

Third Quarter, FY 2018 Analyst Meeting material

November 14, 2018



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I

Q3 2018

Financial Summary

Business Environment

Graphite Electrode; Increase in crude steel production worldwide. Rapid recovery in EAF steel making
Carbon Black; Impact of environmental regulations in China on raw materials and production caused a sense of tight supply in the market.
Fine Carbon; Stronger demand in general industries and semiconductor market.

Operating Trends

Net sales increased 107.0% to YoY due mainly to higher sales prices for graphite electrodes and carbon black. The new graphite electrode operations in North America contributed ¥18.935 billion to net sales for this quarter.
Operating income jumped 586.5% YoY. Higher sales prices for graphite electrodes contributed substantially to this and other business also performed well in general.
Recorded ¥22.8 billion in special income item as a gain on step acquisitions relating to consolidating Tokai Carbon Korea Ltd.

Revision of Earnings Forecast for Fiscal Year 2018 (as of November 14)

The 4 month projections (September to December) of Tokai Carbon CB Ltd., a newly consolidated subsidiary in the U.S. for the carbon black business, were incorporated in the forecast.

Summary of Consolidated Results

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- Net sales: ¥155.3 billion, Operating income ¥51.9 billion, ROS 33%

| | (Millions of yen) | | | |
|---|-------------------|--------------|------------|----------|
| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
| Net Sales | 75,067 | 155,385 | 80,317 | 107.0% |
| Operating Income | 7,570 | 51,975 | 44,404 | 586.5% |
| Ordinary Income | 8,795 | 52,797 | 44,001 | 500.3% |
| Net Income Attributable to Owners of the Parent Company | 8,507 | 59,433 | 50,926 | 598.6% |

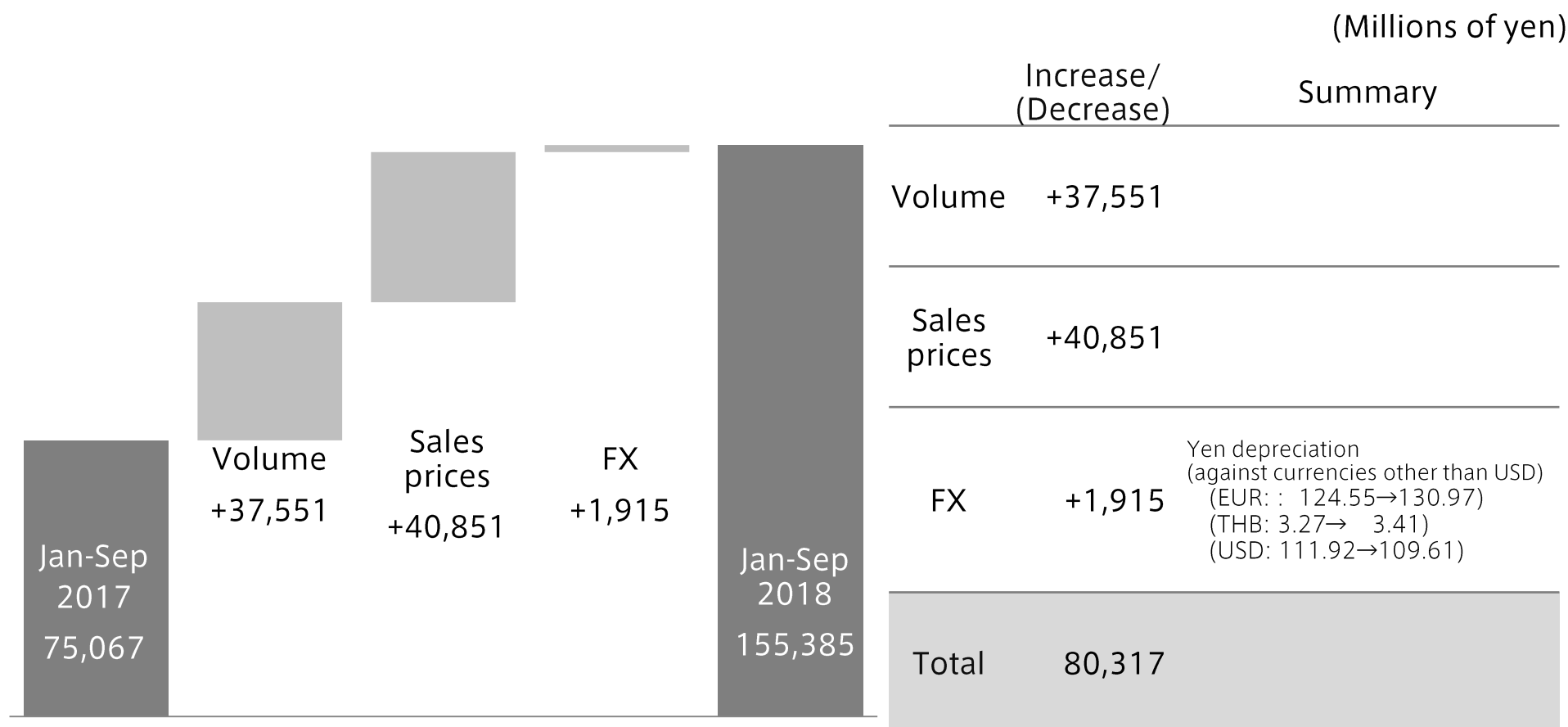
Group companies (As of September 30, 2018)

- Consolidated subsidiaries: 30 (TCK · TCCB Group added; TCES removed)
- Equity method affiliates: 2 (equity interest in TCK decreased)

Average exchange rate for the first nine months:

- 2017 \$1=¥111.92
- 2018 \$1= ¥109.61

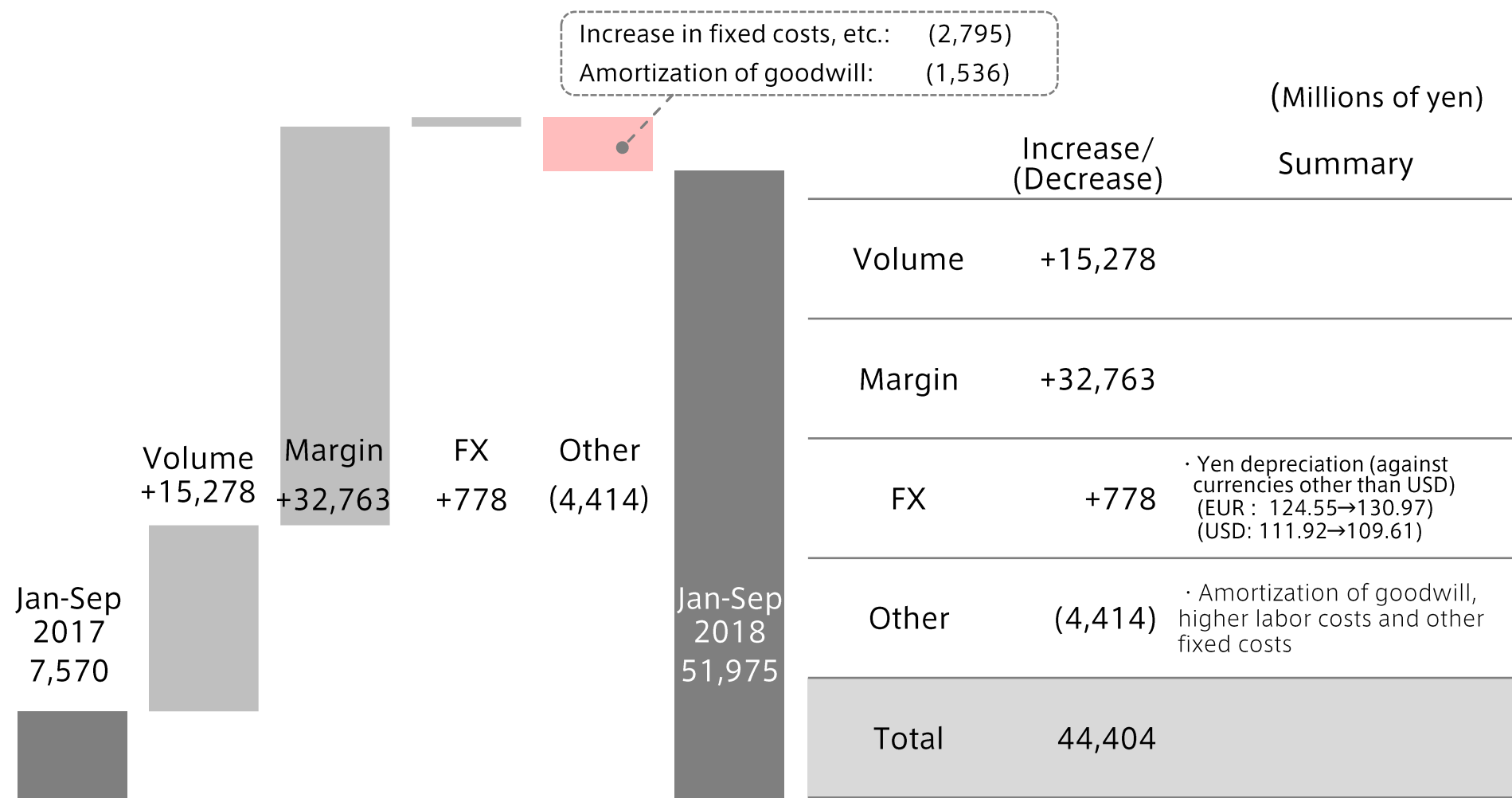
- Newly acquired North American graphite electrode operations have contributed to the growth since November last year
- Contribution of the fine carbon operations in South Korea (June 2018 onward) and the carbon black operations in North America (September 2018 onward)



YoY Analysis: Operating Income

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- Operating income increased ¥44.4 billion to YoY
- Volume growth from the M&A of graphite electrodes, fine carbon and carbon black
- Improvement in margin for graphite electrodes and others



Net Sales and Operating Income by Segment

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- The graphite electrodes business expanded
- Other businesses also saw strong performance overall

(Millions of yen)

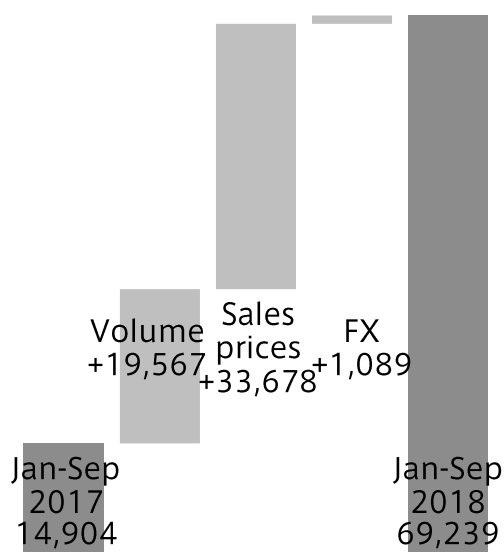
| | | Net Sales | | | Operating Income | | |
|--|--------------------|--------------|--------------|------------|------------------|--------------|------------|
| | | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change |
| Graphite Electrodes | | 14,904 | 69,239 | 54,335 | 644 | 38,062 | 37,417 |
| Carbon Black | | 35,362 | 48,987 | 13,624 | 5,309 | 7,795 | 2,486 |
| Fine Carbon | | 10,627 | 17,518 | 6,891 | 975 | 3,972 | 2,997 |
| Industrial Furnaces and Related Products | | 4,365 | 7,991 | 3,625 | 818 | 2,048 | 1,229 |
| Other Operations | Friction materials | 6,339 | 7,018 | 679 | — | — | — |
| | Anode materials | 3,281 | 4,515 | 1,233 | — | — | — |
| | other | 186 | 114 | (71) | — | — | — |
| | | 9,807 | 11,648 | 1,840 | 625 | 894 | 268 |
| Inter-segment eliminations | | — | — | — | (803) | (798) | 5 |
| Total | | 75,067 | 155,385 | 80,317 | 7,570 | 51,975 | 44,404 |

- Tight supply in graphite electrodes continues; Recovery of EAF steelmaking worldwide, Chinese steel production shifting to EAF and extreme tight supply of raw materials
- Net sales increased by the acquired volume from the North American operations (¥18.935 billion) and higher sales price
- Operating income rose significantly YoY due to the higher selling price of 2018 contracts

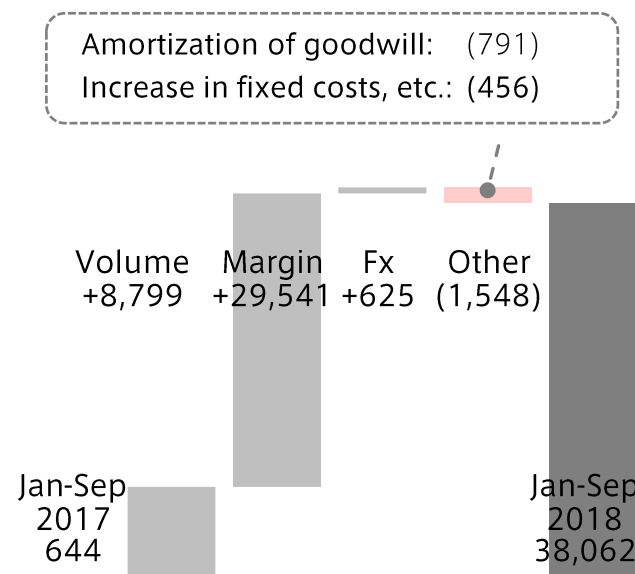
(Millions of yen)

| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
|------------------|--------------|--------------|------------|----------|
| Net Sales | 14,904 | 69,239 | 54,335 | 364.6% |
| Operating Income | 644 | 38,062 | 37,417 | 5,802.3% |
| ROS | 4.3% | 55.0% | | |

Net Sales Variance



Operating Income Variance

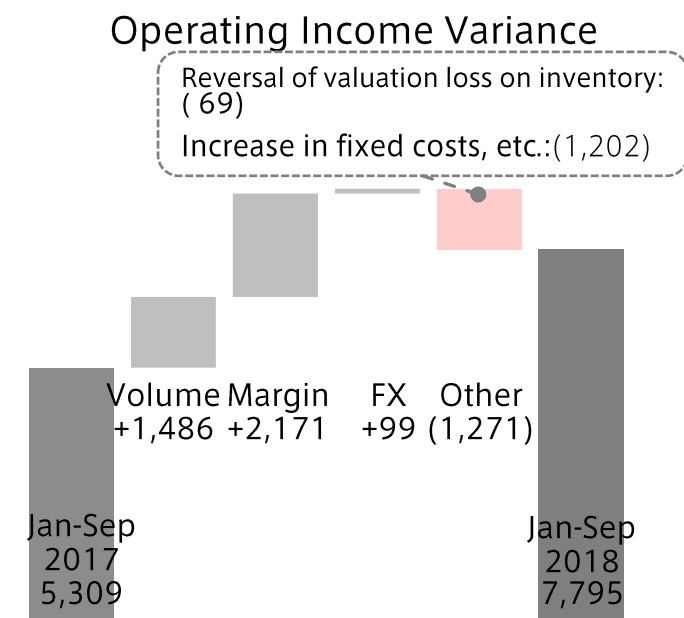
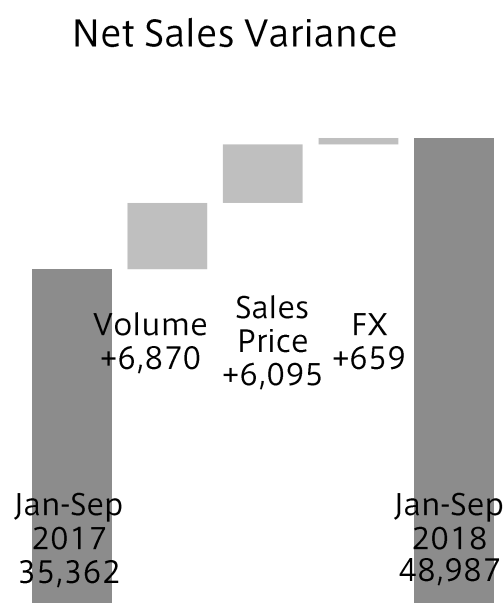


- Favorable business environment continues

Carbon black supply was tight worldwide. Chinese carbon black manufacturers receded due to tightened Chinese environmental regulations, and order inquiries from tire manufacturers for high-quality products increased

- Net sales increased by 38.5% YoY due to growth in sales volume and raised sales prices in connection with hikes in crude oil prices
- Operating income rose 46.8% YoY due to higher sales prices and improved production efficiency

| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
|------------------|--------------|--------------|------------|----------|
| Net Sales | 35,362 | 48,987 | 13,624 | 38.5% |
| Operating Income | 5,309 | 7,795 | 2,486 | 46.8% |
| ROS | 15.0% | 15.9% | | |

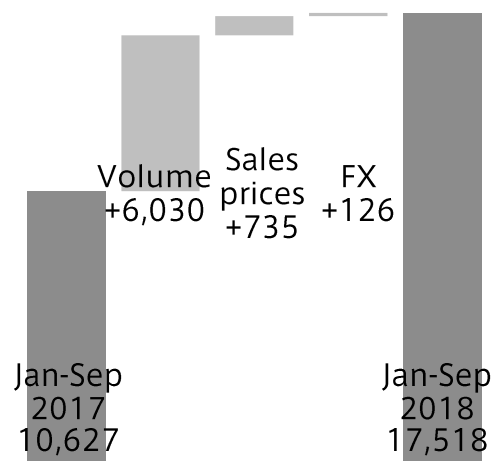


- Demand was firm for semiconductor and general industries
- Improvement in selling prices contributed to the growth in sales and profit
- Tokai Carbon Korea contributed from June 2018

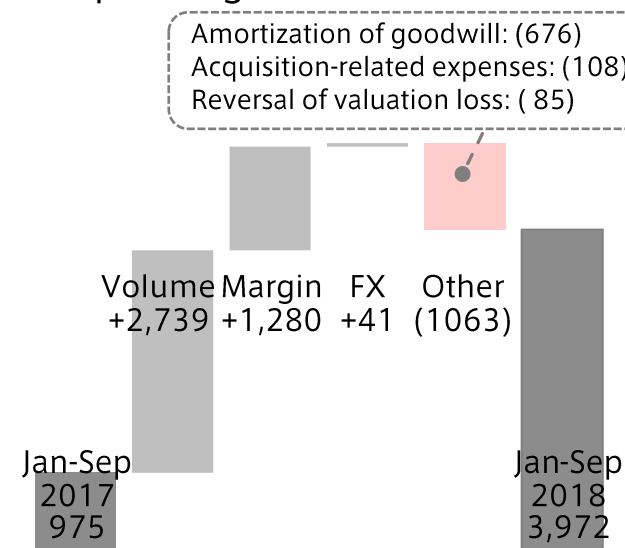
(Millions of yen)

| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
|------------------|-----------------|-----------------|---------------|-------------|
| Net Sales | 10,627 | 17,518 | 6,891 | 64.8% |
| Operating Income | 975 | 3,972 | 2,997 | 307.3% |
| ROS | 9.2% | 22.7% | | |

Net Sales Variance



Operating Income Variance

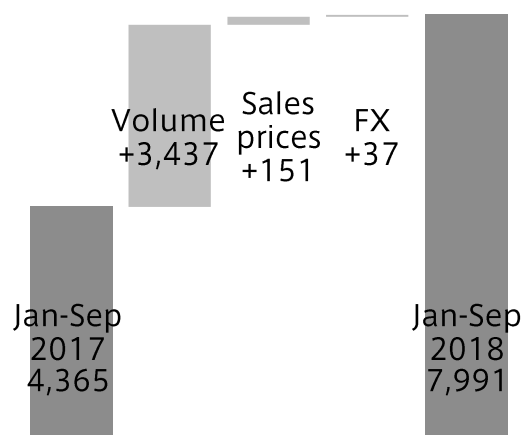


- Strong sales of industrial furnaces to the automotive MLCC (multi-layer ceramic capacitors) and secondary lithium-ion battery markets
- Operating income significantly increased due to the higher gross income coming from the volume increase of industrial furnaces, despite deterioration in profit margins from the production mix

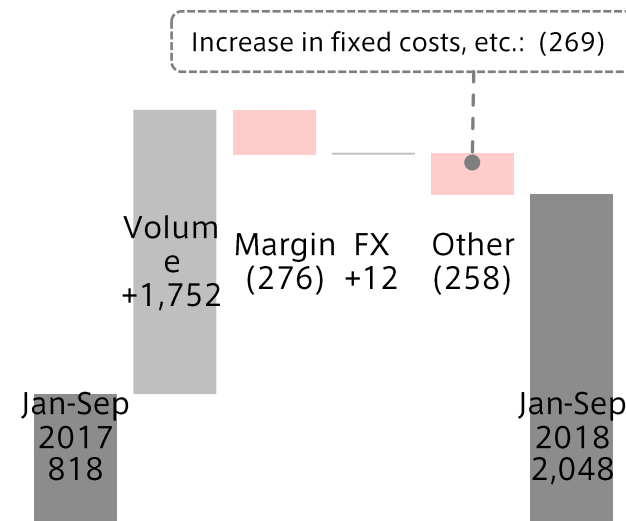
(Millions of yen)

| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
|---------------------|-----------------|-----------------|---------------|-------------|
| Net Sales | 4,365 | 7,991 | 3,625 | 83.0% |
| Operating Income | 818 | 2,048 | 1,229 | 150.2% |
| ROS | 18.7% | 25.6% | | |

Net Sales Variance



Operating Income Variance



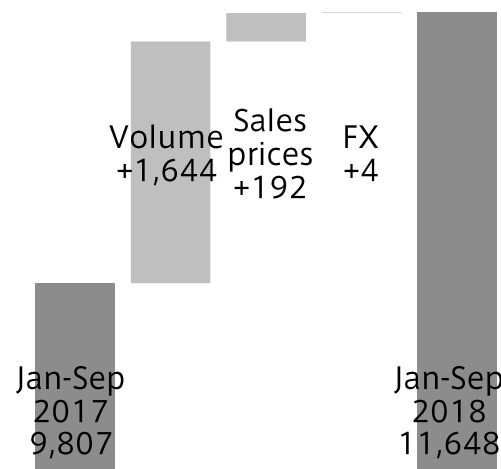
Others (Friction Materials, LiB Anode Materials, Real Estate) 13

- Friction materials: Growth in demand for use in construction and industrial machinery boosted net sales by 10.7% YoY
- Anode materials: Growth in sales volume for automotive applications contributed to a rise in net sales of 37.6% YoY

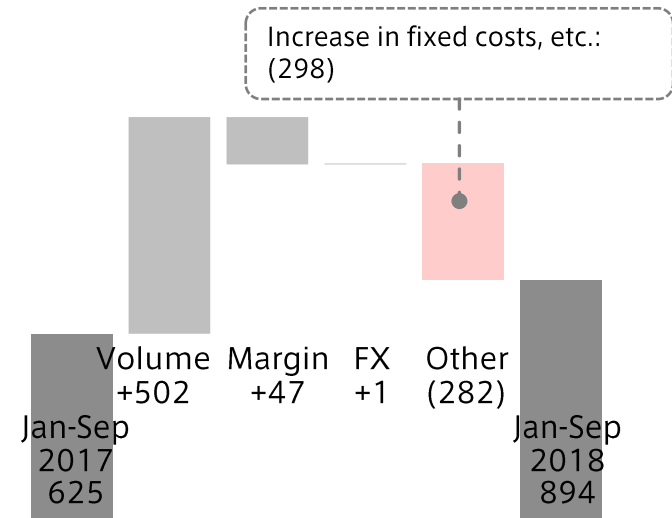
(Millions of yen)

| | Jan-Sep 2017 | Jan-Sep 2018 | YoY Change | % Change |
|---------------------|-----------------|-----------------|---------------|-------------|
| Net Sales | 9,807 | 11,648 | 1,840 | 18.8% |
| Operating Income | 625 | 894 | 268 | 42.9% |
| ROS | 6.4% | 7.7% | | |

Net Sales Variance



Operating Income Variance



Major Cash Flow Items

(Millions of yen)

| | Jan-Sep2017 | Jan-Sep2018 | Summary |
|---|-------------|-------------|---------|
| Cash flows from operating activities | 9,106 | 30,633 | |
| Net income (loss) before income taxes for the quarter | 11,462 | 75,723 | |
| Depreciation and amortization | 4,832 | 5,886 | |
| Loss (gain) on step acquisition | — | (22,843) | |
| Loss (gain) on sale of property, plant and equipment | (2,555) | (63) | |
| Decrease (increase) in trade receivables | (2,824) | (13,268) | |
| Decrease (increase) in inventories | 2,833 | 6,623 | |
| Increase (decrease) in accounts payable-trade | (3,179) | (18,309) | |
| Income tax paid | (2,029) | (6,755) | |
| Cash flows from investing activities | 256 | (46,765) | |
| Purchase of property, plant and equipment | (3,044) | (4,800) | |
| Proceeds from sale of property, plant and equipment | 2,674 | 134 | |
| Expenditure for acquisition of TCK | — | (40,094) | |
| Cash flows from financing activities | (11,531) | 33,682 | |
| Net increase (decrease) in short-term loans payable | (725) | 30,774 | |
| Repayment of long-term loans payable | (7,324) | (1,034) | |
| Payment of dividends | (1,918) | (3,836) | |
| Cash and cash equivalents at end of period | 26,707 | 39,696 | |

(Millions of yen)

Major Balance Sheet Items

| | December 31, 2017 | September 30, 2018 | Summary |
|--|----------------------|-----------------------|--|
| Total assets | 184,730 | 313,130 | |
| Current assets | 85,444 | 158,603 | |
| Cash and cash equivalents | 22,152 | 44,921 | • Tangible fixed assets (+¥24,068million from the end of the previous period) |
| Notes and accounts receivable | 30,265 | 53,830 | • Intangible fixed assets (+¥38,533 million from the end of the previous period) |
| Inventory | 27,564 | 53,632 | Capital expenditures: ¥7,122 million (+¥4,158 million from the end of the previous period) |
| Fixed assets | 99,286 | 154,527 | Depreciation and amortization: ¥5,886 million (+¥1,053 million from the end of the previous period) |
| Tangible fixed assets | 51,405 | 75,473 | Amortization of goodwill: ¥1,445 million (+¥1,154 million from the end of the previous period) |
| Intangible fixed assets | 16,343 | 54,876 | |
| Investments and other assets | 31,537 | 24,177 | |
| Total liabilities | 57,599 | 122,173 | |
| Current liabilities | 36,870 | 92,575 | • Interest-bearing debt of ¥54,150 million(+¥38,006 million from the end of the previous period) |
| Long-term liabilities | 20,728 | 29,597 | |
| Total net assets | 127,130 | 190,957 | |
| Shareholder's capital | 110,089 | 165,542 | • Capital-to-asset ratio: 57.6%(End of previous period: 68.8%) |
| Other accumulated comprehensive income | 16,277 | 14,685 | |
| Non-controlling interests | 763 | 10,729 | |
| Total liabilities and net assets | 184,730 | 313,130 | |

II

FY 2018

Earnings Forecast

Revision of Consolidated Earnings Forecast for FY 2018 (announced November 14)

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- Net Sale: ¥230.0 billion
- Operating income: ¥ 75.0 billion
- Tokai Carbon CB Ltd.(TCCB) is included in the scope of consolidation from September

| | Previous Forecast (August 7) | | | New Forecast for FY 2018 | | | (Millions of yen) | |
|---|------------------------------|---------|-----------|--------------------------|---------|-----------|-------------------|----------|
| | 1H | 2H | Full Year | 1H | 2H | Full Year | YoY Change | % Change |
| Net Sales | 91,688 | 122,312 | 214,000 | 91,688 | 138,312 | 230,000 | +16,000 | +7.5% |
| Operating Income | 29,177 | 44,823 | 74,000 | 29,177 | 45,823 | 75,000 | +1,000 | +1.4% |
| Ordinary Income | 29,955 | 44,545 | 74,500 | 29,955 | 45,545 | 75,500 | +1,000 | +1.3% |
| Net Income Attributable to Owners of the Parent Company | 44,207 | 29,793 | 74,000 | 44,207 | 29,793 | 74,000 | — | — |
| ROS | 31.8% | 36.2% | 34.6% | 31.8% | 33.1% | 32.6% | — | — |
| ROIC | — | — | 38.1% | — | — | 31.8% | — | — |
| ROE | — | — | 51.4% | — | — | 46.2% | — | — |

Group companies

- Consolidated subsidiaries: 30
- Equity method affiliates: 2

Average exchange rates:

- 2017 \$1=¥112.19
- 2018 \$1=¥110.00 (4Q onward)

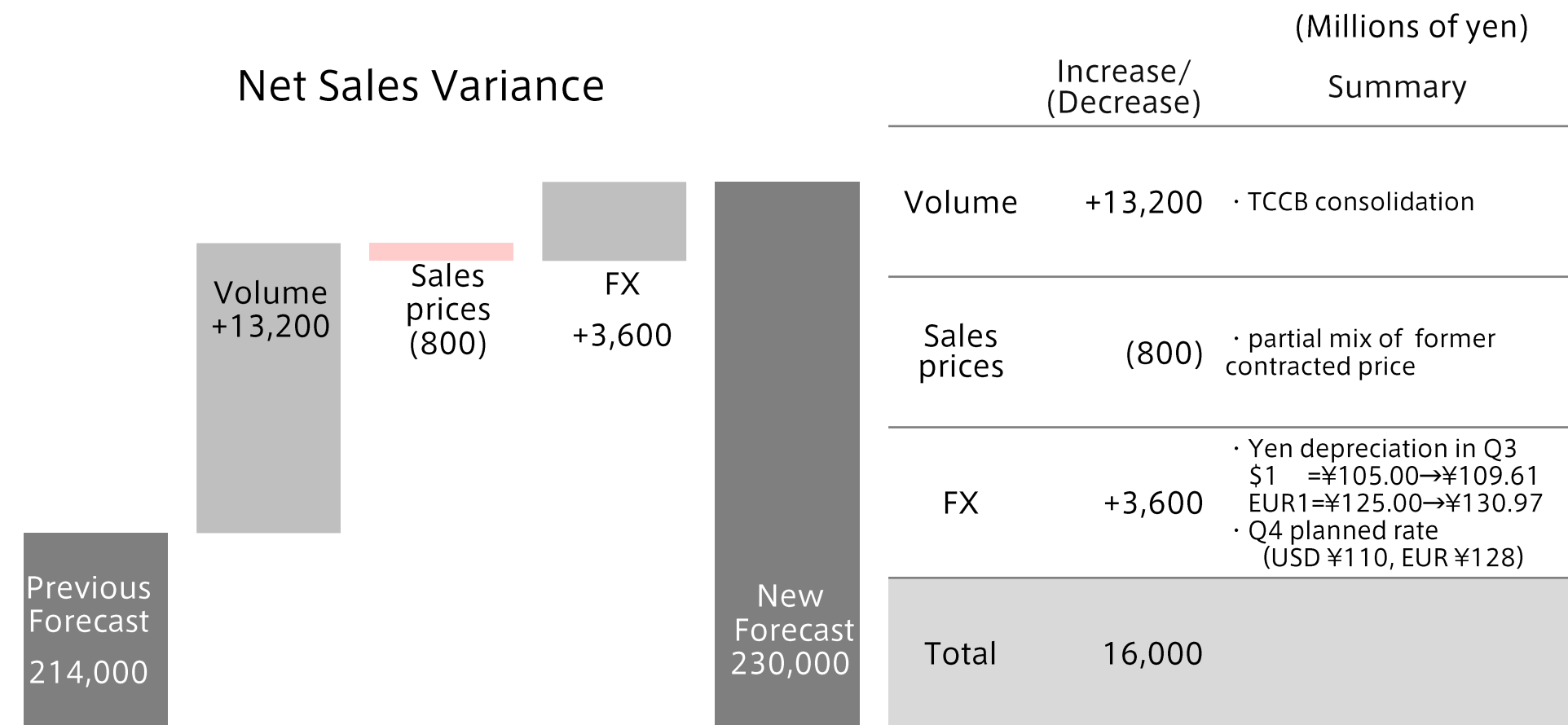
Net Sales and Operating Income Forecast by Segment

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(Millions of yen)

| | | Previous Forecast (August 7) | | | New Forecast for FY 2018 | | | YoY Change | % Change |
|--|--------------------|------------------------------|---------|-----------|--------------------------|---------|-----------|------------|----------|
| | | 1H | 2H | Full Year | 1H | 2H | Full Year | | |
| Net Sales | | 91,688 | 122,312 | 214,000 | 91,688 | 138,312 | 230,000 | +16,000 | +7.5% |
| Graphite Electrodes | | 40,105 | 61,895 | 102,000 | 40,105 | 61,895 | 102,000 | — | — |
| Carbon Black | | 29,193 | 31,707 | 60,900 | 29,193 | 46,607 | 75,800 | +14,900 | +24.5% |
| Fine Carbon | | 9,327 | 14,673 | 24,000 | 9,327 | 15,973 | 25,300 | +1,300 | +5.4% |
| Industrial Furnaces and Related Products | | 5,348 | 5,852 | 11,200 | 5,348 | 5,952 | 11,300 | +100 | +0.9% |
| Other Operations | Friction materials | 4,682 | 5,018 | 9,700 | 4,682 | 4,918 | 9,600 | (100) | (1.0%) |
| | Anode materials | 2,952 | 3,048 | 6,000 | 2,952 | 2,948 | 5,900 | (100) | (1.7%) |
| | Others | 78 | 122 | 200 | 78 | 22 | 100 | (100) | (50.0%) |
| | Total Others | 7,713 | 8,187 | 15,900 | 7,713 | 7,887 | 15,600 | (300) | (1.9%) |
| Operating Income | | 29,177 | 44,823 | 74,000 | 29,177 | 45,823 | 75,000 | +1,000 | +1.4% |
| Graphite Electrodes | | 20,853 | 34,647 | 55,500 | 20,853 | 34,647 | 55,500 | — | — |
| Carbon Black | | 5,199 | 5,201 | 10,400 | 5,199 | 5,501 | 10,700 | +300 | +2.9% |
| Fine Carbon | | 1,739 | 3,361 | 5,100 | 1,739 | 4,161 | 5,900 | +800 | +15.7% |
| Industrial Furnaces and Related Products | | 1,324 | 1,476 | 2,800 | 1,324 | 1,576 | 2,900 | +100 | +3.6% |
| Other | | 582 | 618 | 1,200 | 582 | 518 | 1,100 | (100) | (8.3%) |
| Inter-segment eliminations | | (520) | (480) | (1,000) | (520) | (580) | (1,100) | (100) | — |

- Tokai Carbon CB Ltd. (TCCB) sales contributed from September 2018

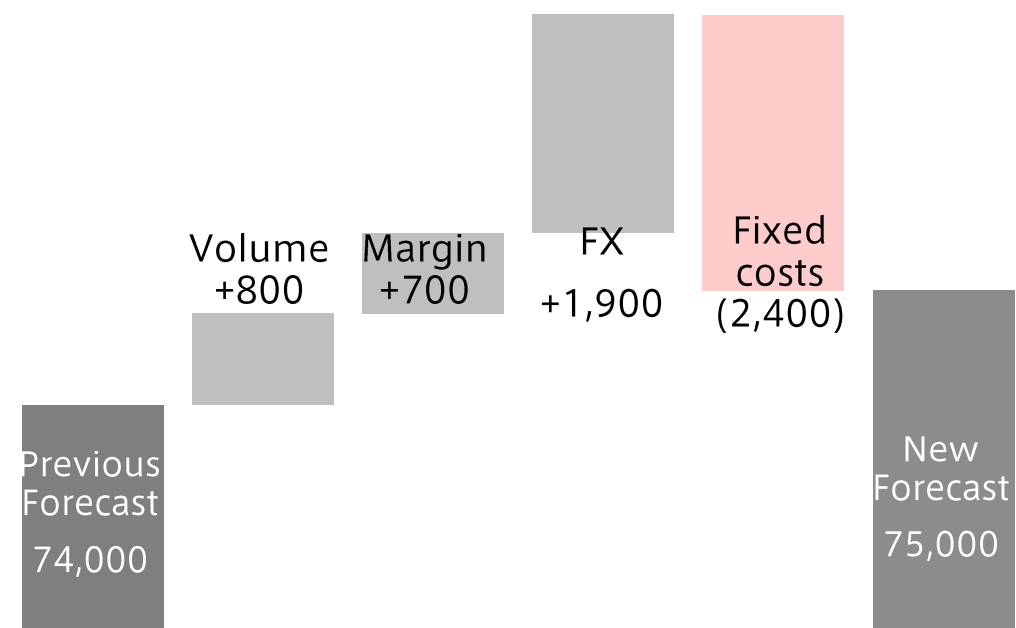


Analysis of Variance from Previous Forecast: Operating Income

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- Contribution of Tokai Carbon CB Ltd. (TCCB) consolidation and foreign exchange factors

Operating Income Variance



| | Increase/ (Decrease) | Summary |
|------------|-------------------------|--|
| Volume | +800 | · TCCB consolidation |
| Margin | +700 | · Fine carbon margin improvement |
| FX | +1,900 | · Yen depreciation in Q3 \$1 = ¥105.00 → ¥109.61 EUR1 = ¥125.00 → ¥130.97 · Q4 planned rate (USD ¥110, EUR ¥128) |
| Fixed Cost | (2,400) | · Amortization of goodwill |
| Total | 1,000 | |

- **Tight market continues for Graphite Electrode and Carbon Black**
 - Graphite Electrodes: Growth in EAF steel making worldwide; supply of raw material needle coke to remain tight
 - Carbon Black: Further tight supply in Asian and North American markets
- **Full contribution of carbon black North American plant**
 - Tokai Carbon CB Ltd., which has contributed to sales and income since September 2018, will contribute on a full-year basis from 2019
 - With the tight supply-demand balance in North America, expecting to shift the burden of higher raw material costs and environment investments onto sales prices
- **Fine Carbon: Anticipation of growth in sales of CVD products**
 - Favorable conditions for semiconductor and LED applications; expansion of demand for CVD SiC products
 - Tokai Carb on Korea expects growth in solid SiC focus rings
- **Tokai Konetsu Kogyo's industrial furnace market will remain strong**
 - Steady demand for industrial furnaces as combustion furnaces associated with the expanding MLCC market for EV and IoT applications
 - Projected growth of 10 to 20% p.a.
- **Next Mid-Term Management Plan (scheduled to be announce in February 2019)**
 - Integration of new operation sites for graphite electrodes, carbon black and fine carbon
 - Establishment of the base for the three core businesses
 - Investment for next-phase growth

Reference Material

Quarterly Segment Results

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(F) = Forecast

(Millions of yen)

| | | 2017 | | | | | 2018 f | | | | |
|--|--------------------|--------|--------|--------|--------|-----------|--------|--------|--------|--------|---------------|
| | | Q1 | Q2 | Q3 | Q4 | Full Year | Q1 | Q2 | Q3 | Q4 f | Full Year (f) |
| Net Sales | | 24,104 | 25,080 | 25,882 | 31,184 | 106,252 | 41,595 | 50,092 | 63,697 | 74,616 | 230,000 |
| Graphite electrodes | | 5,136 | 4,520 | 5,246 | 8,706 | 23,610 | 16,984 | 23,121 | 29,134 | 32,761 | 102,000 |
| Carbon Black | | 11,344 | 12,160 | 11,858 | 12,465 | 47,828 | 14,276 | 14,916 | 19,794 | 26,814 | 75,800 |
| Fine Carbon | | 3,394 | 3,450 | 3,781 | 3,820 | 14,447 | 3,893 | 5,434 | 8,191 | 7,782 | 25,300 |
| Industrial Furnaces and Related Products | | 1,207 | 1,615 | 1,543 | 2,457 | 6,823 | 2,663 | 2,685 | 2,642 | 3,310 | 11,300 |
| Other Operations | Friction materials | 2,033 | 2,113 | 2,192 | 2,332 | 8,671 | 2,296 | 2,385 | 2,336 | 2,583 | 9,600 |
| | Anode materials | 930 | 1,152 | 1,199 | 1,358 | 4,640 | 1,439 | 1,512 | 1,563 | 1,386 | 5,900 |
| | Others | 58 | 66 | 61 | 43 | 230 | 42 | 36 | 36 | (14) | 100 |
| | Total Others | 3,021 | 3,333 | 3,452 | 3,734 | 13,542 | 3,778 | 3,934 | 3,935 | 3,953 | 15,600 |
| Operating Income | | 1,781 | 2,446 | 3,342 | 3,916 | 11,486 | 12,787 | 16,390 | 22,798 | 23,025 | 75,000 |
| Graphite Electrodes | | 144 | (119) | 619 | 1,103 | 1,748 | 8,558 | 12,295 | 17,209 | 17,438 | 55,500 |
| Carbon Black | | 1,479 | 1,917 | 1,912 | 1,559 | 6,868 | 2,816 | 2,382 | 2,597 | 2,905 | 10,700 |
| Fine Carbon | | 47 | 343 | 584 | 763 | 1,738 | 708 | 1,030 | 2,233 | 1,929 | 5,900 |
| Industrial Furnaces and Related Products | | 195 | 317 | 305 | 524 | 1,342 | 633 | 691 | 723 | 853 | 2,900 |
| Other | | 209 | 242 | 174 | 232 | 858 | 320 | 261 | 312 | 207 | 1,100 |
| Inter-segment eliminations | | (294) | (253) | (255) | (265) | (1,069) | (250) | (271) | (277) | (302) | (1,100) |

(Millions of yen)

| | Fiscal year ended December 31, 2014 | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 | Fiscal year ended December 31, 2017 | January- September 2018 |
|---|--|---|---|---|-------------------------------|
| Capital Investment | 6,830 | 5,301 | 6,013 | 4,282 | 7,122 |
| Depreciation and Amortization | 8,629 | 9,242 | 8,124 | 6,647 | 5,886 |
| Research and Development Expenses | 1,882 | 1,822 | 2,249 | 1,482 | 1,206 |
| Total Assets | 210,439 | 184,074 | 158,824 | 184,730 | 313,130 |
| Interest-bearing Debt at Fiscal Year-end | 38,290 | 23,936 | 17,048 | 16,142 | 54,150 |
| Financial Account Balance | (139) | 82 | 82 | 178 | 101 |
| Number of Employees | 2,064 | 2,092 | 1,980 | 2,142 | 2,919 |
| Exchange Rate (JPY/USD) | 105.85 | 121.05 | 108.85 | 112.19 | 109.61 |

Net Sales of Main Subsidiaries

25

(Millions of yen)

| Subsidiary | Jan-Sep 2017 | Jan-ep 2018 | YoY Change | Location/ Business | Summary |
|------------------------------|-----------------|----------------|------------|-----------------------------------|--|
| TOKAI ERFT CARBON | 6,664 | 27,704 | +21,040 | Germany Graphite Electrodes | <ul style="list-style-type: none"> · Increase in sales prices · FX(+¥1,300 million) |
| TOKAI CARBON GE | — | 25,185 | +25,185 | U.S. Graphite Electrodes | <ul style="list-style-type: none"> · New acquisition · +¥18,935 million YoY, excluding ¥6,200 million resale sales transferred from TCES |
| THAI TOKAI CARBON PRODUCT | 10,657 | 14,602 | +3,945 | Thailand Carbon Black | <ul style="list-style-type: none"> · Increase in sales price · FX(+¥600 million) |
| Tokai Carbon Tianjin | 3,064 | 4,246 | +1,182 | China Carbon Black | <ul style="list-style-type: none"> · Increase in sales prices |
| CANCARB | 5,714 | 5,898 | +184 | Canada Carbon Black | <ul style="list-style-type: none"> · Growth in sales volume |
| TOKAI CARBON CB | — | 3,957 | +3,957 | U.S. Carbon Black | <ul style="list-style-type: none"> · New acquisition · Contributing to consolidated results from September 2018 |
| TOKAI CARBON KOREA | — | 5,984 | +5,984 | Korea Fine Carbon | <ul style="list-style-type: none"> · Contributing to consolidated results from June 2018 · FX: JPY0.0999/KRW |

(Millions of yen)

| | T-2018 Target (For reference) | 2015 | 2016 | 2017 | 2018 (Forecast) |
|---|----------------------------------|---------|---------|---------|--------------------|
| Net Sales | 110,000 | 104,864 | 88,580 | 106,252 | 230,000 |
| Operating Income | 9,000 | 4,088 | 1,131 | 11,093 | 75,000 |
| Net Income Attributable to Owners of the Parent Company | - | 2,484 | (7,929) | 12,346 | 74,000 |
| ROS | 8% or higher | 3.9% | 1.3% | 10.4% | 32.6% |
| ROE | - | 2.0% | (6.8%) | 10.4% | 46.2% |
| ROIC | 6% or higher | 2.1% | 0.7% | 7.7% | 31.8% |
| Depreciation and Amortization | - | 9,242 | 8,124 | 6,647 | 8,000 |
| Capital Investment | - | 5,301 | 6,013 | 4,282 | 17,000 |
| Inventory | - | 34,253 | 20,734 | 27,564 | 54,000 |
| Tangible and Intangible Fixed Assets | - | 67,953 | 53,657 | 67,748 | 137,000 |

*2017 figure is adjusted by finalization of provisional accounting treatment related to TOKAI CARBON GE HOLDINGS LLC

The earnings forecasts and other forward-looking statements in this document are based on information obtainable at the time this document was published and assumptions as of the date of publication concerning elements of uncertainty that could affect future earnings.

Actual results may differ substantially, depending on various future factors. Factors that affect business performance include, but are not limited to, economic conditions, trends in product demand and market prices, and fluctuation in exchange rates. The company is not obligated to update the information contained therein.

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Building a Future of Technology and Trust

TOKAI CARBON