



February 14, 2019

## News Release

Company name: TOKAI CARBON CO., LTD.  
Representative: Hajime Nagasaka,  
President & Chief Executive Officer  
Stock code: 5301 (Tokyo Stock Exchange)  
Contact: Tsunayuki Sato,  
General Manager,  
Corporate Planning Department  
Tel.: 81-3-3746-5228

### Mid-Term Management Plan T-2021

The Tokai Carbon Group has formulated T-2021, the mid-term management plan for the three years extending from 2019 through 2021.

#### 1. Overview of the Previous Mid-Term Management Plan T-2018

T-2018, the previous mid-term management plan (from 2016 through 2018), set the basic policies of implementing structural reform (business restructuring and changing the mindset internally), introducing ROIC management (improving capital efficiency and managing progress on achieving the mid-term plan), maintaining sound financial status, and pursuing a growth strategy. We completed the entire action plan on business restructuring and were able to expand our business domains through M&A in the three main areas of graphite electrodes, carbon black, and fine carbon.

The benefits from such structural reform and expansion of business domains, combined with favorable market conditions, enabled us to substantially surpass the T-2018 numerical targets for performance in fiscal 2018 (¥110 billion in net sales, ¥9 billion in operating income, ROS of 8% or higher, and ROIC of 6% or higher).

Building a consolidated governance structure commensurate with the size of our rapidly expanding business is a matter of urgency, and we are still only midway along the path to reinstating the right to claim “Tokai, an expert in technologies” and changing the mindset internally in other ways.

T-2021, our new mid-term management plan, sets the three basic policies of strengthening the revenue base, expanding opportunities for growth, and building a consolidated governance system, based on the achievements and challenges in T-2018 described above. Through these, having its aiming vision statement as “A Global Carbon Company Contributing to a Better Society”, we will work to further enhance corporate value.

## 2. Mid-Term Management Plan T-2021 Basic Policies

- 1) Strengthening the Revenue Base
  - (1) Generating stable cash flow in core businesses
  - (2) Post-merger integration for three acquisition projects
  - (3) Major renovation of facilities, environmental investment
- 2) Expanding opportunities for growth
  - (1) Expanding capacity through new capital investment in growth areas
  - (2) Optimizing business and product portfolios
  - (3) Ongoing M&A and investment in strategic areas
  - (4) Ongoing initiatives in strengthening technology development
- 3) Building a consolidated governance structure
  - (1) Reorganization of head office and review of systems
  - (2) Expanding functions of regional headquarters in North America
  - (3) Securing and developing human resources

## 3. Performance Targets (Consolidated)

|                  | Main Performance Targets<br>for 2021 | 2018 Results<br>(for reference) |
|------------------|--------------------------------------|---------------------------------|
| Net sales        | ¥380 billion                         | ¥231.3 billion                  |
| Operating income | ¥113 billion                         | ¥75.2 billion                   |
| ROS              | 30%                                  | 33%                             |

## 4. Key Measures

We have defined the following five key measures for pursuing the basic policies of the mid-term management plan:

- (1) Generating stable cash flow in the graphite electrode business
- (2) Integrated management of carbon black locations in Japan and overseas
- (3) Rebuilding the revenue model for the fine carbon business
- (4) ¥50 billion in investment in growth areas
- (5) Building and strengthening consolidated governance

## 5. Capital Allocation Policy

From the perspective of maximizing corporate value, based on a solid financial condition, we will make use of the stable cash flow to the following: 1) investing in maintenance of existing equipment (including investment in environmental equipment), 2) investing in growth to generate future value (including R&D), 3) strategic investment in M&A, alliances, and other partnerships, 4) payment of consistent, stable dividends, and 5) buying back the company's stock.

During the three years of the mid-term management plan, we will invest ¥60 billion in equipment renovation and ¥50 billion in growth. We will also actively explore strategic investments and respond flexibly to individual proposals as opportunities present themselves.

For shareholder return, we will focus on paying stable, consistent dividends and will aim to achieve a dividend payout ratio of 30% during the term of the mid-term management plan. We will also consider using surplus cash flow to buy back the company's shares as dictated by the level of surplus cash flow and collective consideration of the management environment surrounding the company, financial status, investment in growth, the level of the stock price, and other pertinent factors.

#### 6. Future Forecasts

We have adopted a rolling format for mid-term management plan from the T-2021. The mid-term numerical targets for the next three years will be updated each fiscal year.