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Announcement on the Rolling Mid-Term Management Plan and measures to achieve management that is conscious of cost of capital and stock price

TOKAI CARBON Group announced a three-year mid-term management plan “T-2025” for the period from 2023 to 2025 on February 10, 2023. In light of changes in the business environment and our business performance, the Board of Directors of TOKAI CARBON has resolved “T-2026”, the new mid-term management plan for the next three years from 2024 to 2026. Additionally, we hereby announce our efforts to achieve management that is conscious of cost of capital and stock price in “T-2026” with evaluation and analysis of the current situation and deliberation on measures for improvement.

1. Background of “Rolling” the Mid-Term Management Plan

Since the three-year mid-term management plan “T-2021” was disclosed in February 2019, we have adopted a rolling method in which we revise our plans for the next three years on an annual basis so that we can respond flexibly to changes in the management environment. We are implementing various measures under our long-term vision for 2030, “Contribute to a sustainable society through advanced materials and solutions,” and will continue to engage in our activities according to the following basic policies of “T-2026” to achieve this vision.

2. Mid-Term Management Plan “T-2026” Basic Policies

- (1) Strengthening the earnings power of core businesses
 - i. Structural reforms of the Graphite Electrodes business
 - ii. Turning carbon black and fine carbon into higher value-added business and expanding production capacity
- (2) Enhancing business portfolio management
 - i. “Selection” and “concentration” based on growth potential and return on capital
- (3) Pursuing sustainability management
 - i. Pursuing carbon neutral as the entire Group
 - ii. Developing innovative technology that contributes to a recycling-oriented society
 - iii. Strengthening the group governance structure
 - iv. Improving employee engagement

3. Quantitative Targets (Consolidated Basis)

	FY 2026 Targets	FY 2023 Results
Net sales	¥458.0 billion	¥363.9 billion
Operating income	¥53.0 billion	¥38.7 billion
ROS ^{*1}	12%	11%
EBITDA ^{*2}	¥104.0 billion	¥75.9 billion

*1 ROS : Return On Sales (Operating margin)

*2 EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

(Note) The mid-term management plan is based on information available at the time of developing the plan and assumptions made on uncertain factors which may influence future performance of the company. Actual performance may vary significantly, depending on various future factors.

4. Measures to achieve management that is conscious of cost of capital and stock price

In “T-2026”, we will propel our initiatives to improve shareholder value through sustainable growth as an effort to improve PBR (price book value ratio). By delivering appropriate information disclosure and communication with investors, we will work to further enhance our proactive dialogue and gain sufficient evaluation from the market to quickly achieve a PBR of over 1.0x.

For details, please refer to the material “Measures to achieve management that is conscious of cost of capital and stock price” in “T-2026” presentation.

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