

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2020 [Japanese GAAP]

Company name: Tokai Carbon Co., Ltd. Listed on: Tokyo Stock Exchange
 Stock code: 5301 URL: <https://www.tokaicarbon.co.jp/en/>
 Representative: Hajime Nagasaka, President & Chief Executive Officer
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Scheduled date for submission of quarterly report: May 14, 2020
 Date for commencement of dividend payments: –
 Supplementary notes to quarterly financial statements: Yes
 Briefing on quarterly financial statements: Yes (Conference call for analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2020 (January 1 to March 31, 2020)

(1) Consolidated Operating Results (Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income Attributable to Owners of the Parent Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2020	52,790	(23.3)	6,750	(68.2)	6,573	(69.0)	4,583	(65.4)
Three months ended March 31, 2019	68,838	65.5	21,226	68.3	21,186	68.4	13,236	44.6

Note: Comprehensive income: Three months ended March 31, 2020: (8,565) million yen, (–%)
 Three months ended March 31, 2019: 13,783 million yen, (291.8%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
Three months ended March 31, 2020	21.50	–
Three months ended March 31, 2019	62.10	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Capital-to-asset Ratio
	Millions of yen	Millions of yen	%
As of March 31, 2020	440,583	219,292	45.1
As of December 31, 2019	462,872	232,975	45.8

For reference: Shareholders' capital: As of March 31, 2020: 198,704 million yen
 As of December 31, 2019: 211,838 million yen

2. Dividends

	Annual Dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	–	24.00	–	24.00	48.00
Fiscal year ending December 31, 2020	–				
Fiscal year ending December 31, 2020 (Forecast)		24.00	–	24.00	48.00

Note: Amendment to most recently disclosed dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2020 (January 1 to December 31, 2020)

(Percentages represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	120,100	(13.7)	10,500	(74.0)	10,300	(74.6)	5,600	(78.5)	26.27
Full year	251,200	(4.1)	28,200	(48.1)	27,800	(47.5)	16,600	(48.1)	77.88

Notes: 1. Amendment to most recently disclosed earnings forecast: None

2. The impact of the widespread novel coronavirus on the business operations of the Tokai Carbon Group has not been factored in given the difficulty of forecasting the same at this point.

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting principles peculiar to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy and changes and restatements of accounting estimates

(a) Changes in accounting policy accompanying the revision of accounting standards: None

(b) Changes in accounting policy other than those listed in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2020	224,943,104 shares	As of December 31, 2019	224,943,104 shares
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(b) Number of treasury stock at the end of the period

As of March 31, 2020	11,791,444 shares	As of December 31, 2019	11,790,987 shares
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(c) Average number of shares during the period

Three months ended March 31, 2020	213,151,860 shares	Three months ended March 31, 2019	213,153,563 shares
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* Quarterly financial results are not subject to quarterly review by certified public accountants or audit firms.

* Appropriate use of earnings forecasts and other pertinent information

(Cautionary statement on forward-looking statements)

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation as well as certain reasonable assumptions. Actual results may differ materially from those expressed or implied by forward-looking statements due to a range of factors.

(How to obtain Quarterly Account Settlement Supplementary Explanation)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Tuesday, May 12, 2020. The materials for this briefing will be posted on the corporate website on that day.

○ Supplemental Materials

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1. Qualitative Information Related to This Quarter's Settlement

(1) Explanation regarding operating results

During the first three months of 2020 (January 1 to March 31, 2020), the global economy bottomed out and showed some recovery in each country as the "Phase 1" U.S.-China trade deal was provisionally agreed upon in January. However, the spread of the novel coronavirus (COVID-19) has significantly restrained the movement of people and goods since February, seriously stalling economic activities worldwide.

In February 2020, the Tokai Carbon Group announced the medium-term management plan "T-2022," a rolling plan extending from 2020 through 2022. Amid growing uncertainty over the escalating COVID-19 situation, continuously guided by the three basic policies of (1) strengthening the revenue base, (2) expanding opportunities for growth, and (3) building a consolidated governance structure, the Group aims to achieve numerical targets for fiscal 2022: 300,000 million yen in net sales, 54,000 million yen in operating income, and ROS of 18%.

Looking at the operating results for the first three months of 2020, net sales fell 23.3% year on year to 52,790 million yen. Operating income declined 68.2% year on year to 6,750 million yen. Ordinary income declined 69.0% year on year to 6,573 million yen. Net income attributable to owners of the parent company declined 65.4% year on year to 4,583 million yen.

Results by business segment were as follows:

Graphite Electrodes

Due to worsening steel market conditions and prolonged inventory correction amid the global economic slowdown that has been ongoing since last year, sales volume decreased year on year. Affected by such falling demand, prices also dropped year on year.

As a result, net sales for the Graphite Electrodes business were down 58.4% year on year to 11,460 million yen, while operating income fell 86.2% year on year to 2,131 million yen.

Carbon Black

Affected by falling demand from end-users in the tire industry, COVID-19 shutdowns, and so on, sales volume of the Company declined year on year. Operating income also decreased year on year due to fluctuations in crude oil prices and reduced production.

As a result, net sales for the Carbon Black business decreased by 23.0% year on year to 21,030 million yen, while operating income fell 49.1% year on year to 1,741 million yen.

Fine Carbon

Production and shipments remained strong for the semiconductor industry and solar power industry, while sales dropped for general industry mainly due to production and inventory corrections by customers and the impact of the spread of COVID-19.

As a result, net sales for the Fine Carbon business decreased by 5.7% to 7,825 million yen year on year, while operating income rose 0.7% year on year to 1,919 million yen.

Smelting and Lining

Following the conversion of Tokai COBEX HoldCo GmbH (the former COBEX HoldCo GmbH), a German carbon and graphite products manufacturer, and its group companies into consolidated subsidiaries on July 26, 2019, the Company established the Smelting and Lining Division as a new business segment. The Division is mainly engaged in manufacturing, sales, and R&D of cathodes for smelting aluminum, furnace linings, carbon electrodes, and other products.

With the contractual shipments of cathodes for smelting aluminum and furnace linings for the consolidated fiscal year under review planned primarily in the second half, net sales and operating income for the first quarter of 2020 stood at 6,652 million yen and 175 million yen, respectively. Tokai COBEX HoldCo GmbH posted an operating income of 2,411 million yen for the first quarter, and the Company posted amortization related to a valuation difference arising from the allocation of acquisition cost of 1,230 million yen and amortization of goodwill of 978 million yen as expenses in segment accounting.

Industrial Furnaces and Related Products

Net sales of industrial furnaces increased year on year due to robust capital expenditures for major buyers in the IT-related sectors and energy-related industries. Net sales of heating elements and other products decreased year on year, resulting from falling demand in the electronic components industry and China, triggered by the COVID-19 shutdown of subsidiaries in China and the global economic slowdown.

As a result, net sales for the Industrial Furnaces and Related Products business rose 46.6% year on year to 3,242 million yen, while operating income increased by 48.2% year on year to 868 million yen.

Other Operations

Friction materials

Net sales of friction materials fell 19.3% year on year to 1,639 million yen, as a result of falling demand for construction machinery centering on mining machinery in addition to a drop in sales due to the exit from the four-wheel automotive business.

Anode materials

As competition was intensified by rising new players in the anode materials market, sales volume of the Company decreased year on year.

As a result, net sales of anode materials fell by 36.1% year on year to 903 million yen.

Others

Net sales from real estate leasing and other businesses fell 1.7% year on year to 35 million yen.

The above factors resulted in net sales for Other Operations falling by 25.9% year on year to 2,579 million yen, while operating income growing by 46.1% year on year to 242 million yen.

(2) Explanation concerning future forecast information including consolidated earnings forecasts

The coronavirus (COVID-19) global outbreak/pandemic has considerably affected the business environment both within and outside Japan. Given the difficulty of reasonably calculating the impact of the outbreak/pandemic on the Group's business operations at this point, we have not made any changes to the consolidated earnings forecasts released on February 12, 2020. We will immediately disclose any revisions to be made, where necessary, in the earnings forecasts.

The Company has entered into commitment line and overdraft contracts totaling 62,000 million yen with banks with which it does business for the purpose of raising operating funds efficiently, as well as a scheme for securitization of receivables and short-term commercial paper programs with a gross maximum limit of 58,000 million yen in an effort to enhance liquidity at hand.

Drawdowns outstanding based on these contracts/facilities as of the end of the first quarter under review totaled 49,000 million yen.

In addition, major domestic and overseas production bases are in regular operation in compliance with the policies of each government, after having taken measures to prevent infection. Even so, we will more efficiently adjust our production according to demand. We also will be committed to additional reductions of capital expenditures and expenses on the assumption of a lasting impact.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	First quarter of the fiscal year under review (As of March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	52,695	51,239
Notes and accounts receivable	50,648	44,184
Merchandise and finished goods	20,227	20,929
Work in process	35,116	33,984
Raw materials and supplies	31,036	26,891
Other	6,971	8,494
Allowance for doubtful accounts	(248)	(204)
Total current assets	196,446	185,518
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	23,092	22,515
Machinery, equipment and vehicles, net	42,139	41,630
Furnaces, net	4,700	4,658
Land	7,315	7,232
Construction in progress	17,792	19,002
Other, net	6,302	7,364
Total tangible fixed assets	101,343	102,404
Intangible fixed assets		
Software	1,728	1,675
Goodwill	64,543	60,696
Customer-related assets	67,494	63,644
Other	8,200	7,822
Total intangible fixed assets	141,966	133,839
Investments and other assets		
Investment securities	18,842	14,430
Net defined benefit asset	2,633	2,547
Deferred tax assets	997	1,244
Other	693	648
Allowance for doubtful accounts	(50)	(51)
Total investments and other assets	23,115	18,820
Total fixed assets	266,425	255,064
Total assets	462,872	440,583

(Millions of yen)

	Previous fiscal year (As of December 31, 2019)	First quarter of the fiscal year under review (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable	24,857	13,829
Electronically recorded obligations	4,078	3,377
Short-term loans payable	37,530	25,212
Commercial paper	30,000	30,000
Current portion of long-term loans payable	833	3,497
Income tax payable	3,658	3,406
Consumption taxes payable	359	–
Accrued expenses	2,813	2,261
Reserve for bonuses	1,550	1,352
Other	11,859	12,610
Total current liabilities	117,541	95,548
Long-term liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	44,666	56,794
Deferred tax liabilities	21,431	21,871
Net defined benefit liability	6,246	6,146
Reserve for directors' retirement benefits	86	73
Reserve for executive officers' retirement benefits	66	69
Provision for environment and safety measures	296	269
Other	4,561	5,518
Total long-term liabilities	112,355	125,742
Total liabilities	229,896	221,291
Net assets		
Shareholder's capital		
Capital stock	20,436	20,436
Capital surplus	17,333	17,333
Retained earnings	173,310	172,778
Treasury stock	(7,260)	(7,261)
Total shareholder's capital	203,819	203,286
Other accumulated comprehensive income		
Net unrealized gains/losses on other securities	8,415	5,400
Deferred gains or losses on hedges	34	(241)
Foreign currency translation adjustments	(1,671)	(10,859)
Remeasurements of defined benefit plans	1,239	1,117
Total accumulated other comprehensive income	8,019	(4,582)
Non-controlling interests	21,137	20,588
Total net assets	232,975	219,292
Total liabilities and net assets	462,872	440,583

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(First Three-month Period)

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2019)	First three months of the fiscal year under review (January 1 to March 31, 2020)
Net sales	68,838	52,790
Cost of sales	39,389	35,592
Gross profit	29,448	17,197
Selling, general and administrative expenses	8,222	10,447
Operating income	21,226	6,750
Non-operating income		
Interest income	82	62
Dividend income	84	85
Equity in income of non-consolidated subsidiaries and affiliates	15	42
Foreign exchange gains	85	20
Other	115	146
Total non-operating income	383	357
Non-operating expenses		
Interest expenses	204	197
Other	218	337
Total non-operating expenses	423	534
Ordinary income	21,186	6,573
Extraordinary income		
Gain on sales of fixed assets	35	29
Gain on termination of retirement benefit plan	71	–
Total extraordinary income	106	29
Extraordinary loss		
Loss on valuation of investment securities	–	117
Loss on retirement of fixed assets	218	–
Loss on sales of fixed assets	0	–
Total extraordinary loss	218	117
Quarterly net income before income taxes	21,074	6,484
Income taxes - current	5,901	2,061
Income taxes - deferred	1,298	(774)
Total income taxes	7,200	1,287
Quarterly net income	13,874	5,197
Quarterly net income attributable to non-controlling interests	637	613
Quarterly net income attributable to owners of the parent company	13,236	4,583

(Quarterly Consolidated Statements of Comprehensive Income)

(First Three-month Period)

(Millions of yen)

	First three months of the previous fiscal year (January 1 to March 31, 2019)	First three months of the fiscal year under review (January 1 to March 31, 2020)
Quarterly net income	13,874	5,197
Other comprehensive income		
Net unrealized gains/losses on other securities	473	(3,017)
Deferred gains or losses on hedges	–	(275)
Foreign currency translation adjustments	(423)	(10,311)
Remeasurements of defined benefit plans	(132)	(122)
Share of other comprehensive income of entities accounted for using equity method	(9)	(35)
Total other comprehensive income	(90)	(13,762)
Quarterly comprehensive income	13,783	(8,565)
(Of which)		
Quarterly comprehensive income attributable to owners of the parent company	13,410	(8,018)
Quarterly comprehensive income attributable to non-controlling interests	373	(546)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

N/A

(Notes When There Are Notable Fluctuations in Shareholders' Stock Amount)

N/A

(Segment Information)

I First three months of the previous fiscal year (January 1 to March 31, 2019)

Information on the amounts of net sales and income for each reportable segment

(Millions of yen)

	Reportable Segment					Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount Recorded in the Quarterly Consolidated Statements of Income (Note 3)
	Graphite Electrodes	Carbon Black	Fine Carbon	Industrial Furnaces and Related Products	Subtotal				
Net Sales									
External sales	27,540	27,308	8,296	2,212	65,357	3,480	68,838	–	68,838
Inter-segment sales or transfers	–	14	18	131	164	0	164	(164)	–
Total	27,540	27,323	8,314	2,343	65,521	3,480	69,002	(164)	68,838
Segment income	15,423	3,424	1,905	586	21,339	166	21,506	(279)	21,226

- 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 279-million-yen negative adjustment in segment income includes company-wide expenses of 317 million yen 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.
 3. Segment income is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income

II First three months of the fiscal year under review (January 1 to March 31, 2020)

1. Information on the amounts of net sales and income for each reportable segment

(Millions of yen)

	Reportable Segment						Other Operations (Note 1)	Total	Adjustments (Note 2)	Amount Recorded in the Quarterly Consolidated Statements of Income (Note 3)
	Graphite Electrodes	Carbon Black	Fine Carbon	Smelting and Lining	Industrial Furnaces and Related Products	Subtotal				
Net Sales										
External sales	11,460	21,030	7,825	6,652	3,242	50,211	2,579	52,790	–	52,790
Inter-segment sales or transfers	44	20	29	0	121	215	0	215	(215)	–
Total	11,504	21,050	7,855	6,652	3,363	50,426	2,579	53,006	(215)	52,790
Segment income	2,131	1,741	1,919	175	868	6,837	242	7,080	(330)	6,750

- 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 330-million-yen negative adjustment in segment income includes company-wide expenses of 322 million yen 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.
 3. Segment income is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income.

2. Matters concerning changes in reportable segments

The Company acquired all shares of Tokai COBEX HoldCo GmbH and its group companies, Tokai COBEX GmbH, Tokai COBEX Polska sp. z.o.o., and Tokai COBEX (Shanghai) Ltd., on July 26, 2019 and included them in the scope of consolidation. Accordingly, the Company has established the Smelting and Lining Division as a new reportable segment during the previous third quarter.

The change in reportable segments had no impact on the segment information for the first three months of the previous fiscal year.

(Subsequent Material Events)

(Acquisition of companies etc. through share acquisition)

At the extraordinary board meeting held on April 10, 2020, the Company approved of signing the Put Option Agreement relating to a Securities Purchase Agreement regarding Tokai Carbon and Tokai COBEX GmbH (“TCX”), our subsidiary company, jointly acquiring 100% shares in Carbone Savoie International SAS (“CSI”), the holding company of a French manufacturer of carbon and graphite products, Carbone Savoie SAS (“CS”) to make the company our subsidiary (the “Transaction”). Shares in CSI will be acquired 70% by the Company and 30% by TCX respectively and therefore the Tokai Carbon Group will own 100% shares to make CSI and CS our consolidated subsidiaries.

The Transaction will be presented on a consultative basis to the applicable employee representative bodies and subject to relevant legal proceedings.

(1) Purpose of share acquisition

Our 3-year medium-term management plan “T-2022,” announced in February 2020, lays out the growth policy by utilizing strategic investment in existing and complementary businesses.

CS, based in France, has a history and tradition of more than 120 years. CS offers high-performance, high-quality graphitized cathodes and specialty graphite materials backed by its high technology and good customer relations based on trust and achievements.

CS’s core cathodes business for aluminum smelting is expected to achieve stable growth as the aluminum market, the end market of cathode business, is likely to continue growing steadily due to factors such as the continuous demand for light-weight materials in the transportation equipment sectors including those for automobiles and airplanes, the growing demand for aluminum amid the ongoing urbanization, the increase in utilization of aluminum for beverage containers and the substitute demand instead of copper in the electronics sector.

In the business of specialty graphite materials, CS mainly deals in materials for heat exchangers and high temperature applications, and this market is also expected to continue to see solid growth of demand.

Through the Transaction, we will be able to grow our Smelting and Lining business and Fine Carbon business. In addition to improving profitability, we can also diversify our broader portfolio with CS’s complementary offering. We believe that this will lead to further increase in our corporate value.

(2) Overview of Alandia Industries

1. Name of Company	Alandia Industries	
2. Location	29 rue Auguste Vacquerie 75116 Paris	
3. Name and Title of Representatives	Nicolas de Germay, CEO	
4. Business Description	Distressed investment	
5. Year Established	2010	
6. Relationship with Alandia Industries	Capital Relationship	None
	Personnel Relationship	None
	Business Relationship	None
	Related Party Status	None

(3) Overview of CSI and CS

1) Overview of CSI

1. Name of Company	Carbone Savoie International SAS			
2. Location	29 rue Auguste Vacquerie 75116 Paris			
3. Name and Title of Representatives	Nicolas de Germay, President			
4. Business Description	Management and supervision of subsidiary			
5. Capital (Note 1)	EUR733,949 (JPY90 million)			
6. Year Established	2016			
7. Major Shareholder and Ownership Ratio	Alandia Industries (61.9%)			
8. Relationship with CSI	Capital Relationship	None		
	Personnel Relationship	None		
	Business Relationship	None		
9. Business scale of CSI (Note 1) (Note 2) (EUR million)	Accounting Period	FY2017	FY2018	FY2019
	Consolidated Net Assets	75.8 (JPY9.3 billion)	114.4 (JPY14.0 billion)	136.2 (JPY16.7 billion)
	Consolidated Total Assets	–	–	187.0 (JPY22.9 billion)
	Consolidated Net Sales	93.3 (JPY11.4 billion)	118.8 (JPY14.6 billion)	127.8 (JPY15.7 billion)
	Consolidated EBITDA	2.9 (JPY0.4 billion)	14.6 (JPY1.8 billion)	25.6 (JPY3.1 billion)
	Consolidated EBIT	-4.3 (JPY-0.5 billion)	6.9 (JPY0.8 billion)	17.3 (JPY2.1 billion)
	Consolidated Net Income Attributable to Owners of the Parent Company	2.7 (JPY0.3 billion) 3	38.7 (JPY4.7 billion)	21.8 (JPY2.7 billion)

(Note 1) Applied exchange rate is JPY122.54 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on December 31, 2019.

(Note 2) Business scale figures are on a consolidated basis of Carbone Savoie International SAS and Carbone Savoie SAS; the statement of business scale of Carbone Savoie SAS shall be omitted.

2) Overview of CS

1. Name of Company	Carbone Savoie SAS	
2. Location	Notre Dame de Briançon 73260 AIGUEBLANCHE France	
3. Name and Title of Representatives	Sébastien Gauthier, President	
4. Business Description	Production, sales and R&D of cathodes, specialty graphite products and carbon	
5. Year Established	1897	
6. Major Shareholder and Ownership Ratio	Carbone Savoie International SAS (100.0%)	
7. Relationship with CS	Capital Relationship	None
	Personnel Relationship	None
	Business Relationship	None

(4) Overview of TCX

1. Name of Company	Tokai COBEX GmbH
2. Location	Gustav-Stresemann-Ring 12-16, 65189 Wiesbaden, Germany
3. Name and Title of Representatives	Frank Goede, Managing Director Andrzej Hotlos, Managing Director
4. Business Description	Manufacturing, selling and R&D of cathodes for smelting aluminum, furnace linings, carbon electrodes and other products
5. Capital (Note 3)	EUR25,000 (JPY3 million)

(Note 3) Applied exchange rate is JPY122.54 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on December 31, 2019.

(5) Timing of share acquisition

By early July, 2020 (scheduled)

(6) Number of shares to be acquired; acquisition price; and shareholdings before and after the Transaction

1. Number of Shares Held before the Transaction	Tokai Carbon	0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%)
	TCX	0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%)
2. Number of Shares to be Acquired through the Transaction	Tokai Carbon	513,810 shares (Number of voting rights: 513,810)
	TCX	220,139 shares (Number of voting rights: 220,139)
3. Acquisition Price (Note 4)	Approx. JPY19.7 billion (Tokai Carbon: Approx. JPY13.8 billion; TCX: Approx. JPY5.9 billion)	
4. Number of Shares Held after the Transaction	Tokai Carbon	70.0%
	TCX	30.0%

(Note 4) Applied exchange rate is JPY118.60 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on April 9, 2020.

(7) Transaction details

The source of funds concerning the acquisition of the shares will be cash on hand only within the Tokai Carbon Group. We will consider financial options in order to secure adequate liquidity and maintain our financial health, in accordance with changes in the business environment including long-term loans from financial institutions, issuing of bonds, and hybrid financing.