



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

August 4, 2020

Company name: Tokai Carbon Co., Ltd. Listed on: Tokyo Stock Exchange
 Stock code: 5301 URL: <https://www.tokaicarbon.co.jp/en/>
 Representative: Hajime Nagasaka, President & Chief Executive Officer
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 Scheduled date for submission of quarterly report: August 13, 2020
 Date for commencement of dividend payments: September 1, 2020
 Supplementary notes to quarterly financial statements: : Yes
 Briefing on quarterly financial statements: : Yes (Conference call for analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2020 (January 1 to June 30, 2020)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Quarterly Net Income Attributable to Owners of the Parent Company | |
|--------------------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended June 30, 2020 | 93,738 | (32.6) | 5,817 | (85.6) | 5,163 | (87.3) | 2,158 | (91.7) |
| Six months ended June 30, 2019 | 139,176 | 51.8 | 40,441 | 41.8 | 40,562 | 38.5 | 26,067 | (40.7) |

Note: Comprehensive income: Six months ended June 30, 2020 (7,037) million yen [-%]
 Six months ended June 30, 2019 21,061 million yen [(43.8)%]

| | Quarterly Net Income per Share | Quarterly Net Income per Share Fully Diluted |
|--------------------------------|--------------------------------|--|
| | Yen | Yen |
| Six months ended June 30, 2020 | 10.13 | - |
| Six months ended June 30, 2019 | 122.30 | - |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Capital-to-asset Ratio |
|-------------------------|-----------------|-----------------|------------------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2020 | 448,563 | 220,232 | 44.5 |
| As of December 31, 2019 | 462,872 | 232,975 | 45.8 |

For reference: Shareholders' capital: As of June 30, 2020 199,468 million yen
 As of December 31, 2019 211,838 million yen

2. Dividends

| | Annual Dividends | | | | |
|---|--------------------|--------------------|--------------------|----------|-------|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2019 | - | 24.00 | - | 24.00 | 48.00 |
| Fiscal year ending December 31, 2020 | - | 15.00 | | | |
| Fiscal year ending December 31, 2020 (Forecast) | | | - | 15.00 | 30.00 |

Note: Amendment to most recently disclosed dividend forecast: Yes

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

(Percentage figures 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 | 190,000 | (27.5) | 6,100 | (88.8) | 5,000 | (90.6) | 1,000 | (96.9) | 4.69 |

Note: Amendment to most recently disclosed earnings forecast:

Yes

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in the scope of consolidation): : None
- (2) Application of accounting principles peculiar to the preparation of quarterly consolidated financial statements: : None
- (3) Changes in accounting policy and changes and restatements of accounting estimates
- (a) Changes in accounting policy accompanying the revision of accounting standards : None
- (b) Changes in accounting policy other than those listed in (a) : None
- (c) Changes in accounting estimates : None
- (d) Restatements : None

(4) Number of shares issued (common stock)

| | | | | |
|---|--------------------------------|--------------------|--------------------------------|--------------------|
| (a) Number of shares issued at the end of the period (including treasury stock) | As of June 30, 2020 | 224,943,104 shares | As of December 31, 2019 | 224,943,104 shares |
| (b) Number of treasury stock at the end of the period | As of June 30, 2020 | 11,770,541 shares | As of December 31, 2019 | 11,790,987 shares |
| (c) Average number of shares during the period | Six months ended June 30, 2020 | 213,160,788 shares | Six months ended June 30, 2019 | 213,153,338 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 Quarterly Account Settlement Supplementary Explanation)

Tokai Carbon has scheduled a briefing on financial results in the form of a telephone meeting for analysts and institutional investors on Wednesday, August 5, 2020.

The materials for this briefing will be posted on the corporate website on that day.

○ Supplemental Materials

| | | |
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1. Qualitative Information Related to This Quarter's Settlement

(1) Explanation regarding quarterly operating results

During the first six months of 2020 (January 1 to June 30, 2020), the global economy experienced a historic decline due to extremely sluggish production and consumption activities as a result of the spread of the novel coronavirus (COVID-19). There is a concern that there may be a serious economic recession this year, as COVID-19 is still spreading or spreading again in some countries/regions while it has subsided in other countries/regions.

Under these circumstances, the Tokai Carbon Group has been taking actions in accordance with the medium-term management plan "T-2022," a rolling plan extending from 2020 through 2022, announced in February 2020. However, given the declining earnings in our main businesses of Graphite Electrodes and Carbon Black caused by the decrease in demand from respective end-users of the steel and tire industries, the Group has been taking urgent measures, including group-wide investment restraint, adjustment of production and reduction of inventories, improvement of productivity and reduction of expenses, and financing to secure abundant cash flows at hand.

As a result, for the first six months of 2020, net sales fell 32.6% year on year to 93,738 million yen. Operating income declined 85.6% year on year to 5,817 million yen. Ordinary income declined 87.3% year on year to 5,163 million yen. Net income attributable to owners of the parent company declined 91.7% year on year to 2,158 million yen.

Results by business segment were as follows:

Graphite Electrodes

Due to decreased operations in the steel industry as a result of the spread of COVID-19 in addition to worsening steel market conditions amid the global economic slowdown that has been ongoing since last year, sales volume decreased year on year. Affected by such falling demand, prices also dropped year on year.

As a result, net sales for the Graphite Electrodes business were down 63.3% year on year to 20,927 million yen, while operating income fell 95.1% year on year to 1,522 million yen.

Carbon Black

Due to shutdowns and so on by end-users in the tire industry in response to the spread of COVID-19, sales volume of the Company declined year on year. Moreover, due to a higher cost rate associated with production adjustments caused by the decline in sales volume, operating income decreased year on year.

As a result, net sales for the Carbon Black business decreased by 40.2% year on year to 32,630 million yen, while operating loss was 108 million yen (Operating income of 5,686 million yen in the same period of the previous year).

Fine Carbon

Production and shipments remained strong for the semiconductor industry and solar power industry, while sales dropped for general industry mainly due to production and inventory corrections by customers and the impact of the spread of COVID-19. On the other hand, solid SiC (silicon carbide) products, which are high value-added products, were strong, contributing to improving the profitability of the whole business.

As a result, net sales for the Fine Carbon business decreased by 2.6% year on year to 15,544 million yen, while operating income rose 0.8% year on year to 3,484 million yen.

Smelting and Lining

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

With sluggish activities by customers' end-users in the construction and automobile industries partly due to the spread of COVID-19, conditions in the aluminum market have been poor recently. Accordingly, the timing for replacing aluminum smelting pots was delayed from the initial schedule, pushing back the shipment of cathodes as well.

As a result, net sales for the Smelting and Lining business were 12,900 million yen, while operating loss was 238 million yen. Tokai COBEX HoldCo GmbH posted an operating income of 4,397 million yen for the first six months, and the Company posted amortization related to a valuation difference arising from the allocation of acquisition cost of 2,444 million yen and amortization of goodwill, etc. of 2,192 million yen as expenses in segment accounting.

Industrial Furnaces and Related Products

Net sales of industrial furnaces increased year on year due to robust capital expenditures for major buyers in the IT-related sectors and energy-related industries. Net sales of heating elements and other products decreased year on year, resulting from falling demand for expendables mainly for the electronic components industry as well as from the glass industry in China, due to the global economic slowdown associated with the spread of COVID-19.

As a result, net sales for the Industrial Furnaces and Related Products business rose 27.4% year on year to 6,390 million yen, while operating income increased by 23.0% year on year to 1,659 million yen.

Other Operations

Friction materials

In addition to a decrease in sales due to the exit from the four-wheel automotive business, the spread of COVID-19 affected the markets for construction machinery, agricultural machinery and two-wheeled vehicles.

As a result, net sales of friction materials fell by 18.9% year on year to 3,175 million yen.

Anode materials

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

As a result, net sales of anode materials fell by 18.2% year on year to 2,097 million yen.

Others

Net sales from real estate leasing and other businesses fell 1.7% year on year to 71 million yen.

The above factors resulted in net sales for Other Operations falling by 18.5% year on year to 5,344 million yen, while operating income growing by 17.3% year on year to 233 million yen.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | Previous fiscal year (As of December 31, 2019) | Second quarter of the fiscal year under review (As of June 30, 2020) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 52,695 | 74,198 |
| Notes and accounts receivable | 50,648 | 34,146 |
| Merchandise and finished goods | 20,227 | 18,758 |
| Work in process | 35,116 | 33,801 |
| Raw materials and supplies | 31,036 | 25,558 |
| Other | 6,971 | 4,699 |
| Allowance for doubtful accounts | (248) | (205) |
| Total current assets | 196,446 | 190,957 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 23,092 | 23,864 |
| Machinery, equipment and vehicles, net | 42,139 | 43,919 |
| Furnaces, net | 4,700 | 4,694 |
| Land | 7,315 | 7,302 |
| Construction in progress | 17,792 | 19,113 |
| Other, net | 6,302 | 7,201 |
| Total tangible fixed assets | 101,343 | 106,096 |
| Intangible fixed assets | | |
| Software | 1,728 | 1,618 |
| Goodwill | 64,543 | 59,735 |
| Customer-related assets | 67,494 | 62,818 |
| Other | 8,200 | 7,671 |
| Total intangible fixed assets | 141,966 | 131,844 |
| Investments and other assets | | |
| Investment securities | 18,842 | 15,495 |
| Net defined benefit asset | 2,633 | 2,529 |
| Deferred tax assets | 997 | 1,013 |
| Other | 693 | 677 |
| Allowance for doubtful accounts | (50) | (50) |
| Total investments and other assets | 23,115 | 19,666 |
| Total fixed assets | 266,425 | 257,606 |
| Total assets | 462,872 | 448,563 |

(Millions of yen)

| | Previous fiscal year (As of December 31, 2019) | Second quarter of the fiscal year under review (As of June 30, 2020) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 24,857 | 11,247 |
| Electronically recorded obligations | 4,078 | 3,020 |
| Short-term loans payable | 37,530 | 8,107 |
| Commercial paper | 30,000 | 40,000 |
| Current portion of long-term loans payable | 833 | 3,504 |
| Income tax payable | 3,658 | 2,459 |
| Consumption taxes payable | 359 | - |
| Accrued expenses | 2,813 | 2,439 |
| Reserve for bonuses | 1,550 | 1,057 |
| Other | 11,859 | 11,560 |
| Total current liabilities | 117,541 | 83,396 |
| Long-term liabilities | | |
| Bonds payable | 35,000 | 55,000 |
| Long-term loans payable | 44,666 | 56,434 |
| Deferred tax liabilities | 21,431 | 21,580 |
| Net defined benefit liability | 6,246 | 6,195 |
| Reserve for directors' retirement benefits | 86 | 76 |
| Reserve for executive officers' retirement benefits | 66 | 70 |
| Provision for environment and safety measures | 296 | 100 |
| Other | 4,561 | 5,476 |
| Total long-term liabilities | 112,355 | 144,934 |
| Total liabilities | 229,896 | 228,331 |
| Net assets | | |
| Shareholder's capital | | |
| Capital stock | 20,436 | 20,436 |
| Capital surplus | 17,333 | 17,338 |
| Retained earnings | 173,310 | 170,353 |
| Treasury stock | (7,260) | (7,247) |
| Total shareholder's capital | 203,819 | 200,881 |
| Other accumulated comprehensive income | | |
| Net unrealized gains/losses on other securities | 8,415 | 6,120 |
| Deferred gains or losses on hedges | 34 | (28) |
| Foreign currency translation adjustments | (1,671) | (8,556) |
| Remeasurements of defined benefit plans | 1,239 | 1,051 |
| Total accumulated other comprehensive income | 8,019 | (1,412) |
| Non-controlling interests | 21,137 | 20,764 |
| Total net assets | 232,975 | 220,232 |
| Total liabilities and net assets | 462,872 | 448,563 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(First Six-month Period)

(Millions of yen)

| | First six months of the previous fiscal year (January 1 to June 30, 2019) | First six months of the fiscal year under review (January 1 to June 30, 2020) |
|---|---|---|
| Net Sales | 139,176 | 93,738 |
| Cost of sales | 81,418 | 67,726 |
| Gross profit | 57,758 | 26,011 |
| Selling, general and administrative expenses | 17,316 | 20,193 |
| Operating Income | 40,441 | 5,817 |
| Non-operating income | | |
| Interest income | 161 | 96 |
| Dividend income | 290 | 286 |
| Equity in income of non-consolidated subsidiaries and affiliates | 42 | 90 |
| Foreign exchange gains | 112 | - |
| Other | 506 | 346 |
| Total non-operating income | 1,113 | 819 |
| Non-operating expenses | | |
| Interest expenses | 317 | 407 |
| Foreign exchange losses | - | 166 |
| Other | 675 | 899 |
| Total non-operating expenses | 992 | 1,473 |
| Ordinary Income | 40,562 | 5,163 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 42 | 29 |
| Gain on termination of retirement benefit plan | 53 | - |
| Total extraordinary income | 96 | 29 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | - | 117 |
| Loss on retirement of fixed assets | 364 | - |
| Loss on sales of fixed assets | 0 | - |
| Total extraordinary loss | 364 | 117 |
| Quarterly net income before income taxes | 40,295 | 5,074 |
| Income taxes - current | 12,279 | 2,871 |
| Income taxes - deferred | 789 | (1,208) |
| Total income taxes | 13,069 | 1,663 |
| Quarterly net income | 27,225 | 3,411 |
| Quarterly net income attributable to non-controlling interests | 1,158 | 1,253 |
| Quarterly net income attributable to owners of the parent company | 26,067 | 2,158 |

(Quarterly Consolidated Statements of Comprehensive Income)
(First Six-month Period)

(Millions of yen)

| | First six months of the previous fiscal year (January 1 to June 30, 2019) | First six months of the fiscal year under review (January 1 to June 30, 2020) |
|--|---|---|
| Quarterly net income | 27,225 | 3,411 |
| Other comprehensive income | | |
| Net unrealized gains/losses on other securities | (139) | (2,297) |
| Deferred gains or losses on hedges | - | (62) |
| Foreign currency translation adjustments | (5,820) | (7,947) |
| Remeasurements of defined benefit plans | (211) | (188) |
| Share of other comprehensive income of entities accounted for using equity method | 7 | 47 |
| Total other comprehensive income | (6,164) | (10,449) |
| Quarterly comprehensive income | 21,061 | (7,037) |
| (Of which) | | |
| Quarterly comprehensive income attributable to owners of the parent company | 21,144 | (7,272) |
| Quarterly comprehensive income attributable to non-controlling interests | (82) | 235 |

(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

(Additional Information)

We still cannot predict when the spread of COVID-19 will end, the medium-term impact of which on the Company's businesses and earnings remains unforeseeable in specific terms. Under these circumstances, in June 2020, the International Monetary Fund (IMF) revised the outlook for world economic growth for 2020 downward by 1.9 percentage points from the previous outlook in April to -4.9%. Moreover, given that the negative impact of the spread of the pandemic has been greater than expected, the IMF stated that economic activities would recover gradually albeit at a slower pace than previously forecast, as it also revised the outlook for 2021 downward by 0.4 percentage points from the previous outlook in April to +5.4%.

Tokai Carbon has made accounting estimates for impairment loss of fixed assets and recoverability of deferred tax assets among others assuming that the decelerated world economy resulting from the spread of COVID-19 will completely recover only in or after FY2022 while starting to recover moderately from FY2021.

The results based on the actual figures in the future may differ from these assumptions and estimates.

(Segment Information)

I First six months of the previous fiscal year (January 1 to June 30, 2019)

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

(Millions of yen)

| | Reportable Segment | | | | | | Other Operations (Note 1) | Total | Adjustments (Note 2) | Amount Recorded in the Quarterly Consolidated Statements of Income (Note 3) |
|-------------------------------------|------------------------|-----------------|----------------|------------------------|--|----------|------------------------------|---------|-------------------------|---|
| | Graphite Electrodes | Carbon Black | Fine Carbon | Smelting and Lining | Industrial Furnaces and Related Products | Subtotal | | | | |
| Net Sales | | | | | | | | | | |
| External sales | 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 (loss) | 31,340 | 5,686 | 3,455 | (972) | 1,348 | 40,860 | 199 | 41,059 | (618) | 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 618-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 640 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 (loss) is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income

II First six months of the fiscal year under review (January 1 to June 30, 2020)

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

(Millions of yen)

| | Reportable Segment | | | | | | Other Operations (Note 1) | Total | Adjustments (Note 2) | Amount Recorded in the Quarterly Consolidated Statements of Income (Note 3) |
|-------------------------------------|------------------------|-----------------|----------------|------------------------|--|----------|------------------------------|--------|-------------------------|---|
| | Graphite Electrodes | Carbon Black | Fine Carbon | Smelting and Lining | Industrial Furnaces and Related Products | Subtotal | | | | |
| Net Sales | | | | | | | | | | |
| External sales | 20,927 | 32,630 | 15,544 | 12,900 | 6,390 | 88,394 | 5,344 | 93,738 | - | 93,738 |
| Inter-segment sales or transfers | 81 | 32 | 64 | 0 | 264 | 444 | 2 | 446 | (446) | - |
| Subtotal | 21,009 | 32,663 | 15,609 | 12,901 | 6,654 | 88,838 | 5,346 | 94,185 | (446) | 93,738 |
| Segment income (loss) | 1,522 | (108) | 3,484 | (238) | 1,659 | 6,318 | 233 | 6,552 | (734) | 5,817 |

- 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 734-million-yen negative adjustment in segment income (loss) includes company-wide expenses of 707 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 (loss) is adjusted with the operating income reported in the Quarterly Consolidated Statements of Income

2 Matters concerning changes in reportable segments

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

The segment information on the first six months of the previous fiscal year was prepared based on the classification of reporting segments after the change and then disclosed, and includes acquisition-related expenses for such business combination that were previously included in “Adjustments” in “Smelting and Lining.”

(Subsequent Material Events)

(Impact of the July 2020 Heavy Rainfall Disaster)

For the Tanoura Plant (in Ashikita-cho, Ashikita-gun, Kumamoto), which suffered flood damage caused by torrential rain in the southern part of Kumamoto Prefecture, while it appears it will take considerable time to restore the graphitizing furnace where a fire occurred, alternative production will be possible by effectively using production facilities at other plants of the Group.

Moreover, production facilities that suspended operations due to flooding within the Plant have already started operations and resumed shipment activities. The restoration of production facilities, excluding the graphitizing furnace where the fire occurred, will likely occur in late August, which is expected to have a limited impact on supply chains.

While we continue scrutinizing the calculation of restoration expenses and procedures for claiming fire insurance proceeds among others, we will make a separate disclosure if there is likely to be a material impact on earnings.

(Acquisition of companies etc. through share acquisition)

At the extraordinary board meeting held on April 10, 2020, the Company approved the joint acquisition by Tokai Carbon and Tokai COBEX GmbH (“TCX”), our subsidiary company, of 100% of the shares in Carbone Savoie International SAS (“CSI”), the holding company of Carbone Savoie SAS (“CS”), a French manufacturer of carbon and graphite products, to make the company our subsidiary (the “Transaction”). On July 17, 2020, the Company completed all the procedures by signing the Put Option Agreement relating to a Securities Purchase Agreement. Moreover, in accordance with this, the trade names of CSI and CS were changed to Tokai Carbon Savoie International SAS and Tokai Carbon Savoie SAS, respectively, as of the same date.

(1) Purpose of share acquisition

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

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

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

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

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

(2) Overview of Alandia Industries

| | |
|--------------------------------------|--------------------------------------|
| 1. Name of Company | Alandia Industries |
| 2. Location | 29 rue Auguste Vacquerie 75116 Paris |
| 3. Name and Title of Representatives | Nicolas de Germay, CEO |
| 4. Business Description | Distressed investment |
| 5. Year Established | 2010 |

(3) Overview of CSI and CS

1) Overview of Tokai Carbon Savoie International SAS (former trade name: Carbone Savoie International SAS)

| | | | | |
|--|--|---------------------------|----------------------------|----------------------------|
| 1. Name of Company | Tokai Carbon Savoie International SAS | | | |
| 2. Location | Notre Dame de Briançon 73260 AIGUEBLANCHE France | | | |
| 3. Name and Title of Representatives | Joseph Bertin, President | | | |
| 4. Business Description | Management and supervision of subsidiary | | | |
| 5. Capital (Note 1) | EUR733,949 (JPY90 million) | | | |
| 6. Year Established | 2016 | | | |
| 7. Major Shareholder and Ownership Ratio | Alandia Industries(61.9%) | | | |
| 8. Business scale of Company (Note 1) (Note 2) (EUR million) | Accounting Period | FY2017 | FY2018 | FY2019 |
| | Consolidated Net Assets | 75.8 (JPY9.3 billion) | 114.4 (JPY14.0 billion) | 136.2 (JPY16.6 billion) |
| | Consolidated Total Assets | - | - | 187.0 (JPY22.8 billion) |
| | Consolidated Net Sales | 93.3 (JPY11.4 billion) | 118.8 (JPY14.5 billion) | 127.8 (JPY15.6 billion) |
| | Consolidated EBITDA | 2.9 (JPY0.4 billion) | 14.6 (JPY1.8 billion) | 25.6 (JPY3.1 billion) |
| | Consolidated EBIT | -4.3 (JPY-0.5 billion) | 6.9 (JPY0.8 billion) | 17.3 (JPY2.1 billion) |
| | Consolidated Net Income Attributable to Owners of the Parent Company | 2.7 (JPY0.3 billion) | 38.7 (JPY4.7 billion) | 21.8 (JPY2.7 billion) |

(Note 1) Applied exchange rate is JPY122.14 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on July 17, 2020.

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

2) Overview of Tokai Carbon Savoie SAS (former trade name: Carbone Savoie SAS)

| | |
|--|---|
| 1. Name of Company | Tokai Carbon Savoie SAS |
| 2. Location | Notre Dame de Briançon 73260 AIGUEBLANCHE France |
| 3. Name and Title of Representatives | Tokai Carbon Savoie International SAS, President |
| 4. Business Description | Production, sales and R&D of cathodes, specialty graphite products and carbon |
| 5. Capital (Note 3) | EUR56,975,603.3 (JPY6,959 million) |
| 6. Year Established | 1897 |
| 7. Major Shareholder and Ownership Ratio | Tokai Carbon Savoie International SAS(100.0%) |

(Note 3) Applied exchange rate is JPY122.14 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on July 17, 2020.

(4) Overview of TCX

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

(Note 4) Applied exchange rate is JPY122.14 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on July 17, 2020.

(5) Timing of share acquisition
July 17, 2020

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

| | | |
|--|--|---|
| 1. Number of Shares Held before the Transaction | Tokai Carbon | 0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%) |
| | TCX | 0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%) |
| 2. Number of Shares to be Acquired through the Transaction | Tokai Carbon | 513,810 shares (Number of voting rights: 513,810) |
| | TCX | 220,139 shares (Number of voting rights: 220,139) |
| 3. Acquisition Price (Note 5) | JPY20.3 billion (Tokai Carbon: JPY14.2 billion; TCX: JPY6.1 billion) | |
| 4. Number of Shares Held after the Transaction | Tokai Carbon | 70.0% |
| | TCX | 30.0% |

(Note 5) Applied exchange rate is JPY122.14 to the EUR in accordance with final official TTM quotation by MUFG Bank, Ltd. on July 17, 2020.

(7) Transaction details

For the source of funds concerning the acquisition of shares, in addition to allocating cash on hand only within the Tokai Carbon Group, we issued hybrid bonds (subordinated bonds) through public offering on June 30, 2020 to finance the share acquisition. These bonds are one form of hybrid financing that has the characteristics of both equity and debt; as a result, these bonds are eligible for 50% equity treatment by Rating and Investment Information, Inc.