

**Financial Results
for the Nine Months of the Fiscal Year Ending December 31, 2010—Consolidated
[Japan GAAP]**

November 5, 2010

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 11, 2010
Commencement of dividend payments: –
Supplementary reference documents to support the
quarterly financial statements: Yes
Explanatory meeting to discuss the quarterly financial
statements will be held: Yes (for institutional investors and
analysts only)

**1. Consolidated Financial Results for the End of the Nine Months of the Year Ending
December 31, 2010 (January 1 to September 30, 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	%
Nine months ended September 30, 2010	80,598	37.4	8,316	222.6	7,661	196.2	4,376	459.5
Nine months ended September 30, 2009	58,670	–	2,577	–	2,586	–	782	–

	Net income per share	Net income per share—fully diluted
Nine months ended September 30, 2010	yen 20.17	yen –
Nine months ended September 30, 2009	3.59	–

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
As of September 30, 2010	151,321	104,198	67.5	478.16
As of December 31, 2009	154,922	106,042	67.2	478.26

Note: Shareholders' equity:
 As of September 30, 2010: ¥ 102,130 million
 As of December 31, 2009: ¥ 104,148 million

2. Dividends

Record date	Annual dividend				
	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	–	4.00	–		
Year ending December 31, 2010 (forecast)				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
Full year	109,000	30.9	9,600	81.2	9,400	88.3	5,400	101.9	25.28

Note: No revision of forecast in the quarter under review

4. Other Information (For more information, see page 6 of the “attachments”, section 2. Miscellaneous.)

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

Newly consolidated: __ company (companies) (name of company)
 Excluded from consolidation: __ company (companies) (name of company)
 Note: changes in specified subsidiaries that involved changes in the scope of consolidation

(2) Application of simplified accounting practices and specific accounting methods: Yes

Note: The “Yes/no” item indicates whether or not the item has applied the “simplified accounting practices and accounting methods specific to the preparation of quarterly financial statements”.

(3) Changes in accounting principles, procedures, and methods

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

Note: The “Yes/no” item indicates whether or not the principles, procedures and methods for preparing quarterly consolidated financial statements incorporated in the “significant changes in methods of disclosure used to prepare quarterly consolidated financial statements” were used.

(4) Number of shares issued (common stock)

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

As of September 30, 2010:	224,943,104 shares
As of December 31, 2009:	224,943,104 shares

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

As of September 30, 2010:	11,354,797 shares
As of December 31, 2009:	7,176,461 shares

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

Nine months ended September 30, 2010:	216,938,728 shares
Nine months ended September 30, 2009:	217,783,233 shares

***Status of conducting the “Quarterly Review”**

At the time that these quarterly financial results were released, the review process for disclosing quarterly consolidated financial statements under the Financial Instruments and Exchange Act” had been completed.

***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 section 1. “(3) Qualitative information related to forecasts of consolidated results” on page 6 in the “Attachments” section.

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*The company intends to conduct an explanatory meeting for investors on the date indicated below. The documents distributed during that explanatory meeting will be posted on the company website at the earliest possible opportunity.

- Explanatory meeting for analysts: November 12, 2010 (Friday)

1. Qualitative information related to consolidated quarterly earnings results

(1) Qualitative information related to consolidated operating results

During the nine months (from January 1 to September 30, 2010) of fiscal 2010, the Japanese economy was on a steady recovery track along with a moderate recovery of the global economy supported by growth in emerging economies and the impact of economic stimulus measures taken by governments. Despite this, however, employment and income conditions remained severe. The economic recovery also began to cloud and the expansion of export and production slowed down stemming from the rapid appreciation of the yen and the decelerating global economy.

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 for the nine months under review increased 37.4% year-on-year, to ¥80,598 million. Operating income increased 222.6% year-on-year, to ¥8,316 million as a result of continued efforts to cut expenses across the board since the previous quarter. Ordinary income rose 196.2% year-on-year, to ¥7,661 million. Quarterly net income soared to ¥4,376 million, up 459.5% year-on-year.

The status of our principal business segments is as follows:

Carbon Products

In the carbon black business, sales volume was on a recovery along with a steady recovery in the production of automobiles and tires. The company also revised sales prices to meet rises in the price of raw oil. As a result, net sales in the carbon black business increased by 42.3% year-on-year, to ¥29,612 million.

In the graphite electrode business, global blast furnace production of raw steel in the third quarter of the fiscal year kept above 100 million ton levels per month. However, a steady recovery in our electrode shipments began to show a sign of slowdown. This was attributed primarily to a reduction in production in Korean electric arc furnace steel industry, our major customers, since the middle of the year, primarily reflecting a decline in demand for construction steel. As a result, despite the impact of a decline in export sales due to the appreciated yen, net sales in the graphite electrode business increased 34.7% year-on-year, to ¥29,771 million, supported by a recovery in demand until the second quarter of the year.

In the fine carbon business, strong demands in the growing solar cells market and the semiconductor and automotive industries remain since the start of the year, and the demand increased primarily in China, Korea and other countries in Asia. As a result, despite the impact of export sales declining due to the appreciated yen, net sales in the fine carbon business increased 34.2% year-on-year, to ¥11,170 million.

In the friction materials business, the demand continued to increase due to the construction machinery market, our major client segment, expanded mainly in the emerging countries. As a result, net sales in the friction materials business rose by 50.0% year-on-year, to ¥5,654 million.

Based on the above items, sales in the carbon products segment as a whole increased by 38.6% year-on-year, to ¥76,209 million. Operating income soared by 218.9% year-on-year, to ¥7,474 million.

Industrial Furnaces and Related Products

Sales of industrial furnaces declined due to a hesitant attitude taken by major clients in IT-related industries for new investment although capital investments remained in a moderate recovery. However, sales of heating elements and related products rose owing to steady demand in the electronic component, optical and liquid crystal glass industries. As a result, net sales in the industrial furnaces and related products business increased by 23.0% year-on-year, to ¥4,072 million. Operating income also soared by 786.0% year-on-year, to ¥670 million as a result of our successful efforts in improving the profitable structure centering on the heating elements operation.

Other Operations

Net revenues from other operations (e.g., real estate rental revenues) declined 11.1% year-on-year, to ¥316 million. However, operating income increased 11.7% to ¥211 million.

(2) Qualitative information related to changes in consolidated financial position

At September 30, 2010, consolidated assets totaled ¥151,321 million, a ¥3,600 million decrease from the 2009 fiscal year-end. Current assets totaled ¥78,047 million, a ¥1,169 million increase from the previous fiscal year-end, which resulted from a decrease in inventories and increases in cash and cash equivalents as well as notes and accounts receivable. Fixed assets totaled ¥73,273 million, a decrease of ¥4,770 million from the 2009 fiscal year-end, which was mainly due to a decline in tangible fixed assets and investment securities.

Consolidated liabilities totaled ¥47,123 million at September 30, 2010, a decrease of ¥1,756 million from the 2009 fiscal year-end. Of this total, current liabilities accounted for ¥26,551 million, down ¥2,030 million from the previous fiscal year-end, mainly as a result of a decrease in short-term borrowings. Fixed liabilities totaled ¥20,571 million, an increase of ¥273 million from the 2009 fiscal year-end, which was mainly due to an increase in long-term borrowings.

Consolidated net assets totaled ¥104,198 million at September 30, 2010, a decrease of ¥1,844 million from the 2009 fiscal year-end. The decrease is primarily due to a decrease in foreign currency translation adjustments and acquisition of treasury stock despite increase in retained earnings.

Consequently, the shareholders' equity ratio increased 0.3 percentage point from December 31, 2009 to 67.5%.

(3) Qualitative information related to forecasts of consolidated results

Our forecasts of consolidated results have been unchanged from those announced (on August 6, 2010) in the consolidated results for the second quarter of fiscal 2010 ending December 31, 2010.

2. Miscellaneous

(1) Changes in significant subsidiaries

Not applicable

(2) Application of simplified accounting practices and specific accounting methods

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.

(3) Changes in accounting principles and procedures, and presentation

Not applicable

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(millions of yen)

	As of the End of the Third Quarter under Review (September 30, 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	10,808	9,285
Notes and accounts receivable	29,581	28,408
Short-term investment securities	100	–
Merchandise and finished goods	9,816	10,044
Work in process	14,833	17,039
Raw materials and supplies	9,355	9,738
Deferred tax assets	936	897
Other	2,677	1,576
Allowance for doubtful accounts	(60)	(109)
Total current assets	78,047	76,878
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,444	15,843
Machinery, equipment and vehicles, net	20,338	23,369
Furnaces, net	2,717	3,221
Land	7,102	7,264
Construction in progress	5,590	4,080
Other, net	858	988
Total tangible fixed assets	52,052	54,767
Intangible fixed assets		
Software	494	673
Other	25	26
Total intangible fixed assets	519	700
Investments and other assets		
Investment securities	18,917	20,544
Deferred tax assets	263	342
Other	1,577	1,757
Allowance for doubtful accounts	(56)	(67)
Total investment and other assets	20,702	22,576
Total fixed assets	73,273	78,043
Total assets	151,321	154,922

(millions of yen)

	As of the End of the Third Quarter under Review (September 30, 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	11,574	10,488
Short-term borrowings	7,676	10,677
Current portion of long-term debt	286	10
Accrued expenses	1,300	1,352
Income taxes payable	1,254	1,843
Reserve for bonuses	693	169
Deferred tax liabilities	7	6
Other	3,758	4,032
Total current liabilities	26,551	28,582
Fixed liabilities		
Long-term debt	12,252	11,333
Deferred tax liabilities	3,496	4,180
Provision for retirement benefits	2,409	2,568
Reserve for directors' retirement benefits	221	258
Reserve for executive officers' retirement benefits	56	73
Provision for environment and safety measures	980	727
Other	1,154	1,155
Total fixed liabilities	20,571	20,297
Total liabilities	47,123	48,879
Net assets		
Shareholders' capital		
Common stock	20,436	20,436
Additional paid-in capital	17,502	17,502
Retained earnings	70,133	67,499
Treasury stock	(7,119)	(5,111)
Total Shareholders' capital	100,953	100,326
Valuation and translation adjustments		
Net unrealized gains/losses on other securities	5,037	5,988
Foreign currency translation adjustments	(3,860)	(2,166)
Total Valuation and translation adjustments	1,177	3,821
Minority interests	2,068	1,893
Total net assets	104,198	106,042
Total liabilities and net assets	151,321	154,922

(2) Quarterly Consolidated Statements of Operations
(Consolidated nine months of the year)

(millions of yen)

	Previous Consolidated Nine Months (From January 1 to September 30, 2009)	Consolidated Nine Months under Review (From January 1 to September 30, 2010)
	Amount	Amount
Net sales	58,670	80,598
Cost of sales	46,480	61,904
Gross profit	12,189	18,694
Selling, general and administrative expenses	9,612	10,377
Operating income	2,577	8,316
Non-operating income		
Interest income	40	21
Dividend income	212	209
Rental income	228	220
Equity in income of non-consolidated subsidiaries and affiliates	240	233
Foreign exchange gains	100	—
Other non-operating income	458	305
Total non-operating income	1,280	990
Non-operating expense		
Interest expense	540	446
Foreign exchange loss	—	674
Other non-operating expense	731	524
Total non-operating expense	1,271	1,645
Ordinary income	2,586	7,661
Extraordinary income		
Gain on sale of fixed assets	101	37
Reversal for allowance for doubtful accounts	12	—
Total extraordinary income	113	37
Extraordinary losses		
Provisions for environment and safety measures	—	292
Loss on valuation of investment securities	—	130
Impairment loss	880	15
Special retirement expenses	245	—
Loss on valuation of membership	2	—
Total extraordinary losses	1,128	437
Income before income taxes	1,571	7,261
Income taxes, inhabitants tax, and enterprise taxes	1,045	2,671
Income taxes adjustments	(170)	(38)
Total income taxes	875	2,632
Minority interests in income (loss) of consolidated subsidiaries	(85)	251
Net income	782	4,376

(3) Quarterly Consolidated Statements of Cash Flows

(millions of yen)

	Previous Consolidated Nine Months (From January 1 to September 30, 2009)	Consolidated Nine Months under Review (From January 1 to September 30, 2010)
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes	1,571	7,261
Depreciation and amortization	6,960	6,487
Impairment loss	880	15
Amortization of goodwill	80	–
Increase (decrease) in allowance for doubtful accounts	(6)	(50)
Increase (decrease) in reserve for bonuses	411	523
Increase (decrease) in provision for retirement benefits	537	76
(Increase) decrease in prepaid pension cost	115	(169)
Increase (decrease) in reserve for directors' retirement benefits	(11)	(37)
Increase (decrease) in reserve for executive officers' retirement benefits	1	(17)
Increase (decrease) in provisions for environment and safety measures	–	252
Interest and dividends income	(252)	(231)
Interest paid	540	446
Foreign exchange (gain) loss	(25)	139
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(240)	(233)
(Gain) loss on valuation of investment securities	–	130
(Gain) loss on sale of fixed assets	(101)	(37)
Special retirement expenses	245	–
(Increase) decrease in trade receivables	13,531	(1,863)
(Increase) decrease in inventories	41	2,116
Increase (decrease) in trade payables	(10,560)	1,391
(Increase) decrease in advance payment	1,183	(155)
Other	(1,890)	216
Subtotal	13,014	16,262
Interest and dividends received	283	280
Interest paid	(537)	(491)
Income taxes paid	(2,991)	(2,904)
Net cash provided by (used in) operating activities	9,768	13,146
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	–	249
Purchase of tangible fixed assets	(9,449)	(4,973)
Sales of tangible fixed assets	140	159
Purchase of intangible fixed assets	(88)	(49)
Other	33	(9)
Net cash provided by (used in) investing activities	(9,363)	(4,623)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(13,030)	(2,790)
Proceeds from long-term debt	11,319	1,385
Repayment of long-term debt	(575)	(7)
Purchase of treasury stock	–	(2,010)
Dividend paid	(1,960)	(1,742)
Proceeds from minority shareholders	133	–
Other	(28)	(25)
Net cash provided by (used in) financing activities	(4,141)	(5,190)

(millions of yen)

	Previous Consolidated Nine Months (From January 1 to September 30, 2009)	Consolidated Nine Months under Review (From January 1 to September 30, 2010)
	Amount	Amount
Effect of exchange rate changes on cash and cash equivalents	121	(461)
Increase (decrease) in cash and cash equivalents	(3,615)	2,872
Cash and cash equivalents at beginning of the period	13,274	8,977
Cash and cash equivalents at end of the period	9,659	11,849

(4) Notes on the going-concern assumption

Not applicable

(5) Segment Information

Business segment information

Previous Consolidated Nine Months (From January 1 to September 30, 2009)

(millions of yen)

	Carbon and graphite products	Industrial furnaces and related products	Other	Total	Elimination or corporate	Consolidated
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

Consolidated Nine Months under Review (From January 1 to September 30, 2010)

(millions of yen)

	Carbon and graphite products	Industrial furnaces and related products	Other	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	76,209	4,072	316	80,598	–	80,598
(2) Inter-segment sales	240	73	431	745	(745)	–
Total	76,450	4,146	748	81,344	(745)	80,598
Operating income	7,474	670	211	8,356	(39)	8,316

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. Changes in method of processing accounting

Previous Consolidated Nine Months

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 of carbon and graphite products and operating income of industrial furnaces and related products respectively decreased ¥838 million and ¥90 million in the consolidated nine months.

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 of carbon and graphite products increased ¥175 million.

Geographic segment information

Previous Consolidated Nine Months (From January 1 to 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 (loss)	1,071	1,375	(54)	193	2,586	(8)	2,577

Consolidated Nine Months under Review (From January 1 to September 30, 2010)

(millions of yen)

	Japan	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	51,844	11,129	12,993	4,631	80,598	–	80,598
(2) Inter-segment sales	6,113	447	1,193	65	7,819	(7,819)	–
Total	57,957	11,576	14,186	4,697	88,418	(7,819)	80,598
Operating income	4,930	1,307	1,774	263	8,276	39	8,316

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. Changes in method of processing accounting

Previous Consolidated Nine Months

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 in Japan decreased ¥929 million in the consolidated nine months.

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 in Europe increased ¥49 million and operating loss in Asia decreased ¥125 million in the consolidated nine months.

Overseas sales

Previous Consolidated Nine Months (From January 1 to 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%

Consolidated Nine Months under Review (From January 1 to September 30, 2010)

(millions of yen)

	Asia	Europe	Other areas	Total
I. Overseas sales	23,071	10,555	7,257	40,883
II. Consolidated net sales	–	–	–	80,598
III. Ratio of overseas sales to consolidated sales	28.6%	13.1%	9.0%	50.7%

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

The balance of treasury stock at the end of the consolidated third quarter under review increased by ¥2,007 million from the end of the previous fiscal year, to ¥7,119 million due mainly to purchase of treasury stock, 4,161 shares or ¥1,999 million, between August 12, 2010 and September 2, 2010, in line with a resolution at the board of directors' meeting.