

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending December 31, 2019
[Japanese GAAP]

August 6, 2019

Company name: Tokai Carbon Co., Ltd. Listed on: Tokyo Stock Exchange
 Stock code: 5301 URL <https://www.tokaicarbon.co.jp/>
 Representative: (Title) President & Chief Executive Officer (Name) Hajime Nagasaka
 Contact: (Title) Executive Board Member and General Manager, Accounting & Finance Department (Name) Akihiko Sato TEL 03-3746-5100
 Scheduled date for submission of quarterly report: August 9, 2019 Date for commencement of dividend payments: September 2, 2019
 Supplementary notes to quarterly financial statements : Yes
 Briefing on quarterly financial statements : Yes (For analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Second Quarter Fiscal Year Ending December 31, 2019 (January 1 to June 30, 2019)

(1) Consolidated Operating Results (First six-month period) (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	%
At the end of second quarter of the year ending December 2019	139,176	51.8	40,441	41.8	40,562	38.5	26,067	-40.7
At the end of second quarter of the year ended December 2018	91,688	86.4	28,513	574.3	29,290	494.7	43,975	651.1

Note: Comprehensive income At the end of second quarter of the year ending December 2019 21,061 Millions of yen (-43.8%) At the end of second quarter of the year ended December 2018 37,506 Millions of yen (413.8%)

	Quarterly Net Income per Share	Quarterly Net Income per Share Fully Diluted
	Yen	Yen
At the end of second quarter of the year ending December 2019	122.30	-
At the end of second quarter of the year ended December 2018	206.31	-

Notes: 1. During the third quarter of the consolidated fiscal year ended December 2018, the Company finalized the provisional accounting treatment related to the business combination with TOKAI CARBON GE HOLDING LLC. Figures for the second quarter of the year ended December 31, 2018 have been adjusted to reflect the finalized provisional accounting treatment.
 2. During the first quarter of the consolidated fiscal year ending December 2019, the Company finalized the provisional accounting treatment related to the business combination with Tokai Carbon Korea Co., Ltd. Figures for the second quarter of the year ended December 31, 2018 have been adjusted to reflect the finalized provisional accounting treatment.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Capital-to-asset ratio
	Millions of yen	Millions of yen	%
At the end of second quarter of the year ending December 2019	336,456	225,670	61.1
Fiscal year ended December 31, 2018	329,868	207,833	56.7

For Shareholders' capital: At the end of second quarter of the year ending December 2019 205,726 Millions of yen Fiscal year ended December 31, 2018 187,140 Millions of yen

Notes: 1. During the first quarter of the consolidated fiscal year ending December 2019, the Company finalized the provisional accounting treatment related to the business combination with Tokai Carbon Korea Co., Ltd. and Tokai Carbon CB Ltd. Figures for the fiscal year ended December 31, 2018 have been adjusted to reflect the finalized provisional accounting treatment.
 2. During the first quarter of the consolidated fiscal year ending December 2019, the Company applied the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Corporate Accounting Standards No. 28, February 16, 2018). Therefore, figures for the fiscal year ended December 31, 2018 reflect figures after retrospective application.

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, 2018	-	12.00	-	12.00	24.00
Fiscal year ending December 31, 2019	-	24.00			
Fiscal year ending December 31, 2019 (Forecast)			-	24.00	48.00

Note: Amendment to most recently disclosed dividend forecast : None

3. Consolidated Earnings Forecast for Fiscal Year Ending December 31, 2019 (January 1 to December 31, 2019)

(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
Full year	304,400	31.6	76,900	5.2	76,900	5.4	49,300	-32.8	231.29

Note: Amendment to most recently disclosed earnings forecast : Yes

* Notes:

(1) Changes in significant subsidiaries during the three months under review (that accompanied 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 : Yes
- (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 period (including treasury shares)	2Q of the year ending December 31, 2019	224,943,104 shares	Fiscal year ended December 31, 2018	224,943,104 shares
(b) Number of treasury shares at the end of period	2Q of the year ending December 31, 2019	11,790,071 shares	Fiscal year ended December 31, 2018	11,789,466 shares
(c) Average number of shares during the period (three months under review)	2Q of the year ending December 31, 2019	213,153,338 shares	2Q of the year ended December 31, 2018	213,155,798 shares

* 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 supplemental materials to the quarterly financial statements)

Tokai Carbon has scheduled a briefing on financial results for analysts and institutional investors on Thursday, August 8, 2019. The materials for this briefing will be posted on the corporate website on that day.

○ Supplemental Materials

1. Qualitative information related to this quarter's settlement

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1. Qualitative information related to this quarter's settlement

(1) Explanation regarding business performance

During the second quarter consolidated cumulative period of 2019 (January 1 to June 30, 2019), the global economy continued its steady growth overall. Meanwhile, future trends require careful observation due to great uncertainty concerning such matters as the developments in the U.S.-China trade conflict and its impact on the Chinese economy, and the developments in the UK's withdrawal from the EU.

Under such circumstances, the Tokai Carbon Group has formulated the medium-term management plan for the three years extending from 2019 through 2021. Guided by the three basic policies of (1) Strengthening the revenue base, (2) Expanding opportunities for growth, and (3) Building a consolidated governance structure, we aim to achieve numerical targets for fiscal 2021: ¥380 billion in net sales, ¥113 billion in operating income, and ROS of 30%.

As a result, net sales for the second quarter of the consolidated period of 2019 grew 51.8% year on year to 139,176 million yen. Operating income showed a year-on-year growth of 41.8% at 40,441 million yen. Ordinary income showed a year-on-year growth of 38.5% for 40,562 million yen. Net income attributable to owners of the parent company declined 40.7% year on year to 26,067 million yen, due to the absence of extraordinary income of 22,800 million yen posted in the same period of the previous year.

Business performance by segment was as follows:

Graphite Electrodes

The supply shortage of graphite electrodes that had existed in the same period of the previous year was eased, due to accumulation of inventory by customers and a slowdown of the European economy. As a result, sales volume of the Company declined year on year. In the meantime, sales prices increased year on year, due to factors including the global tightening of supply for the main raw materials.

As a result, net sales for the Graphite Electrodes business increased 42.3% year on year to 57,052 million yen, while operating income rose 51.5% year on year to 31,340 million yen.

Carbon Black

Regarding sales to end-users in the tire industry, sales volume in Asia declined year on year, due to the impact of the U.S.-China trade conflict, but the sales volume in other regions was robust. Net sales and operating income increased year on year, due to factors including changes in prices following an increase in crude oil prices, and the contribution from the consolidation of Tokai Carbon CB, a new production base in the U.S.

As a result, net sales for the Carbon Black business increased 87.0% year on year to 54,595 million yen, while operating income rose 9.4% year on year to 5,686 million yen.

Fine Carbon

Sales in the general industry remained robust, and our lead material production facilities remained operating at high capacity. In addition, Tokai Carbon Korea Co., Ltd. in South Korea became a consolidated subsidiary in June 2018, contributing to growth in net sales and operating income.

As a result, net sales for the Fine Carbon business increased 71.1% year on year to 15,960 million yen, while operating income rose 179.8% year on year to 3,455 million yen.

Industrial Furnaces and Related Products

Despite the building up of capital expenditures for major buyers in the IT-related sectors, net sales of industrial furnaces declined year on year since deliveries for energy-related industries are concentrated in/after the third quarter. Net sales of heating elements and other products rose year on year, due to robust demand in the glass industries.

As a result, net sales for the Industrial Furnaces and Related Products business were down 6.3% year on year to 5,013 million yen, while operating income was up 1.8% year on year to 1,348 million yen.

Other Operations

Friction materials

Both sales and operating income declined due primarily to the exit from the four-wheel automotive business implemented as part of business restructuring. With regard to other markets, demand in the markets for industrial robots and large motorcycles declined.

As a result, net sales of friction materials dropped 16.3% year on year to 3,916 million yen.

Anode materials

The market for anode materials for secondary lithium-ion batteries is expanding more due to such factors such as stronger regulations on CO₂ emissions, the wider range of makers covered by zero-emission-vehicle regulations in the U.S., and China's introduction of a New Energy Vehicle policy. However, net sales declined due to sluggish growth in sales volume from the same period of the previous year.

As a result, net sales of anode materials dropped 13.1% year on year to 2,564 million yen.

Others

Net sales from real estate leasing and other businesses decreased 7.4% year on year to 72 million yen.

As a result, net sales for Other Operations were down 15.0% year on year to 6,554 million yen, while operating income was down 65.8% year on year to 199 million yen.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous Consolidated Fiscal Year (As of December 31, 2018)	Second Quarter Consolidated Accounting Period of 2019 (June 30, 2019)
Assets		
Current assets		
Cash and cash equivalents	46,797	42,498
Notes and accounts receivable	55,137	54,100
Merchandise and finished goods	17,106	18,910
Work in process	23,113	32,554
Raw materials and supplies	18,569	23,997
Others	3,999	3,558
Allowance for doubtful accounts	-504	-46
Total current assets	164,220	175,575
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	19,504	19,303
Machinery, equipment and vehicles, net	42,033	40,129
Furnaces, net	2,370	2,163
Land	7,341	7,215
Construction in progress	5,972	10,703
Other, net	3,092	3,990
Total tangible fixed assets	80,312	83,506
Intangible fixed assets		
Software	1,279	1,413
Goodwill	29,749	27,168
Customer-related assets	26,358	24,105
Others	4,417	4,081
Total intangible fixed assets	61,805	56,769
Investments and other assets		
Investment securities	17,204	17,016
Net defined benefit asset	1,995	1,957
Deferred tax assets	3,593	912
Others	786	770
Allowance for doubtful accounts	-50	-50
Total investments and other assets	23,529	20,606
Total fixed assets	165,648	160,881
Total assets	329,868	336,456

(Millions of yen)

	Previous Consolidated Fiscal Year (As of December 31, 2018)	Second Quarter Consolidated Accounting Period of 2019 (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable	22,364	19,237
Electronically recorded obligations	3,637	4,193
Short-term loans payable	39,641	15,542
Commercial Paper	-	10,000
Current portion of long-term loans payable	2,068	1,034
Income tax payable	11,208	7,017
Consumption taxes payable	607	-
Accrued expenses	2,932	2,817
Reserve for bonuses	1,276	818
Others	7,915	9,246
Total current liabilities	91,654	69,908
Long-term liabilities		
Long-term loans payable	8,000	18,000
Deferred tax liabilities	14,309	14,490
Net defined benefit liability	5,081	5,026
Reserve for directors' retirement benefits	86	80
Reserve for executive officers' retirement benefits	57	60
Provision for environment and safety measures	577	361
Others	2,267	2,859
Total long-term liabilities	30,381	40,878
Total liabilities	122,035	110,786
Net assets		
Shareholder's capital		
Capital stock	20,436	20,436
Capital surplus	17,333	17,333
Retained earnings	148,990	172,499
Treasury stock	-7,258	-7,259
Total shareholder's capital	179,500	203,009
Other Accumulated Comprehensive Income		
Net Unrealized Gains/Losses on Other Securities	7,345	7,210
Foreign Currency Translation Adjustment	-732	-5,308
Remeasurements of defined benefit plans	1,026	815
Total accumulated other comprehensive income	7,640	2,716
Non-controlling Interests	20,692	19,943
Total net assets	207,833	225,670
Total liabilities and net assets	329,868	336,456

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Second Quarter Consolidated Cumulative Period)

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (January 1 to June 30, 2018)	Second Quarter Consolidated Cumulative Period of 2019 (January 1 to June 30, 2019)
Net Sales	91,688	139,176
Cost of sales	53,004	81,418
Gross profit	38,683	57,758
Selling, general and administrative expenses	10,170	17,316
Operating Income	28,513	40,441
Non-operating income		
Interest income	37	161
Dividend income	276	290
Rent income	79	72
Equity in income of non-consolidated subsidiaries and affiliates	673	42
Foreign exchange gains	—	112
Others	369	434
Total non-operating income	1,436	1,113
Non-operating expenses		
Interest expenses	204	317
Foreign exchange losses	79	—
Others	374	675
Total non-operating expenses	658	992
Ordinary Income	29,290	40,562
Extraordinary income		
Gain on termination of retirement benefit plans	—	53
Gain on sale of fixed assets	65	42
Gain on step acquisitions	22,843	—
Gain on liquidation of subsidiaries and associates	33	—
Total extraordinary income	22,941	96
Extraordinary losses		
Loss on retirement of non-current assets	0	364
Loss on sales of non-current assets	4	0
Total extraordinary losses	5	364
Quarterly net income before income taxes	52,227	40,295
Income taxes - current	8,499	12,279
Income taxes - deferred	-380	789
Total income taxes	8,119	13,069
Quarterly net income	44,107	27,225
Quarterly net income attributable to non-controlling interests	131	1,158
Quarterly net income attributable to owners of the parent company	43,975	26,067

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Cumulative Period)

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (January 1 to June 30, 2018)	Second Quarter Consolidated Cumulative Period of 2019 (January 1 to June 30, 2019)
Quarterly net income	44,107	27,225
Other comprehensive income		
Net Unrealized Gains/Losses on Other Securities	-2,077	-139
Foreign Currency Translation Adjustment	-4,180	-5,820
Remeasurements of defined benefit plans	-71	-211
Share of other comprehensive income of entities accounted for using equity method	-271	7
Total other comprehensive income	-6,601	-6,164
Quarterly comprehensive income	37,506	21,061
(Of which)		
Quarterly comprehensive income attributable to owners of the parent	37,096	21,144
Quarterly comprehensive income attributable to non- controlling shareholders	410	-82

(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

(Changes in Accounting Policy)

(Application of IFRS 16 Leases)

The Company has applied International Financial Reporting Standards (IFRS) 16 Leases to some of its foreign subsidiaries since the first quarter of the consolidated accounting period. As a general rule, assets and liabilities of all leases are recorded in the quarterly consolidated balance sheets as the accounting treatment for lessees.

The Company has adopted a method to recognize the cumulative impact of applying the said accounting standards accepted as a transitional measure for application of the said accounting standards on the date of initial application.

The impact of the application of the said accounting standards on the quarterly consolidated financial statements is minor.

(Additional Information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Corporate Accounting Standards No. 28, February 16, 2018) since the beginning of the first quarter consolidated accounting period. Therefore, deferred tax assets are displayed under investments and other assets while deferred tax liabilities are displayed under long-term liabilities.

(Segment Information)

I. Previous Second Quarter Consolidated Cumulative Period (January 1 to June 30, 2018)

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

(Millions of yen)

	Reportable Segments					Others 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	40,105	29,193	9,327	5,348	83,974	7,713	91,688	—	91,688
Inter-segment sales or transfers	5	50	58	176	291	—	291	-291	—
Subtotal	40,111	29,243	9,386	5,525	84,266	7,713	91,979	-291	91,688
Segment income	20,693	5,199	1,234	1,324	28,452	582	29,034	-521	28,513

- 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 521-million-yen negative adjustment in segment income includes company-wide expenses of 504 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.
4. Segment income is disclosed in the amount that reflects significant changes to the initial allocation of the acquisition cost due to the finalization of provisional accounting treatment stated in “Notes (Business Combination) (1)(2).”

II. Second Quarter Consolidated Cumulative Period of 2019 (January 1 to June 30, 2019)

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

(Millions of yen)

	Reportable Segments					Others 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	57,052	54,595	15,960	5,013	132,622	6,554	139,176	—	139,176
Inter-segment sales or transfers	2	39	50	347	440	0	440	-440	—
Subtotal	57,054	54,635	16,010	5,361	133,062	6,554	139,616	-440	139,176
Segment income	31,340	5,686	3,455	1,348	41,832	199	42,031	-1,590	40,441

- 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 1,590-million-yen negative adjustment in segment income includes company-wide expenses of 1,612 million yen that were not allocated to each reportable segment. Company-wide expenses consist of research and development expenses, expenses related to business combination, 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.

(Business Combination)

Finalization of Provisional Accounting Treatment Related to Business Combination

- (1) During the previous second quarter, Tokai Carbon applied provisional accounting treatment for the business combination with TOKAI CARBON GE HOLDING LLC executed on November 7, 2017, and finalized said accounting during the previous third quarter.

Accordingly, the comparative information included in the quarterly consolidated financial statements for the second quarter under review reflects significant changes to the initial allocation of the acquisition cost.

As a result, due primarily to an increase in the cost of sales and a decline in amortization of goodwill, operating income, ordinary income, and quarterly net income before income taxes declined 160 million yen, respectively, in the Quarterly Consolidated Statements of Income for the previous second quarter.

- (2) During the previous fiscal year, Tokai Carbon applied provisional accounting treatment for the business combination with Tokai Carbon Korea Co., Ltd. executed on May 28, 2018, and finalized said accounting during the first quarter.

Accordingly, the comparative information included in the Quarterly Consolidated Statements of Income for the second quarter under review was revised to reflect a significant change to the initial allocation of the acquisition cost. As a result of allocation to tangible fixed assets of 1,502 million yen, customer-related assets under intangible fixed assets of 21,327 million yen, technology-related assets under intangible fixed assets of 1,528 million yen, order backlog under intangible fixed assets of 370 million yen, inventories of 985 million yen, deferred tax liabilities of 6,222 million yen, and non-controlling interests of 10,836 million yen, the amount of provisionally calculated goodwill of 28,980 million yen decreased by 8,653 million yen to 20,326 million yen.

As a result, due primarily to an increase in the cost of sales and depreciation, operating income, ordinary income, and quarterly net income before income taxes declined 504 million yen, respectively, in the Quarterly Consolidated Statements of Income for the Second Quarter Consolidated Cumulative Period for the previous fiscal year.

- (3) During the previous fiscal year, Tokai Carbon applied provisional accounting treatment for the business combination with Tokai Carbon CB Ltd. executed on August 31, 2018, and finalized said accounting during the first quarter.

Accordingly, the comparative information included in the Quarterly Consolidated Statements of Income for the second quarter under review was revised to reflect a significant change to the initial allocation of the acquisition cost. As a result of allocation to tangible fixed assets of 3,430 million yen, customer-related assets under intangible fixed assets of 2,640 million yen, technology-related assets under intangible fixed assets of 1,781 million yen, and inventories of 115 million yen, the amount of provisionally calculated goodwill of 10,045 million yen decreased by 7,967 million yen to 2,078 million yen.

(Material subsequent events)

(Business combination through acquisition of shares)

Tokai Carbon resolved at an extraordinary board meeting held on June 17, 2019 to acquire 100% of the shares in COBEX HoldCo GmbH (“COBEX”), a German manufacturer of carbon and graphite products, and signed the share purchase agreement on the same day and completed the acquisition of shares on July 26, 2019. Following this transaction, Tokai Carbon will change the company names as follows: COBEX HoldCo GmbH to Tokai COBEX HoldCo GmbH, COBEX GmbH to Tokai COBEX GmbH, COBEX Polska sp. z.o.o. to Tokai COBEX Polska sp. z.o.o., COBEX (Shanghai) Ltd. to Tokai COBEX (Shanghai) Ltd. subject to approval from the relevant authorities.

(1) Reasons for Share Acquisition

Our T-2021 Mid-Term Plan announced in February 2019 lays out the plan to seriously consider strategic investments leading to the expansion of our business field and improvement of profitability.

COBEX has a leading share in each of the world markets of cathodes for smelting aluminum, furnace linings used for linings of blast furnaces, which is one of the major pieces of equipment in integrated steel mills, and carbon electrodes for smelting silicon metal.

Their core business of cathodes for smelting aluminum is expected to achieve stable growth as the aluminum market, the end market of the cathode business, is likely to grow steadily due to factors such as further light-weighting demand in the transportation equipment sector, including automotive and aerospace, growing demand for construction materials amid on-going urbanization, which leads to increases in utilization of aluminum, increases in utilization of aluminum for beverage containers, and substitute demand for copper in the electronics sector.

Global crude steel production is expected to remain flat or slightly increase. Although the demand for furnace linings essentially depends on the trend of projects in the steel market, it is likely to achieve stable growth as approximately 90% of the demand is due to renewal investment. Demand for carbon electrodes is forecasted to remain firm and steady as the silicon metal market is also expected to grow steadily even though its market size is relatively small.

COBEX has strengths in production of high-performance, high-value added graphitized cathodes and furnace linings in addition to the cost competitiveness with its two Polish manufacturing plants, which help them establish the highly profitable business platform based on long-standing relationships with loyal customers.

The transaction will enable Tokai Carbon to enter into the world market as a leading player in each of the aforementioned three businesses, including business related to aluminum, which is forecasted to achieve higher growth than steel. Incorporating COBEX into Tokai Carbon as a seventh business will certainly contribute to diversification of our business portfolio and enhancement of our business in Europe (securing production facilities in Eastern Europe), as well as the expansion of our business scale and the improvement/stabilization of our profitability, which will lead to enhancement of our corporate value.

(2) Overview of the Seller

(a) Company name	Sofian MidCo S.à r.l.
(b) Location	2C rue Albert Borschette, L-1246 Luxembourg
(c) Executive Partner	Triton Luxembourg II GP Sofian S.C.A.
(d) Purpose of Origination	The purpose of the Company is the acquisition, holding and disposal of participations in any company or business in Luxembourg and/or abroad, as well as the administration, management and development of these holdings.
(e) Investors	Sofian LuxCo SARL and Triton Luxembourg II GP Sofian S.C.A.

(3) Overview of the acquired company

(a) Summary of Tokai COBEX HoldCo GmbH (The former COBEX HoldCo GmbH)

(a) Company name	Tokai COBEX HoldCo GmbH
(b) Location	Gustav-Stresemann-Ring 12-16, 65189 Wiesbaden, Germany
(c) Position and Name of	Frank Goede, Managing Director

Representative	Andrzej Hotlos, Managing Director	
(d) Business Description	Manufacturing, selling and R&D of cathodes for smelting aluminum, furnace linings, carbon electrodes, and other products.	
(e) Capital (Note 1)	25,000 Euro (As of June 17, 2019)	
(f) Business size of the company (Note 1)	Fiscal term	Fiscal year ended December 31, 2018
	Consolidated net assets	94.3 million Euro
	Consolidated total assets	314.8 million Euro
	Consolidated net sales	234.5 million Euro
	Consolidated operating income (Note 2)	70.2 million Euro
	Net income attributable to owners of the parent company	15.0 million Euro

Notes: 1. The amount of capital is for Tokai COBEX HoldCo GmbH only. The value of the business size is for the consolidated Tokai COBEX Group (Tokai COBEX HoldCo GmbH, Tokai COBEX GmbH, Tokai COBEX Polska sp. z.o.o., and Tokai COBEX (Shanghai) Ltd.). Accordingly, a description of the value of the business size for each group company is omitted.

2. Consolidated operating income shows a figure before deducting one-off items (allocation of acquisition cost).

(b) Summary of Tokai COBEX GmbH (The former COBEX GmbH)

(a) Name	Tokai COBEX GmbH
(b) Location	Gustav-Stresemann-Ring 12-16, 65189 Wiesbaden, Germany
(c) Name of Representative	Frank Goede, Andrzej Hotlos
(d) Business Description	Sales, purchase and management of cathodes for smelting aluminum, furnace linings, carbon electrodes, and other products
(e) Capital	25,000 Euro (As of July 29, 2019)

(c) Summary of Tokai COBEX Polska sp. z.o.o. (The former COBEX Polska sp. z.o.o.)

(a) Name	Tokai COBEX Polska sp. z.o.o.
(b) Location	47-400 Racibórz, ul. Piastowska 29, Poland
(c) Name of Representative	Andrzej Hotlos, Prezes Zarządu, Jacek Leśniowski, Wiceprezes Zarządu
(d) Business Description	Manufacturing and R&D of cathodes for smelting aluminum, furnace linings, carbon electrodes and other products
(e) Capital	61,048,080 Polish Zloty (As of July 29, 2019)

(d) Summary of Tokai COBEX (Shanghai) Ltd. (The former COBEX (Shanghai) Ltd.)

(a) Name	Tokai COBEX (Shanghai) Ltd.
(b) Location	Chuangxin Xi Road No 778, Pudong New District, Shanghai, China
(c) Name of Representative	Frank Goede
(d) Business Description	Providing services to Tokai COBEX GmbH relating to the sales, marketing, and technical services of cathodes for smelting aluminum, furnace linings, carbon electrodes, and other products, in the territory of China
(e) Capital	100,000 Euro (As of July 29, 2019)

(4) Date of share acquisition
July 26, 2019

(5) Number of shares to be acquired; acquisition price; and shareholdings after the acquisition

(a) Number of Shares to be Acquired	25,000 shares (Number of voting rights: 25,000 units)
(b) The Acquisition Price (Note)	Consideration for share acquisition: Approx. 76.0 billion yen Amount of interest-bearing debt assumed: Approx. 25.2 billion yen
(c) Number of Shares Held after the Transaction	25,000 shares (Number of voting rights: 25,000 shares) (Ratio of voting rights held: 100.0%)

Note: Applied exchange rates are JPY121.82 to the Euro and JPY108.14 to the U.S. dollar.

(6) Financing of acquisition

We will finance the share acquisition while securing stable liquidity and maintaining our financial health. Specifically, we will use our cash on hand and borrowings.

(Borrowing of large amount of funds)

The Company resolved at its Board of Directors meeting held on June 25, 2019 to undertake the borrowing of funds as follows, and executed the borrowing on July 26, 2019.

(1) Reason for borrowing funds

The Company resolved at an extraordinary board meeting held on June 17, 2019 to acquire 100% shares in a German manufacturer of carbon and graphite products, COBEX HoldCo GmbH (“COBEX”), to make the company its subsidiary. The Company signed the share transfer agreement on the same day, and completed acquisition of the shares on July 26, 2019. The borrowing is to finance this acquisition.

(2) Name of bank

MUFG Bank, Ltd.

(3) Amount of money borrowed

70 billion yen

(4) Interest rate

Base interest rate plus spread

(5) Date of signing the agreement

July 23, 2019

(6) Execution date

July 26, 2019

(7) Term

6 months

(8) Type of Loan

Term loan

(9) Repayment method

Lump sum repayment on due date (advance payment of loan allowed)