Securities report

Fiscal year
2024

(January 1 to December 31, 2024)

TOKAI CARBON CO., LTD.

Securities report

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

[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 27, 2025
[Fiscal year]	Fiscal 2024 (from January 1 to December 31, 2024)
[Company name]	Tokai Carbon Co., Ltd.
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	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		2020	2021	2022	2023	2024
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Million yen)	201,542	258,874	340,371	363,946	350,114
Ordinary income	(Million yen)	6,262	24,770	42,521	41,607	22,579
Net income (loss) attributable to owners of the parent company	(Million yen)	1,019	16,105	22,418	25,468	(56,736)
Comprehensive income	(Million yen)	743	39,006	56,689	67,435	(21,773)
Net assets	(Million yen)	224,815	256,570	300,868	360,103	325,158
Total assets	(Million yen)	459,709	512,503	576,465	640,005	640,753
Net assets per share	(Yen)	944.16	1,075.19	1,260.95	1,521.89	1,356.42
Net income (loss) per share	(Yen)	4.78	75.55	105.16	119.45	(265.94)
Diluted net income per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	43.8	44.7	46.6	50.7	45.2
Return on equity	(%)	0.5	7.5	9.0	8.6	(18.5)
Price-to-earnings ratio	(Times)	269.6	16.0	10.2	8.6	(3.4)
Cash flows from operating activities	(Million yen)	55,022	38,072	41,205	62,074	64,471
Cash flows from investing activities	(Million yen)	(44,301)	(35,282)	(49,900)	(47,632)	(70,777)
Cash flows from financing activities	(Million yen)	927	1,211	(10,629)	(14,512)	9,410
Cash and cash equivalents at end of the period	(Million yen)	57,727	64,435	49,377	56,459	65,135
Number of employees (Average number of temporary employees; excluded)	(Persons)	4,178 (444)	4,289 (448)	4,378 (434)	4,427 (382)	4,625 (358)

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

2. The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of fiscal 2022. Key financial data for fiscal 2022 and after are those after the application of these accounting standards.

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

Fiscal year		2020	2021	2022	2023	2024
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Million yen)	48,915	58,646	74,570	78,106	77,985
Ordinary income	(Million yen)	4,758	5,926	21,230	15,068	16,081
Net income (loss)	(Million yen)	4,349	7,126	18,607	12,450	(30,544)
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)	121,271	123,897	136,901	147,601	113,221
Total assets	(Million yen)	305,707	327,488	336,648	355,271	352,912
Net assets per share	(Yen)	568.89	581.18	642.14	692.26	530.38
Dividend per share (Interim dividend per share)	(Yen)	30.00 (15.00)	30.00 (15.00)	30.00 (15.00)	36.00 (18.00)	30.00 (15.00)
Net income (loss) per share	(Yen)	20.40	33.43	87.28	58.40	(143.17)
Diluted net income per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	39.7	37.8	40.7	41.5	32.1
Return on equity	(%)	3.5	5.8	14.3	8.8	(23.4)
Price-to-earnings ratio	(Times)	63.2	36.1	12.3	17.6	(6.4)
Dividend payout ratio	(%)	147.0	89.7	34.4	61.6	(21.0)
Number of employees (Average number of temporary employees; excluded)	(Persons)	778 (203)	760 (203)	763 (206)	779 (190)	782 (174)
Total shareholder return (Comparative indicator: TOPIX including dividends)	(%) (%)	120.5 (107.4)	115.8 (121.1)	106.2 (118.1)	105.2 (151.5)	98.0 (182.5)
Highest share price	(Yen)	1,302	1,960	1,329	1,387	1,071
Lowest share price	(Yen)	666	1,139	930	1,018	742

(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 fiscal 2022. Key financial data for fiscal 2022 are those after the application of these accounting standards.

2 Company History

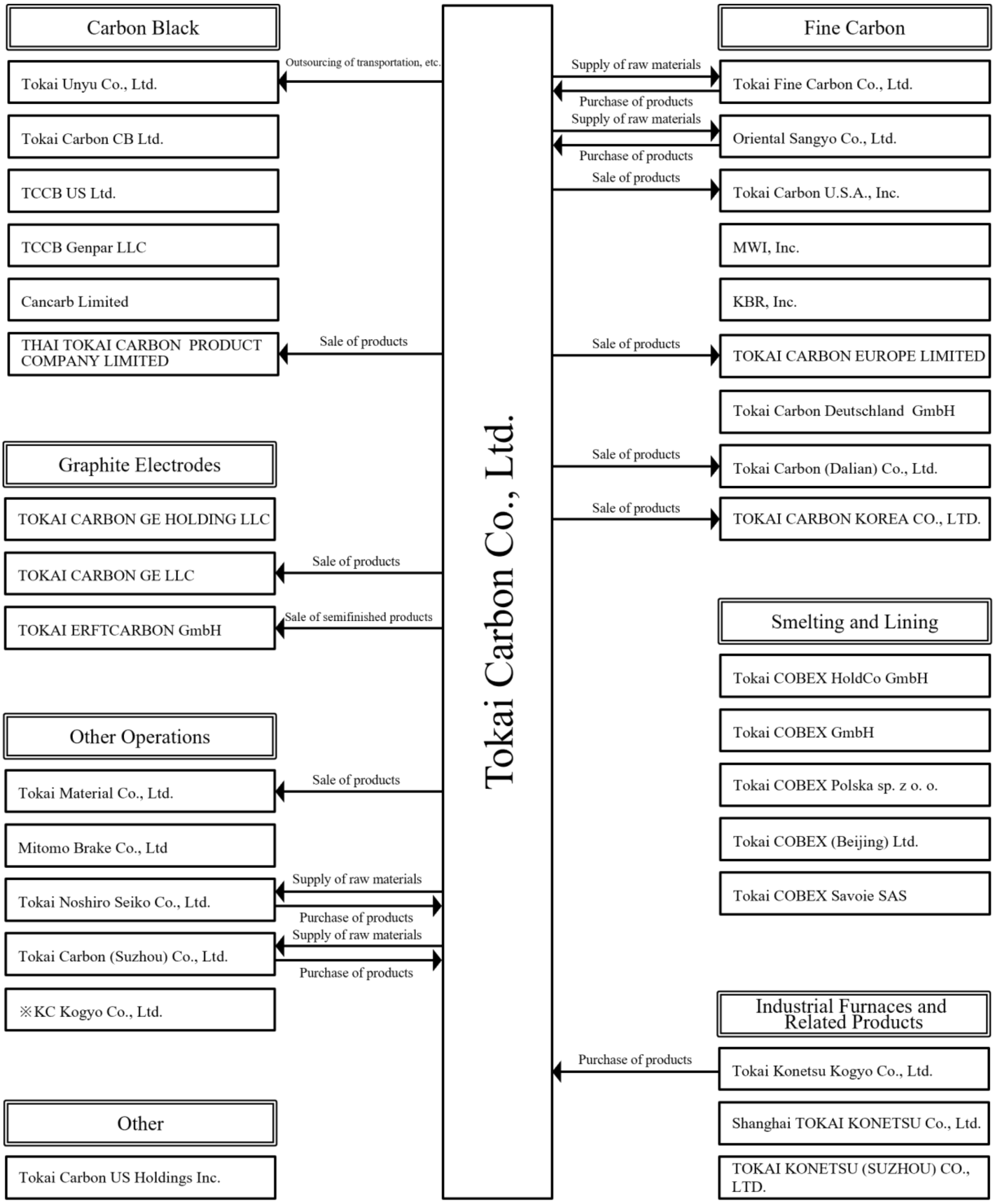
Date	Company history
April 1918	Founded as Tokai Electrode Mfg. Co. Ltd. with the aim of enabling self-sufficient supply of graphite electrodes and other carbon products in Japan. (Graphite Electrodes and Fine Carbon)
March 1935	Established Second Tokai Denkyoku K. K. to manufacture graphite electrodes and other products. (Merged with the Company in July 1936)
February 1936	Established Tokyoku Kougyo Co., Ltd. for refractory brick production and research. (Renamed as Tokai Konetsu Kogyo Co., Ltd. in July 1946. Converted into a wholly owned subsidiary in July 2006)
January 1941	Began production of carbon black at Kyusyu-Wakamatsu plant. (Carbon Black)
May 1949	Listed on the Tokyo, Osaka, and Nagoya Stock Exchanges. (Delisted from Osaka and Nagoya Stock Exchanges in October 2003)
June 1975	Company name changed to Tokai Carbon Co., Ltd.
August 1983	Established production technology for isotropic graphite materials at Tanoura Plant. (Fine Carbon)
September 1987	Established TOKAI CARBON AMERICA, INC., a fine carbon sales company, in the US (Integrated with Tokai Carbon U.S.A., INC. in September 1996)
October 1989	Established THAI CARBON PRODUCT CO., Ltd. (now THAI TOKAI CARBON PRODUCT COMPANY LIMITED), a carbon black manufacturing and sales company, through a joint venture in Thailand. (Converted into a consolidated subsidiary in June 2000. Converted into a wholly owned subsidiary following the Company’s acquisition of additional shares in August 2017.)
January 1992	Merged with Toyo Carbon Co., Ltd. to form a new Tokai Carbon Co., Ltd. (Expansion of Graphite Electrodes and Fine Carbon, acquisition of Friction Materials business)
August 1996	Established TOKAI CARBON KOREA CO., LTD., a fine carbon processing and sales company, through a joint venture in Korea. (Converted into a company following the Company’s acquisition of additional shares in May 2018, based on the effective control standards. Acquired additional shares in April 2024, obtaining a majority of voting rights.)
March 1999	Established TOKAI CARBON EUROPE LIMITED, a fine carbon processing and sales company, in the U.K.
June 2003	Established Tokai Material Co., Ltd., a friction materials manufacturing and sales company, in Yachiyo, Chiba.
July 2005	Acquired a 100% stake in German graphite electrode manufacturer/seller ERFTCARBON GmbH (now TOKAI ERFTCARBON GmbH), converting it into a wholly owned subsidiary.
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 German fine carbon processing and sales company 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 July 2013)
September 2007	Established TOKAI CARBON EUROPE GmbH in Germany as European headquarters for Fine Carbon.
April 2013	Established Tokai Fine Carbon Co., Ltd., a fine carbon manufacturing and sales company, in Chigasaki, Kanagawa.
April 2014	Acquired a 100% stake in Canadian carbon black manufacturing/sales company Cancarb Limited, converting it into a wholly owned subsidiary.
November 2017	Acquired shares of the US subsidiary of SGL GE, a graphite electrode manufacturing and sales company, converting it into a wholly owned subsidiary. Company named TOKAI CARBON GE LLC; tri-regional structure consisting of bases in Asia, North America, and Europe established.
September 2018	US carbon black manufacturing and sales company 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 wholly owned subsidiaries following the Company’s acquisition of a 100% stake.
July 2019	German carbon and graphite products group COBEX HoldCo GmbH (now Tokai COBEX HoldCo GmbH) and its group companies COBEX GmbH (now 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 wholly owned subsidiaries following the Company’s acquisition of all shares in these companies. Obtained Smelting and Lining business.
July 2020	Acquired all shares of Carbone Savoie International SAS (trade name changed to Tokai Carbon Savoie International SAS), a holding company of Carbone Savoie SAS (now Tokai COBEX Savoie SAS), a French carbon graphite product manufacturer, jointly with Tokai COBEX GmbH.
July 2021	Tokai COBEX Savoie SAS became a wholly owned subsidiary of Tokai COBEX GmbH through its holding company, Tokai Carbon Savoie International SAS.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market through a review of the market classification of the Tokyo Stock Exchange.
December 2024	Through Tokai Carbon U.S.A., Inc., the Company acquired all shares of KBR, Inc., which holds 59.8% of the shares in MWI, Inc., an equity-method associate of the Company, and converted KBR, Inc. and MWI, Inc. into consolidated subsidiaries.

3 Description of Business

The Group is comprised of the Company (Tokai Carbon Co., Ltd.) and its 31 consolidated subsidiaries and one non-consolidated subsidiary. The main businesses and the positioning of each Group company 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		Company name
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 COMPANY LIMITED
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. KBR, Inc. TOKAI CARBON EUROPE LIMITED Tokai Carbon Deutschland GmbH Tokai Carbon (Dalian) Co., Ltd. TOKAI CARBON KOREA CO., LTD.
Smelting and Lining	Cathodes for aluminum electrolysis, 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
Graphite Electrodes	Graphite electrodes for electric furnaces	Japan	The Company
		Overseas	TOKAI CARBON GE HOLDING LLC TOKAI CARBON GE LLC TOKAI ERFTCARBON GmbH
Industrial Furnaces and Related Products	Industrial electric furnaces, silicon carbide heating elements	Japan	Tokai Konetsu Kogyo 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. KC 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) 1. ※ indicates a non-consolidated subsidiary, all others are consolidated subsidiaries.

2. Tokai Konetsu Engineering Co., Ltd., which was a consolidated subsidiary, is excluded from the scope of consolidation because it was dissolved through an absorption-type merger with Tokai Konetsu Kogyo Co., Ltd., a consolidated subsidiary of the Company, as the surviving company in the current fiscal year.

3. On December 18, 2024, the Company acquired all shares in KBR, Inc., which holds 59.8% of the shares in MWI, Inc., an equity-method associate of the Company, through Tokai Carbon U.S.A., Inc., a consolidated subsidiary, and converted KBR, Inc. and MWI, Inc. into consolidated subsidiaries.

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 part of offices, 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	100.0	✓	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.	Leasing part of offices, plant site, buildings, etc.
Tokai Material Co., Ltd.	Yachiyo-shi, Chiba	250	Other Operations	100.0	✓	Borrowing	Sale 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 Company raw materials and purchase of products	Leasing part of plant site, buildings, etc.
Tokai Carbon CB Ltd. (Notes) 2, 3, 5, 6	U.S.A.	-	Carbon Black	100.0 (100.0)	✓	-	-	-
TCCB US Ltd. (Notes) 2, 3, 5	U.S.A.	-	Carbon Black	100.0 (100.0)	-	-	-	-
TCCB Genpar LLC (Notes) 2, 5	U.S.A.	-	Carbon Black	100.0 (100.0)	✓	-	-	-
Cancarb Limited (Note) 3	Canada	CAD 80,276,731	Carbon Black	100.0	✓	-	-	-
THAI TOKAI CARBON PRODUCT COMPANY LIMITED (Note) 3	Thailand	Thousand THB 5,700,000	Carbon Black	100.0	✓	-	Sale of Company products	-
Tokai Carbon U.S.A., Inc. (Note) 3	U.S.A.	USD 16,200,000	Fine Carbon	100.0	✓	-	Sale of Company products	-
MWI, Inc. (Note) 2	U.S.A.	USD 10,429	Fine Carbon	100.0 (100.0)	✓	-	-	-
KBR, Inc. (Note) 2	U.S.A.	USD 5,000	Fine Carbon	100.0 (100.0)	✓	-	-	-
TOKAI CARBON EUROPE LIMITED	U.K.	GBP 2,500,000	Fine Carbon	100.0	✓	-	Sale of Company products	-
Tokai Carbon Deutschland GmbH	Germany	EUR 52,000	Fine Carbon	100.0	✓	-	-	-
Tokai Carbon (Dalian) Co., Ltd.	China	RMB 11,000,000	Fine Carbon	51.0	✓	-	Sale of Company products	-
TOKAI CARBON KOREA CO., LTD (Note) 3	Korea	Thousand KRW 5,837,500	Fine Carbon	50.4	✓	-	Sale of Company products	-
Tokai COBEX HoldCo GmbH (Note) 3	Germany	EUR 25,100	Smelting and Lining	100.0	✓	-	-	-
Tokai COBEX GmbH (Notes) 2, 3, 6	Germany	EUR 25,100	Smelting and Lining	100.0 (100.0)	✓	-	-	-

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 COBEX Polska sp. z o. o. (Notes) 2, 3	Poland	Zloty 61,048,080	Smelting and Lining	100.0 (100.0)	✓	-	-	-
Tokai COBEX (Beijing) Ltd. (Note) 2	China	EUR 200,000	Smelting and Lining	100.0 (100.0)	-	-	-	-
Tokai COBEX Savoie SAS (Note) 2	France	EUR 565,133.8	Smelting and Lining	100.0 (100.0)	✓		-	-
TOKAI CARBON GE HOLDING LLC (Note) 2	U.S.A.	USD 1,000	Graphite Electrodes	100.0 (100.0)	✓	-	-	-
TOKAI CARBON GE LLC (Notes) 2, 3, 5	U.S.A.	-	Graphite Electrodes	100.0 (100.0)	✓	-	Sale of Company products	-
TOKAI ERFTCARBON GmbH	Germany	EUR 818,067	Graphite Electrodes	100.0	✓	Lending	Sale of semi-finished Company products	-
Shanghai TOKAI KONETSU Co. ,Ltd. (Note) 2	China	USD 3,400,000	Industrial Furnaces and Related Products	100.0 (100.0)	-	-	-	-
TOKAI KONETSU (SUZHOU) CO., LTD. (Notes) 2, 4	China	USD 2,250,000	Industrial Furnaces and Related Products	50.0 (50.0)	-	-	-	-
Tokai Carbon (Suzhou) Co., Ltd.	China	RMB 29,000,000	Other Operations	100.0	✓	-	Supply of Company raw materials and purchase of products	-
Tokai Carbon US Holdings Inc. (Note) 3	U.S.A.	USD 605,001,000	Other	100.0	✓	-	-	-

(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. The companies are specified subsidiaries.
4. Although the Company's stake in the company is 50% or below, it is treated as a subsidiary, as the Company effectively has a controlling interest in the company.
5. Amount of capital 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 (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	¥73,995 million
(2) Ordinary income	¥5,132 million
(3) Net income	¥2,855 million
(4) Net assets	¥61,279 million
(5) Total assets	¥117,125 million

(2) Tokai COBEX GmbH

(1) Net sales	¥63,199 million
(2) Ordinary income	¥4,850 million
(3) Net income	¥3,963 million
(4) Net assets	¥67,487 million
(5) Total assets	¥90,446 million

5 Employees

(1) Status of consolidated companies

(As of December 31, 2024)

Segment name	Number of employees
Carbon Black	886 (21)
Fine Carbon	1,205 (123)
Smelting and Lining	1,192 (2)
Graphite Electrodes	618 (18)
Industrial Furnaces and Related Products	287 (47)
Other Operations	305 (114)
Corporate (common)	132 (31)
Total	4,625 (358)

(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 Fine Carbon increased by 230 compared to the end of the previous fiscal year. This is mainly because Tokai Carbon U.S.A., Inc., a consolidated subsidiary of the Company in the US, acquired all shares in KBR, Inc. (hereinafter referred to as “KBR”), a graphite-processing company in the US that holds 59.8% of the shares in MWI, Inc. (hereinafter referred to as “MWI”), an equity-method associate of the Company, and converted KBR and MWI into consolidated subsidiaries (sub-subsidiaries) as of December 18, 2024.

(2) Status of the company

(As of December 31, 2024)

Number of employees	Average age	Average years of service (years)	Average annual salary (yen)
782 (174)	42.8	15.8	7,469,353

Segment name	Number of employees
Carbon Black	235 (17)
Fine Carbon	134 (27)
Smelting and Lining	2 (0)
Graphite Electrodes	155 (16)
Other Operations	124 (82)
Corporate (common)	132 (31)
Total	782 (174)

(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

The Tokai Carbon Labor Union (664 members) has been organized in the Company and the Company is a member of the Japanese Federation of Energy and Chemistry Workers’ Union. Labor unions have been organized in some consolidated subsidiaries. There are no particular matters concerning labor-management relations which require mentioning.

(4) Employee diversity indicators

Current fiscal year					
Name	Percentage of female employees in managerial positions (Note 1)	Percentage of male employees taking parental leave (Note 2)	Wage disparity between male and female employees (%) (Note 3)		
			All employees	Regular employees	Non-regular employees
Tokai Carbon Co., Ltd.	3.8	103.8	60.7	78.0	52.3
Tokai Konetsu Kogyo Co., Ltd.	5.4	33.3	76.1	77.3	65.7
Tokai Fine Carbon Co., Ltd.	0.0	300	59.3	63.5	62.4
Oriental Sangyo Co., Ltd.	0.0	100	76.6	82.0	81.0
Tokai Noshiro Seiko Co., Ltd.	0.0	100	87.6	85.1	0.0
Tokai Material Co., Ltd.	9.5	150.0	74.6	78.5	–
Mitomo Brake Co., Ltd.	–	–	104.6	95.0	–
Tokai Unyu Co., Ltd.	0.0	–	74.4	72.4	102.5
Overseas subsidiaries (Note 4)	22.0	–	–	–	–

(Notes) 1. Calculated in accordance with the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015) (hereinafter referred to as the "Act on Promotion of Women's Engagement"). Calculations included employees seconded to other companies, but excluded employees seconded from other companies.

2. The percentage of employees who take childcare leave, etc. was calculated in accordance with the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), and Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labour No. 25 of 1991) (hereinafter referred to as "Act on Childcare and Family Care Leave"). Calculations included employees seconded to other companies, but excluded employees seconded from other companies.

3. Regular employees: includes employees seconded to other companies, but excludes employees seconded from other companies.

Non-regular employees: includes contract employees such as temporary employees, rehired employees, and part-time employees, but excludes dispatch employees.

Non-full-time (part-time or short-term employees) employees: Average annual wages are calculated based on the number of employees converted to the prescribed working hours.

4. For overseas subsidiaries, companies with 250 or more employees are included.

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-2026 progress

(Summary)

In February 2024, the Group formulated and disclosed the rolling mid-term management plan “T-2026,” which covers the three years from 2024 to 2026 and has been conducting business activities under the 3 basic policies of “Strengthening the earnings power of core businesses,” “Enhancing business portfolio management,” and “Pursuing sustainability management.” In Graphite Electrodes, we have embarked on structural reforms, including the consolidation of domestic graphite electrode production and the reduction of production capacity at our European base. We have also begun considering structural reforms in Smelting and Lining. In Carbon Black and Fine Carbon, we made steady progress in adding value and expanding production capacity in future-oriented products. Our performance in fiscal 2024, the first year of T-2026, was affected by a slump in the steel market, intensified price competition with emerging competitors, a decline in sales prices for cathodes for aluminum electrolysis due to decreased demand and aggressive competition, and a slowdown in the power semiconductors market caused by a slowdown in the growth of EVs. As a result, compared with the initial forecasts of ¥370,000 million in net sales and ¥23,000 million in operating income, both net sales and profit decreased to ¥350,114 million in net sales and ¥19,386 million in operating income. In addition, due to the recording of extraordinary losses in Graphite Electrodes and Smelting and Lining, net loss attributable to owners of the parent company was ¥56,736 million.

(Strengthening the earnings power of core businesses)

Aiming to establish a sustainable supply system, Carbon Black worked on a project to relocate to a new plant in Thailand. Fine Carbon proceeded with its graphite material production capacity expansion as planned, and in May 2024, entered a strategic partnership with French company Soitec regarding polycrystalline silicon carbide, an advanced material where growth is expected. In Graphite Electrodes, demand for electrodes has declined due to the worldwide slump in steel production. In addition, there are structural issues such as the influx of low-priced products from emerging countries into Asian and European markets. Accordingly, the division has embarked on reforms such as the consolidation of domestic production sites and the reduction of production capacity at its European base. As in Graphite Electrodes, we have begun to consider fundamental structural reforms in Smelting and Lining, which faces structural issues.

(Enhancing business portfolio management)

As part of the “Business Portfolio Management Policy” approved in November 2021, the Company appropriately analyzes and evaluates the business portfolio by setting targets and monitoring profitability and capital efficiency based on the Company's cost of capital. We also consider the consistency with the Company's long-term vision and the medium- to long-term growth. In December 2024, as part of our “selection and concentration” strategy, which is based on growth potential and return on equity, we made our graphite-processing site in the US a wholly owned subsidiary to expand sales channels in the US market for power semiconductors, aerospace, and other products in our growth business, Fine Carbon.

(Pursuing sustainability management)

We are aiming to achieve carbon neutrality by 2050, and the Carbon Neutral Committee, which was established in January 2022, is at the center of our efforts. We aim to achieve a 25% reduction in CO_2 emissions by 2030 (compared to 2018 levels) and are working with internal and external parties to explore and investigate relevant technologies. In addition, starting in fiscal 2023, we linked executive compensation with sustainability performance. We are also working on measures to improve engagement using employee engagement surveys. We will continue to promote sustainability management toward our long-term vision of “contributing to a sustainable society through advanced materials and solutions.”

(2) Challenges to be addressed

The Company has been updating its three-year medium-term management plan on a rolling basis every year. This time, we have decided to replace the mid-term management plan with “Vision 2030” which focuses on the ideal state in 2030 and initiatives to achieve it. We aim to transform our business portfolio by focusing on three initiatives of “drastic structural reforms,” “commitment to growth markets,” and “sustainable value creation.” For “drastic structural reforms,” we will complete structural reforms to improve profitability in a short period of time for Graphite Electrodes and Smelting and Lining. Under “commitment to growth markets,” we will make capital investments that will bring long-term benefits to Carbon Black. In Fine Carbon and Industrial Furnaces, we will expand production capacity and develop new markets through capital investments that support the growth of the semiconductor market. Regarding “sustainable value creation,” we will provide value through solutions to realize a sustainable society. While promoting an urgent response to carbon neutrality, the Group will also engage in management that emphasizes human capital. Through these initiatives, we aim to achieve ¥500,000 million in net sales, EBITDA of 20%, and ROIC of 12% as our ideal state in 2030.

2 Sustainability Policy and Initiatives

The Group's views and initiatives on sustainability 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) Basic policy on sustainability

The Tokai Carbon Group conducts its corporate activities under the corporate philosophy of "Ties of Reliability" with its stakeholders. By formulating management strategies that fully consider ESG (Environmental, Social, and Governance) to reliably respond to the trust of stakeholders, and by working to resolve social issues through our business, we aim to sustainably increase our corporate value and contribute to the realization of a sustainable society.

(2) Governance and risk management concerning sustainability as a whole

1) Governance

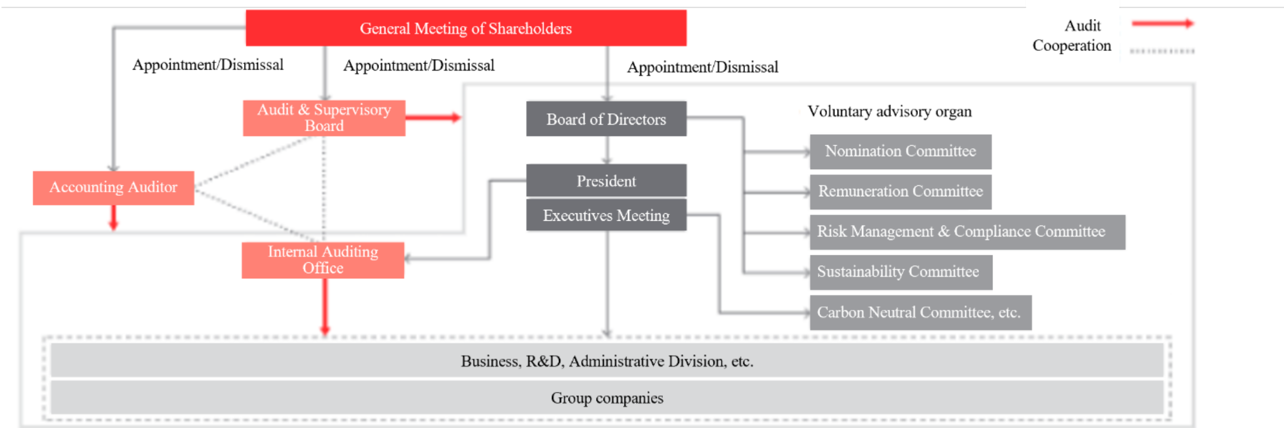
The Sustainability Committee was established in January 2022 as a voluntary advisory committee for the Board of Directors. Chaired by the President, the committee consists of the Director in charge of the General Affairs and Legal Affairs Department, the Director in charge of the Corporate Planning Department, the Director in charge of the Human Resources Department, the General Manager of the R&D Strategy Division, the General Manager of the Technology & Engineering Division, and the General Managers of the four major business divisions. The committee meets quarterly in principle. The committee discusses important sustainability issues and submits proposals and reports to the Board of Directors. It is also responsible for overseeing sustainability information disclosure, including the preparation of integrated reports.

Regarding climate change-related issues, the Carbon Neutral Project, which was launched in May 2021, was reorganized into the Carbon Neutral Committee in January 2022, with the President as its chair to strengthen our system. As the control tower for the Company's response to carbon neutrality, the committee drafts company-wide policies and plans concerning carbon neutrality, monitors the status of initiatives jointly created with external third parties through industry-government-academia collaboration, and submits proposals and reports to the Board of Directors.

2) Risk management

The Group has established the Risk Management & Compliance Committee as a voluntary advisory committee for the Board of Directors. The committee evaluates and selects material risks, including climate risks, based on the likelihood of occurrence and the financial impact if it occurs, and reports this to the Board of Directors, including the status of responses to these material risks.

Sustainability Promotion System



(3) Important sustainability items

1) Response to climate change

A. Strategy

Recognizing response to climate change as an important management issue, the Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) through resolution by the Board of Directors in November 2021.

In December 2020, we carried out the first calculation of business impact using scenario analysis, which is one of the requirements of the TCFD Recommendations, to better understand the risks and opportunities of climate change for the Group and carried out a review in May 2023. We identified the impact of climate change on our business and are taking measures to address it.

(Scenario Analysis)

Target Business	The Company's four main businesses that account for approximately 90% of its sales as of 2022 (Graphite Electrodes, Carbon Black, Fine Carbon, Smelting and Lining)
Timeline	2030 and 2050 *2040 if there is no reference data for 2050

(4°C scenario) High physical risk, relatively low transition risk

Business	Circumstance	Opportunity/ Risk	Expected financial impact on the Company	Strategy and response
Each of the four businesses	Suspension of production activities and disruption of supply chains due to an increase in typhoons, floods, and torrential rains	Physical risk	Although the risk of this having a significant impact on operations is limited based on BCP measures, there is a possibility that operations will be affected if events that exceed assumptions occur in the future	Implementation and periodic review of BCP measures from a medium- to long-term perspective

(1.5°C scenario) High transition risk, relatively low physical risk

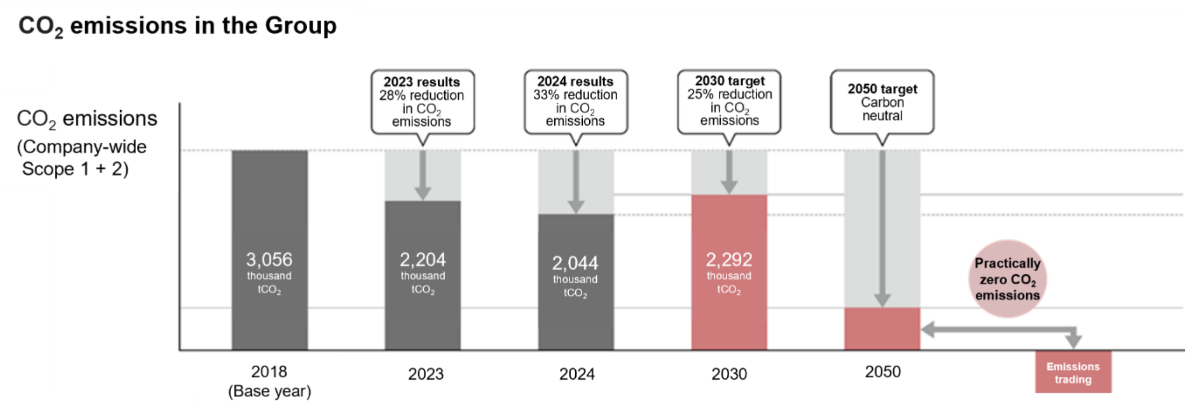
Business	Circumstance	Opportunity/ Risk	Expected financial impact on the Company	Strategy and response
Each of the four businesses	Increased burden due to expanded introduction of carbon pricing	Transition risk	Most of the raw materials used in our business are derived from fossil fuels. If we include not only energy-derived CO_2 emissions from the combustion of fossil fuels and the use of electricity, but also CO_2 emissions from production processes, the burden of an expanded introduction of carbon pricing will be enormous.	Reduction of CO_2 emissions through fuel conversion, use of renewable energy, CO_2 recovery, product recycling, etc.
Each of the four businesses	Mandatory use of renewable energy (unavoidable)	Transition risk	Electricity accounts for a high proportion of the energy used in the production processes of our businesses, and the purchase of electricity derived from renewable energy would lead to an increase in operating costs.	・Reduction of CO_2 emissions factor due to the spread of renewable energy in society ・Consider efficient procurement of renewable energy
Each of the four businesses	・Diffusion of technologies that do not use raw materials derived from fossil fuels ・Increased demand for low-carbon products and changes in consumer attitudes towards fossil fuel-based raw materials	Transition risk	Decreased sales due to increased pressure to use alternative raw materials for products using raw materials derived from fossil fuels. Also, increased research and development expenses to develop products using alternative raw materials.	In the Carbon Black business, promote the development of technologies to utilize non fossil fuels, reuse used tires, and recover and reuse energy. Aim to increase the added value of products by reducing CO_2 emissions during product manufacturing and to minimize risk factors by reducing the burden of carbon pricing.

Electrodes	Increasing superiority of electric furnaces	Opportunity	Increased demand for graphite electrodes	・Pursuit of higher quality graphite electrode production ・Stable supply taking advantage of increased demand

B. Indicators and Targets

(Targets)

The Group aims to achieve a 25% reduction in CO_2 emissions (compared to 2018 levels) by 2030 to achieve carbon neutrality by 2050.



(Results)

The Tokai Carbon Group's GHG emissions were reduced by approximately 33% in 2024 compared to 2018 through renewable energy and a shift to fuels with a lower environmental impact. In Carbon Black, we launched a joint technology project to recover carbon black from used tires. This project is supported by the GI Fund (*1) and aims at research and development, demonstration, and social implementation. In addition, we will accelerate research currently under consideration as well as the introduction of innovative technologies, and cooperation with customers, business partners, and industry organizations to achieve our targets.

(*1) GI Fund: Green Innovation Fund. A fund established by the New Energy and Industrial Technology Development Organization (NEDO) with a total value of more than ¥2 trillion to provide continuous support for up to 10 years to companies working toward achieving carbon neutrality.

Unit: thousand tCO_2e

	2018 (Base year)	2023 Results	2024 Results (*2)
GHG emissions (Scope 1 + 2)	3,056	2,219	2,044
Scope 1	2,430	1,900	1,742
Scope 2	626	318	302
Base year comparison	-	27% reduction	33% reduction

(*2) 2024 results are preliminary figures. The values after obtaining third-party assurance will be published in the Integrated Report and on our website around June 2025.

[Scope]

CO_2	All consolidated production sites, head office, branches, and laboratories
CH_4, N_2O	Major production sites that cover approximately 98% of consolidated CO_2 emissions

[Period covered by calculation]

January to December

[Calculation Method]

Emissions equivalent to CO_2 are calculated using the global warming potentials of CO_2, CH_4, and N_2O gases. Emissions of HFCs, PFCs, and SF6 are not included in the calculations because their amounts are very small.

Scope 1: Direct greenhouse gas emissions from corporate activities, including energy-derived GHG emissions and non-energy-derived GHG emissions (emissions from industrial processes). In principle, GHG emissions from non-energy sources are calculated based on the amounts of raw materials and secondary materials used and the balance of products and waste.

Scope 2:

- Indirect CO_2 emissions associated with energy use in corporate activities.
- Uses the GHG Protocol's market-based approach. For amounts in Japan, we use emission factors for each electric power companies based on the Act on Promotion of Global Warming Countermeasures. For overseas, the emission factors published by electric power companies are used (however, for some plants, the latest emission factors published by the IEA or by the country or region are used).

2) Human capital

A. Strategy

(Policy on Human Resource Development)

The Group's corporate philosophy is “Ties of Reliability,” and its guidelines are “Integrity,” “Innovation,” “Challenge,” “Co-creation” and “Agility.” At the Group, we employ people who can resonate with our corporate philosophy and guidelines. In an era of accelerated change, we actively collaborate with our colleagues, both inside and outside the company, who have diverse values and backgrounds. By boldly undertaking reforms with a sense of speed, we cultivate people who can contribute to the realization of a sustainable society.

(Policy on Development of Internal Environment)

As we move toward our long-term vision of “contribute to a sustainable society through advanced materials and solutions,” the Group will foster a free, open-minded, and open organization and culture in which employees with diverse values and backgrounds can grow through friendly competition.

While promoting work-style reforms and realizing an appropriate personnel system and competitive compensation that attract diverse human resources, we also offer a variety of training programs based on the employee's stage, characteristics, and desires to support employee growth. We will respect the human rights of our employees to the utmost extent and will not tolerate harassment. Based on the “Tokai Carbon Declaration on Health and Productivity Management,” we will strive for management that emphasizes the health of employees and their families. We will also support employees' asset building through pension systems and employee stock ownership plans.

B. Indicators and Targets

The Group sets targets and monitors the progress of its policies on human resource development and on the development of its internal environment. The targets for fiscal 2025 and results for fiscal 2024 are as follows.

Fiscal 2025 Targets	Fiscal 2024 Results	Scope
Achieve hiring of female new graduates of 30% or higher for career track positions	33.3% (Joined on April 1, 2024)	Non-consolidated
Increase the proportion of female employees in managerial positions from 3.8% in 2024 to 5.6% or higher by 2027	3.8%	Non-consolidated
Reduce occupational accident frequency rate (Frequency rate 1.10 or less)	1.11%	Consolidated (Global)

3 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 27, 2025).

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 (Carbon neutral response)

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 toward achieving carbon neutrality in 2050. 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. Uncertainties surrounding the global economy have become apparent, including the prolonged crisis in Ukraine, the instability in the Middle East, a slowdown in the Chinese economy, the intensifying conflict between the United States and China, the spread of protectionist trade policies and confusion in the supply chain, and confusion over how to respond to climate change combined with the re-election of President Trump. 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
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. If the Group is unable to respond properly to such risks, the Group's business performance may be adversely affected.

3) Procurement of raw materials
The Group continues to select multiple reliable suppliers and to develop new suppliers, as it is essential for the Group to obtain high-quality raw materials in a timely and stable manner. However, the Group's production and business performance may be adversely affected if supply is insufficient or interrupted due to unforeseen circumstances such as disasters, accidents, war or terrorism, or the spread of infectious diseases.
In addition, the Group's business performance may be adversely affected if the prices of raw materials procured soar due to tight supply and demand, speculative trading, or other factors, and these prices cannot be absorbed through internal efforts such as productivity improvements or by passing them on to sales prices.

4) 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 division's 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.

5) 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 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.

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

Most of the Group's sales are concentrated in the car, semiconductor, and steel 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.

7) 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, 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 in various forms 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 and decline in the Group's social evaluation that will result in a decrease in sales revenues.

6) DX and information security

The Group is using digital technology to transform its products, services, and business processes and to create new value. However, delays in initiatives or an inability to respond appropriately to advances in digital technologies such as the Internet of Things (IoT) and Artificial Intelligence (AI) could reduce the Group's competitiveness and have an adverse impact on the Group's business performance.

In addition, the Group has built and operated 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.

4 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) 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

In the current fiscal year (from January 1, 2024 to December 31, 2024) expectations for a soft landing of the U.S. economy heightened as the U.S. cut interest rates for the first time in four and a half years. On the other hand, as the European and Chinese economies continued to be sluggish, the outlook for the global economy remained uncertain due to the prolonged Ukraine crisis, the situation in the Middle East which is far from stabilizing, and political instability inside and outside Japan.

Under the three basic policies of "T-2026," the rolling medium-term management plan announced February 2024, "strengthening the earnings power of core businesses," "enhancing business portfolio management," and "pursuing sustainability management," we aimed to achieve quantitative targets of ¥458 billion in net sales, ¥53 billion in operating income, 12% in ROS, and ¥104 billion in EBITDA by 2026.

In Graphite Electrodes, we have embarked on structural reforms, including the consolidation of domestic graphite electrode production and the reduction of production capacity at our European base. We have also begun considering structural reforms in Smelting and Lining. At the same time, in Carbon Black and Fine Carbon, we made steady progress in adding value and expanding production capacity in future-oriented products. However, business performance deteriorated due to a slump in the steel market, intensified price competition with emerging competitors, a decline in sales prices for cathodes for aluminum electrolysis due to decreased demand and aggressive competition, and a slowdown in the power semiconductors market caused by a slowdown in the growth of EVs.

As a result, net sales for the fiscal year under review decreased by 3.8% year on year to ¥350,114 million. Operating income decreased by 49.9% year on year to ¥19,386 million. Ordinary income decreased by 45.7% year on year to ¥22,579 million. Due to the recording of extraordinary losses in Graphite Electrodes and Smelting and Lining, net loss attributable to owners of the parent company was ¥56,736 million (compared with net income attributable to owners of the parent company of ¥25,468 million in the previous fiscal year).

Operating results by business segment were as follows:

Carbon Black

Sales volume decreased year on year due to production adjustments by tire manufacturers and weaker demand from some non-tire markets. However, net sales increased due to the transfer of some cost increases to the sales prices of products and the effect of the yen's depreciation. Operating income also increased year on year due to the impact of exchange rates and other factors, despite a decrease in sales volume and an increase in depreciation due to major environmental capital investment in the U.S

As a result, net sales for the Carbon Black business increased by 5.6% year on year to ¥156,793 million, and operating income increased by 1.9% year on year to ¥21,706 million.

Fine Carbon

Sales for power semiconductors slowed due to the slowdown of EV market growth. However, demand for memory semiconductors recovered, and sales volume of the Solid SiC focus ring, a key product, increased year on year.

As a result, net sales for the Fine Carbon business increased by 18.9% year on year to ¥53,890 million, while operating income increased by 17.1% year on year to ¥12,437 million.

Smelting and Lining

Demand for cathodes for aluminum electrolysis declined due to reduced demand for the relining of aluminum smelting furnaces and an excess of inventories at some customers and selling prices declined due to aggressive competition. A decline in production volume also resulted in an increase in fixed costs, putting pressure on earnings.

As a result, net sales for the Smelting and Lining business decreased by 22.1% year on year to ¥64,512 million, and operating loss was ¥13,701 million (compared with operating income of ¥2,305 million in the previous fiscal year).

Graphite Electrodes

Crude steel production, including electric arc furnace steel, was sluggish due to the global slowdown in the steel industry. On top of declining demand for electrodes, there was an inflow of low-priced products from China and India, and the market for electrodes remained sluggish.

As a result, net sales for the Graphite Electrodes business decreased by 19.0% year on year to ¥48,818 million, and operating loss was ¥3,529 million (compared with operating income of ¥752 million in the previous fiscal year).

Industrial Furnaces and Related Products

Demand for heating elements in electronic component-related industries continued to recover moderately, although some industrial furnaces deliveries were delayed due to delays in customer projects in energy-related industries.

As a result, net sales for the Industrial Furnaces and Related Products business increased by 4.3% year on year to ¥16,291 million, while operating income decreased by 14.4% year on year to ¥3,304 million.

Other Operations

Friction materials

Sales in the construction machinery and electromagnetic markets decreased year on year due to a decline in demand in the Chinese market. Sales to motorcycle manufacturers also declined year on year as a corrective response to heightened demand in recent years.

As a result, net sales of friction materials decreased by 11.4%, to ¥7,974 million.

Anode materials

Sales volume decreased year on year due to sluggish demand for ESS (Energy Storage System) products and EVs.

As a result, net sales of anode materials decreased by 29.2% year on year to ¥1,703 million.

Other

Net sales from real estate leasing and other business decreased by 2.0% year on year to ¥129 million.

As a result, net sales in Other Operations, decreased by 15.0% year on year to ¥9,807 million, and operating income decreased by 68.9% year on year to ¥403 million.

2) Financial position

(Assets)

Total assets at the end of the consolidated fiscal year under review came to ¥640,753 million, an increase of ¥748 million from the end of the previous consolidated fiscal year.

Current assets amounted to ¥270,363 million, an increase of ¥7,472 million from the end of the previous consolidated fiscal year, mainly due to increases in cash and deposits and accounts receivable. Fixed assets amounted to ¥370,390 million, a decrease of ¥6,724 million from the end of the previous consolidated fiscal year, mainly due to decreases in customer-related assets and goodwill.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review came to ¥315,595 million, an increase of ¥35,693 million from the end of the previous consolidated fiscal year. Current liabilities amounted to ¥147,729 million, an increase of ¥10,758 million from the end of the previous consolidated fiscal year, mainly due to the recording of provision for business restructuring and an increase in the current portion of long-term loans payable. Long-term liabilities amounted to ¥167,865 million, an increase of ¥24,934 million from the end of the previous consolidated fiscal year, mainly due to increases in long-term loans payable and bonds payable.

(Net assets)

Total net assets at the end of the consolidated fiscal year under review came to ¥325,158 million, a decrease of ¥34,944 million from the end of the previous consolidated fiscal year, mainly due to a decrease in retained earnings.

As a result, the Group's equity ratio decreased by 5.5 percentage points year on year to 45.2%.

3) Cash flows

At the end of the consolidated fiscal year under review, the Group's cash and cash equivalents totaled ¥65,135 million, an increase of ¥8,676 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)

Net cash provided by operating activities in the consolidated fiscal year under review increased by ¥2,396 million year on year to ¥64,471 million. This was mainly due to the recording of impairment losses and depreciation, which are non-cash expenditures, despite the net loss before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities in the consolidated fiscal year under review increased by ¥23,145 million year on year to ¥70,777 million. This was mainly due expenditures on purchase of tangible fixed assets.

(Cash flows from financing activities)

Net cash provided by financing activities in the consolidated fiscal year under review amounted to ¥9,410 million, compared with net cash used of ¥14,512 million in the previous fiscal year. This was mainly due to proceeds from long-term loans payable and proceeds from issuance of bonds.

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 (%)
Carbon Black	154,691	+4.9
Fine Carbon	56,306	+17.1
Smelting and Lining	64,510	(22.6)
Graphite Electrodes	52,368	(18.9)
Industrial Furnaces and Related Products	13,966	(10.0)
Other Operations	9,758	(14.9)
Total	351,602	(5.1)

(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	11,783	(18.4)	9,832	(30.4)
Total	11,783	(18.4)	9,832	(30.4)

(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 (%)
Carbon Black	156,793	+5.6
Fine Carbon	53,890	+18.9
Smelting and Lining	64,512	(22.1)
Graphite Electrodes	48,818	(19.0)
Industrial Furnaces and Related Products	16,291	+4.3
Other Operations	9,807	(15.0)
Total	350,114	(3.8)

(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 decreased 3.8% year on year to ¥350,114 million due to lower sales volumes and prices in the Smelting and Lining business and Graphite Electrodes business. The sales-cost ratio increased by 4.1 points to 77.0%, mainly due to an increase in fixed costs resulting from a decrease in production volume in the Smelting and Lining business and Graphite Electrodes business.

Selling, general and administrative expenses increased 2.1% year on year to ¥61,248 million due to an increase in research and development expenses. As a result, operating income decreased 49.9% year on year to ¥19,386 million.

Non-operating income increased 14.0% year on year to ¥6,601 million due to an increase in interest and dividend income. Non-operating expenses increased 17.1% year on year to ¥3,409 million due to an increase in interest expenses and other factors.

In extraordinary income, ¥6,549 million was recorded as a gain on step acquisitions due to the acquisition of additional shares of MWI, Inc., which made it a subsidiary. MWI, Inc. was previously an associate accounted for by the equity method. In extraordinary loss, the Company and its consolidated subsidiaries recorded an impairment loss of ¥68,134 million. As a result, net loss before income taxes amounted to ¥47,645 million, compared with ¥41,998 million in net income before income taxes in the previous fiscal year.

Total income taxes decreased 59.9% year on year to ¥5,304 million, while net income attributable to non-controlling interests of ¥3,786 million was recorded. As a result, net loss attributable to owners of the parent company amounted to ¥56,736 million, compared with ¥25,468 million in net income attributable to owners of the parent company in the previous fiscal year.

As for total assets at the end of the fiscal year under review, current assets increased by ¥7,472 million year on year to ¥270,363 million due to increases in cash and deposits and accounts receivable, and fixed assets decreased by ¥6,724 million year on year to ¥370,390 million due to decreases in customer-related assets and goodwill.

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 improve capital-efficiency, maintain financial soundness, secure liquidity, and control financial expenses in order to achieve sustainable growth and increase shareholder value.

We aim to expand earnings by allocating capital in consideration of hurdle rates under an optimal capital structure that secures a strong financial base to support business growth while enhancing capital efficiency.

Funding for the Group as a whole is handled by the head office, and the Global Cash Management System (GCMS) is utilized to improve the efficiency of cash on hand. Funding is based on cash flows from operating activities and cash on hand. In the event that external funding needs, such as investment, exceed the base amount, the Company will select the most appropriate funding method in response to market conditions, based on debt financing, such as borrowing from financial institutions or issuing bonds payable.

In addition, the Company appropriately controls interest rate fluctuation risks and liquidity risks based on monitoring and analysis of the amount of risk and suppresses financial expenses.

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)."

5 Important Agreements for Operation, etc.

Not applicable.

6 Research and Development

The Company considers research and development to be one of its most important initiatives for the sustainable growth of the Company and the enhancement of its value over the medium to long term.

Therefore, 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, Chigasaki Laboratory, Chita Laboratory, and Tanoura Laboratory in collaboration with the Company's development and technology divisions. In addition, from the perspective of protecting our own technologies and products and avoiding conflicts with other companies' technologies, we have placed the Intellectual Property Department under the R&D Strategy Division, thereby supporting research and development by quickly sharing information among related departments and generating technological synergies. The contents of the research and development are regularly reported to the Board of Directors. The details and costs 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 products for electronic components and secondary batteries.

In addition, we are focusing on patent applications related to carbon neutrality, which is our long-term vision of "contributing to a sustainable society through advanced materials and solutions," and the number of patents granted is increasing.

(Amount of research and development expenditure)

Total R&D expenditure in the fiscal year under review was ¥4,334 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 ¥56,715 million, mainly in new manufacturing facilities, during the fiscal year under review.

In the Carbon Black business, the Group implemented capital investment of ¥32,933 million, mainly at THAI TOKAI CARBON PRODUCT COMPANY LIMITED.

In the Fine Carbon business, the Group implemented capital investment of ¥9,296 million, mainly at our Tanoura Plant.

In the Smelting and Lining business, the Group implemented capital investment of ¥4,098 million, mainly at Tokai COBEX Polska sp. z o.o.

In the Graphite Electrodes business, the Group implemented capital investment of ¥6,503 million, mainly at TOKAI CARBON GE LLC.

In the Industrial Furnaces and Related Products business, the Group implemented capital investment of ¥1,621 million, mainly at Tokai Konetsu Kogyo Co., Ltd.

In Other Operations business, the Group implemented capital investment of ¥829 million, mainly at the Shonan Plant of the Company.

2 Major Facilities and Equipment

(1) Submitting company (As of December 31, 2024)

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	
Ishinomaki Plant (Ishinomaki-shi, Miyagi)	Carbon Black	Carbon black manufacturing facility	484	838	753 (82,031)	82	2,158	46
Chita Plant (Taketoyo-cho, Chita-gun, Aichi)	Carbon Black	Carbon black manufacturing facility	1,159	2,120	693 (179,974)	618	4,591	98
Kyushu-Wakamatsu Plant (Wakamatsu-ku, Kitakyushu-shi)	Carbon Black	Carbon black manufacturing facility	661	1,495	304 (32,560)	78	2,540	43
Tanoura Plant (Ashikita-machi, Ashikita-gun, Kumamoto)	Fine Carbon	Fine carbon manufacturing facility	4,494	3,242	10 (178,242)	2,015	9,761	100
Hofu Plant (Hofu-shi, Yamaguchi)	Graphite Electrodes	Graphite electrodes manufacturing facility	1,110	4,329	150 (312,937)	221	5,810	84
Shiga Plant (Omihachiman-shi, Shiga)	Graphite Electrodes	Graphite electrodes manufacturing facility (Note) 2	0	621	318 (198,302)	0	940	56
Shonan Plant (Chigasaki-shi, Kanagawa)	Other Operations	Friction materials production facility	313	430	230 (83,285)	68	1,043	83
Fuji Research Laboratory (Oyama-cho, Sunto-gun, Shizuoka, etc.)	Company-wide	Research and development facilities and equipment	369	422	60 (33,767)	542	1,394	35

(2) Domestic subsidiaries (As of December 31, 2024)

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) 3	894	1,457	205 (25,911)	134	2,692	139
Tokai Material Co., Ltd. (Yachiyo-shi, Chiba)	Other Operations	Friction materials production facility (Note) 3	308	362	504 (19,106)	11	1,186	73
Tokai Konetsu Kogyo Co., Ltd. (Minato-ku, Tokyo, etc.)	Industrial Furnaces and Related Products	Industrial furnaces production facility	1,866	277	106 (125,433)	2,063	4,313	192

(3) Overseas subsidiaries (As of December 31, 2024)

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	
Cancarb Limited (Medicine Hat, Canada)	Carbon Black	Carbon black manufacturing facility, etc. (Note) 4	1,163	6,821	508 (255,900)	1,058	9,552	82
THAI TOKAI CARBON PRODUCT COMPANY LIMITED (Bangkok, Thailand, etc.)	Carbon Black	Carbon black manufacturing facility (Note) 5	40	1,154	3,159 (202,458) [83,368]	40,057	44,412	133
Tokai Carbon CB Ltd. (Fort Worth, U.S.A., etc.)	Carbon Black	Carbon black manufacturing facility (Note) 5	5,407	54,136	276 (584,539) [7,810]	10,792	70,612	404
TOKAI CARBON KOREA CO., LTD. (Anseong, Republic of Korea)	Fine Carbon	Fine carbon manufacturing facility	4,754	5,637	2,359 (44,965)	4,200	16,951	437
Tokai Carbon (Dalian) Co., Ltd. (Dalian, People’s Republic of China)	Fine Carbon	Fine carbon manufacturing facility (Note) 6	916	1,185	- [30,092]	697	2,799	192
MWI, Inc. (Rochester, U.S.A.)	Fine Carbon	Fine carbon manufacturing facility (Note) 5	188	1,011	7 (7,972) [25,579]	1,216	2,423	131
Tokai COBEX Polska sp. z o. o. (Racibórz, Poland, etc.)	Smelting and Lining	Production facilities for cathodes for aluminum electrolysis, etc. (Note) 5	7,575	14,507	30 (6,187) [608,824]	5,675	27,789	776
Tokai COBEX Savoie SAS (La Lechere, France)	Smelting and Lining	Production facilities for cathodes for aluminum electrolysis, etc.	3,005	9,587	382 (219,632)	2,998	15,974	396
TOKAI CARBON GE LLC (Charlotte, U.S.A., etc.)	Graphite Electrodes	Graphite electrodes manufacturing facility	5,529	17,077	420 (1,272,805)	3,039	26,067	244
TOKAI ERFTCARBON GmbH (Grevenbroich, Germany)	Graphite Electrodes	Graphite electrodes manufacturing facility	114	1,566	362 (146,861)	1,458	3,501	219

(Notes)
1. “Other” under book value is the sum of tools, furniture and fixtures, leased assets, and construction in progress.
2. The decrease in buildings and structures, machinery, equipment, and vehicles and other in Shiga Plant was mainly due to the impairment of the remaining book value following the termination of production in Shiga Plant.
3. Land and buildings are primarily leased by the submitting company, and the book value is based on the amount provided by the submitting company.
4. Includes waste heat treatment facilities acquired incidentally with the acquisition of Cancarb Limited.
5. A portion of land is leased from outside the Group, and land area is indicated in parentheses.
6. Land is leased from outside the Group, and land area is indicated in parentheses.
7. 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 Co. Ltd. Tanoura Plant	Ashikita-machi, Ashikita-gun, Kumamoto	Fine Carbon	Capacity additions at manufacturing facility	6,523	6,214	Own funds and borrowing	January 2022	February 2025
TOKAI CARBON KOREA CO., LTD.	Anseong, Republic of Korea	Fine Carbon	Capacity additions at manufacturing facility	3,686	2,609	Own funds	April 2022	December 2025
TOKAI CARBON KOREA CO., LTD.	Anseong, Republic of Korea	Fine Carbon	Establishment of new manufacturing facility	2,764	2,211	Own funds	May 2022	December 2025
Tokai Konetsu Kogyo Co., Ltd. Sendai Plant	Shibata-machi, Shibata-gun, Miyagi	Industrial Furnaces and Related Products	Expansion of manufacturing facility	2,311	1,644	Own funds	August 2022	June 2025
THAI TOKAI CARBON PRODUCT COMPANY LIMITED	Rayong, Thailand	Carbon Black	Establishment of new manufacturing facility	45,936	39,531	Own funds	September 2022	May 2026
Tokai Carbon Co. Ltd. Chigasaki Laboratory	Chigasaki-shi, Kanagawa	Fine Carbon	Expansion of manufacturing facility	5,400	2,730	Own funds and borrowing	November 2022	October 2025
THAI TOKAI CARBON PRODUCT COMPANY LIMITED	Rayong, Thailand	Carbon Black	Establishment of new manufacturing facility	5,057	4,488	Own funds	June 2023	June 2025
Tokai Carbon Co. Ltd. Production Technology Center	Hofu-shi, Yamaguchi	Other Operations	Establishment of new manufacturing facility	3,190	537	Own funds and borrowing	September 2023	December 2025
Tokai COBEX Polska sp. z o.o.	Racibórz, Poland, etc.	Smelting and Lining	Upgrades to manufacturing facility	2,129	856	Own funds	December 2023	October 2025
Tokai Carbon Co. Ltd. Chita Plant	Taketoyo-cho, Chita-gun, Aichi	Carbon Black	Upgrades to manufacturing facility	1,540	136	Own funds and borrowing	December 2023	May 2027

(2) Disposal of significant facilities, etc.

At the Board of Directors meeting held on July 16, 2024, as part of the structural reforms of the electrodes business, the Company resolved to concentrate domestic graphite electrode production in Hofu Plant (Hofu-shi, Yamaguchi) and terminate production in Shiga Plant (Omihachiman-shi, Shiga) in order to reduce graphite electrode production capacity in Japan. The production in Shiga Plant is scheduled to end in July 2025.

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, 2024)	Number of shares issued as of date of submission (Shares) (March 27, 2025)	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, 2024)

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)	-	49	33	705	256	181	118,351	119,575	-
Number of shares held (Units)	-	835,665	77,070	120,095	363,124	1,011	849,916	2,246,881	255,004
Ownership ratio (%)	-	37.19	3.43	5.34	16.16	0.04	37.84	100	-

(Notes) 1. The 11,470,526 shares of treasury stock are included as 114,705 units under "Individuals, etc." and 26 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, 2024)

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)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	42,300	19.82
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	16,115	7.55
MUFG Bank, Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	5,827	2.73
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	5,033	2.36
NORTHERN TRUST GLOBAL SERVICES SE,LUXEMBOURG RE LUDU RE:UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	10 RUE DU CHATEAU D' EAU L-3364 LEUDELANGE GRAND DUCHY OF LUXEMBOURG (3-11-1 Nihombashi, Chuo-ku, Tokyo)	4,732	2.22
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	4,609	2.16
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	2,790	1.31
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	P. O. BOX 351, BOSTON, MASSACHUSETTS 02102, U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	2,537	1.19
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)	2,502	1.17
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	2,426	1.14

Total	-	88,875	41.63

(Notes) 1. In addition to the above, the Company holds 11,470,000 shares of treasury stock (5.09% of total shares issued).
2. All 42,300,000 shares held by The Master Trust Bank of Japan, Ltd. (trust account) are related to trust services.
3. All 16,115,000 shares held by Custody Bank of Japan, Ltd. (trust account) are related to trust services.
4. In the Change Report made available for public disclosure as of January 9, 2025, shares owned by Sumitomo Mitsui Trust Bank, Limited and its joint holders as of December 31, 2024 are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2024, 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	5,798	2.58
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	8,014	3.56

5. In the Change Report made available for public disclosure as of January 6, 2025, shares owned by Mitsubishi UFJ Financial Group, Inc. as of December 23, 2024 are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2024, 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.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	5,827	2.59
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,018	3.56
Mitsubishi UFJ Asset Management Co., Ltd	1-9-1 Higashi-shimbashi, Minato-ku, Tokyo	4,018	1.79
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	3,067	1.36

6. In the Change Report made available for public disclosure as of November 21, 2024, shares owned by Nomura Securities Co., Ltd., and its joint holders as of November 15, 2024, are indicated below. However, since the Company cannot confirm the numbers for substantial shareholdings as of December 31, 2024, 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 INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	1,006	0.45
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	16,382	7.28

(7) Voting rights

1) Shares issued

(As of December 31, 2024)

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 shares 11,470,500	-	-
Shares with full voting rights (Other)	Common shares 213,217,600	2,132,176	-
Odd-lot shares	Common shares 255,004	-	Shares below unit number (100 shares)
Total number of shares issued	224,943,104	-	-
Total shareholder voting rights	-	2,132,176	-

(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, 2024)

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	11,470,500	-	11,470,500	5.10
Total	-	11,470,500	-	11,470,500	5.10

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	1,530	1,495,299
Treasury stock acquired in period prior to submission of this report	224	199,365

(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, 2025 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	228,037	140,511,500	-	-
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)	30,431	18,381,465	-	-
Treasury stock held	11,470,526	-	11,470,750	-

(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, 2025 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, 2025 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.

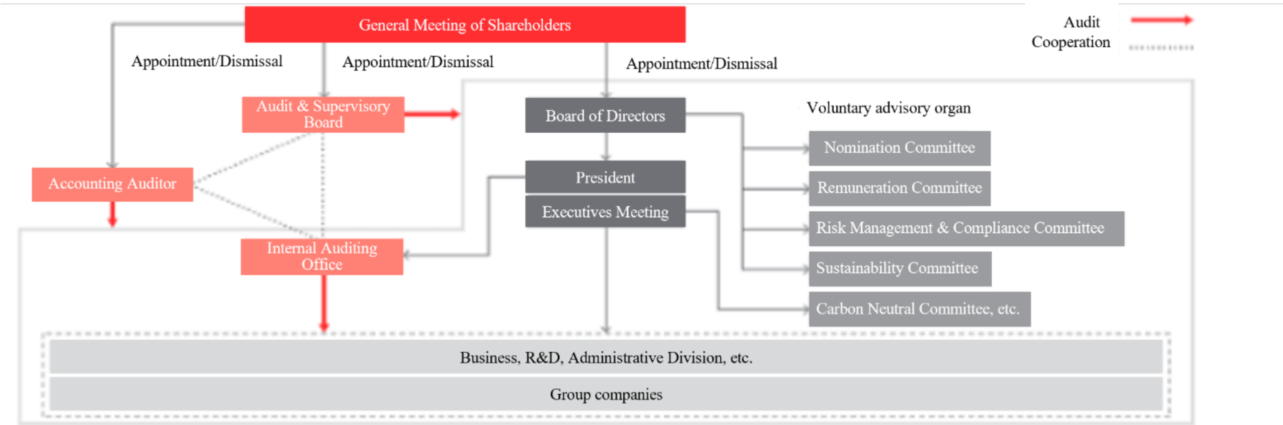
Date of resolution	Total amount of dividend (Million yen)	Dividend per share (Yen)
August 8, 2024 Board of Directors resolution	3,198	15.0
March 27, 2025 Resolution at Annual General Meeting of Shareholders	3,202	15.0

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 "Ties of Reliability." 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 and the members as of March 27, 2025 are as follows.



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	○	○				
Director	Takashi Masaki	○	○				○
External Director	Nobumitsu Kambayashi	○	(Note)	◎	◎		
External Director	Mayumi Asada	○	(Note)	○	○		
External Director	Toshiro Miyazaki	○	(Note)	○	○		
Audit & Supervisory Board Member	Yuji Serizawa	○	(Note)			(Note)	(Note)
Audit & Supervisory Board Member	Kanji Sugihara	○	(Note)			(Note)	(Note)
External Audit & Supervisory Board Member	Kaoru Ogashiwa	○	(Note)				
External Audit & Supervisory Board Member	Yoshinori Matsushima	○	(Note)				
Executive Officers, etc.	-		6 persons			5 persons	4 persons
Directors and Advisors of	-		3 persons			5 persons	2 persons

Subsidiaries							

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

(Note) Participates as associate member/observer

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 18 meetings in fiscal 2024. As of the date of submission of this report, there are nine Directors, three of whom are External Directors. As voluntary advisory committees for the Board of Directors, the Company has established the Nomination Committee and the Remuneration Committee, the majority of members of which are External Directors. The Company has also established the Risk Management & Compliance Committee and the Sustainability Committee as voluntary advisory committees for the Board of Directors.

1) Knowledge and experience expected of Directors and Audit & Supervisory Board Members

Skill matrix for Directors and Audit & Supervisory Board Members in fiscal 2024

		Knowledge and experience expected of Directors and Audit & Supervisory Board Members									
Name		Sex	Term of office (years)	Corporate management	Finance and accounting	Legal affairs and risk management	Global	Manufacturing, technology, and ICT	Sales and marketing	Human resources and human resource development	ESG and sustainability
Directors	Hajime Nagasaka	Male	18	●			●		●	●	●
	Masafumi Tsuji	Male	7	●		●	●			●	●
	Katsuyuki Yamaguchi	Male	5					●	●		●
	Shunji Yamamoto	Male	5	●			●	●			
	Tatsuhiko Yamazaki	Male	1	●			●	●	●		
	Takashi Masaki	Male	-	●			●		●		
	Nobumitsu Kambayashi	Male	8	●		●	●		●	●	
	Mayumi Asada	Female	3			●				●	●
	Toshiro Miyazaki	Male	2	●	●	●				●	●
Audit & Supervisory Board Members	Yuji Serizawa	Male	1			●	●				
	Kanji Sugihara	Male	-			●		●			
	Kaoru Ogashiwa	Male	4		●	●					
	Yoshinori Matsushima	Male	1		●	●					

2) Fiscal 2024 Board of Directors agenda

2024 Board of Directors' Agenda

Theme Classification	Agenda Topics
Governance, risk management, and subsidiary management	Analysis and evaluation of the effectiveness of Board of Directors
	Funding, investment and market risk management performance report
	Internal control system basic policies and status of initiatives, internal audit plan and report
	Risk Management & Compliance Committee report
Personnel and organization	Director and executive personnel affairs
	Reorganization and revision of regulations
Settlement of accounts and finance	Monthly closing and financial results
	Securities report
Management strategy and sustainability	Medium-term management plan formulation and progress report
	Structural reform
	Sustainability Committee, Carbon Neutral Committee report
	Establishment of the biodiversity policy and TNFD-related disclosures

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3) Fiscal 2024 Board of Directors attendance

Position	Name	Attendance
Directors	Hajime Nagasaka	100% (18 / 18 times)
	Masafumi Tsuji	100% (18 / 18 times)
	Katsuyuki Yamaguchi	100% (18 / 18 times)
	Shunji Yamamoto	100% (18 / 18 times)
	Tatsuhiko Yamazaki	100% (18 / 18 times)
	Takashi Masaki	100% (14 / 14 times)
	Nobumitsu Kambayashi (External / Independent)	100% (18 / 18 times)
	Mayumi Asada (External / Independent)	100% (18 / 18 times)
	Toshiro Miyazaki (External / Independent)	100% (18 / 18 times)
Audit & Supervisory Board Members	Yuji Serizawa	100% (18 / 18 times)
	Kanji Sugihara	100% (14 / 14 times)
	Kaoru Ogashiwa (External / Independent)	100% (18 / 18 times)
	Yoshinori Matsushima (External / Independent)	100% (18 / 18 times)

* Takashi Masaki, Director, was appointed and assumed office at the 2023 General Meeting of Shareholders held on March 28, 2024.
Kanji Sugihara, Audit & Supervisory Board Member, was appointed and assumed office at the 2023 General Meeting of Shareholders held on March 28, 2024.

4) Strengthening the effectiveness of the Board of Directors

In 2016, the Company established the Nomination Committee, Remuneration Committee, Executives Meeting, Risk Management & Compliance Committee, etc. to fundamentally strengthen its governance system centered on the Board of Directors. As a result, the annual evaluation of the effectiveness of the Board of Directors confirmed that significant improvements have been made in various areas. One characteristic is that all External Directors are deepening their understanding of important matters by actively attending important meetings other than the Board of Directors meetings, and the effectiveness evaluation points out that the neutral and objective opinions from these External Directors greatly contribute to the improvement of the Board of Directors' supervisory functions.

The current governance system has generally taken root, and the initial results have been appropriately maintained. In addition, the Company has been working to continuously strengthen the system, including the establishment of the Sustainability Committee in 2022. In 2024, it was evaluated that the Company has made some progress in connecting sustainability with management, such as linking executive compensation with sustainability performance.

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

The Audit & Supervisory Board 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 audit 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. In fiscal 2024, 19 meetings were held in total. The attendance of each Audit & Supervisory Board Member in the Audit & Supervisory Board meetings is as follows. The status of the Audit & Supervisory Board activities is described in (3) Status of audits.

Fiscal 2024 Audit & Supervisory Board attendance

Position	Name	Attendance
Audit & Supervisory Board Members	◎ Yuji Serizawa	100% (19 / 19 times)
	Kanji Sugihara	100% (14 / 14 times)
	Kaoru Ogashiwa (External / Independent)	100% (19 / 19 times)
	Yoshinori Matsushima (External / Independent)	100% (19 / 19 times)

◎: Chairperson

c. Voluntary advisory committees

The status of attendance at the voluntary advisory committee meetings in fiscal 2024 is as follows.

Position	Name	Nomination Committee	Remuneration Committee	Risk Management & Compliance Committee	Sustainability Committee
Directors	Hajime Nagasaka	6 / 6 times	2 / 2 times		4 / 4 times
	Masafumi Tsuji			3 / 3 times	4 / 4 times
	Katsuyuki Yamaguchi				4 / 4 times
	Shunji Yamamoto			4 / 4 times	4 / 4 times
	Tatsuhiko Yamazaki				
	Takashi Masaki				3 / 3 times
	Nobumitsu Kambayashi (External / Independent)	6 / 6 times	2 / 2 times		
	Mayumi Asada (External / Independent)	6 / 6 times	2 / 2 times		
	Toshiro Miyazaki (External / Independent)	6 / 6 times	2 / 2 times		
Audit & Supervisory Board Members	Yuji Serizawa			3 / 3 times	4 / 4 times
	Kanji Sugihara			3 / 3 times	4 / 4 times
	Kaoru Ogashiwa (External / Independent)				
	Yoshinori Matsushima (External / Independent)				

* Takashi Masaki, Director, was appointed and assumed office at the 2023 General Meeting of Shareholders held on March 28, 2024.

Kanji Sugihara, Audit & Supervisory Board Member, was appointed and assumed office at the 2023 General Meeting of Shareholders held on March 28, 2024.

1) Nomination Committee

(i) Roles of the Committee

The following matters are discussed and submitted to the Board of Directors.

- Details of the proposals to be submitted to the General Meeting of Shareholders regarding the appointment of Director candidates and dismissal of Directors
- Selection and removal of the Representative Director and the President
- Appointment and dismissal of Executive Officers
- Selection and removal of Executive Officers with titles
- Other matters deemed necessary regarding human resources of Directors and Executive Officers

(ii) Activities in fiscal 2024

Main agenda items

- Selection of candidates for Director and Executive Officer
- Establishment of the Nomination Committee Regulations and amendments to the Articles of Incorporation
- Revision of the skill matrix for Directors and Audit & Supervisory Board Members

2) Remuneration Committee

(i) Roles of the Committee

The following matters are discussed and submitted to the Board of Directors.

- Establishment, change, and abolition of basic policies, rules, systems, etc. related to remuneration, etc. of Directors and Executive Officers
- Details of the proposal to be submitted to the General Meeting of Shareholders regarding the remuneration limit of Directors
- Other matters deemed necessary for remuneration, etc. of Directors and Executive Officers
- Based on the delegation of the Board of Directors, the following matters will be discussed and decided.
- Details of individual evaluations and remuneration amounts for Directors and Executive Officers

(ii) Activities in fiscal 2024

Main agenda items

- Determination of bonuses for Directors and Executive Officers
- Determination of basic remuneration for Directors and Executive Officers
- Determination of the amount of monetary remuneration claims pertaining to shares with a transfer restriction
- Consideration of a proposal for a new remuneration system for Officers and amendments to the Internal Rules on Remuneration for Officers, etc.
- Establishment of the Remuneration Committee Regulations

3) Risk Management & Compliance Committee

(i) Roles of the Committee

The Committee discusses important matters related to risk and compliance, and based on the results, provides advice to relevant departments and offices, etc., as well as reports and makes proposals to the Board of Directors.

(ii) Activities in fiscal 2024

Agenda

- Build a global compliance system
- Review of approval authority related to capital investment
- Strengthen risk management system based on risk assessment
- Major risks of the Company and measures to reduce risks
- Report on the progress of consideration of alternative raw material procurement measures from China and Taiwan
- Regular reports on Risk Management & Compliance Committee management KPI

4) Sustainability Committee

(i) Roles of the Committee

The Committee discusses important matters related to sustainability, and based on the results, provides advice to related departments and offices, etc., as well as reports and makes proposals to the Board of Directors.

(ii) Activities in fiscal 2024

Agenda

- Setting materiality and sustainability targets and progress management

- Response based on the results of the employee engagement survey
- Support for biodiversity (TNFD)

d. Executives Meeting

The Executives Meeting is 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 Executives Meeting by submitting the results of deliberation to the Executives Meeting.

3) Status of company functions and internal control systems

Status of internal control systems

To ensure that the Group as a whole executes business operations properly in accordance with relevant laws and 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, Executive Officers and employees complies with laws and regulations and the Articles of Incorporation
    1) The Group will thoroughly execute its duties on the premise of compliance with laws and regulations, the Articles of Incorporation, and internal rules by establishing the "Corporate Philosophy," "Guidelines," and "Global Code of Conduct," appropriately operating the internal reporting system, and providing education to ensure compliance.
    2) The Board of Directors shall make decisions on important matters related to business execution and supervise the execution of duties by Directors in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations.
    3) Audit & Supervisory Board Members shall audit the execution of duties by Directors in accordance with laws and regulations, the Articles of Incorporation, "Audit & Supervisory Board Regulations" and other internal regulations.
    4) In accordance with the "Internal Auditing Regulations," the Internal Auditing Office shall conduct internal audits of the Group operations and endeavor to improve and strengthen internal control.
    5) The Company establishes the "Basic Policy for Building an Internal Control System Concerning Financial Reporting," "Internal Control Regulations for Financial Reporting," etc., and develops a system to ensure the appropriateness of the Group's financial reporting.

2. System for the storage and management of information related to the execution of duties by Directors
    1) In accordance with the internal regulations on information management, appropriately store and manage information related to the execution of duties by Directors and develop a system that enables Directors and Audit & Supervisory Board Members to efficiently browse and search.
    2) In accordance with the "Basic Policy on Information Disclosure," information to be disclosed shall be disclosed promptly, in a timely and appropriate manner.

3. Rules concerning management of risk of loss and other systems
    1) In order to avoid or reduce the risk of various losses in business operations and potential business risks, and to deal with unexpected situations such as serious disasters and accidents, the Company will establish internal regulations on methods, systems, etc., and respond appropriately.
    2) The Company will establish the Risk Management & Compliance Committee, which discusses important matters related to risk and compliance, and based on the results, provides advice to relevant offices and departments, etc., as well as reports and makes proposals to the Board of Directors.
    3) Based on the "Rules Concerning Management of Subsidiaries," the Company receives reports from subsidiaries on matters that may cause significant losses to the Group and strives to identify and manage the Group's risks.

4. System to ensure effective execution of duties by Directors
    1) The Company adopts the Executive Officers System to strengthen the decision-making and supervisory functions of the Board of Directors and to promote the efficiency of business execution. Under the decision of the Board of Directors, Executive Officers execute the specific duties based on the delegation of the Representative Director.
    2) The Company shall formulate a medium-term management plan, which is company-wide targets of the Group, and budgets for each fiscal year, and plan and implement specific measures to achieve the targets.
    3) The Company shall prepare a consolidated financial report and report its performance, analysis, etc. to the Board of Directors.

4) The Company deliberates important matters at important meetings such as Executives Meeting, which consists of Directors and Executive Officers of the Company.
5) The Company shall establish a voluntary Nomination Committee and Remuneration Committee and secure objectivity regarding the evaluation, appointment and remuneration of Directors and Executive Officers.

5. System to ensure appropriateness of operations of the Group
1) The Company ensures the appropriateness of its subsidiaries' operations by periodically setting plans for the subsidiaries, 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 subsidiaries as directors and audit & supervisory board members.

6. Matters concerning employees assisting Audit & Supervisory Board Members with their duties and matters regarding independence of such employees from Directors
1) In the event that Audit & Supervisory Board Members request the assignment of employees to assist with their duties, the Company allocates Audit & Supervisory Board staff member(s) to assist Audit & Supervisory Board Members' operations as necessary and grants authority for investigations based on Audit & Supervisory Board Members' instructions.
2) 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).

7. System for reporting to Audit & Supervisory Board Members and other systems to ensure that audits by Audit & Supervisory Board Members are performed effectively
1) In accordance with the internal rules, officers and employees shall promptly report to the Company and Audit & Supervisory Board Members any violation of laws and regulations or the Articles of Incorporation, as well as any matter that may cause significant damage to the Company (including matters reported by subsidiaries in accordance with the Rules Concerning Management of Subsidiaries). Officers and employees shall not receive unjust treatment for the reason of having made reports.
2) Audit & Supervisory Board Members shall attend important meetings including Board of Directors' meetings and Executives Meetings and hear from Directors, Executive Officers, and employees on the status of execution of their duties as needed.
3) Audit & Supervisory Board Members, the accounting audit firm, and the Internal Auditing Office promote mutual understanding and information exchange among one another.
4) Expenses needed for the execution of duties by Audit & Supervisory Board Members are paid in response to claims made by Audit & Supervisory Board Members.

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 that gave rise to the liability 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 the 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 dividends of surplus (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 12 males and one (1) female (percentage of female executive officers: 7.69%)

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 March 2006 March 2008 March 2011 March 2013 March 2014 February 2015	Joined Tokai Electrode Mfg. Co., Ltd. (currently the Company) Director/Executive Officer, the Company Deputy General Manager, Carbon Black Division General Manager, Marketing & Sales Department, Carbon Black Division Director/Managing Executive Officer, the Company Deputy General Manager, Carbon Black Division Director/Senior Managing Executive Officer, the Company General Manager, Carbon Black Division Representative Director/Senior Managing Executive Officer, the Company Carbon Black Division, Graphite Electrode Division Representative Director/Executive Vice President, the Company Carbon Black Division, Graphite Electrode Division and Raw Material Procurement Department Representative Director/President & Chief Executive Officer, the Company (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	189,362
Director	Masafumi Tsuji	January 10, 1963	April 1986 March 2015 January 2016 March 2017 January 2020 September 2022 March 2023 September 2023	Joined the Company Executive Officer, the Company General Manager, Carbon Black Division Executive Officer, the Company General Manager, Graphite Electrode Division Director/Executive Officer, the Company General Manager, Fine Carbon Division Director/Executive Officer, the Company Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department General Manager, Corporate Planning Department Director/Executive Officer, the Company Chairman, Corporate Planning Department, Subsidies and Associates Project Management Department, Strategic Investment Department, Sales Research & Planning Department and Business Incubation Department General Manager, Corporate Planning Department Director/Executive Officer, the Company Chairman, Human Resources Department, General Affairs Department, and Legal Affairs Department Director/Managing Executive Officer, the Company Chairman, Human Resources Department General Manager, Graphite Electrode Division	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	72,779

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
			March 2024	Director/Managing Executive Officer, the Company General Manager, Graphite Electrode Division (incumbent)		

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director General Manager, R&D Strategy Division	Katsuyuki Yamaguchi	March 29, 1964	April 1988 March 2016 March 2018 March 2019 March 2021 March 2024	Joined the Company General Manager, Technology & Engineering Division, the Company Executive Officer, the Company General Manager, Technology & Engineering Division Director/Executive Officer, the Company General Manager, Technology & Engineering Division Director/Executive Officer, the Company General Manager, R&D Strategy Division General Manager, Intellectual Property Department Director/Executive Officer, the Company General Manager, R&D Strategy Division (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	44,861
Director General Manager, Technology & Engineering Division	Syunji Yamamoto	March 8, 1962	April 1985 June 2015 March 2018 March 2019 March 2023	Joined the Company General Manager, Production & Technology Department, Carbon Black Division, the Company Executive Officer, the Company Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD. Director/Executive Officer, the Company Director, TCCB Genpar LLC Director/Executive Officer, the Company General Manager, Technology & Engineering Division (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	39,054
Director	Tatsuhiko Yamazaki	November 22, 1964	April 1985 March 2016 March 2017 January 2020 March 2023	Joined the Company General Manager, Production & Technology Department, Carbon Black Division, the Company General Manager, Marketing & Sales Department, Carbon Black Division Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD. Director/Executive Officer, the Company Managing Director, THAI TOKAI CARBON PRODUCT CO., LTD. (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	22,338

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director	Takashi Masaki	April 6, 1961	April 1985 March 2014 March 2016 March 2017 March 2018 January 2020 July 2020 March 2024	Joined the Company General Manager, Nagoya Branch of the Company General Manager, Raw Material Procurement Department General Manager, Carbon Black Division, the Company Executive Officer, the Company General Manager, Carbon Black Division Executive Officer, the Company Deputy Chairman, Human Resources Department, General Affairs Department and Legal Affairs Department General Manager, Human Resources Department Executive Officer, the Company General Manager, Smelting and Lining Division [Currently General Manager, Smelting and Lining Division] Director/Executive Officer, the Company General Manager, Smelting and Lining Division (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	38,300
Director	Nobumitsu Kambayashi	May 28, 1948	April 1971 October 2002 April 2008 April 2010 October 2010 June 2013 March 2016 June 2017 June 2023	Joined Kawasaki Heavy Industries, Ltd. Director, Kawasaki Shipbuilding Corporation Managing Executive Officer, Kawasaki Heavy Industries, Ltd. Director/Senior Vice President, Kawasaki Shipbuilding Corporation President & Representative Director, Kawasaki Shipbuilding Corporation Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd. Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd. President, Ship & Offshore Structure Company Special Adviser, Kawasaki Heavy Industries, Ltd. Director, the Company (incumbent) External Director, Inui Global Logistics Co., Ltd. (incumbent) Special Adviser, Japan Ship Technology Research Association (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	30,000
Director	Mayumi Asada	February 5, 1968	October 2002 January 2014 March 2014 April 2020 March 2021	Registered as an attorney-at-law and joined Hiranuma Takaaki Law Office Representative, Marunouchi Building Aoi Law Office (incumbent) Acquired Doctor's degree in Medicine at the Juntendo University Graduate School of Medicine Business Director, Incorporated Educational Institution Nikaido Gakuen (incumbent) Director, the Company (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	15,200

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director	Toshiro Miyazaki	August 21, 1949	April 1972 June 2007 March 2008 March 2011 March 2019 March 2020 March 2022	Joined Mitsui Engineering & Shipbuilding Co., Ltd. (currently MITSUI E&S Co., Ltd.) Director, Mitsui Engineering & Shipbuilding Co., Ltd. In charge of Accounting & Finance Department, IR and PR Director, MODEC, Inc. President & Chief Executive Officer, MODEC, Inc. Chairman, MODEC, Inc. Special Adviser, MODEC, Inc. Director, the Company (incumbent)	One (1) year from Annual General Meeting of Shareholders held on March 27, 2025	7,700

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	April 1984 March 2009 March 2012 March 2013 March 2014 March 2015 January 2016 March 2017 March 2023	Joined the Company Executive Officer, the Company General Manager, Fine Carbon Division Director/Executive Officer, the Company General Manager, Fine Carbon Division Director/Executive Officer, the Company General Manager, Tanoura Laboratory General Manager, Tanoura Plant Executive Officer, the Company General Manager, Graphite Electrode Division Director/Executive Officer, the Company General Manager, Graphite Electrode Division [Responsible for Raw Material Procurement Department] Director/Executive Officer, the Company General Manager, Corporate Strategy Division Director/Executive Officer, the Company Chairman, Human Resources Department, General Affairs Department, and Legal Affairs Department Audit & Supervisory Board Member (full time), the Company (incumbent)	4 years from Annual General Meeting of Shareholders held on March 30, 2023	67,262
Audit & Supervisory Board Member (full-time)	Kanji Sugihara	November 23, 1958	April 1984 March 2013 March 2014 March 2015 January 2016 March 2018 March 2024	Joined the Company Executive Officer, the Company Assistant Officer and General Manager, Fine Carbon Division Director/Executive Officer, the Company General Manager, Fine Carbon Division Director/Managing Executive Officer, the Company General Manager, Fine Carbon Division Director, the Company Executive Vice President, Tokai Konetsu Kogyo Co., Ltd. Executive Vice President, Tokai Konetsu Kogyo Co., Ltd. Audit & Supervisory Board Member (full time), the Company (incumbent)	4 years from Annual General Meeting of Shareholders held on March 28, 2024	37,400
Audit & Supervisory Board Member	Kaoru Ogashiwa	January 7, 1967	October 1990 December 1992 June 2005 June 2017 May 2019	Joined Shin Nihon Shoken Chosa Center Keiei Kenkyusho (currently Japan Investor Relations and Investor Support, Inc.) Registered as a Certified Tax Accountant Representative, Kaoru Ogashiwa Tax Accountant Office (incumbent) Audit & Supervisory Board Member, Senkon Logistics Co., Ltd. External Director and Audit & Supervisory Committee Member, Senkon Logistics Co., Ltd. (incumbent) Audit & Supervisory Board Member, the Company (incumbent)	4 years from Annual General Meeting of Shareholders held on March 30, 2022	1,100
Audit & Supervisory Board Member	Yoshinori Matsushima	February 7, 1968	November 1997 May 2001 May 2006 March 2023	Joined Tohmatsu & Co. Registered as a Certified Public Accountant Representative, Matsushima Certified Public Accountant Office (incumbent) Registered as a Certified Tax Accountant Audit & Supervisory Board Member, the Company (incumbent)	4 years from Annual General Meeting of Shareholders held on March 30, 2023	500

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
Total					504,925

(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, who are Directors, and Mr. Kaoru Ogashiwa and Mr. Yoshinori Matsushima, both Audit & Supervisory Board Members, as independent directors 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 as stipulated in the Companies Act 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 career summary for the Substitute Auditor is as follows.

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

5. The company has adopted an executive officer system. The 16 executive officers included in this system are listed below.

Rank	Name	Responsibilities
* President & Chief Executive Officer	Hajime Nagasaka	
* Managing Executive Officer	Masafumi Tsuji	General Manager, Graphite Electrode Division
* Executive Officer	Katsuyuki Yamaguchi	General Manager, R&D Strategy Division
* Executive Officer	Sh unji Yamamoto	General Manager, Technology & Engineering Division
* Executive Officer	Tatsuhiko Yamazaki	(Managing Director, THAI TOKAI CARBON PRODUCT COMPANY LIMITED)
* 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	Kouji Miura	General Manager, Chita Laboratory
Executive Officer	Akira Yamada	Responsible for General Affairs and Legal Affairs Department
Executive Officer	Akihiko Sato	Responsible for Corporate Planning Department
Executive Officer	Kazuyoshi Haino	(President, Tokai Carbon U.S.A., Inc., President, MWI, Inc., President, KBR, Inc.)
Executive Officer	Keiichiro Machihara	Deputy General Manager, Technology & Engineering Division General Manager, Engineering Department Engineering Advisor, CB Business Rebuilding Project
Executive Officer	Tsunayuki Sato	Deputy Supervisor, Corporate Planning Department
Executive Officer	Hideo Shin	General Manager, Fine Carbon Division
Executive Officer	Norikazu Kawabe	General Manager, Carbon Black Division
Executive Officer	Naoki Hirai	Responsible for Accounting & Finance Department, General Manager, Accounting & Finance 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.

External Director Nobumitsu Kambayashi is from Kawasaki Heavy Industries, Ltd., one of the Company's business partners, however, 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 audits by Audit & Supervisory Board Members

a. Organization and Personnel

Our company's Audit & Supervisory Board consists of two Audit & Supervisory Board Members (full-time) and two External Audit & Supervisory Board Members. Mr. Yuji Serizawa, who is an Audit & Supervisory Board Member (full-time), has been engaged in the management of the Company and the Group companies for many years, and has abundant experience and knowledge mainly in the core operating divisions and administrative divisions. Mr. Kanji Sugihara has been engaged in the management of the Company and Group companies for many years and has abundant experience and knowledge, mainly in the engineering and administrative departments. Mr. Kaoru Ogashiwa, an External Audit & Supervisory Board Member, has extensive experience as a certified tax accountant and has considerable knowledge of finance and accounting. Mr. Yoshinori Matsushima has extensive experience as a certified public accountant and tax accountant, and also has considerable knowledge of finance and accounting.

b. Activities of the Audit & Supervisory Board

In principle, Audit & Supervisory Board meetings are held on a monthly basis. They are also held as needed. In fiscal 2024, a total of 19 meetings were held. The attendance of each Audit & Supervisory Board Member of Audit & Supervisory Board meetings and Board of Directors meetings is as follows.

Position	Name	Attendance during the fiscal year	
		Audit & Supervisory Board	Board of Directors
Audit & Supervisory Board Member (full-time)	Yuji Serizawa	100% (19/19 times)	100% (18/18 times)
Audit & Supervisory Board Member (full-time)	Kanji Sugihara	100% (14/14 times)	100% (14/14 times)
External Audit & Supervisory Board Member	Kaoru Ogashiwa	100% (19/19 times)	100% (18/18 times)
External Audit & Supervisory Board Member	Yoshinori Matsushima	100% (19/19 times)	100% (18/18 times)

The Audit & Supervisory Board makes resolutions, consultations and reports on important matters related to audits in accordance with laws and regulations, the Articles of Incorporation, and the Audit & Supervisory Board's Regulations. The following resolutions, consultations and reports were made by the Audit & Supervisory Board in the fiscal year under review.

9 Resolutions: Auditing policies, auditing plans, assignment of duties, selection of Chairman of the Audit & Supervisory Board, Audit & Supervisory Board Members (full-time), and specified Audit & Supervisory Board Members, auditing reports by the Audit & Supervisory Board, reappointment of the Accounting Auditor, agreement on audit fees of the Accounting Auditor, etc.

36 Consultations: Accounting Auditor evaluation, agenda for regular meetings with President & Chief Executive Officer and External Directors, Audit & Supervisory Board Member remuneration, prior agreement on the Accounting Auditor's non-audit work, revision of Audit & Supervisory Board regulations, Audit & Supervisory Board effectiveness evaluation, prior consultation on other resolution matters, etc.

39 Reports: Reports on implementation of visiting audits and inspections, reports on major auditing activities by the Audit & Supervisory Board Members (full-time) (reports on important internal meetings, dialogue with executive departments, etc.), whistle-blowing and responses thereto, etc.

c. Major Audit & Supervisory Board Member Activities

Audit & Supervisory Board Members carry out the following activities throughout the year in accordance with the division of duties discussed in the Audit & Supervisory Board.

1. Attendance at important meetings

   In addition to Audit & Supervisory Board meetings, Audit & Supervisory Board Members (full-time) attend important internal meetings such as Board of Directors meetings, Executives Meeting, the Risk Management & Compliance Committee, the Sustainability Committee, the Carbon Neutral Committee, the Strategic Conference on Development, and others, and provide necessary opinions. In addition to Audit & Supervisory Board meetings, External Audit & Supervisory Board Members attend Executives Meetings to hear the content of the deliberations and then attend the Board of Directors to state his or her opinions as necessary.

2. Dialogue with the President & Chief Executive Officer and other executive officers

   Audit & Supervisory Board Members hold regular quarterly meetings with the President & Chief Executive Officer to exchange opinions on management issues. In addition, Audit & Supervisory Board Members receive reports on the status of the execution of duties from Directors, Executive Officers, persons in charge of each department, etc. as necessary, and expresses their opinions.

3. On-site audits and inspections

   Audit & Supervisory Board Members carry out on-site audits and inspections at domestic business sites and Group companies in Japan and overseas that have been selected on a risk basis, in an effort to ascertain the status of these sites. In this fiscal year, on-site audits were conducted at seven domestic business sites, one domestic company, and seven companies in five countries. The results of these audits and inspections are reported to the President & Chief Executive Officer and the directors in charge.

4. Cooperation with the Internal Auditing Office, Group companies' Audit & Supervisory Board Members, etc.

   Audit & Supervisory Board Members hold regular monthly meetings with the Internal Auditing Office to grasp the status of the Company in a timely and appropriate manner and to exchange information and opinions. Regular annual meetings are also held with Audit & Supervisory Board Members and other members of Group companies in and outside Japan to share information and exchange opinions with a view to strengthening Group governance.

5. Cooperation with the Accounting Auditor

   Audit & Supervisory Board Members hold regular meetings with the Accounting Auditor to discuss auditing plans, quarterly reviews, the selection of key audit matters (KAM), audit reports, internal control audit reports on financial reporting, etc., and to exchange opinions on important topics related to auditing as necessary. Audit & Supervisory Board Members also use the overseas network of the Accounting Auditor to exchange opinions with overseas audit firms when visiting overseas Group companies for audits.

6. Cooperation with External Directors

   Audit & Supervisory Board Members hold regular semi-annual meetings with External Directors to exchange opinions on management issues and strengthen cooperation between External Directors and Audit & Supervisory Board Members.

7. Initiatives to improve the effectiveness of the Audit & Supervisory Board and Audit & Supervisory Board Member audits

   To improve the effectiveness of the Audit & Supervisory Board and Audit & Supervisory Board Member audits, at the end of the fiscal year, each Audit & Supervisory Board Member conducted a self-review in the form of a questionnaire on the operation of the Audit & Supervisory Board and the results of audit activities conducted starting from this fiscal year. The Audit & Supervisory Board analyzes and evaluates the results and confirms points and initiatives for improvement of the Audit & Supervisory Board and Audit & Supervisory Board Member audits for the next fiscal year.

2) Status of internal audits

The Internal Auditing Office is in charge of internal audits of the Company.

Under a system that reports directly to the President & Chief Executive Officer, the Internal Auditing Office is independent from other business divisions, and aims to "protect the Company's assets, comply with laws and regulations and the other Code of Conduct, streamline and improve the efficiency of business, and execute business appropriately." Based on the annual plan approved by the Board of Directors, the Internal Auditing Office conducts operational audits and evaluations of the effectiveness of internal control related to the financial reporting under the Financial Instruments and Exchange Act.

The results of audits and evaluations by the Internal Auditing Office are dual-reported to the Board of Directors and the Audit & Supervisory Board Members in addition to the President and related departments from the perspective of ensuring the effectiveness of internal audits.

Furthermore, in order to improve the effectiveness and quality of internal audits, the Company is working to strengthen its internal audit system, including improving internal audit procedures and securing audit personnel.

3) 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

   7 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 the Audit & Supervisory Board and its members

The Audit & Supervisory Board and its members have established evaluation standards 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." Each fiscal year, the accounting auditor's quality control system, independence, expertise and performance of duties are comprehensively evaluated to determine whether it is qualified to serve as the accounting auditor of the Company. As a result of the evaluation of this fiscal year, it has been determined that there are no problems with the execution of duties of the current accounting auditor, and it has been reappointed by resolution of the Audit & Supervisory Board.

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	74	0	75	2
Consolidated subsidiaries	10	-	14	-
Total	85	0	89	2

(Previous 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.

(Current fiscal year)

The compensation paid to KPMG AZSA LLC is stated. The non-audit services for which the Company pays compensation is for comfort letter writing services, etc.

b. Compensation for the same network as auditing 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	-	26	-	32
Consolidated subsidiaries	267	17	310	65
Total	267	44	310	97

(Previous fiscal year)

The non-audit services paid by the Company to the same network (KPMG) as the auditing certified public accountants include support services related to ESG promotion and such. 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 auditing certified public accountants include support services related to ESG promotion and such. Non-audit services paid by consolidated subsidiaries include support services related to compliance with the Corporate Sustainability Reporting Directive (CSRD).

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 auditing 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 amount of remuneration for Directors and Audit & Supervisory Board Members

The policy for determining the amount of remuneration for Directors and Executive Officers 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 and "stock remuneration." For Directors and Executive Officers who are responsible for business execution, the percentage of "performance-linked remuneration" to "basic remuneration" is 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.

In addition, in order to ensure the independency of the Company's decision-making process, the Board of Directors delegates the details of the Company's individual remuneration, etc. to the Remuneration Committee, the majority of which consists +of External 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. In fiscal 2024, the Committee met two times to consider remuneration systems of Directors and Executive Officers, and to determine individual remuneration amounts based on business performance, responsibilities and the results of Directors and Executive Officers. Since the decision was made by the Renumeration Committee based on a variety of considerations including consistency with the decision-making policies, the Board of Directors has determined that these decisions have been made appropriately. 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.

(Basic remuneration)

・ The base amount will be determined by reflecting the assessment in accordance with the position.

(Performance-linked remuneration)

Performance-linked remuneration consists of short-term incentive remuneration and medium- to long-term incentive remuneration.

The base amount of short-term incentive remuneration is set according to the position, and the amount to be paid is determined within the range of 10% to 200% of the base amount according to the financial indicator and the degree of achievement of individual goals (including sustainability targets). The specific evaluation items and evaluation percentages are as follows. The financial indicators are based on items emphasized in the Mid-Term Management Plan.

Evaluation items	Rate of evaluation
Achievement of single-year financial targets (net sales, ROS, ROIC, free cash flow)	80%
Achievement of individual goals (including achievement of sustainability targets)	20%

The base amount of medium- to long-term incentive remuneration is set according to the position, and the amount to be paid is determined within the range of 10% to 200% of the base amount according to the financial indicators, the degree of improvement in the score and rating of ESG evaluation organizations and the level of achievement of individual goals. The specific evaluation items and evaluation percentages are as follows. The financial indicators are based on items emphasized in the Mid-Term Management Plan.

Evaluation items	Rate of evaluation
Achievement of financial target for the Mid-Term Management Plan target period (3 years) (net sales, ROS, ROIC, free cash flow) ESG evaluation organizations score and rating improvement rate	80%
Achievement of individual goals	20%

In addition, since performance-linked remuneration is not suitable for a non-executive Director or Audit & Supervisory Board Member that is independent from the execution of business, only basic remuneration is paid.

The status of the indicators referred to in the company-wide performance evaluation of short-term incentive remuneration is as follows.

Financial indicator	Target	Result
Net sales	370 billion yen	350.1 billion yen
ROS	6.2%	5.5%
ROIC	7.5%	6.8%
Free cash flow	(8.03 billion yen)	0.7 billion yen

(Stock remuneration)

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 restricted stock in the form of 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 amount of stock remuneration is up to 15% of the basic remuneration and performance-linked remuneration based on the percentage of each individual’s contribution to business performance.

(Composition of remuneration)

The composition of remuneration by position is a remuneration system in which the President’s performance-linked remuneration (performance-linked remuneration + stock remuneration) is the highest (approximately 50%), and the performance-linked remuneration ratio to the Executive Officers (approximately 40%) is gradually reduced in order of position.

2) Total amounts of remuneration by officer classification, total amount 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
			Basic remuneration	Performance-linked remuneration	Non-monetary compensation	
				Bonus	Restricted stock remuneration	
Directors (excluding External Directors)		234	102	100	31	6
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)		36	36	-	-	3
External Directors and Audit & Supervisory Board Members	External Directors	39	39	-	-	3
	External Audit & Supervisory Board Members	14	14	-	-	2
Total		325	193	100	31	14

(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). The number of Directors as of the conclusion of the annual general meeting of shareholders is nine.

2. It was resolved at the Annual General Meeting of Shareholders for fiscal 2019, held on March 27, 2020, that the maximum amount of restricted stock remuneration shall be no more than ¥100 million per year and no more than 100,000 shares per year (External Directors shall not receive this type of remuneration). The number of Directors (excluding External Directors) as of the conclusion of the annual general meeting of shareholders is six.

3. 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). At the conclusion of the annual general meeting of shareholders, the number of Audit & Supervisory Board Members is four.

4. 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

Directors and Audit & Supervisory Board Members with a consolidated total amount of remuneration of ¥100 million or more and their remuneration are as follows.

Full name	Consolidated total amount of remuneration (Million yen)	Officer classification	Company classification	Consolidated total amount of remuneration by type (Million yen)		
				Fixed remuneration	Bonus	Restricted stock remuneration
Hajime Nagasaka	103	Director	Submitting Company	54	36	13

(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	4	27
Stocks other than unlisted stocks	43	30,642

(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	23	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	1	0
Stocks other than unlisted stocks	3	59

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 Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Previous fiscal year Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Purpose and quantitative effect of holding, outline of business alliance, and the reason for the increase in the number of shares	Tokai Carbon shareholder
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
	10,143	6,656		
Bridgestone Corporation	695,108	695,108	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	3,711	4,059		
Mitsubishi Corporation	1,087,161	1,087,161	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	2,830	2,449		
Daido Steel Co., Ltd.	1,456,611	1,448,385	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. Increased due to shares acquired through client's stock ownership plan.	Yes
	1,730	2,174		
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
	1,334	1,166		
Kyushu Financial Group Inc.	1,385,504	1,385,504	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	1,006	1,128		
Toyo Tire Corporation	379,811	379,811	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	928	896		
Fukuoka Financial Group, Inc.	220,756	220,756	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	870	734		
Tokio Marine Holdings, Inc.	148,830	148,830	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	852	525		
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
	784	596		
Toagosei Co., Ltd.	464,951	464,951	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	704	637		
Mitsubishi Estate Co., Ltd.	292,075	292,075	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	642	567		
K.C.Tech Co., Ltd.	152,996	152,996	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	428	453		

Stock name	Fiscal year under review Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Previous fiscal year Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Purpose and quantitative effect of holding, outline of business alliance, and the reason for the increase in the number of shares	Tokai Carbon shareholder
Yamato Kogyo Co., Ltd.	52,064	52,064	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	386	387		
The Yokohama Rubber Co., Ltd.	109,298	109,298	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	371	353		
Yamaguchi Financial Group, Inc.	220,000	220,000	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	360	277		
JEOL Ltd.	62,500	62,500	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	352	386		
Sumitomo Rubber Industries, Ltd.	157,455	157,455	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	280	241		
The Shiga Bank, Ltd.	69,600	69,600	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	273	242		
Tokyo Tekko Co., Ltd.	39,787	39,787	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	266	164		
Nippon Steel Corporation	78,666	78,666	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	250	254		
Sumitomo Corporation	71,973	71,973	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	246	221		
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
	207	207		
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
	189	180		
KC Co., Ltd.	104,525	104,525	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	186	212		
Topy Industries, Ltd.	88,631	84,291	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. Increased due to shares acquired through client’s stock ownership plan.	No
	177	215		
Kyoei Steel Co.	90,000	90,000	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	165	179		
Osaka Steel Co., Ltd.	55,000	55,000	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	162	136		

Stock name	Fiscal year under review Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Previous fiscal year Number of shares (Shares) Amount recorded on balance sheet (Million yen)	Purpose and quantitative effect of holding, outline of business alliance, and the reason for the increase in the number of shares	Tokai Carbon shareholder
Makino Milling Machine Co., Ltd.	14,400	14,400	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	154	84		
Soda Nikka Co., Ltd.	87,285	87,285	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	100	93		
The Yamanashi Chuo Bank, Ltd.	43,787	43,787	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	82	73		
Itochu Corporation	9,315	9,315	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	72	53		
Mitsubishi Kakoki Kaisha, Ltd.	18,600	18,600	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	70	60		
DMW Corporation	16,200	16,200	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	63	60		
Sanyo Special Steel Co., Ltd.	26,446	26,446	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	50	69		
Aichi Steel Corporation	9,550	9,077	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships. Increased due to shares acquired through client's stock ownership plan.	No
	49	28		
JFE Holdings Corporation	19,988	19,988	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	35	43		
The Bank of Iwate, Ltd.	11,550	11,550	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	Yes
	32	28		
Bando Chemical Industries, Ltd.	14,006	14,006	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	26	21		
SUMCO Corporation	21,700	21,700	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	25	45		
ENEOS Holdings, Inc.	15,536	15,536	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	12	8		
Kimura Chemical Plants Co., Ltd.	14,500	14,500	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	12	10		
Kobe Steel, Ltd.	1,369	1,369	Create new business opportunities and enhance corporate value over the medium- to long-term by establishing, maintaining, and strengthening business/collaborative relationships.	No
	2	2		
AGC Inc.	-	4,410	-	No

<table>
<tr><td rowspan="4">Stock name</td><td>Fiscal year under review</td><td>Previous fiscal year</td><td rowspan="4">Purpose and quantitative effect of holding, outline of business alliance, and the reason for the increase in the number of shares</td><td rowspan="4">Tokai Carbon shareholder</td></tr>
<tr><td>Number of shares (Shares)</td><td>Number of shares (Shares)</td></tr>
<tr><td>Amount recorded on balance sheet (Million yen)</td><td>Amount recorded on balance sheet (Million yen)</td></tr>
<tr><td>-</td><td>23</td></tr>
<tr><td rowspan="2">Sumitomo Riko Company Limited</td><td>-</td><td>23,104</td><td rowspan="2">-</td><td rowspan="2">No</td></tr>
<tr><td>-</td><td>24</td></tr>
<tr><td rowspan="2">Godo Steel, Ltd.</td><td>-</td><td>64</td><td rowspan="2">-</td><td rowspan="2">No</td></tr>
<tr><td>-</td><td>0</td></tr>
</table>

(Notes) 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 stock.

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 a special company submitting financial statements and prepares financial statements pursuant to the provision of Article 127 of the Ordinance on Financial Statements.

2. Audit and attestation

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, 2024 and the financial statements for the business year from January 1 to December 31, 2024.

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 accounting audit firms, 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, 2023)	Fiscal year under review (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	77,465	92,207
Notes and accounts receivable	*1 65,530	*1 69,175
Merchandise and finished goods	28,886	30,070
Work in progress	47,431	38,245
Raw materials and supplies	33,014	32,424
Other	11,463	9,680
Allowance for doubtful accounts	(900)	(1,439)
Total current assets	262,890	270,363
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	37,895	42,461
Machinery, equipment and vehicles, net	107,187	129,770
Land	12,291	12,016
Leased assets, net	4,431	7,341
Construction in progress	58,187	69,539
Other, net	3,810	3,452
Total tangible fixed assets	*2 223,804	*2 264,582
Intangible fixed assets		
Goodwill	49,212	37,548
Customer-related assets	52,880	16,625
Other	14,958	12,167
Total intangible fixed assets	117,051	66,341
Investments and other assets		
Investment securities	*3 30,980	*3 33,307
Net defined benefit asset	3,811	3,783
Deferred tax assets	492	1,048
Other	997	1,349
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	36,258	39,466
Total fixed assets	377,114	370,390
Total assets	640,005	640,753

(Million yen)

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	25,663	23,085
Electronically recorded obligations	3,806	3,551
Short-term loans payable	*4 7,000	*4 6,216
Commercial papers	60,000	59,500
Current portion of loans payable	3,218	8,223
Income taxes payable	3,983	3,848
Contract liability	2,550	2,605
Provision for bonuses	4,432	3,297
Provision for business restructuring	-	7,596
Other	26,315	29,806
Total current liabilities	136,971	147,729
Long-term liabilities		
Bonds payable	55,000	65,000
Long-term loans payable	41,424	52,301
Lease obligations	3,515	7,870
Deferred tax liabilities	30,251	29,976
Retirement benefit liability	7,720	7,746
Provision for retirement benefits for directors	101	101
Provision for executive officers' retirement benefits	53	42
Provision for environment and safety measures	461	420
Other	4,403	4,406
Total long-term liabilities	142,930	167,865
Total liabilities	279,902	315,595
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus	13,825	10,690
Retained earnings	210,183	146,410
Treasury stock	(7,225)	(7,068)
Total shareholders' equity	237,220	170,469
Accumulated other comprehensive income		
Valuation difference on other securities	15,106	17,698
Deferred gains or losses on hedges	268	68
Foreign currency translation adjustments	69,302	98,536
Cumulative remeasurements of defined benefit plans	2,593	2,785
Total accumulated other comprehensive income	87,271	119,089
Non-controlling interests	35,612	35,600
Total net assets	360,103	325,158
Total liabilities and net assets	640,005	640,753

2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Net sales	*1 363,946	*1 350,114
Cost of sales	*2, *4 265,218	*2, *4 269,478
Gross profit	98,727	80,635
Selling, general and administrative expenses	*3, *4 59,998	*3, *4 61,248
Operating income	38,728	19,386
Non-operating income		
Interest income	1,264	1,514
Dividend income	851	1,045
Share of profit of entities accounted for using equity method	427	1,165
Foreign exchange gains	2,275	2,023
Other	969	852
Total non-operating income	5,789	6,601
Non-operating expenses		
Interest expenses	1,565	1,965
Other	1,345	1,443
Total non-operating expenses	2,911	3,409
Ordinary income	41,607	22,579
Extraordinary income		
Gain on step acquisitions	-	6,549
Gain on sales of fixed assets	*5 175	*5 61
Gain on sale of investment securities	401	43
Gain on liquidation of subsidiaries and associates	24	-
Total extraordinary income	601	6,653
Extraordinary losses		
Impairment loss	-	*6 68,134
Business restructuring expenses	-	*7 8,016
Loss on retirement of fixed assets	*8 170	*8 725
Loss on sales of fixed assets	*9 0	*9 1
Loss on sale of investment securities	39	-
Total extraordinary losses	210	76,878
Net income (loss) before income taxes	41,998	(47,645)
Income taxes - current	9,206	8,390
Income taxes - deferred	4,036	(3,086)
Total income taxes	13,243	5,304
Net income (loss)	28,754	(52,949)
Net income attributable to non-controlling interests	3,285	3,786
Net income (loss) attributable to owners of the parent company	25,468	(56,736)

Consolidated statements of comprehensive income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Net income (loss)	28,754	(52,949)
Other comprehensive income		
Valuation difference on other securities	5,525	2,596
Deferred gains or losses on hedges	(6)	(200)
Foreign currency translation adjustments	33,013	28,452
Remeasurements of defined benefit plans	71	191
Share of other comprehensive income of entities accounted for using equity method	76	136
Total other comprehensive income	*1 38,680	*1 31,176
Comprehensive income	67,435	(21,773)
(Breakdown)		
Comprehensive income attributable to owners of the parent company	62,674	(24,918)
Comprehensive income attributable to non-controlling interests	4,761	3,145

3) Consolidated statements of changes in equity

Previous fiscal year (January 1 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,436	13,811	191,750	(7,236)	218,761
Change during period					
Dividends of surplus			(7,035)		(7,035)
Net income (loss) attributable to owners of the parent company			25,468		25,468
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		13		13	27
Changes in the parent company's interest due to transactions with non-controlling interests					-
Net change in items other than shareholders' equity					
Total change during period	-	13	18,432	11	18,458
Balance at end of period	20,436	13,825	210,183	(7,225)	237,220

	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	9,587	274	37,681	2,521	50,065	32,041	300,868
Change during period							
Dividends of surplus							(7,035)
Net income (loss) attributable to owners of the parent company							25,468
Purchase of treasury stock							(2)
Disposal of treasury stock							27
Changes in the parent company's interest due to transactions with non-controlling interests							-
Net change in items other than shareholders' equity	5,519	(6)	31,620	71	37,205	3,570	40,776
Total change during period	5,519	(6)	31,620	71	37,205	3,570	59,234
Balance at end of period	15,106	268	69,302	2,593	87,271	35,612	360,103

Current fiscal year (January 1 to December 31, 2024)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	20,436	13,825	210,183	(7,225)	237,220
Change during period					
Dividends of surplus			(7,036)		(7,036)
Net income (loss) attributable to owners of the parent company			(56,736)		(56,736)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		106		159	265
Changes in the parent company's interest due to transactions with non-controlling interests		(3,242)			(3,242)
Net change in items other than shareholders' equity					
Total change during period	-	(3,135)	(63,772)	157	(66,750)
Balance at end of period	20,436	10,690	146,410	(7,068)	170,469

	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	15,106	268	69,302	2,593	87,271	35,612	360,103
Change during period							
Dividends of surplus							(7,036)
Net income (loss) attributable to owners of the parent company							(56,736)
Purchase of treasury stock							(1)
Disposal of treasury stock							265
Changes in the parent company's interest due to transactions with non-controlling interests							(3,242)
Net change in items other than shareholders' equity	2,592	(200)	29,234	191	31,818	(11)	31,806
Total change during period	2,592	(200)	29,234	191	31,818	(11)	(34,944)
Balance at end of period	17,698	68	98,536	2,785	119,089	35,600	325,158

4) Consolidated statements of cash flows

(Million yen)

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Cash flows from operating activities		
Net income (loss) before income taxes	41,998	(47,645)
Depreciation	29,065	33,028
Impairment loss	-	68,134
Business restructuring expenses	-	8,016
Loss (gain) on retirement / sales of tangible fixed assets	(4)	665
Amortization of goodwill	8,155	8,705
Increase (decrease) in allowance for doubtful accounts	577	491
Increase (decrease) in provision for bonuses	(54)	(1,366)
Increase (decrease) in retirement benefit liability	551	(545)
Decrease (increase) in retirement benefit asset	(884)	28
Interest and dividend income	(2,116)	(2,559)
Interest expenses	1,565	1,965
Bond issuance expenses	-	255
Foreign exchange losses (gains)	(2,016)	(366)
Share of (profit) loss of entities accounted for using equity method	(427)	(1,165)
Loss (gain) on step acquisitions	-	(6,549)
Decrease (increase) in notes and accounts receivable - trade	3,084	(337)
Decrease (increase) in inventories	(1,285)	14,210
Increase (decrease) in notes and accounts payable - trade	(4,811)	(4,310)
Other	(564)	586
Subtotal	72,831	71, 242
Interest and dividends received	2,286	2,560
Interest paid	(1,583)	(1,984)
Income taxes paid	(11,589)	(7,880)
Other	129	534
Cash flows from operating activities	62,074	64,471
Cash flows from investing activities		
Payments into time deposits	(20,482)	(27,987)
Proceeds from withdrawal of time deposits	21,991	21,147
Purchase of tangible fixed assets	(45,362)	(53,556)
Proceeds from sales of tangible fixed assets	274	6,561
Purchase of intangible assets	(4,255)	(1,554)
Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (15,418)
Other	201	30
Cash flows from investing activities	(47,632)	(70,777)

(Million yen)

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,252)	(789)
Net increase (decrease) in commercial papers	-	(500)
Proceeds from long-term loans payable	10,000	19,000
Repayments of long-term loans payable	(10,864)	(3,151)
Proceeds from issuance of bonds	-	34,744
Redemption of bonds payable	-	(25,000)
Dividends paid	(7,035)	(7,036)
Dividends paid to non-controlling interests	(1,190)	(824)
Payments for acquisition of shares of subsidiaries without change in scope of consolidation	-	(5,886)
Other	(1,169)	(1,145)
Cash flows from financing activities	(14,512)	9,410
Effect of exchange rate change on cash and cash equivalents	7,152	5,572
Net increase (decrease) in cash and cash equivalents	7,081	8,676
Cash and cash equivalents at beginning of the period	49,377	56,459
Cash and cash equivalents at end of the period	*1 56,459	*1 65,135

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.

(2) Names of non-consolidated subsidiaries

KC Kogyo Co., Ltd.

(Reason for exclusion from the scope of consolidation)

The non-consolidated subsidiary is small in scale, and its total assets, net sales, net income/loss, retained earnings, etc. do not have a significant impact on the consolidated financial statements. Therefore, it is excluded from the scope of consolidation.

2. Matters concerning application of equity method

(1) Non-consolidated subsidiaries accounted for by the equity method

Not applicable

(2) Names of non-consolidated subsidiaries to which the equity method is not applied

KC Kogyo Co., Ltd.

(Reasons for not applying the equity method)

The company has been excluded from the scope of application of the equity method because the effect on the consolidated financial statements would be minimal even if the company is excluded from the scope of application of the equity method in terms of net income or loss, retained earnings, etc., and the company is not material as a whole.

3. Matters concerning changes in the scope of consolidation and the scope of application of the equity method

(1) Scope of consolidation

KBR, Inc. and MWI, Inc. are included in the scope of consolidation from the current fiscal year as the Company has acquired the entire stock of KBR, Inc., which holds 59.8% of MWI, Inc. stock, which was an equity-method affiliate.

Also, as a result of the merger between consolidated subsidiaries, one company was excluded from the scope of consolidation.

(2) Scope of application of the equity method

Since MWI, Inc. became a consolidated subsidiary through the acquisition of the entire stock of KBR, Inc., which holds 59.8% of the MWI, Inc. stock, it has been excluded from the scope of application of the equity method from the current fiscal year.

4. Matters concerning fiscal years of consolidated subsidiaries

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

5. 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 consolidated 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’s 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.

6) Provision for business restructuring

In order to prepare for losses arising from business restructuring, the amount that can be reasonably estimated at the end of current 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 at the time of accrual, commencing from the succeeding fiscal year.

3) Accounting treatment for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are recorded as remeasurements 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 Carbon Black, Fine Carbon, Smelting and Lining, Graphite Electrodes, 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 consolidated 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

(Million yen)

	Previous fiscal year	Current fiscal year
Goodwill	49,212	37,548
Smelting and Lining	30,058	-
Impairment loss	-	25,909

(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.

In the current fiscal year, in light of the severe business environment, including a decline in demand for relining at aluminum smelting furnaces and inventory adjustments at some customers, the Company determined that it could no longer expect to generate the expected earnings due to a significant deterioration in the business environment. Therefore, the Company determined that there are signs of impairment in asset group, including goodwill related to Smelting and Lining. As the total amount of undiscounted future cash flows to be earned by Smelting and Lining was less than that of book value in the asset group including goodwill, impairment loss of ¥25,909 million was recorded.

2) Major assumptions used in the calculation

Future cash flows are based on the business plan approved by the management, and the major assumptions used in the estimates are the growth rate in net sales, and estimated amounts for cost of sales and selling, general and administrative expenses. The value in use is calculated by discounting the future cash flow to the present value using a discount rate of (before tax) 12.1% calculated based on the weighted average cost of capital and is used as the recoverable amount.

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	223,804	264,582
Intangible assets (excluding goodwill)	67,839	28,792
Smelting and Lining		
Tangible fixed assets	44,237	44,028
Intangible assets	41,263	3,569
Impairment losses (excluding goodwill)	-	42,225

(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. 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 for Consolidated Financial Statements."

In the current fiscal year, as part of the restructuring of Graphite Electrodes, the Company decided to end production in the Shiga Plant by the end of July 2025. As a result, the Company determined that there was an indication of impairment in the fixed assets of the plant, and recorded ¥2,547 million in impairment loss as the recoverable amount of the asset group fell below the book value. The recoverable amount is assessed by the memorandum value.

In addition, with regard to the fixed assets owned by TOKAI ERFTCARBON GmbH in Graphite Electrodes, the Company determined that there were indications of impairment due to a decline in profitability and recorded ¥4,347 million in impairment loss as the recoverable amount of the asset group fell below the book value. The recoverable amounts are stated at fair value less cost of disposal.

Furthermore, as described in "1. Assessment of goodwill (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 Company determined that there were indications of impairment in fixed assets (excluding goodwill) related to Smelting and Lining and has recorded ¥35,329 million in impairment loss.

2) Major assumptions used in the calculation

The recoverable amount is calculated as the higher of the value in use and the fair value less costs of disposal. The fair value less cost of disposal is based on the appraisal value determined by outside experts. The key assumptions used to determine the appraisal value are market value for land, value based on the income capitalization method for buildings, and replacement value for machinery and equipment. The value in use is based on the business plan, etc., approved by management. The major assumptions used in estimating future cash flows are the growth rate in net sales and the estimated amounts for cost of sales and selling, general and administrative expenses.

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	492	1,048
Deferred tax liabilities	30,251	29,976

(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

Recoverability is determined based on a reasonable estimate of future taxable income and tax planning based on the business plan and the estimated recoverable amount is recorded 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.

(Accounting standards not yet applied)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of efforts to make Japan GAAP internationally consistent, the Accounting Standards Board of Japan conducted a study based on international accounting standards toward the development of accounting standards for leases that recognize assets and liabilities for all leases of lessees. As a basic principle, the Board announced lease accounting standards, etc. that are based on the single accounting treatment model of IFRS 16, but aim to be simple and convenient by adopting only the main provisions of IFRS 16 instead of adopting all the provisions, and that basically do not require amendment even if the provisions of IFRS 16 are used for individual financial statements.

As with IFRS 16, for the lessee's accounting treatment, the lessee's lease expense allocation method adopts a single accounting treatment model that records the depreciation for right-of-use assets and the interest equivalent for the lease liabilities for all leases, regardless of whether the lease is a finance lease or an operating lease.

(2) Scheduled date of application

Application is scheduled from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of the application of the accounting standards

The impact on consolidated financial statements of the adoption of the Accounting Standard for Leases and other standards is currently under evaluation.

(Change in presentation method)

(Consolidated balance sheets)

“Leased assets, net,” which was included in “Other, net” of “Fixed assets” in the previous fiscal year, is presented separately from the current fiscal year due to an increase in its financial significance. The consolidated financial statements for the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, in the consolidated balance sheets of the previous fiscal year, ¥8,242 million in “Other, net” of “Fixed assets” has been reclassified as ¥4,431 million in “Leased assets, net” and ¥3,810 million in “Other, net.”

“Lease obligations,” which was included in “Other” of “Long-term liabilities” in the previous fiscal year, is presented separately from the current fiscal year due to an increase in its financial significance. The consolidated financial statements for the previous fiscal year has been reclassified to reflect this change in presentation.

As a result, in the consolidated balance sheets of the previous fiscal year, ¥7,918 million in “Other” of “Long-term liabilities” has been reclassified as ¥3,515 million in “Lease obligations” and ¥4,403 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.

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Notes receivable	¥943 million	¥611 million
Accounts receivable	63,658	66,012
Electronically recorded monetary claims	927	2,551

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

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
	¥345,969 million	¥379,236 million

* 3 Items associated with non-consolidated subsidiaries and associates are as follows

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Investment securities (Shares)	¥1,393 million	¥0 million

* 4 Overdraft agreements and loan commitment line agreements

The Company and two of the consolidated subsidiaries have overdraft facility agreements and loan commitment contracts with 13 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, 2023)	Fiscal year under review (As of December 31, 2024)
Total value of overdraft limits and loan commitment contracts	¥84,874 million	¥78,791 million
Executed loans	7,000	6,216
Unused balance	77,874	72,574

(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 (() is the reversal amount) are included in the cost of sales.

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
	¥2,475 million	¥(1,492) 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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Warehousing and shipping expenses	¥13,048 million	¥13,263 million
Salaries and allowances	11,129	11,162
Additions to provision for bonuses	1,451	849
Retirement benefit expenses	80	48
Depreciation	9,080	9,722
Amortization of goodwill	8,155	8,705

*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, 2023)	Current fiscal year (January 1 to December 31, 2024)
	¥3,605 million	¥4,334 million

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

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Buildings and structures	¥40 million	¥5 million
Machinery, equipment and vehicles	7	29
Land	126	9
Other tangible fixed assets	1	17
Other intangible assets	-	0
Total	175	61

* 6 Impairment loss

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

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

(1) Assets that have suffered impairment

Use	Type	Location	Impairment loss (Million yen)
Graphite electrode manufacturing facility	Buildings and structures, machinery, equipment and vehicles, construction in progress, etc.	Tokai Carbon Co., Ltd. (Omihachiman-shi, Shiga)	2,547
Graphite electrode manufacturing facility	Machinery, equipment and vehicles, construction in progress, tangible fixed assets other, etc.	TOKAI ERFTCARBON GmbH (Grevenbroich, Germany)	4,347
Assets in Smelting and Lining	Goodwill, customer-related assets, etc.	-	61,239

(2) Background to recognition of impairment loss

As for the Company's graphite electrode manufacturing facility operations, the Company decided to end production in the Shiga Plant and the recoverable amount fell below that of the book value. Therefore, the Company has recognized impairment losses. Impairment loss was recognized in the graphite electrode manufacturing facility of TOKAI ERFTCARBON GmbH because its profitability has declined, and the recoverable amount of the book value fell below that of the book value. As for assets in Smelting and Lining, the recoverable amount of the asset group, including goodwill, fell below that of the book value due to a decline in profitability, and goodwill, customer-related assets, etc. recorded at the time of purchase were recognized as impairment losses.

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

Buildings and structures	¥1,545	million
Machinery, equipment and vehicles	4,490	
Land	683	
Construction in progress	1,229	
Other tangible fixed assets	922	
Goodwill	25,909	
Customer-related assets	29,672	
Other intangible assets	3,682	

(4) Method of assets grouping

In principle, the classification for management accounting is used as the unit of grouping. However, the Company's graphite electrode manufacturing facility operations are grouped separately.

(5) Method of calculating recoverable amount

The graphite electrode manufacturing facility of the Company is measured by the value in use and is valued by the memorandum value because no future cash flow is expected. The graphite electrode manufacturing facility of TOKAI ERFTCARBON GmbH is valued at fair value less cost of disposal as calculated by outside experts. Assets in Smelting and Lining is valued at the value in use, which is calculated by discounting future cash flows by 12.1%.

* 7 Business restructuring expenses

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

Expenses associated with business restructuring of the Company's Graphite Electrodes of ¥4,743 million and expenses associated with business restructuring of consolidated subsidiaries ¥3,176 million.

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

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Buildings and structures	¥5 million	¥1 million
Machinery, equipment and vehicles	135	528
Other tangible fixed assets	1	5
Other intangible assets	-	2
Demolition expenses	27	188
Total	170	725

(Change in presentation method)

"Demolition expenses," which was included in "Other" in the previous fiscal year, is presented separately from the current fiscal year due to an increase in its financial significance. The notes for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥29 million in "Other" , which had been indicated in the previous fiscal year, has been reclassified as ¥1 million in "Other tangible fixed assets" and ¥27 million in "Demolition expenses."

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

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Other tangible fixed assets	¥- million	¥1 million
Other intangible assets	0	-
Total	0	1

(Change in presentation method)

¥0 million in "Other" which had been indicated in the previous fiscal year is indicated as ¥0 million in "Other intangible assets" for clarity.

(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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Valuation difference on other securities:		
Gain (loss) arising during the period	¥8,255 million	¥3,751 million
Reclassification adjustments	(362)	(43)
Before tax effects	7,893	3,708
Tax effects	(2,368)	(1,112)
Valuation difference on other securities	5,525	2,596
Deferred gains or losses on hedges:		
Gain (loss) arising during the period	263	17
Reclassification adjustments	(274)	(268)
Before tax effects	(11)	(250)
Tax effects	4	50
Deferred gains or losses on hedges	(6)	(200)
Foreign currency translation adjustments:		
Gain (loss) arising during the period	33,037	28,452
Reclassification adjustments	(24)	-
Foreign currency translation adjustments	33,013	28,452
Remeasurements of defined benefit plans:		
Gain (loss) arising during the period	617	614
Reclassification adjustments	(439)	(433)
Before tax effects	178	181
Tax effects	(106)	10
Remeasurements of defined benefit plans	71	191
Share of other comprehensive income of associates accounted for using equity method:		
Gain (loss) arising during the period	76	136
Share of other comprehensive income of associates accounted for using equity method	76	136
Total other comprehensive income	38,680	31,176

(Notes regarding consolidated statements of changes in equity)

Previous fiscal year (January 1 to December 31, 2023)

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	11,748	1	22	11,727
Total	11,748	1	22	11,727

(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 22,000 common shares of treasury stock is due to the disposition of treasury stock as remuneration in the form of shares with a transfer restriction and the sale of odd-lot shares on April 27, 2023.

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, 2023	Common shares	3,197	15.0	December 31, 2022	March 31, 2023
Board of Directors' meeting on August 8, 2023	Common shares	3,837	18.0	June 30, 2023	September 1, 2023

(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 28, 2024	Common shares	3,837	Retained earnings	18.0	December 31, 2023	March 29, 2024

Current fiscal year (January 1 to December 31, 2024)

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	11,727	1	258	11,470
Total	11,727	1	258	11,470

(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 258,000 common shares of treasury stock is due to the conversion of Oriental Sangyo Co., Ltd. into a wholly-owned subsidiary through a simplified stock exchange of 228,000 shares and the disposition of treasury stock as remuneration in the form of shares with a transfer restriction and the sale of 30,000 odd-lot shares on April 19, 2024.

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 28, 2024	Common shares	3,837	18.0	December 31, 2023	March 29, 2024
Board of Directors' meeting on August 8, 2024	Common shares	3,198	15.0	June 30, 2024	September 2, 2024

(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 27, 2025	Common shares	3,202	Retained earnings	15.0	December 31, 2024	March 28, 2025

(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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Cash and deposits	¥77,465 million	¥92,207 million
Time deposits with original maturities of more than three months	(21,005)	(27,071)
Cash and cash equivalents	56,459	65,135

* 2 Principal assets and liabilities of companies newly consolidated as a result of the acquisition of shares

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

The main breakdown of assets and liabilities at the time of consolidation, and the relationship between acquisition price of stock of the relevant company and expenditure (net) due to acquisition as a result of newly consolidating KBR, Inc. and MWI, Inc. through the acquisition of stock, are as follows.

Current assets	¥6,612 million
Fixed assets	2,976
Goodwill	21,403
Current liabilities	(1,206)
Long-term liabilities	(947)
Foreign currency translation adjustments	(600)
Equity method of valuation before acquisition of control	(2,695)
Gain on step acquisitions	(6,549)
Acquisition price of stock	18,992
Accounts payable in acquisition price of stock	(658)
Cash and cash equivalents	(2,915)
Difference: payments for acquisition	15,418

(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 vehicles and transport equipment and land. Right-of-use assets held by some of the foreign consolidated subsidiaries under IFRS 16 are included in “Leased assets, net” on the consolidated balance sheet.

2) Intangible assets

Consists of software

(2) Depreciation and amortization methods for leased assets

As described in “5. 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, 2023)	Current fiscal year (December 31, 2024)
Due within 1 year	33	36
Due after more than 1 year	34	70
Total	68	107

(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 control 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 papers 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. 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 "5. 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)

With respect to operating receivables, the Group regularly monitors the status of major business partners, sets internal ratings and credit limits, controls credit information, establishes guarantees and collateral, manages due dates and outstanding balances for each business partner in order to avoid risks of excessive credit concentration to specific business partners, and quickly identify and mitigate any concerns about collection due to deterioration in financial conditions in accordance with the credit management rules.

Execution and management of derivative transactions is conducted in accordance with the 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.

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 exchange rate, market interest 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 loan commitment line contracts 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, 2023)

	Amount recorded on consolidated balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Investment securities (*1)	29,379	29,379	-
Total assets	29,379	29,379	-
Bonds payable	55,000	53,733	(1,266)
Loans payable (*2)	44,642	44,097	(544)
Total liabilities	99,642	97,831	(1,811)
Derivative transactions (*3)			
1) Transactions not subject to hedge accounting	132	132	-
2) Transactions subject to hedge accounting	414	414	-
Total derivative transactions	547	547	-

(*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.	1,600

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

(*3) Net receivables and payables arising from derivative transactions are shown, and items that result in net payables in total are shown in parentheses.

Current fiscal year (December 31, 2024)

	Amount recorded on consolidated balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Investment securities (*1)	33,091	33,091	-
Total assets	33,091	33,091	-
Bonds payable	65,000	63,386	(1,613)
Loans payable (*2)	60,524	59,682	(841)
Total liabilities	125,524	123,069	(2,455)
Derivative transactions (*3)			
1) Transactions not subject to hedge accounting	(125)	(125)	-
2) Transactions subject to hedge accounting	62	62	-
Total derivative transactions	(63)	(63)	-

(*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.	216

(*2) "Loans payable" includes current portion of loans payable.
(*3) Net receivables and payables arising from derivative transactions are shown, and items that result in net payables in total are shown in parentheses.

(Note 1) Redemption schedule after the consolidated closing date for monetary claims
Previous fiscal year (December 31, 2023)

	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	77,465	-	-	-
Notes and accounts receivable	65,530	-	-	-
Total	142,995	-	-	-

Current fiscal year (December 31, 2024)

	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	92,207	-	-	-
Notes and accounts receivable	69,175	-	-	-
Total	161,382	-	-	-

(Note 2) Repayment schedule after the consolidated closing date for bonds payable, loans payable, and other interest-bearing debt

Previous fiscal year (December 31, 2023)

	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	7,000	-	-	-	-	-
Commercial papers	60,000	-	-	-	-	-
Bonds payable	-	-	10,000	-	-	45,000
Long-term loans payable	3,218	8,277	3,262	2,874	1,054	25,955
Total	70,218	8,277	13,262	2,874	1,054	70,955

Current fiscal year (December 31, 2024)

	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	6,216	-	-	-	-	-
Commercial papers	59,500	-	-	-	-	-
Bonds payable	-	10,000	-	-	10,000	45,000
Long-term loans payable	8,223	3,223	8,423	1,167	6,267	33,219
Total	73,939	13,223	8,423	1,167	16,267	78,219

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

Previous fiscal year (December 31, 2023)

	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	29,379	-	-	29,379
Derivative transactions				
Currency-related	-	547	-	547
Total assets	29,379	547	-	29,926

Current fiscal year (December 31, 2024)

	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Other securities Shares	33,091	-	-	33,091
Derivative transactions Currency-related	-	98	-	98
Total assets	33,091	98	-	33,189
Derivative transactions Currency-related	-	161	-	161
Total liabilities	-	161	-	161

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

Previous fiscal year (December 31, 2023)

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	53,733	-	53,733
Long-term loans payable	-	44,097	-	44,097
Total liabilities	-	97,831	-	97,831

Current fiscal year (December 31, 2024)

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	63,386	-	63,386
Long-term loans payable	-	59,682	-	59,682
Total liabilities	-	123,069	-	123,069

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, 2023)

	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	28,212	6,622	21,590
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	28,212	6,622	21,590
Amount recorded on consolidated balance sheet not above acquisition cost	(1) Shares	1,166	1,360	(193)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	1,166	1,360	(193)
Total		29,379	7,982	21,396

(Note) Unlisted stocks (¥207 million recorded on the consolidated balance sheet) have no market prices. As such, they are not included in “Other securities” in the above table.

Current fiscal year (December 31, 2024)

	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	31,307	6,064	25,242
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	31,307	6,064	25,242
Amount recorded on consolidated balance sheet not above acquisition cost	(1) Shares	1,784	1,918	(133)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	1,784	1,918	(133)
Total		33,091	7,982	25,109

(Note) Unlisted stocks (¥216 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, 2023)

Type	Sale price (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	540	378	(39)
Other	26	22	-

Current fiscal year (January 1 to December 31, 2024)

Type	Sale price (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	65	43	-
Other	-	-	-

3. Securities for which impairment losses are recognized

Previous fiscal year (January 1 to December 31, 2023)

Not applicable.

Current fiscal year (January 1 to December 31, 2024)

Not applicable.

(Notes regarding derivative transactions)

1. Derivative transactions not subject to hedge accounting

   Currency-related transactions

   Previous fiscal year (December 31, 2023)

Category	Type of transaction	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Fair value (Million yen)	Valuation gain/loss (Million yen)
Non-market transactions	Foreign exchange forward contract transactions				
	Sold				
	USD	4,590	340	92	92
	EUR	1,791	471	32	32
	CNY	237	-	1	1
	Purchased				
	JPY	319	-	6	6
Total		6,937	811	132	132

(Note) Method for calculating fair value

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

Current fiscal year (December 31, 2024)

Category	Type of transaction	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Fair value (Million yen)	Valuation gain/loss (Million yen)
Non-market transactions	Foreign exchange forward contract transactions				
	Sold				
	USD	4,533	332	(154)	(154)
	EUR	2,638	65	26	26
	CNY	91	-	(4)	(4)
	Purchased				
	JPY	174	-	6	6
Total		7,438	398	(125)	(125)

(Note) Method for calculating fair value

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

2. Derivative transactions subject to hedge accounting

Currency-related transactions

Previous fiscal year (December 31, 2023)

Hedge accounting method	Type of transaction	Major hedged items	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Fair value (Million yen)
Principle treatment method	Foreign exchange forward contract transactions Sold EUR	Forecast foreign currency transactions	5,656	-	414
Total			5,656	-	414

(Note) Method for calculating fair value

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

Current fiscal year (December 31, 2024)

Hedge accounting method	Type of transaction	Major hedged items	Contract amount (Million yen)	Amount due after more than 1 year (Million yen)	Fair value (Million yen)
Principle treatment method	Foreign exchange forward contract transactions Sold EUR	Forecast foreign currency transactions	4,452	-	62
Total			4,452	-	62

(Note) Method for calculating fair value

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

(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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Retirement benefit obligation at beginning of period	¥13,011 million	¥14,725 million
Service cost	590	565
Interest cost	333	349
Actuarial differences	673	(381)
Retirement benefits paid	(558)	(629)
Foreign currency translation gains (losses)	675	634
Retirement benefit obligation at end of period	14,725	15,264

(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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Pension assets at beginning of period	¥10,483 million	¥11,917 million
Expected return on plan assets	91	109
Actuarial differences	1,137	(27)
Employer contributions	412	635
Retirement benefits paid	(338)	(397)
Foreign currency translation gains (losses)	130	211
Pension assets at end of period	11,917	12,448

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

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Retirement benefit liability at beginning of period	¥1,111 million	¥1,100 million
Retirement benefit expenses	116	119
Retirement benefits paid	(128)	(71)
Retirement benefit liability at end of period	1,100	1,147

(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, 2023)	Current fiscal year (December 31, 2024)
Retirement benefit obligation for funded plans	¥8,945 million	¥9,460 million
Pension assets	(11,917)	(12,448)
	(2,971)	(2,987)
Retirement benefit obligation for unfunded plans	6,879	6,951
Net liability and asset recorded on consolidated balance sheet	3,908	3,963
Retirement benefit liability	7,720	7,746
Net defined benefit asset	(3,811)	(3,783)
Net liability and asset recorded on consolidated balance sheet	3,908	3,963

(Note) 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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Service cost	¥590 million	¥565 million
Interest cost	333	349
Expected return on plan assets	(91)	(109)
Amortization of actuarial differences	(439)	(433)
Retirement benefit expenses calculated by simplified method	116	119
Retirement benefit expenses related to defined benefit plans	508	491

(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, 2023)	Current fiscal year (January 1 to December 31, 2024)
Actuarial differences	¥178 million	¥181 million
Total	178	181

(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, 2023)	Current fiscal year (December 31, 2024)
Unrecognized actuarial differences	¥3,489 million	¥3,670 million
Total	3,489	3,670

(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, 2023)	Current fiscal year (December 31, 2024)
Bonds	39%	45%
Stock	43	39
General accounts	15	13
Other	2	3
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, 2023)	Current fiscal year (December 31, 2024)
Discount rate	0.5 ~ 4.9%	0.5 ~ 5.6%
Long-term expected rate of return	0.0 ~ 3.8%	0.0 ~ 3.5%

3. Defined contribution plan

Contributions required by defined contribution plans of consolidated subsidiaries totaled ¥1,119 million in the previous fiscal year and ¥1,318 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, 2023)	Current fiscal year (December 31, 2024)
Deferred tax assets		
Retirement benefit liability	¥3,165 million	¥3,288 million
Excess depreciation and amortization	4,681	5,528
Tax credits carryforward	2,932	3,120
Tax loss carryforward (Note) 2	8,885	11,839
Other	4,282	9,363
Deferred tax assets (subtotal)	23,947	33,141
Valuation allowance for tax loss carryforward (Note) 2	(3,792)	(8,069)
Valuation allowance for total deductible temporary difference	(2,307)	(5,992)
Valuation allowance (subtotal) (Note) 1	(6,100)	(14,061)
Total deferred tax assets	17,847	19,079
Amount offset by deferred tax liabilities	(17,354)	(18,031)
Net deferred tax assets	492	1,048
Deferred tax liabilities		
Valuation difference on other securities	(6,279)	(7,391)
Valuation difference on consolidated subsidiaries	(12,872)	(4,009)
Reserve for reduction entry of fixed assets	(2,254)	(2,317)
Retained earnings of overseas subsidiaries	(5,390)	(6,271)
Shortfall of depreciation	(12,208)	(16,947)
Net defined benefit asset	(3,095)	(3,698)
Redemption of shares of subsidiaries and associates	(3,124)	(3,871)
Other	(2,379)	(3,500)
Total deferred tax liabilities	(47,605)	(48,007)
Amount offset by deferred tax assets	17,354	18,031
Net deferred tax liabilities	(30,251)	(29,976)

(Notes) 1. Valuation allowance increased by ¥7,961 million. The main reason for this increase is additional recognition of valuation allowance for tax loss carryforward in the Company and certain consolidated subsidiaries.

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

Previous fiscal year (December 31, 2023)

	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)	-	-	-	-	-	8,885	¥8,885 million
Valuation allowance	-	-	-	-	-	(3,792)	(3,792)
Deferred tax assets	-	-	-	-	-	5,092	(b) 5,092

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

(b) The ¥5,092 million in deferred tax assets was recognized for tax loss carryforwards of ¥8,885 million (amount multiplied by the statutory tax rate). The ¥5,092 million in deferred tax assets stemmed mainly from recognizing the full amount of tax loss carryforwards for our Company which totaled ¥3,732 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, 2024)

	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)	-	-	-	-	-	11,839	¥11,839 million
Valuation allowance	-	-	-	-	-	(8,069)	(8,069)
Deferred tax assets	-	-	-	-	-	3,770	(d) 3,770

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

(d) The ¥3,770 million in deferred tax assets was recognized for tax loss carryforwards of ¥11,839 million (amount multiplied by the statutory tax rate). The ¥3,770 million in deferred tax assets stemmed mainly from recognizing part of tax loss carryforwards for our Company, which totaled ¥3,288 million (amount multiplied by the statutory tax rate) and the full amount of tax loss carryforwards for the consolidated tax payment group, which has Tokai Carbon US Holdings Inc. as its consolidated parent company, which totaled ¥1,437 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.

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, 2023)	Current fiscal year (December 31, 2024)
Statutory tax rate	30.0%	-%
(Adjustment)		
Entertainment expenses and other permanently non-deductible expenses	0.5	-
Dividend income and other permanently non-taxable income	(0.1)	-
Amortization of goodwill	5.8	-
Increase (decrease) in valuation allowance	9.1	-
Difference in tax rates applied at overseas subsidiaries	(8.6)	-
Tax credits	(8.0)	-
Retained earnings of overseas subsidiaries	1.9	-
Foreign withholding tax	0.4	-
Other	0.5	-
Effective tax rate after application of tax effect accounting	31.5	-

(Notes) As the current fiscal year recorded a net loss before income taxes, the notes are omitted.

(Notes regarding business combinations)

Common control transaction, etc.

Additional acquisition of shares of subsidiaries

(1) Outline of transaction

(a) Name 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

April 23, 2024

(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 Carbon Group, the Company additionally acquired 350,000 shares of Tokai Carbon Korea Co., Ltd. held by the KC Co., Ltd., the second largest stockholder after the Company.

(2) Outline of the accounting treatment implemented

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

(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	¥5,199 million
Acquisition cost		¥5,199 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 acquisition of shares of subsidiaries

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

¥3,270 million

Business combination through acquisition

Tokai Carbon U.S.A., Inc. (TCU), a consolidated subsidiary of the Company in the United States, acquired all shares of KBR, Inc. (KBR), which held 59.8% of shares of MWI, Inc. (MWI), an equity-method affiliate of the Company, on December 18, 2024, and KBR and MWI became its consolidated subsidiaries.

(1) Outline of business combination

(a) Name and description of business of the acquired companies

Names	KBR, Inc. and MWI, Inc.
Description of business	Production and sale of processed graphite products

(b) Main reason for business combination

In 1990, the Company and KBR decided to establish MWI, a graphite-processing company, as a joint venture and TCU, a consolidated subsidiary of the Company, has invested 40.2% in MWI to manage its operations. TCU reached an agreement with the founding family of KBR to acquire the entire shares of KBR, which held 59.8% of MWI stock, and MWI and KBR became the Company's consolidated subsidiaries.

MWI and KBR have an excellent customer base in the United States. They provide customers in a wide range of industries, including power semiconductors, aerospace, and general heat-resistant, with a variety of high-quality carbon products using their advanced graphite-processing technologies. The Company believes that this acquisition will contribute to the establishment of the Company's position as a global player in the U.S. market, which is a major market for fine carbon. We aim to further expand Fine Carbon in the U.S. market by operating both companies as a unified entity.

(c) Date of business combination

December 18, 2024 (Deemed acquisition date: December 31, 2024)

(d) Legal form of business combination

Stock acquisition in exchange for cash

(e) Name of the company after business combination

There is no change.

(f) Ratio of voting rights acquired

KBR, Inc.

Ratio of voting rights acquired on the date of business combination	100%

MWI, Inc.

Ratio of voting rights owned immediately before business combination	40.2%
Ratio of voting rights additionally acquired on the date of business combination	59.8%
Ratio of voting rights after acquisition	100%

(g) Main grounds for determining the acquiring company

The Company acquired 100% of the voting rights of KBR and MWI through stock acquisition by TCU, a consolidated subsidiary of the Company, in consideration for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

As the deemed date of acquisition is the end of current fiscal year, KBR's results are not included. As a result of a change in the reporting period for MWI following the acquisition, the portion of MWI's results attributable to the Company for the 21-month period from April 1, 2023 to December 31, 2024 is recorded as share of profit of entities accounted for using equity method.

(3) Breakdown by acquisition cost of the acquired company and type of consideration

Market value of the stock held immediately prior to the business combination on the date of business combination	¥9,244 million
Cash paid for additional acquisitions (including accounts payable)	¥18,992 million
Acquisition cost	¥28,236 million

(4) Details and amounts of major acquisition-related costs

Remuneration, fees, etc. for advisers and others:	¥375 million

(5) Difference between the acquisition cost of the acquired company and the total amount of acquisition cost for each transaction leading to the acquisition

Gain on step acquisitions:	¥6,549 million

(6) Amount of goodwill that occurred, cause for the occurrence, and method and period of amortization

(a) Amount of goodwill that occurred

¥21,403 million

The amount above is provisionally calculated because the allocation of acquisition cost has not been completed at the end of the current fiscal year.

(b) Cause for the occurrence

This is mainly the excess earning power expected from future business development.

(c) Method and period of amortization

Equal amortization over 12 years

(7) Amounts of assets accepted on the date of business combination and liabilities undertaken

Current assets	¥6,612 million
Fixed assets	¥2,976 million
Total assets	¥9,588 million
Current liabilities	¥1,206 million y
Long-term liabilities	¥947 million
Total liabilities	¥2, 154 million

(8) Estimated amount of influence on the consolidated statements of income of the current fiscal year on the assumption that the business combination is completed on the date of commencement of the current fiscal year, and its calculation method

Net sales	¥7,068 million
Operating income	¥238 million

(Calculation method for estimated amount)

The estimated impact is based on the net sales and information on profit calculated on the assumption that the business combination is completed on the date of commencement of the current fiscal year. The estimated amount includes the amount of amortization calculated as if the goodwill recognized at the time of the business combination had incurred on the date of commencement of current fiscal year.

The notes have not been subject to audit certificate.

(Notes regarding asset retirement obligations)

The end of previous fiscal year (December 31, 2023)

Disclosure omitted due to lack of materiality.

The end of current fiscal year (December 31, 2024)

Disclosure omitted due to lack of materiality.

(Notes regarding real estate for lease)

Previous fiscal year (January 1 to December 31, 2023)

Disclosure omitted due to lack of materiality.

Current fiscal year (January 1 to December 31, 2024)

Disclosure omitted due to lack of materiality.

(Notes regarding revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous fiscal year (January 1 to December 31, 2023)

(Million yen)

	Reportable segment						Other Operations (Note)	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Total		
Japan	41,439	6,994	-	7,337	8,866	64,637	10,209	74,847
Asia	30,124	23,909	17,558	1,616	5,867	79,077	728	79,805
North America	72,448	9,819	14,190	35,212	619	132,290	-	132,290
Europe	2,850	4,447	16,099	15,180	156	38,734	520	39,255
Middle East and Other	1,560	147	34,971	890	104	37,674	73	37,748
External sales	148,423	45,319	82,820	60,235	15,614	352,414	11,532	363,946

(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.

Current fiscal year (January 1 to December 31, 2024)

(Million yen)

	Reportable segment						Other Operations (Note)	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Total		
Japan	43,139	8,106	9	6,413	7,501	65,171	8,442	73,613
Asia	31,904	26,242	16,700	971	8,262	84,083	826	84,909
North America	76,537	14,786	10,757	29,578	277	131,936	-	131,936
Europe	3,517	4,640	13,427	11,026	146	32,757	494	33,251
Middle East and Other	1,694	114	23,617	828	103	26,358	44	26,403
External sales	156,793	53,890	64,512	48,818	16,291	340,306	9,807	350,114

(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) 5. 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 Carbon Black business, Fine Carbon business, Smelting and Lining business, Graphite Electrodes business, and Industrial Furnaces and Related Products business.

The major products of each reportable segment are as follows.

Reportable Segments	Major Products
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 electrolysis, lining blocks for blast furnaces, carbon electrodes, etc.
Graphite Electrodes	Graphite electrodes for electric furnaces
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, 2023)

(Million yen)

	Reportable Segment						Other Operations (Note) 1	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrode	Industrial Furnaces and Related Products	Total				
Net sales										
External sales	148,423	45,319	82,820	60,235	15,614	352,414	11,532	363,946	-	363,946
Intersegment sales/transfers	21	126	475	394	332	1,350	-	1,350	(1,350)	-
Total	148,445	45,445	83,296	60,630	15,947	353,764	11,532	365,297	(1,350)	363,946
Segment income	21,303	10,617	2,305	752	3,860	38,838	1,299	40,138	(1,409)	38,728
Segment assets	202,831	121,291	171,051	97,456	28,853	621,486	10,738	632,224	7,780	640,005
Other items										
Depreciation and amortization	7,287	5,282	10,083	5,070	350	28,073	483	28,556	508	29,065
Impairment losses	-	-	-	-	-	-	-	-	-	-
Investment in equity method associates	-	1,393	-	-	-	1,393	-	1,393	-	1,393
Increase in tangible and intangible fixed assets	27,207	10,640	8,292	5,147	690	51,979	476	52,455	860	53,316

(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 (¥1,409 million) adjustment in segment income includes company-wide expenses of (¥1,532 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 ¥7,780 million, includes ¥27,837 million of company-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 and intangible fixed assets, which is ¥860 million, is the amount of capital expenditure of the company-wide assets that is not allocated to each reportable segment.

3. Segment income is adjusted with operating income as reported in the consolidated financial statements.

Current fiscal year (January 1 to December 31, 2024)

(Million yen)

	Reportable Segment						Other Operations (Note) 1	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrode	Industrial Furnaces and Related Products	Total				
Net sales										
External sales	156,793	53,890	64,512	48,818	16,291	340,306	9,807	350,114	-	350,114
Intersegment sales/transfers	28	194	280	248	671	1,423	-	1,423	(1,423)	-
Total	156,821	54,085	64,792	49,067	16,963	341,730	9,807	351,538	(1,423)	350,114
Segment income (loss)	21,706	12,437	(13,701)	(3,529)	3,304	20,218	403	20,622	(1,235)	19,386
Segment assets	248,386	160,127	92,241	84,305	27,143	612,204	10,343	622,548	18,205	640,753
Other items										
Depreciation and amortization	9,530	5,967	10,694	5,415	357	31,965	479	32,445	583	33,028
Impairment losses	-	-	61,239	6,895	-	68,134	-	68,134	-	68,134
Investment in equity method associates	-	-	-	-	-	-	-	-	-	-
Increase in tangible and intangible fixed assets	32,933	9,296	4,098	6,503	1,621	54,453	829	55,283	1,431	56,715

(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 (¥1,235 million) adjustment in segment income (loss) includes company-wide expenses of (¥1,215 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 ¥18,205 million, includes ¥33,838 million of company-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 and intangible fixed assets, which is ¥1,431 million, is the amount of capital expenditure of the company-wide assets that is not allocated to each reportable segment.

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

Related Information

Previous fiscal year (January 1 to December 31, 2023)

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
115,972	74,847	79,805	39,255	54,066	363,946

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

(2) Tangible fixed assets

(Million yen)

US	Thailand	Japan	Poland	Other regions	Total
83,335	22,669	36,773	26,651	54,374	223,804

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, 2024)

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
118,325	73,613	84,909	33,251	40,014	350,114

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

(2) Tangible fixed assets

(Million yen)

US	Thailand	Japan	Poland	Other regions	Total
100,055	44,412	42,367	27,789	49,957	264,582

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 fixed assets for each reportable segment]

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

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

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

Previous fiscal year (January 1 to December 31, 2023)

(Million yen)

	Reportable Segment						Eliminations /unallocated	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Total		
Amount amortized	680	1,789	5,058	627	-	8,155	-	8,155
Balance at end of period	4,953	11,772	30,058	2,426	-	49,212	-	49,212

Current fiscal year (January 1 to December 31, 2024)

(Million yen)

	Reportable Segment						Eliminations /unallocated	Total
	Carbon Black	Fine Carbon	Smelting and Lining	Graphite Electrodes	Industrial Furnaces and Related Products	Total		
Amount amortized	724	1,848	5,456	676	-	8,705	-	8,705
Balance at end of period	4,467	31,080	-	2,000	-	37,548	-	37,548

[Information regarding profit on negative goodwill by reportable segment]

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

Not applicable

[Information regarding related parties]

Previous fiscal year (January 1 to December 31, 2023)

Not applicable

Current fiscal year (January 1 to December 31, 2024)

Not applicable

(Per-share information)

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Net assets per share	1,521.89 yen	1,356.42 yen
Net income (loss) per share	119.45 yen	(265.94) 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 (loss) per share is as follows.

	Previous fiscal year (January 1 to December 31, 2023)	Current fiscal year (January 1 to December 31, 2024)
Net income (loss) attributable to owners of the parent company (million yen)	25,468	(56,736)
Amount not attributable to common shareholders (million yen)	-	-
Net income (loss) attributable to owners of the parent company related to common shares (million yen)	25,468	(56,736)
Average number of common shares during period (thousands of shares)	213,209	213,341

(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 with Deferred Interest Payments and Premature Redemption (Subordinated) (Note 1)	December 10, 2019	25,000	-	0.820 (Note 2)	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	1.770 (Note 3)	None	June 30, 2050
Tokai Carbon Co., Ltd.	2nd Unsecured Bonds	June 23, 2021	10,000	10,000	0.120	None	June 23, 2026
Tokai Carbon Co., Ltd.	3rd Unsecured Bonds	February 29, 2024	-	10,000	0.702	None	February 28, 2029
Tokai Carbon Co., Ltd.	3rd Unsecured Bonds with Deferred Interest Payments and Premature Redemption (Subordinated)	July 3, 2024	-	25,000	2.118 (Note 4)	None	July 3, 2059
Total	-	-	55,000	65,000	-	-	-

(Notes) 1. Premature redemption was made on December 10, 2024.

2. 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).

3. 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).

4. Fixed interest rate from the day after July 3, 2024 to July 3, 2029; variable interest rate from the day after July 3, 2029 (interest rate shall step up on the day after July 3, 2029).

5. 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	-	-	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	7,000	6,216	0.7	-
Current portion of long-term loans payable	3,218	8,223	0.4	-
Current portion of lease obligations	1,121	1,335	-	-
Commercial paper	60,000	59,500	0.5	-
Long-term loans payable (excluding current portion)	41,424	52,301	0.9	2027 to 2049
Lease obligations (excluding current portion)	3,515	7,870	-	2026 to 2089
Other interest-bearing debt (long-term)	671	685	1.1	-
Total	116,951	136,132	-	-

(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	3,223	8,423	1,167	6,267
Lease obligations	1,233	1,099	949	840

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

Semi-annual information for the current fiscal year

		1st Quarter	2nd Quarter	3rd Quarter	Current fiscal year
Net sales	(Million yen)	82,161	170,922	258,659	350,114
Net income (loss) before income taxes	(Million yen)	4,747	10,551	16,151	(47,645)
Net income (loss) attributable to owners of the parent company	(Million yen)	1,627	3,661	5,584	(56,736)
Net income (loss) per share	(Yen)	7.63	17.17	26.18	(265.94)

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly net income (loss) per share	(Yen)	7.63	9.54	9.01	(291.94)

(Note) Quarterly financial information for the third quarter is prepared in accordance with the regulations stipulated by the Financial Instruments Exchange, but the quarterly financial information has not been subject to an interim review.

2 Financial Statements, etc.

(1) Financial Statements

1) Balance sheet

(Million yen)

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	3,523	3,451
Notes receivable	53	100
Accounts receivable	*1 28,551	*1 29,850
Merchandise and finished goods	6,796	6,818
Work in progress	10,205	8,346
Raw materials and supplies	5,962	5,201
Other	*1 8,636	*1 3,571
Allowance for doubtful accounts	(23)	(21)
Total current assets	63,706	57,319
Fixed assets		
Tangible fixed assets		
Buildings	*2 8,480	*2 8,376
Structures	*2 2,254	*2 2,421
Machinery and equipment	*2 14,356	*2 13,844
Vehicles and transport equipment	20	25
Tools, furniture and fixtures	*2 727	*2 1,023
Land	4,415	4,369
Construction in progress	2,040	5,360
Total tangible fixed assets	32,295	35,422
Intangible fixed assets		
Software	1,517	2,012
Other	13	13
Total intangible fixed assets	1,531	2,025
Investments and other assets		
Investment securities	26,470	30,670
Shares of subsidiaries and associates	225,209	224,713
Equity invested in associates	3,699	314
Prepaid pension cost	1,933	2,168
Other	441	294
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	257,737	258,144
Total fixed assets	291,565	295,593
Total assets	355,271	352,912

(Million yen)

	Previous fiscal year (As of December 31, 2023)	Fiscal year under review (As of December 31, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations	*1 2,812	*1 2,401
Accounts payable	*1 10,587	*1 9,240
Short-term loans payable	*3 7,000	*3 6,000
Short-term loans payable from subsidiaries and associates	15,198	12,811
Commercial papers	60,000	59,500
Current portion of loans payable	3,120	8,120
Accounts payable-other	*1 3,055	*1 3,114
Income taxes payable	528	203
Provision for bonuses	171	152
Provision for business restructuring	-	4,420
Other	3,537	6,739
Total current liabilities	106,011	112,703
Long-term liabilities		
Bonds payable	55,000	65,000
Long-term loans payable	40,840	51,720
Deferred tax liabilities	5,141	9,663
Provision for executive officers' retirement benefits	53	42
Provision for environment and safety measures	39	29
Other	584	531
Total long-term liabilities	101,658	126,986
Total liabilities	207,670	239,690
Net assets		
Shareholders' equity		
Capital stock	20,436	20,436
Capital surplus		
Capital reserve	17,502	17,502
Other capital surplus	40	146
Total capital surplus	17,543	17,649
Retained earnings		
Legal retained earnings	2,864	2,864
Other retained earnings		
Reserve for reduction entry of fixed assets	1,077	1,057
General reserve	34,368	34,368
Retained earnings carried forward	65,154	27,593
Total retained earnings	103,465	65,883
Treasury stock	(7,225)	(7,068)
Total shareholders' equity	134,218	96,901
Valuation and translation adjustments		
Valuation difference on other securities	13,382	16,320
Total valuation and translation adjustments	13,382	16,320
Total net assets	147,601	113,221
Total liabilities and net assets	355,271	352,912

2) Statement of income

(Million yen)

	Previous fiscal year (January 1 to December 31, 2023)	Fiscal year under review (January 1 to December 31, 2024)
Net sales	*1 78,106	*1 77,985
Cost of sales	*1 61,820	*1 62,760
Gross profit	16,286	15,224
Selling, general and administrative expenses	*1, *2 10,241	*1, *2 10,211
Operating income	6,045	5,012
Non-operating income		
Interest and dividend income	*1 7,875	*1 10,714
Foreign exchange gains	1,490	1,375
Other	*1 1,145	*1 1,408
Total non-operating income	10,511	13,498
Non-operating expenses		
Interest expenses	*1 946	*1 1,444
Rental equipment expenses	209	262
Bond issuance expenses	-	255
Other	*1 331	*1 467
Total non-operating expenses	1,488	2,430
Ordinary income	15,068	16,081
Extraordinary income		
Gain on sales of fixed assets	*3 1	*3 50
Gain on sale of investment securities	1	39
Total extraordinary income	2	90
Extraordinary losses		
Valuation loss on shares of subsidiaries and associates	-	31,861
Business restructuring expenses	-	*4 4,840
Loss on valuation of investments in capital of subsidiaries and associates	-	3,384
Impairment loss	-	2,646
Loss on retirement of fixed assets	*5 34	*5 189
Loss on sale of investment securities	39	-
Total extraordinary losses	73	42,922
Net income (loss) before income taxes	14,996	(26,750)
Income taxes - current	936	531
Income taxes - deferred	1,609	3,262
Total income taxes	2,546	3,793
Net income (loss)	12,450	(30,544)

3) Statement of changes in equity

Previous fiscal year (January 1 to December 31, 2023)

(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	26	17,529	2,864	1,097	34,368	59,719	98,050	(7,236)	128,778
Change during period											
Dividends of surplus								(7,035)	(7,035)		(7,035)
Net income (loss)								12,450	12,450		12,450
Reversal of reserve for reduction entry of fixed assets						(20)		20	-		-
Purchase of treasury stock										(2)	(2)
Disposal of treasury stock			13	13						13	27
Net change in items other than shareholders' equity											
Total change in items during period	-	-	13	13	-	(20)	-	5,435	5,414	11	5,439
Balance at end of period	20,436	17,502	40	17,543	2,864	1,077	34,368	65,154	103,465	(7,225)	134,218

	Valuation and translation adjustments		Total net assets
	Valuation difference on other securities	Total valuation and translation adjustments	
Balance at beginning of period	8,122	8,122	136,901
Change during period			
Dividends of surplus			(7,035)
Net income (loss)			12,450
Reversal of reserve for reduction entry of fixed assets			-
Purchase of treasury stock			(2)
Disposal of treasury stock			27
Net change in items other than shareholders' equity	5,259	5,259	5,259
Total change in items during period	5,259	5,259	10,699
Balance at end of period	13,382	13,382	147,601

Current fiscal year (January 1 to December 31, 2024)

(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	40	17,543	2,864	1,077	34,368	65,154	103,465	(7,225)	134,218
Change during period											
Dividends of surplus								(7,036)	(7,036)		(7,036)
Net income (loss)								(30,544)	(30,544)		(30,544)
Reversal of reserve for reduction entry of fixed assets						(19)		19	-		-
Purchase of treasury stock										(1)	(1)
Disposal of treasury stock			106	106						159	265
Net change in items other than shareholders' equity											
Total change in items during period	-	-	106	106	-	(19)	-	(37,561)	(37,581)	157	(37,316)
Balance at end of period	20,436	17,502	146	17,649	2,864	1,057	34,368	27,593	65,883	(7,068)	96,901

	Valuation and translation adjustments		Total net assets
	Valuation difference on other securities	Total valuation and translation adjustments	
Balance at beginning of period	13,382	13,382	147,601
Change during period			
Dividends of surplus			(7,036)
Net income (loss)			(30,544)
Reversal of reserve for reduction entry of fixed assets			-
Purchase of treasury stock			(1)
Disposal of treasury stock			265
Net change in items other than shareholders' equity	2,937	2,937	2,937
Total change in items during period	2,937	2,937	(34,379)
Balance at end of period	16,320	16,320	113,221

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.

(6) Provision for business restructuring

As a provision for losses arising from business restructuring, 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 Carbon Black, Fine Carbon, Graphite Electrodes, 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

(Million yen)

	Previous fiscal year	Fiscal year under review
Shares of subsidiaries and associates	225,209	224,713
Of which shares of Tokai COBEX HoldCo GmbH	108,687	73,616
Valuation loss on shares of subsidiaries and associates	-	31,861

(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 book value is written down to the actual value and the recognition of loss on valuation is required unless there is sufficient evidence of performance recoverability.

For the fiscal year under review, the Company recorded a valuation loss on shares of subsidiaries and associates of ¥31,861 million, as the actual value of the shares of Tokai COBEX HoldCo GmbH declined significantly as the Company could no longer expect the excess earning power that had been initially estimated.

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 that takes into account assumptions regarding the growth rate in net sales and estimated amounts for cost of sales and selling, general and administrative expenses.

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	32,295	35,422
Intangible assets	1,531	2,025
Impairment losses	-	2,646

(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	-	-
Deferred tax assets (amount before offsetting with deferred tax liabilities)	4,565	2,111

(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.(Notes regarding balance sheet)

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

	Previous fiscal year (December 31, 2023)	Fiscal year under review (December 31, 2024)
Short-term monetary claims	¥13,089 million	¥8,407 million
Short-term monetary debts	1,093	774

* 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, 2023)		Fiscal year under review (December 31, 2024)	
		(Current portion)		(Current portion)
Buildings	¥192 million	(¥-2 million)	¥191 million	(¥-0 million)
Structures	19	(-)	19	(-)
Machinery and equipment	791	(-)	792	(1)
Tools, furniture and fixtures	-	(-)	2	(2)
Total	1,003	(-2)	1,007	(3)

* 3 Overdraft facility agreements and loan commitment line agreements

The Company has overdraft facility agreements and loan commitment line 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, 2023)	Fiscal year under review (December 31, 2024)
Total value of overdraft limits and loan commitment line contracts	¥66,000 million	¥66,000 million
Executed loans	7,000	6,000
Unused balance	59,000	60,000

4 Guarantee obligations

The breakdown of guarantees for bank loans is as follows.

Previous fiscal year (December 31, 2023)

Surety	Amount (million yen)	Content of guaranteed obligations
Tokai COBEX GmbH	1,212 (5,728,000 EUR, 8,500,000 CNY, etc.)	Bank guarantees (Note)
Total	1,212	

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

Current fiscal year (December 31, 2024)

Surety	Amount (million yen)	Content of guaranteed obligations
Tokai Carbon (Dalian) Co., Ltd.	216 (10,000,000 CNY)	Bank loans
Tokai COBEX GmbH	2,073 (11,913,000 EUR, 5,000,000 CNY, etc.)	Bank guarantees (Note)
Total	2,289	

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

(Notes regarding statement of income)

* 1 Transaction with subsidiaries and associates

	Previous fiscal year (January 1 to December 31, 2023)	Fiscal year under review (January 1 to December 31, 2024)
Operating transactions		
Net sales	¥16,904 million	¥16,952 million
Purchase amount	5,417	5,676
Transactions other than operating transactions	8,231	11,259

* 2 Selling expenses accounted for around 18% of selling, general and administrative expenses in the previous fiscal year and around 18% in the current fiscal year, while general and administrative expenses accounted for around 82% in the previous fiscal year and 82% 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, 2023)	Fiscal year under review (January 1 to December 31, 2024)
Warehousing and shipping expenses	¥1,806 million	1,752 million
Sales commission	81	45
Additions to allowance for doubtful accounts	3	(2)
Salaries and allowances	2,584	2,378
Additions to provision for bonuses	52	44
Retirement benefit expenses	14	9
Additions to provision for executive officers' retirement benefits	9	12
Amount paid to subcontractors	314	283
Depreciation	212	294
Rent expenses	436	454
Research and development expenses	1,725	1,818

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

	Previous fiscal year (January 1 to December 31, 2023)	Fiscal year under review (January 1 to December 31, 2024)
Structures	¥- million	¥4 million
Machinery and equipment	1	19
Vehicles and transport equipment	-	1
Tools, furniture and fixtures	-	16
Land	-	8
Other	-	0
Total	1	50

* 4 Business restructuring expenses

Previous fiscal year (January 1 to December 31, 2023)

Not applicable.

Current fiscal year (January 1 to December 31, 2024)

In Graphite Electrodes, business restructuring expenses of ¥4,743 million (fixed assets dismantling and removal and relocation expenses of ¥2,028 million, retirement payments and penalties for contract cancellation, etc. of ¥1,103 million, inventories disposal expenses, etc. of ¥357 million, and other related expenses of ¥1,253 million), and expenses associated with the withdrawal of production from some businesses of ¥96 million were recorded.

* 5 Loss on retirement of fixed assets are as follows.

	Previous fiscal year (January 1 to December 31, 2023)	Fiscal year under review (January 1 to December 31, 2024)
Buildings	¥2 million	¥1 million
Other	6	0
Demolition expenses	25 million	188
Total	34	189

(Change in Presentation Method)

"Demolition expenses," which was included in "Other" in the previous fiscal year, is separately presented from the current fiscal year because its monetary significance has increased. "Structures" and "Machinery and equipment," which were separately presented in the previous fiscal year, are included in "Other" from the current fiscal year because their monetary significance has decreased. In order to reflect this change in presentation, the notes of the previous fiscal year have been reclassified.

As a result, ¥1 million in "Structures" and ¥4 million in "Machinery and equipment" for the previous fiscal year have been reclassified as ¥6 million in "Other." In addition, ¥25 million in "Other" for the previous fiscal year, has been reclassified as ¥25 million in "Demolition expenses."

(Notes regarding marketable securities)

Shares of subsidiaries

Previous fiscal year (December 31, 2023)

Category	Amount recorded on balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Shares of subsidiaries	13,377	68,051	54,674
Total	13,377	68,051	54,674

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

(Million yen)

Category	Previous fiscal year (December 31, 2023)
Shares of subsidiaries	211,832

Current fiscal year (December 31, 2024)

Category	Amount recorded on balance sheet (Million yen)	Market value (Million yen)	Difference (Million yen)
Shares of subsidiaries	18,577	44,882	26,305
Total	18,577	44,882	26,305

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

(Million yen)

Category	Fiscal year under review (December 31, 2024)
Shares of subsidiaries	206,136

(Notes regarding tax effect accounting)

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

	Previous fiscal year (December 31, 2023)	Fiscal year under review (December 31, 2024)
Deferred tax assets		
Denial of valuation loss on shares of subsidiaries and associates, etc.	¥930 million	¥11,503 million
Excess depreciation	1,304	1,959
Redemption of shares of subsidiaries and associates	558	558
Provision for business restructuring	-	1,324
Tax loss carryforward	3,732	3,288
Other	950	980
Deferred tax assets (subtotal)	7,475	19,616
Valuation allowance for tax loss carryforward	-	(1,709)
Valuation allowance for total deductible temporary difference	(2,910)	(15,795)
Valuation allowance (subtotal)	(2,910)	(17,505)
Total deferred tax assets	4,565	2,111
Deferred tax liabilities		
Redemption of shares of subsidiaries and associates	(3,124)	(3,871)
Valuation difference on other securities	(5,535)	(6,794)
Reserve for reduction entry of fixed assets	(461)	(453)
Prepaid pension cost	(579)	(650)
Other	(5)	(4)
Total deferred tax liabilities	(9,706)	(11,774)
Net deferred tax liabilities	(5,141)	(9,663)

(Change in Presentation Method)

"Denial of impairment loss," "Denial of loss on valuation of investment securities," and "Denial of accrued enterprise tax," which were separately presented in deferred tax assets of the previous fiscal year, are included in "Other" from the current fiscal year because its monetary significance has decreased. In order to reflect this change in presentation, the notes for the previous fiscal year have been reclassified.

As a result, ¥206 million in "Denial of impairment loss," ¥139 million in "Denial of loss on valuation of investment securities," ¥123 million in "Denial of accrued enterprise tax," and ¥480 million in "Other," which were presented under deferred tax assets in for the previous fiscal year, have been reclassified as ¥950 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, 2023)	Fiscal year under review (December 31, 2024)
Statutory tax rate	30.0%	-%
(Adjustments)		
Entertainment expenses and other permanently non-deductible expenses	0.9	-
Dividend income and other permanently non-taxable income	(13.1)	-
Withholding tax on dividend income from overseas subsidiaries	0.9	-
Experimentation and research expenses tax credits	(1.1)	-
Other	(0.7)	-
Effective tax rate after application of tax effect accounting	17.0	-

(Note) As the current fiscal year recorded a net loss before income taxes, notes are omitted.

(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	8,480	990	535 (502)	558	8,376	20,677
	Structures	2,254	590	153 (148)	270	2,421	11,884
	Machinery and equipment	14,356	5,164	1,549 (1,478)	4,126	13,844	94,839
	Vehicles and transport equipment	20	24	1 (0)	18	25	308
	Tools, furniture and fixtures	727	1,070	95 (76)	679	1,023	4,922
	Land	4,415	-	45	-	4,369	-
	Construction in progress	2,040	11,622	8,302 (426)	-	5,360	-
	Total	32,295	19,462	10,683 (2,633)	5,652	35,422	132,632
Intangible assets	Software	1,517	946	12 (12)	439	2,012	-
	Other	13	-	0 (0)	0	13	-
	Total	1,531	946	12 (12)	439	2,025	-

(Notes) 1. The significant item within the increase for tangible fixed assets during the period was as follows:

Machinery and equipment	Tanoura Plant	Fine carbon manufacturing facility	¥1,496 million
Machinery and equipment	Hofu Plant	Graphite electrodes manufacturing facility	¥1,128 million

2. The significant item within the increase for tangible fixed assets during the period was as follows:

Machinery and equipment	Shiga Plant	Graphite electrodes manufacturing facility	¥1,478 million

3. Figures in parentheses indicate amounts recognized as impairment losses that are included in the amounts of decrease during the period.

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	40	-	2	38
Provision for bonuses	171	152	171	152
Provision for executive officers' retirement benefits	53	12	23	42
Provision for environment and safety measures	39	121	131	29
Provision for business restructuring	-	4,420	-	4,420

(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	
Handling office	(Special Account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation
Shareholder Registry Administrator	(Special Account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agency	-
Commission for purchase and additional purchase	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. 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% (Fractions of less than one yen rounded down) 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.
Method of public notice	Electronic public notice URL for public notice: https://www.tokaicarbon.co.jp/en/ 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.
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 2023) (January 1 to December 31, 2023), filed to the Director-General of the Kanto Local Finance Bureau on March 28, 2024

(2) Internal control report and appendices

Fiscal year (Fiscal 2023) (January 1 to December 31, 2023), filed to the Director-General of the Kanto Local Finance Bureau on March 28, 2024

(3) Quarterly report and confirmation letter

(1st quarter of fiscal 2024) (January 1 to March 31, 2024), filed to the Director-General of the Kanto Local Finance Bureau on May 14, 2024

(4) Semi-annual securities report and confirmation letter

(2nd quarter of fiscal 2024) (January 1 to June 30, 2024, filed to the Director-General of the Kanto Local Finance Bureau on August 9, 2024

(5) 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 Ordinance on the Disclosure of Corporate Affairs, etc., filed to the Director-General of the Kanto Local Finance Bureau on April 1, 2024.

(6) Shelf registration statement (share certificates, bonds payable certificates, etc.) and appendices

Filed to the Director-General of the Kanto Local Finance Bureau on January 31, 2024
Filed to the Director-General of the Kanto Local Finance Bureau on February 13, 2024

(7) Shelf registration supplements (share certificates, bonds payable certificates, etc.) and appendices

Filed to the Director-General of the Kanto Local Finance Bureau on February 22, 2024

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

Not applicable

Independent Auditor’s Audit Report and Internal Control Audit Report

March 27, 2025

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 consolidated 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, 2024.

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, 2024, 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 Evaluation of Fixed Assets for Smelting and Lining	
Contents and reasons for decision of key audit matters	Audit response
The ¥264,582 million of tangible fixed assets and ¥66,341 million of intangible fixed assets recorded in the Consolidated Balance Sheets of Tokai Carbon Co., Ltd. (hereinafter the "Company") as of the end of the current consolidated fiscal year include ¥47,598 million of fixed assets (¥44,028 million of tangible fixed assets and ¥3,569 million of intangible fixed assets) related to Smelting and Lining as described in Note "(Significant Accounting Estimates) 2. Assessment of fixed assets (excluding goodwill)." This amount accounts for 7.4% of consolidated total assets. Fixed assets, including goodwill, are depreciated in a consistent manner. If it is determined that there is an indication of impairment, the need for recognition of impairment losses is determined by comparing book value with the total undiscounted future cash flows from the asset group. If the recognition of impairment losses is determined to be necessary, book value is reduced to recoverable amount and the amount of the decrease in book value is recognized as impairment losses. As described in Note "(Significant Accounting Estimates) 1. Assessment of goodwill," in light of the severe business environment in the current fiscal year, including a decline in demand for replacements at aluminum smelting furnaces and inventory adjustments at some customers, the Company determined that it could no longer expect profits as planned due to a significant deterioration in the business environment. Accordingly, the Company determined that there were indications of impairment in the asset group which includes goodwill related to Smelting and Lining. Therefore, after determining the necessity of recognition of impairment losses in the current fiscal year, the Company has recorded ¥25,909 million of impairment losses related to the goodwill of Smelting and Lining and ¥35,329 million of impairment losses for other fixed assets. An estimate of future cash flows based on the business plan, etc. approved by management is used to determine the necessity of recognition of impairment losses and to calculate the amount of impairment losses. In making such estimates, there are uncertainties in the assumptions regarding future growth rates in net sales and the estimated amounts for cost of sales as well as selling, general and administrative expenses. Also, the selection of calculation methods for discount rates and input data used requires a high level of expertise in valuation. In addition, the impairment losses recorded in the current fiscal year and the tangible and intangible fixed assets as of the end of the same fiscal year are significant in terms of monetary value. Accordingly, we believe that the appropriateness of judgment on evaluation of fixed assets for 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."	We conducted the following audit procedures to evaluate the appropriateness of the judgment on the evaluation of fixed assets for Smelting and Lining. (1) Assessment of internal control The effectiveness of the development and operation of internal control in relation to the evaluation of fixed assets was evaluated. We performed the assessment with a particular focus on the controls to verify the appropriateness of the future business plan by collecting information on the actual operating results and achievement of the business plan of Smelting & Lining necessary for the assessment. (2) Evaluation of the appropriateness of the estimate of the recoverable amount for fixed assets In order to evaluate the reasonableness of the estimate of the recoverable amount for fixed assets, the following auditing procedures were mainly performed. ● In order to evaluate the reliability of the estimate of future cash flows for the current fiscal year and beyond based on the business plan of Smelting and Lining, which was used for the management's calculation of the value in use of its fixed assets, procedures including the following were performed. ・ Internal materials of the Company such as Board of Directors materials related to the business plan were inspected. ・ Compared and analyzed the business plans and achievements, and asked questions to the department in charge about the achievement status of the 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 the market growth in future net sales was examined, including comparisons with available external information. ・ The estimated cost of sales was compared with past performance. At the same time, questions were asked to the department in charge about the future forecast, and the validity of the estimates were examined. ● With an evaluation expert from the domestic network firm to which we belong, the reasonableness of the estimate of the discount rate used to calculate the value in use was evaluated by comparing with the discount rate independently estimated by the expert based on external information, etc.

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.

- Plan and conduct an audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence on the financial information of the Company and its consolidated subsidiaries as a basis for expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and reviewing 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 if measures are taken to remove any impediments or safeguards are applied to mitigate any impediments to an acceptable level, the details thereof.

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, 2024.
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, 2024, 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.
- Plan and conduct an internal control audit to 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 reviewing 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 if measures are taken to remove any impediments or safeguards are applied to mitigate any impediments to an acceptable level, the details thereof.

<Information related to remuneration>

The amounts of fees based on audit attestation and fees based on non-audit services of the Company and its subsidiaries for the audit firm and persons who belong to the same network as the audit firm are stated in Corporate Governance, etc. (3) Status of audits under "Status of the Submitting Company."

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 27, 2025

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, 2024.

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, 2024 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 Evaluation of Shares of Subsidiaries and Associates (Tokai COBEX HoldCo GmbH)	
Contents and reasons for decision of key audit matters	Audit response
¥224,713 million in shares of subsidiaries and associates, which is included in the Balance sheet of Tokai Carbon Co., Ltd., (hereinafter the "Company") includes ¥73,616 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." 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. As described in Note "(Significant accounting estimates) 1. Assessment of shares of subsidiaries and associates," the Company has recorded ¥31,861 million of valuation loss on shares of subsidiaries and associates, as the originally assumed excess earning power of the shares in Tokai COBEX HoldCo GmbH is no longer expected and their real value has declined significantly. An estimate of future cash flows based on the business plan, etc. of the Company is used to determine whether the calculation of the real value reflecting the excess earning power and its recoverability is supported by sufficient evidence. In making such estimates, there are uncertainties in the assumptions regarding future growth rates in net sales and the estimated amounts for cost of sales as well as selling, general and administrative expenses. Also, the selection of calculation methods for discount rates and input data used requires a high level of expertise in valuation. In addition, the valuation loss on shares of subsidiaries and associates recorded at the end of the current fiscal year and the shares of subsidiaries and associates at the end of the same fiscal year with respect to Tokai COBEX HoldCo GmbH are significant in terms of monetary value. 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."	In the audit report of the consolidated financial statements, we determined that the "Appropriateness of Judgment on Evaluation of Fixed Assets for Smelting and Lining" falls under the category of key audit matters and described our audit response. Since the content of this statement is substantially the same as the audit response in the audit of consolidated financial statements, a specific description of the audit response has been omitted.

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 if measures are taken to remove any impediments or safeguards are applied to mitigate any impediments to an acceptable level, the details thereof.

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.

<Information related to remuneration>

Information related to remuneration is included in the audit report of the consolidated financial statements.

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.