

**Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending December 31, 2009**

November 5, 2009

Company name: **Tokai Carbon Co., Ltd.**
 Listings: Tokyo Stock Exchange, first section
 Security code: 5301
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 Scheduled dates
 Scheduled Date for Submission of Quarterly Report: November 12, 2009
 Commencement of dividend payments: -

**1. Consolidated Financial Results for the First Nine Months of Fiscal 2009
(January 1, 2009 - September 30, 2009)**

(Amounts rounded down to the nearest million yen)

(1) Consolidated Operating Results

(percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine Months Ended September 30, 2009	58,670	-	2,577	-	2,586	-	782	-
Nine Months Ended September 30, 2008	100,183	15.5	17,900	19.2	17,021	11.3	10,115	12.5

	Net income per share	Net income per share—fully diluted
	yen	yen
Nine Months Ended September 30, 2009	3.59	-
Nine Months Ended September 30, 2008	45.94	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
As of September 30, 2009	153,936	104,454	66.7	471.50
As of December 31, 2008	172,172	104,433	59.7	471.61

Note: Shareholders' equity:
 As of September 30, 2009: ¥102,679 million
 As of December 31, 2008: ¥102,714 million

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY 2008	-	5.00	-	5.00	10.00
FY 2009	-	4.00	-		
FY 2009 (forecast)				4.00	8.00

Note: No revision of dividend forecast in the quarter under review

3. Forecast of Consolidated Earnings for Fiscal 2009 (January 1, 2009 - December 31, 2009)

(percentage figures year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY 2009	78,000	(39.3)	3,200	(85.2)	3,300	(82.4)	1,200	(89.2)	5.51

Note: No revision of forecast for consolidated earnings in the quarter under review

4. Other Information

(1) Changes affecting the status of significant subsidiaries (scope of consolidation): None

Newly consolidated: __ company (companies) (name of company)
Excluded from consolidation: __ company (companies) (name of company)

(2) Application of simplified accounting practices and accounting methods specific to the preparation of consolidated quarterly financial statements: Yes

Note: Please refer to "4. Miscellaneous" on page 6 under "Qualitative information and financial statements".

(3) Changes in accounting principles, procedures, and method of disclosure used to prepare the consolidated financial results

- 1) Changes in accordance with amendments to accounting standards: Yes
- 2) Changes other than the above: None

Note: Please refer to "4. Miscellaneous" on page 6 under "Qualitative information and financial statements".

(4) Number of shares issued (common stock)

- 1) Number of shares issued at end of the period (including treasury stock):

September 30, 2009:	224,943,104 shares
December 31, 2008:	224,943,104 shares

- 2) Number of shares held in treasury at end of the period:

September 30, 2009:	7,169,287 shares
December 31, 2008:	7,148,889 shares

- 3) Average number of shares (during the first nine month):

Nine months ended September 30, 2009:	217,783,233 shares
Nine months ended September 30, 2008:	220,180,293 shares

Appropriate Use of Earnings Forecasts and Other Important Information

1. 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. For the assumptions underlying the earnings forecasts presented and other information regarding the use of such forecasts, refer to “3. Qualitative information related to forecast of consolidated results” on page 5 in the “Qualitative information and financial statements” section.
2. Effective from the consolidated fiscal year ending December 31, 2009, the Company adopted the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12, March 14, 2007) and the Implementation Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Implementation Guidance No. 14, March 14, 2007). Consolidated quarterly financial statements are prepared to conform to the Regulations on Consolidated Quarterly Financial Statements.

Qualitative information and financial statements

1. Qualitative information related to consolidated operating results

During a nine-month period until the end of the third quarter of fiscal 2009 (from January 1 to September 30, 2009), Japan's economic conditions remained severe due to a decline in capital spending and the stagnancy of personal spending resulting from concerns about the employment situation amid worsened corporate earnings triggered by the global financial crisis, although there were some signs of recovery thanks to the economic recovery in other Asian countries and the government's stimulus measures.

Against this backdrop, the industries in which the Tokai Carbon Group's customers operate (rubber products, steel, semiconductors, and industrial machinery) carried out drastic production cutbacks and lowered production levels, resulting in sharp decreases in the Group's sales volume in the period under review, although there were signs that production is picking up in some industries.

As a result, consolidated net sales for the nine months ended September 30, 2009 declined 41.4% to ¥58,670 million from a year earlier. The Group continued measures, including reducing remuneration for Directors and salaries for employees, conducting a full-scale cut back on various expenses, implementing a temporary shutdown, and receiving employment adjustment subsidies. Despite these efforts, however, operating income plunged 85.6% to ¥2,577 million, and ordinary income declined 84.8% to ¥2,586 million, significantly affected by a decline in capacity utilization rate in response to a drop in sales volume and by a decrease in net sales. Quarterly net income worsened 92.3% to ¥782 million from a year earlier due in part to the posting of an extraordinary loss of ¥1,128 million. Year-on-year changes are presented for reference.

The status of our principal business segments is as follows:

Carbon Products

The demand for carbon black has yet to make a full-scale recovery due to sluggish demand resulting from a sharp decline in automobile output and a decrease in tire production affected by the global business downturn, although there were signs of recovery in automobile output and tire production. Consequently, net sales in the carbon black business decreased 39.6% year-on-year to ¥20,812 million.

The sales volume of graphite electrodes dropped sharply both in Japan and overseas as domestic and foreign electric-furnace steelmakers cut production in response to a decline in steel demand on a global basis. Also affected by losses in exports resulting from the yen's appreciation, net sales of graphite electrodes plunged 41.1% year-on-year to ¥22,099 million.

The fine carbon business saw its sales volume growth slow down as a whole as shipments of fine carbon products have yet to make a full-scale recovery, although recovery trends were seen in the semiconductor and automobile markets, which had shrunk due to the synchronous recession. In the growing field of fine carbon products for solar cells, sales remained sluggish due to uncertainty over prospects in Europe, a principal market, although sales recovered in the Chinese market, on which

the Group has recently been focusing its business. In the fine carbon products for LEDs, which have been significantly growing, the Group put effort into expanding the market and product development in anticipation of their sales contribution in the future. Also affected by losses in exports due to the yen's appreciation, net sales of carbon products fell 41.9% year-on-year to ¥8,321 million.

In the friction materials business, demand from manufacturers of construction machinery and motorcycle makers, the main sources of demand for its products, was significantly affected by the global business recession, though sales of brake pads for railways were newly added from the fiscal year under review. As a result, net sales of friction materials decreased 46.4% to ¥3,769 million.

Overall, the carbon products segment's net sales totaled ¥55,003 million, a 41.1% decrease year-on-year. Its operating income was down 85.7% to ¥2,344 million.

Industrial Furnaces and Related Products

The segment faced headwinds in the form of significant capital spending cutbacks and a sharp decline in exports in IT-related industries, the main source of demand for its products, which were greatly influenced by the global economic recession. Consequently, sales of industrial furnaces, the core products of the segment, dropped sharply. Sales of heating elements and other related products also plunged due to the fall in capacity utilization rates of equipment at customers. Overall, the segment's net sales totaled ¥3,311 million, a 48.5% decrease year-on-year. Its operating income was down 94.4% to ¥75 million despite measures to reinforce the structure through an intensive production system of heating elements and other related products and cost reduction.

Other Operations

Net revenues from other operations (e.g., real estate rental revenues) declined 6.4% year-on-year to ¥356 million. Operating income decreased 18.0% to ¥189 million.

2. Qualitative information on consolidated financial position

As of September 30, 2009, consolidated assets totaled ¥153,936 million, a ¥18,236 million decrease from a year earlier. Current assets totaled ¥73,026 million, a ¥17,792 million decrease from a year earlier, largely due to a decline in cash and cash equivalents and notes and accounts receivable.

Fixed assets totaled ¥80,909 million, a decrease of ¥443 million from a year earlier, mainly due to a decline in goodwill, although investment securities grew.

Consolidated liabilities totaled ¥49,481 million as of September 30, 2009, a decrease of ¥18,257 million from a year earlier. Current liabilities totaled ¥29,851 million, a decrease of ¥28,593 million from a year earlier, largely due to a decline in notes and account payable and short-term borrowings. Fixed liabilities totaled ¥19,629 million, an increase of ¥10,335 million from a year earlier, mainly due to an increase in long-term debt.

Consolidated net assets totaled ¥104,454 million, an increase of ¥21 million from a year earlier. This increase is primarily attributable to a growth in net unrealized gains/losses on other securities despite a decline in retained earnings. Consequently, capital adequacy ratio was 66.7%, up 7.0 percentage points from a year earlier.

3. Qualitative information related to forecast of consolidated results

There are no changes to the earnings forecast announced in the consolidated financial results for the first half of the fiscal year ending December 31, 2009 (August 6, 2009).

4. Miscellaneous

(1) Change in significant subsidiaries (change in specific subsidiaries involving changes in the scope of consolidation)

Not applicable

(2) Application of simplified accounting practices and accounting methods specific to the preparation of consolidated quarterly financial statements

Simplified accounting practices

Method of calculating income taxes and deferred tax assets and liabilities

The calculation of the amount of income taxes paid is based on a method to limit to material terms added/subtracted items and tax deduction items.

With regard to determination of the recoverability of deferred tax assets, we add the effects of changes in business environment, which originates in the management environment, to the future earnings forecast that was used in the previous consolidated fiscal year's account settlement and tax planning.

Accounting methods specific to the preparation of consolidated quarterly financial statements

Not applicable

(3) Changes in accounting principles and procedures and presentation related to the preparation of consolidated quarterly financial statements

1) Effective from the consolidated fiscal 2009, the Company adopted the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12, March 14, 2007) and the Implementation Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Implementation Guidance No. 14, March 14, 2007). Consolidated quarterly financial statements are prepared to conform to the Regulations on Consolidated Quarterly Financial Statements.

2) Application of the Accounting Standards for Measurement of Inventories

With the application of the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9, July 5, 2006) effective from the consolidated first quarter, ordinary inventories held for the purpose of sales, which were previously stated mainly at cost determined by the weighted-average method for each month, are now mainly stated at cost determined by the weighted-average method for each month (the balance sheet amount is written down based on the decrease in profitability). As a result, operating income, ordinary income, and income before income taxes for the period under review each decreased by ¥929 million.

3) Application of the Accounting Standards for Lease Transactions

Since the Accounting Standards for Lease Transactions (Accounting Standards Board of Japan Statement No. 13, revised on March 30, 2007) and the Implementation Guidance on Accounting Standards for Lease Transactions (ASBJ Implementation Guidance No. 16, revised on March 30, 2007) became applicable to consolidated quarterly financial statements for fiscal years starting on or after April 1, 2008, the Company adopted these

accounting standards effective from the consolidated first quarter, and finance lease transactions other than those where ownership is deemed to be transferred to the lessee are accounted for under the accounting principles applicable to ordinary trading transactions and posted as lease assets.

Lease assets concerning finance lease transactions other than those where ownership is deemed to be transferred to the lessee are depreciated using the straight-line method over the terms of said leases without residual value.

The Company continues to use the accounting principles applicable to operating leases for lease transactions other than those where ownership is deemed to be transferred to the lessee that commenced before the initial year of the application of the accounting standards.

This change has no effect on operating income, ordinary income, or quarterly net income before income taxes.

4) Application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement

The Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement (ASBJ Practical Issues Task Force No. 18, May 17, 2006) was applied effective from the consolidated first quarter. As a result, operating income and ordinary income for the period under review increased ¥175 million and ¥28 million respectively, while income before income taxes fell ¥97 million. The effect of the application on segment information is described in the applicable note.

Additional information

Change in useful life of tangible fixed assets

From the consolidated first quarter, the Company took the opportunity granted by the revision of the Corporation Tax Law in 2008 to review the status of asset use and change the useful life of machinery and equipment. The effect of this change on operating income, ordinary income, and income before income taxes for the period under review is insignificant.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	FY 2009	FY 2008
	First Nine Months (As of September 30, 2009)	(As of December 31, 2008) Summary
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	9,975	13,629
Notes and accounts receivable	23,223	36,544
Merchandise and finished goods	11,120	11,681
Work in process	17,282	15,596
Raw materials and supplies	8,675	9,557
Deferred tax assets	885	678
Other	1,980	3,246
Allowance for doubtful accounts	(116)	(115)
Total current assets	73,026	90,819
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,719	15,058
Machinery, equipment and vehicles, net	24,234	23,629
Furnaces, net	3,472	2,974
Land	7,639	7,650
Construction in progress	4,130	5,785
Other, net	1,112	1,375
Total tangible fixed assets	56,308	56,473
Intangible fixed assets		
Software	581	692
Goodwill	—	960
Other	27	28
Total intangible fixed assets	608	1,680
Investments and other assets		
Investment securities	21,857	20,858
Deferred tax assets	305	441
Other	1,886	1,960
Allowance for doubtful accounts	(57)	(62)
Total investment and other assets	23,992	23,198
Total fixed assets	80,909	81,353
Total assets	153,936	172,172

(millions of yen)

	FY 2009 First Nine Months (As of September 30, 2009)	FY 2008 (As of December 31, 2008) Summary
	Amount	Amount
Liabilities		
Current liabilities		
Notes and account payable	8,083	18,501
Short-term borrowings	13,668	26,539
Current portion of long-term debt	1,327	546
Accrued expenses	1,639	1,834
Income taxes payable	530	2,384
Reserve for bonuses	647	235
Deferred tax liabilities	5	1
Other	3,951	8,402
Total current liabilities	29,851	58,445
Fixed liabilities		
Long-term debt	10,015	-
Deferred tax liabilities	4,761	5,063
Provision for retirement benefits	2,655	2,080
Reserve for directors' retirement benefits	253	256
Reserve for executive officers' retirement benefits	70	68
Provision for environment and safety measures	727	727
Other	1,144	1,096
Total fixed liabilities	19,629	9,293
Total liabilities	49,481	67,738
Net assets		
Shareholders' capital		
Common stock	20,436	20,436
Additional paid-in capital	17,502	17,503
Retained earnings	65,607	66,778
Treasury stock	(5,109)	(5,105)
Total Shareholders' capital	98,437	99,612
Valuation and translation adjustments		
Net unrealized gains/losses on other securities	6,710	5,912
Deferred hedge gain/loss	(0)	5
Foreign currency translation adjustments	(2,469)	(2,816)
Total valuation and translation adjustments	4,241	3,101
Minority interests	1,775	1,719
Total net assets	104,454	104,433
Total liabilities and net assets	153,936	172,172

(2) Quarterly Consolidated Statements of Operations

First Nine Months	(millions of yen)
	FY 2009 First Nine Months (Nine months ended September 30, 2009)
	Amount
Net sales	58,670
Cost of sales	46,480
Gross profit	12,189
Selling, general and administrative expenses	9,612
Operating income	2,577
Non-operating income	
Interest income	40
Dividend income	212
Rental income	228
Equity in income of non-consolidated subsidiaries and affiliates	240
Foreign exchange gains	100
Other non-operating income	458
Total non-operating income	1,280
Non-operating expense	
Interest expense	540
Other non-operating expense	731
Total non-operating expense	1,271
Ordinary income	2,586
Extraordinary income	
Gain in sales of fixed assets	101
Reversal for allowance for doubtful accounts	12
Total extraordinary income	113
Extraordinary loss	
Impairment loss	880
Special retirement expenses	245
Loss on write-down of membership	2
Total extraordinary loss	1,128
Income before income taxes	1,571
Income taxes, inhabitants tax, and enterprise taxes	1,045
Income taxes adjustments	(170)
Total income taxes	875
Minority interests in income (loss) of consolidated subsidiaries	(85)
Net income	782

(3) Quarterly Consolidated Statements of Cash Flows

	(millions of yen)
	FY 2009 First Nine Months (Nine months ended September 30, 2009)
	Amount
Cash flows from operating activities:	
Income before income taxes	1,571
Depreciation and amortization	6,960
Impairment loss	880
Amortization of goodwill	80
Increase (decrease) in allowance for doubtful accounts	(6)
Increase (decrease) in reserve for bonuses	411
Increase (decrease) in provision for retirement benefits	537
(Increase) decrease in prepaid pension cost	115
Increase (decrease) in reserve for directors' retirement benefits	(11)
Increase (decrease) in reserve for executive officers' retirement benefits	1
Interest and dividends income	(252)
Interest paid	540
Foreign exchange (gain) loss	(25)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(240)
(Gain) loss on sales of fixed assets	(101)
Special retirement expense	245
(Increase) decrease in trade receivables	13,531
(Increase) decrease in inventories	41
Increase (decrease) in trade payables	(10,560)
(Increase) decrease in advance payment	1,183
Other	(1,890)
Subtotal	13,014
Interest and dividends received	283
Interest paid	(537)
Income taxes paid	(2,991)
Net cash provided by (used in) operating activities	9,768
Cash flows from investing activities:	
Purchase of tangible fixed assets	(9,449)
Sales of tangible fixed assets	140
Purchase of intangible fixed assets	(88)
Other	33
Net cash provided by (used in) investing activities	(9,363)
Cash flows from financing activities:	
Net increase (decrease) in short-term borrowings	(13,030)
Repayment of long-term debt	11,319
Payment for purchase of treasury stock	(575)
Dividend paid	(1,960)
Proceeds from minority shareholders	133
Other	(28)
Net cash provided by (used in) financing activities	(4,141)
Effect of exchange rate changes on cash and cash equivalents	121
Increase (decrease) in cash and cash equivalents	(3,615)
Cash and cash equivalents at beginning of the period	13,274
Cash and cash equivalents at end of the period	9,659

Effective from the consolidated fiscal year ending December 31, 2009, the Company adopted the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan Statement No. 12, March 14, 2007) and the "Implementation Guidance on the Accounting Standard for Quarterly Financial Reporting" (ASBJ Implementation Guidance No. 14, March 14, 2007). Consolidated quarterly financial statements are prepared in conformity with the "Regulations of Consolidated Quarterly Financial Statements."

Pursuant to the provision of Article 7, Paragraph 1, Item 5 of the Supplementary Provisions of the "Cabinet Office Ordinance on Partial Amendment of the Regulations on Terminology, Format and Preparation Method of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008), consolidated quarterly financial statements are prepared to conform to the revised Regulations of Consolidated Quarterly Financial Statements.

(4) Note on the going-concern assumption

Not applicable

(5) Segment Information

Business segment information

FY 2009 First Nine Months (Nine months ended September 30, 2009)

(millions of yen)

	Carbon and graphite products	Industrial furnaces and related products	Other	Total	Elimination or corporate	Consolidated
I. Net sales and operating income/loss						
Net sales						
(1) External sales	55,003	3,311	356	58,670	—	58,670
(2) Inter-segment sales	152	307	300	760	(760)	—
Total	55,155	3,618	657	59,430	(760)	58,670
Operating income	2,344	75	189	2,608	(31)	2,577

Notes:

1. Method of segmentation

Business segmentation is primarily based on the Company's conventional sales categories. It also takes into consideration factors such as the nature, method of production, and use of the product in question.

2. Major products by business segment

Business segments	Major products
Carbon and graphite products	Carbon black for rubber products, artificial graphite electrodes for electric arc furnaces, fine-carbon products (specialty graphite products), friction materials, carbon brush, impervious graphite, pencil lead-cores
Industrial furnaces and related products	Industrial electric furnaces, gas furnaces, silicon carbide heating element/alumina refractory, heat-insulating refractory, silicon carbide heating elements, ceramic resistors
Other	Cargo transportation, Property leasing

3. With the application of the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9, July 5, 2006) effective from the consolidated first quarter, ordinary inventories held for the purpose of sales, which were previously stated mainly at cost determined by the weighted-average method for each month, are now mainly stated at cost determined by the weighted-average method for each month (the balance sheet amount is written down based on the decrease in profitability). As a result, operating income of carbon and graphite products and operating income of industrial furnaces and related products respectively decreased ¥838 million and ¥90 million for the period under review.

4. The Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement (ASBJ Practical Issues Task Force No. 18, May 17, 2006) was applied effective from the consolidated first quarter. As a result, operating income of carbon and graphite products increased ¥175 million for the period under review.

Geographic segment information

FY 2009 First Nine Months (Nine months ended September 30, 2009)

(millions of yen)

	Japan	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	38,125	9,719	8,044	2,781	58,670	—	58,670
(2) Inter-segment sales	4,166	395	634	25	5,223	(5,223)	—
Total	42,292	10,115	8,678	2,807	63,893	(5,223)	58,670
Operating income	1,071	1,375	(54)	193	2,586	(8)	2,577

Notes:

- Classification method of geographic segment: by geographic proximity
- Major countries or regions in each segment other than Japan:
 - Europe: Germany, United Kingdom, Italy and Sweden
 - Asia: Thailand and China
 - Other: North America
- With the application of the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9, July 5, 2006) effective from the consolidated first quarter, ordinary inventories held for the purpose of sales, which were previously stated mainly at cost determined by the weighted-average method for each month, are now mainly stated at cost determined by the weighted-average method for each month (the balance sheet amount is written down based on the decrease in profitability). As a result, operating income in Japan decreased ¥929 million for the period under review.
- The Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement (ASBJ Practical Issues Task Force No. 18, May 17, 2006) was applied effective from the consolidated first quarter. As a result, operating income in Europe increased ¥49 million and operating loss in Asia decreased ¥125 million during the period under review.

Overseas sales

FY 2009 First Nine Months (Nine months ended September 30, 2009)

(millions of yen)

	Asia	Europe	Other areas	Total
I. Overseas sales	15,266	8,715	5,198	29,181
II. Consolidated net sales	-	-	-	58,670
III. Ratio of overseas sales to consolidated sales	26.0%	14.9%	8.9%	49.7%

Notes:

- Classification method of geographic segment: by geographic proximity
- Major countries or regions in each segment:
 - Asia: Korea, China, Taiwan, Thailand and Indonesia
 - Europe: Germany, United Kingdom, Italy and Sweden
 - Other areas: North America, Middle East, Africa, South America and Oceania
- "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

(6) Notes when the amount of shareholder equity has changed significantly

Not applicable