

Notice on Recording of an Impairment Loss and Revision of Earnings Forecast

August 2, 2016

Company name:  TOKAI CARBON CO.,LTD.
 Listings: Tokyo Stock Exchange, first section
 Security code: 5301
 URL: <http://www.tokaicarbon.co.jp/>

Tokai Carbon Co., Ltd. (Tokai Carbon) announces that it will record a special loss by implementing the ongoing company structural reformation plan as “Structural Reform of the Fine Carbon Segment and Introduction of the Early Retirement Program” released May 30, 2016 and the “Reformation Plan of Tokai Carbon (Tianjin) Co., Ltd.” released June 23, 2016.

Furthermore, considering the recent business trends, Tokai Carbon will revise the Earnings Forecast released on February 9, 2016 as follows for the first six months of the fiscal year ending 2016 and the full fiscal year ending December 31, 2016.

1. Recording special loss (Impairment losses)

(1) Fine carbon business

As a part of structural reformation, production capacity of isotropic graphite will be reduced by approximately 45% and withdrawal of unprofitable products through the process of narrowing down product line-up. Taking that in consideration, including the disposal of old facilities in the molding and baking furnace, impairment loss of 4,228 million Japanese yen is expected.

(2) Tokai Carbon (Tianjin) Co., Ltd.

As a result of reviews of the future outlook based on a policy of reducing production capacity and moving to a production structure focused on specialty products with high added value, an impairment loss of 2,259 million Japanese yen will be recorded, which includes the closure of one line of carbon black production facilities.

2. Revision of earnings forecast

(1) Revision of consolidated earnings forecast for the first six months of the fiscal year 2016 (January 1, 2016 to June 30, 2016).

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	JPY in millions	JPY in millions	JPY in millions	JPY in millions	JPY
Previously announced forecast (A)	47,000	600	1,000	500	2.35
Revised forecast (B)	44,872	(80)	(238)	(5,903)	-
Change (B - A)	(2,127)	(680)	(1,238)	(6,403)	-
Change percentage (%)	(4.5)	-	-	-	-
(Reference) Results for the first six months of the fiscal year ended December 31, 2015	53,984	1,569	1,917	497	2.33

(2) Revision of consolidated earnings forecast for the fiscal year ending December 31, 2016
(January 1, 2016 to December 31, 2016)

	Net sales	Operating profit	Ordinary income	Net income attributable to owners of parent	Net income per share
	JPY in millions	JPY in millions	JPY in millions	JPY in millions	JPY
Previously announced forecast (A)	96,000	1,400	2,100	1,400	2.35
Revised forecast (B)	87,000	200	200	(5,700)	-
Change (B - A)	(9,000)	(1,200)	(1,900)	(7,100)	-
Change percentage (%)	(9.4)	(85.7)	(90.5)	-	-
(Reference) Results for previous fiscal year (Fiscal year ended December 31, 2015)	106,864	4,088	4,317	2,484	11.65

3. Reason for revisions

(1) First six months of the consolidated fiscal year 2016

Net sales are expected to fall below previous forecasts due to the factors of decline in the sales price of carbon black accompanying a drop in prices of raw materials. Despite better profitability in Carbon Black and Graphite Electrode business, operating income is expected to fall below the previous forecasts, due to factors of recording 803 million Japanese yen allowance for bad debt account which was related to the concern of debt collection from one of our customer. Asset acquired for a specific research and development purpose recorded a lump-sum expense of 563 million Japanese yen. Ordinary income is also expected to fall below the previous forecasts due to the same factor of decline in operating income, and also an exchange loss of 724 million Japanese yen recorded as a non-operating expense based on a drastic Japanese yen appreciation at the end of the second quarter. In addition, as stated in "Recording of special loss items (impairment losses)," a total impairment loss of 6,487 million yen will be recorded, and profit attributable to owners of the parent company is also expected to fall down below the previous forecasts.

(2) Full fiscal year 2016

The previous forecasts for net sales, operating income, ordinary income, and profit attributable to owners of the parent company have been revised in consideration of the performance for the first six months of the consolidated fiscal year 2016 and further declines in sales prices due to the continuation of a structural depression in the graphite electrodes business.

Please note that because of the impact on the solicitation of voluntary retirement notified in the "Structural Reform of the Fine Carbon Segment and Introduction of the Early Retirement Program" has not been confirmed, it has not been incorporated in the full-year earnings forecast.

*The above-mentioned earnings forecasts are based on the information currently available to the Company and certain assumptions judged to be reasonable. Note that actual performance may significantly differ due to a variety of factors.

End of notice