

January 26, 2017

Notice on Special Loss and Revision of the Earnings Forecast

Tokai Carbon announces a special loss for the fiscal year ended December 31, 2016 (from January 1 to December 31, 2016) as follows.

Further, we have revised our forecast of the consolidated earnings for the full year which was announced on November 2, 2016.

1. Special loss items

(1) Impairment loss for electrode manufacturing facilities (approximately ¥4 billion)

Market prices for graphite electrode products have fallen steeply and the profitability of the graphite electrodes business has significantly decreased due to the ongoing worldwide imbalance between supply and demand for these products. In view of current market trends, the company has revised its forecast for future earnings and anticipates recording an impairment loss of approximately ¥4 billion for electrode manufacturing facilities owned by the company.

(2) Special severance payment (¥286 million)

The company will record a special loss of ¥286 million because it has confirmed that special severance payments will be made to voluntary retirees in the “Structural Reform of the Fine Carbon Segment and Introduction of the Early Retirement Program” that was announced on May 30, 2016.

2. Revisions in Earnings Forecast

Revision of the consolidated earnings forecast for the full year ended December 31, 2016 (from January 1 to December 31, 2016)

	Net sales	Operating income	Ordinary income	Net income/(loss) attributable to the owners of the parent company	Net income per share (EPS)
	JPY in millions	JPY in millions	JPY in millions	JPY in millions	JPY
Previous forecast (A)	87,000	700	1,000	(5,100)	—
Revised forecast (B)	88,500	1,000	1,700	(8,300)	—
Difference (B – A)	1,500	300	700	(3,200)	—
Difference rate (%)	1.7	42.9	70.0	—	—
(Reference) Results from previous fiscal year, ended December 31, 2015	104,864	4,088	4,317	2,484	11.65

3. Reason for revisions

Net sales are anticipated to exceed the previous forecast due to graphite electrodes and fine carbon sales volumes that exceeded the forecast, as well as a lower yen exchange rate and other factors. Operating income is expected to exceed the previous forecast due to progress in improving selling prices in the Carbon Black business. Ordinary income is expected to exceed the previous forecast due to the operating income improvement factors as well as a ¥537 million decrease relative to the forecast for foreign exchange losses booked as non-operating expenses associated with the decrease in the value of the yen at the end of the fiscal year. Moreover, net income attributable to the owners of the parent company was lower than the previous forecast due to the impairment loss of approximately ¥4 billion and the special severance payments of ¥286 million mentioned in “1. Special loss items”.

* 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

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