan, make professional judgments throughout the auditing process and, with professional skepticism, shall:

- Identify and assess the risk of material misstatement due to fraud or error. Moreover, we shall plan and implement audit procedures to address material misstatement risks. Audit procedures shall be selected and applied at the discretion of the Auditor. Furthermore, sufficient and appropriate audit evidence shall be obtained for the basis of the audit opinion.
- The purpose of auditing the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in conducting risk assessment, we shall examine internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Assess the appropriateness of accounting policies adopted by management and the methods of their application as well as the reasonableness of accounting estimates made by management and the appropriateness of any related notes
- Determine whether it is appropriate for management to prepare non-consolidated financial statements based on going concern assumptions, and based on the audit evidence obtained, whether there are significant uncertainties regarding the events or circumstances that may raise significant doubt about the going concern assumptions. An audit report shall be required to draw attention to the notes to the non-consolidated financial statements if significant uncertainties are recognized concerning the going concern assumptions, or the expression of an opinion, with exceptions, on the non-consolidated financial statements shall be required if the notes to significant uncertainties in the non-consolidated financial statements are not appropriate. Our conclusions are based on audit evidence obtained up to the date of the audit report, but future events and circumstances may prevent the company from continuing as a going concern.
- Evaluate the presentation, composition, and content of the non-consolidated financial statements, including the related notes, and whether the non-consolidated financial statements appropriately present the transactions and accounting events on which they are based, as well as whether the presentation and notes to the non-consolidated financial statements conform to accounting standards generally accepted as fair and valid in Japan.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit, material audit findings, including material defects in internal control identified during the audit process, and other matters required by the audit standards.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of the Code of Professional Ethics in Japan on independence, matters reasonably considered to affect the independence of the auditors, and the content of safeguards to remove or mitigate any impediments.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore

the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflict of interest

Our firm and the executive members have no interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

-
- (Notes)
1. The original copy of the above audit report is kept separately by the Company (the company filing this securities report).
 2. XBRL data is excluded from the scope of audit.