

Financial Results
for the First Quarter of the Fiscal Year Ending December 31, 2010—Consolidated

May 7, 2010

Company name: **Tokai Carbon Co., Ltd.**
Listings: Tokyo Stock Exchange, first section
Security code: 5301
URL: <http://www.tokaicarbon.co.jp/>
Representative: Yoshinari Kudo, President and Representative Director
Contact: Kazuhiko Matsubara, General Manager, Accounting Department,
Corporate Administration Division
Tel: +81-3-3746-5100
Scheduled dates
Scheduled Date for Submission of Quarterly Report: May 13, 2010
Commencement of dividend payments: -

1. Consolidated Financial Results for the End of the First Quarter of the Year Ending December 31, 2010 (January 1 to March 31, 2010)

(Amounts rounded down to the nearest million yen)

(1) Operating Results (Cumulative)

(percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter, fiscal year ending December 31, 2010	25,223	51.7	2,097	557.9	2,049	179.4	1,299	72.7
First quarter, fiscal year ended December 31, 2009	16,623	-	318	-	733	-	752	-

	Net income per share	Net income per share—fully diluted
	yen	yen
First quarter, fiscal year ending December 31, 2010	5.97	-
First quarter, fiscal year ended December 31, 2009	3.46	

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
First quarter, fiscal year ending December 31, 2010	155,567	107,102	67.6	482.74
December 31, 2009	154,922	106,042	67.2	478.26

Note: Shareholders' equity:
First quarter, fiscal year ending December 31, 2010: ¥ 105,121 million
Year ended December 31, 2009: ¥ 104,148 million

2. Dividends

Record date	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
Year ended December 31, 2009	-	4.00	-	4.00	8.00
Year ending December 31, 2010	-				
Year ending December 31, 2010 (forecast)		4.00	-	4.00	8.00

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

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2010 (January 1, 2010 to December 31, 2010)

(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
Interim	49,000	31.9	3,600	348.6	3,300	177.7	1,700	-	7.81
Full year	100,000	20.1	8,000	51.0	7,500	50.2	4,100	53.3	18.83

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 5, 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: None
- 2) Changes other than the above: None

Note: Please refer to "4. Miscellaneous" on page 5, 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):

First quarter, fiscal year ending December 31, 2010: 224,943,104 shares
December 31, 2009: 224,943,104 shares

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

First quarter, fiscal year ending December 31, 2010:	7,183,558 shares
December 31, 2009	
:	7,176,461 shares

3) Average number of shares during the period (quarterly consolidated cumulative period):

First quarter, fiscal year ending December 31, 2010:	217,764,305 shares
First quarter, fiscal year ended December 31, 2009:	217,789,799 shares

Appropriate Use of Earnings Forecasts and Other Important Information

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.

Qualitative information and financial statements

1. Qualitative information related to consolidated operating results

During the first quarter under review (from January 1 to March 31, 2010), although the country's economy continued to suffer from a difficult employment and income environment, a recovery was seen mainly in production activities with capital investment bottoming out and operation rates increasing due to a moderate recovery of the global economy led by emerging countries and economic stimulus measures taken by governments. Overall, there are growing signs that the economy is bottoming out, although downside risk remains.

Against such a backdrop, the industries in which the Tokai Carbon Group's customers operate (e.g., rubber products, steel, IT hardware, and industrial machinery) completed inventory adjustments, resulting in a gradual recovery of demand.

As a result, consolidated net sales in the first quarter under review increased 51.7% to ¥25,223 million. As a result of continued efforts to cut expenses across the board since the previous quarter, operating income increased 557.9% to ¥2,097 million from the previous year and ordinary income rose 179.4% year-on-year to ¥2,049 million. Quarterly net income increased 72.7% to ¥1,299 million.

The status of our principal business segments is as follows:

Carbon Products

The sales volume of carbon black recovered steadily due to recoveries of tire and automobile production since the third quarter of last year. As a result, net sales increased 48.5% year-on-year to ¥9,196 million.

The sales volume of graphite electrodes recovered, particularly those for export, to meet demand as iron and steel production gradually recovered after bottoming out in the first quarter of last year and the main sources of demand for the products completed inventory adjustments. As a result, net sales of graphite electrodes rose 98.7% year-on-year to ¥9,925 million.

Demand for fine carbon has been picking up, particularly in the solar cell, semiconductor, and automobile markets, since the third quarter of last year, showing that demand is on a recovery track. Against this backdrop, net sales of fine carbon products increased 10% year-on-year to ¥3,220 million.

The friction materials business saw demand bottoming out as the main sources of demand for its products carried out further inventory adjustments. In particular, sales of friction materials to manufacturers of construction machinery saw solid growth as exports of construction machinery to China increased. Net sales of friction materials increased 33.9% year-on-year to ¥1,814 million.

Overall, the segment's net sales totaled ¥24,156 million, a 56.1% increase year on year. Its operating income was up 693.7% to ¥1,948 million.

Industrial Furnaces and Related Products

Although demand from IT-related industries, the main source of demand for its products, appears to be picking up, a full-scale recovery of capital investment has yet to be seen. Consequently, sales of industrial furnaces, the core products of the segment, were sluggish. Although orders for heating elements and other related products gradually recovered, overall sales remained at low levels. As a result, the segment's net sales totaled ¥971 million, a 5.7% decrease year-on-year. Its operating income was up 2,550.2% to ¥82 million.

Other Operations

Net revenues from other operations (e.g., real estate rental revenues) declined 22.1% year-on-year to ¥95 million. Operating income increased 5.6% to ¥61 million.

2. Qualitative information related to changes in consolidated financial position

At March 31, 2010, consolidated assets totaled ¥155,567 million, a ¥644 million increase from previous fiscal year-end. Current assets totaled ¥77,590 million, a ¥712 million increase from the 2009

fiscal year-end, which was largely due to increased cash and deposits. Fixed assets totaled ¥77,976 million, a decrease of ¥67 million from the 2009 fiscal year-end, which was mainly due to declines of tangible fixed assets, despite increases in the market values of investment securities.

Consolidated liabilities totaled ¥48,464 million at March 31, 2010, a decrease of ¥415 million from the 2009 fiscal year-end. Of this total, current liabilities accounted for ¥27,890 million, down ¥691 million from the 2009 fiscal year-end, mainly as a result of the payment of accrued income taxes, despite increased short-term borrowings. Fixed liabilities totaled ¥20,573 million, an increase of ¥276 million from the 2009 fiscal year-end, which was mainly due to increased deferred tax liabilities. Consolidated net assets totaled ¥107,102 million at March 31, 2010, an increase of ¥1,060 million from the 2009 fiscal year-end. This increase is primarily attributable to increased retained earnings and net unrealized gains/losses on other securities.

Consequently, the shareholders' equity ratio increased 0.4 percentage point from December 2009 to 67.6%.

3. Qualitative information related to forecast of consolidated results

There are no changes in the forecast for consolidated results announced in the financial results for the year-ended December 2009 (February 10, 2010).

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.

The determination of the recoverability of deferred tax assets is based on the future earnings forecast that was used in the previous consolidated fiscal year's account settlement and tax planning, assuming there are no significant changes in the business environment and in occurrence of temporary differences after the fiscal 2009 year-end.

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

Not applicable

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(millions of yen)

	As of the End of the First Quarter under Review (March 31, 2010)	Summarized Consolidated Balance Sheet as of the End of the Previous Fiscal Year (December 31, 2009)
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	11,331	9,285
Notes and accounts receivable	28,035	28,408
Merchandise and finished goods	9,963	10,044
Work in process	16,205	17,039
Raw materials and supplies	9,214	9,738
Deferred tax assets	943	897
Other	2,016	1,576
Allowance for doubtful accounts	(119)	(109)
Total current assets	77,590	76,878
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,631	15,843
Machinery, equipment and vehicles, net	22,435	23,369
Furnaces, net	3,093	3,221
Land	7,239	7,264
Construction in progress	4,393	4,080
Other, net	981	988
Total tangible fixed assets	53,775	54,767
Intangible fixed assets		
Software	608	673
Other	26	26
Total intangible fixed assets	635	700
Investments and other assets		
Investment securities	21,826	20,544
Deferred tax assets	301	342
Other	1,498	1,757
Allowance for doubtful accounts	(60)	(67)
Total investment and other assets	23,565	22,576
Total fixed assets	77,976	78,043
Total assets	155,567	154,922

(millions of yen)

	As of the End of the First Quarter under Review (March 31, 2010)	Summarized Consolidated Balance Sheet as of the End of the Previous Fiscal Year (December 31, 2009)
	Amount	Amount
Liabilities		
Current liabilities		
Notes and account payable	10,091	10,488
Short-term borrowings	11,792	10,677
Current portion of long-term debt	10	10
Accrued expenses	1,207	1,352
Income taxes payable	803	1,843
Deferred tax liabilities	6	6
Reserve for bonuses	624	169
Other	3,354	4,032
Total current liabilities	27,890	28,582
Fixed liabilities		
Long-term debt	11,260	11,333
Deferred tax liabilities	4,655	4,180
Provision for retirement benefits	2,506	2,568
Reserve for directors' retirement benefits	213	258
Reserve for executive officers' retirement benefits	60	73
Provision for environment and safety measures	727	727
Other	1,150	1,155
Total fixed liabilities	20,573	20,297
Total liabilities	48,464	48,879
Net assets		
Shareholders' capital		
Common stock	20,436	20,436
Additional paid-in capital	17,502	17,502
Retained earnings	67,928	67,499
Treasury stock	(5,115)	(5,111)
Total Shareholders' capital	100,752	100,326
Valuation and translation adjustments		
Net unrealized gains/losses on other securities	6,743	5,988
Deferred hedge gain/loss	(0)	-
Foreign currency translation adjustments	(2,374)	(2,166)
Total Valuation and translation adjustments	4,368	3,821
Minority interests	1,981	1,893
Total net assets	107,102	106,042
Total liabilities and net assets	155,567	154,922

(2) Quarterly Consolidated Statements of Operations
(Consolidated first quarter of the year)

(millions of yen)

	Previous Consolidated First Quarter under Review (From January 1 to March 31, 2009)	Consolidated First Quarter under Review (From January 1 to March 31, 2010)
	Amount	Amount
Net sales	16,623	25,223
Cost of sales	13,162	19,745
Gross profit	3,460	5,477
Selling, general and administrative expenses	3,141	3,379
Operating income	318	2,097
Non-operating income		
Interest income	13	7
Dividend income	53	42
Rental income	76	71
Equity in income of non-consolidated subsidiaries and affiliates	101	28
Foreign exchange gains	394	25
Other non-operating income	111	104
Total non-operating income	750	278
Non-operating expense		
Interest expense	181	153
Other non-operating expense	154	174
Total non-operating expense	335	327
Ordinary income	733	2,049
Extraordinary income		
Gain on sale of fixed assets	-	9
Reversal for allowance for doubtful accounts	9	-
Total extraordinary income	9	9
Income before income taxes	742	2,058
Income taxes, inhabitants tax, and enterprise taxes	213	718
Income taxes adjustments	(153)	(17)
Total income taxes	60	701
Minority interests in income (loss) of consolidated subsidiaries	(70)	57
Net income	752	1,299

(3) Quarterly Consolidated Statements of Cash Flows

(millions of yen)

	Previous Consolidated First Quarter under Review (From January 1 to March 31, 2009)	Consolidated First Quarter under Review (From January 1 to March 31, 2010)
	Amount	
Cash flows from operating activities:		
Income before income taxes	742	2,058
Depreciation and amortization	2,120	2,102
Amortization of goodwill	80	-
Increase (decrease) in allowance for doubtful accounts	(0)	6
Increase (decrease) in reserve for bonuses	508	454
Increase (decrease) in provision for retirement benefits	450	29
(Increase) decrease in prepaid pension cost	39	(56)
Increase (decrease) in reserve for directors' retirement benefits	(10)	(45)
Increase (decrease) in reserve for executive officers' retirement benefits	(8)	(13)
Interest and dividends income	(67)	(50)
Interest paid	181	153
Foreign exchange (gain) loss	(127)	(19)
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(101)	(28)
(Increase) decrease in trade receivables	13,166	266
(Increase) decrease in inventories	(1,749)	1,297
Increase (decrease) in trade payables	(7,568)	(356)
(Increase) decrease in advance payment	686	-
Other	(706)	(78)
Subtotal	7,637	5,721
Interest and dividends received	93	47
Interest paid	(155)	(184)
Income taxes paid	(2,275)	(1,773)
Net cash provided by (used in) operating activities	5,301	3,811
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	-	202
Purchase of tangible fixed assets	(4,412)	(1,802)
Purchase of intangible fixed assets	(59)	(13)
Other	18	15
Net cash provided by (used in) investing activities	(4,453)	(1,596)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(11,792)	935
Repayment of long-term debt	11,218	-
Payment for purchase of treasury stock	(79)	(2)
Dividend paid	(1,088)	(871)
Proceeds from minority shareholders	133	-
Other	(22)	(22)
Net cash provided by (used in) financing activities	(1,632)	39
Effect of exchange rate changes on cash and cash equivalents	316	(4)
Increase (decrease) in cash and cash equivalents	(468)	2,249
Cash and cash equivalents at beginning of the period	13,274	8,977
Cash and cash equivalents at end of the period	12,805	11,227

(4) Note on the going-concern assumption

Not applicable

(5) Segment Information

Business segment information

Previous Consolidated First Quarter under Review (From January 1 to March 31, 2009)

(millions of yen)

	Carbon and graphite products	Industrial furnaces and related products	Other	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	15,470	1,030	121	16,623	-	16,623
(2) Inter-segment sales	35	27	92	155	(155)	-
Total	15,506	1,058	214	16,778	(155)	16,623
Operating income	245	3	57	306	12	318

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

- 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 under review, 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 ¥95 million and ¥76 million.
- 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 under review. As a result, operating income of carbon and graphite products increased ¥88 million.

Consolidated First Quarter under Review (From January 1 to March 31, 2010)

(millions of yen)

	Carbon and graphite products	Industrial furnaces and related products	Other	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	24,156	971	95	25,223	-	25,223
(2) Inter-segment sales	33	13	134	181	(181)	-
Total	24,189	985	229	25,405	(181)	25,223
Operating income	1,948	82	61	2,091	5	2,097

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

Geographic segment information

Previous Consolidated First Quarter under Review (From January 1 to March 31, 2009)

(millions of yen)

	Japan	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	11,634	2,415	1,985	587	16,623	-	16,623
(2) Inter-segment sales	1,376	6	237	6	1,627	(1,627)	-
Total	13,011	2,421	2,223	593	18,250	(1,627)	16,623
Operating income	230	218	(180)	70	338	(19)	318

Notes:

1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) Europe: Germany, United Kingdom, Italy and Sweden
 - (2) Asia: Thailand and China
 - (3) Other: North America
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 under review, 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 ¥124 million and operating loss in Asia increased ¥46 million.
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 under review. As a result, operating income in Europe increased ¥12 million and operating loss in Asia decreased ¥76 million.

Consolidated First Quarter under Review (From January 1 to March 31, 2010)

(millions of yen)

	Japan	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	15,834	4,305	3,884	1,198	25,223	-	25,223
(2) Inter-segment sales	1,904	295	164	8	2,372	(2,372)	-
Total	17,738	4,600	4,049	1,206	27,595	(2,372)	25,223
Operating income	1,114	529	461	63	2,168	(70)	2,097

Notes:

1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) Europe: Germany, United Kingdom, Italy and Sweden
 - (2) Asia: Thailand and China
 - (3) Other: North America

Overseas sales

Previous Consolidated First Quarter under Review (From January 1 to March 31, 2009)
(millions of yen)

	Asia	Europe	Other areas	Total
I. Overseas sales	3,290	2,098	1,492	6,881
II. Consolidated net sales	-	-	-	16,623
III. Ratio of overseas sales to consolidated sales	19.8%	12.6%	9.0%	41.4%

Notes:

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

Consolidated First Quarter under Review (From January 1 to March 31, 2010)
(millions of yen)

	Asia	Europe	Other areas	Total
I. Overseas sales	6,614	3,875	2,516	13,006
II. Consolidated net sales	-	-	-	25,223
III. Ratio of overseas sales to consolidated sales	26.2%	15.4%	10.0%	51.6%

Notes:

1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment:
 - (1) Asia: Korea, China, Taiwan, Thailand and Indonesia
 - (2) Europe: Germany, United Kingdom, Italy and Sweden
 - (3) Other areas: North America, Middle East, Africa, South America and Oceania
3. "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 shareholders' equity has changed significantly

Not applicable