

Notice on Revision of Earnings and Dividend Forecasts

Tokai Carbon has revised its consolidated earnings and dividend forecasts for fiscal year ended December 31, 2017 (January 1 to December 31, 2017) that were announced on May 9, 2017, based on the trend in earnings to date. This is a notice on those revisions, which are detailed below.

1. Revisions in Earnings Forecast

(1) Revision of the consolidated earnings forecast for the first six months ended December 31, 2017 (from January 1 to December 31, 2017)

	Net sales	Operating income	Ordinary income	Net income/(loss) attributable to the owners of the parent company for the first six months	Net income per share (EPS) for the first six months
	JPY in millions	JPY in millions	JPY in millions	JPY in millions	Yen
Previous forecast (A)	47,000	3,100	3,500	4,700	22.05
Revised forecast (B)	49,184	4,228	4,924	5,854	27.47
Difference (B – A)	2,184	1,128	1,424	1,154	—
Difference rate (%)	4.6	36.4	40.7	24.6	—
(Reference) Results from previous fiscal year, for the first six months ended December 31, 2016	44,872	(80)	(235)	(5,900)	(27.68)

(2) Revision of the consolidated earnings forecast for the full year ended December 31, 2017 (from January 1 to December 31, 2017)

	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	Yen
Previous forecast (A)	95,000	6,700	7,800	8,200	38.47
Revised forecast (B)	98,000	8,500	9,700	9,100	42.69
Difference (B – A)	3,000	1,800	1,900	900	—
Difference rate (%)	3.2	26.9	24.4	11.0	—
(Reference) Results from previous fiscal year, ended December 31, 2016	88,580	1,131	1,702	(7,929)	(37.20)

2. Reason for Revisions

(1) Consolidated Results for the Six-month Period Ended June 30, 2017

Tokai Carbon expects net sales to exceed the previous forecast due to an increase in the sales price of carbon black which resulted from a rise in raw material prices, in addition to an increase in volume sales of graphite electrodes. Greater than anticipated depreciation of the yen was also a factor in the upward revision. Operating income is expected to exceed the previous forecast due to the benefit of the growth in sales of carbon black and graphite electrodes combined with an improvement in the profitability of carbon black at overseas locations and the positive effect of yen depreciation. Ordinary income and profit attributable to the owners of the parent company for the first six months are also expected to exceed the previous forecast for the same reasons as for operating profit.

(2) Full Year

Tokai Carbon has revised its previous full-year forecasts for net sales, operating income, ordinary income, and profit attributable to the owners of the parent company based on the revision of the earnings forecast for the first six months of the consolidated fiscal year under review.

3. Revision of Dividend Forecast

	Dividends for the Full Year		
	End of 2 nd Quarter	Year-end	Full Year
	Yen	Yen	Yen
Previous forecast	4.00	4.00	8.00
Revised forecast	6.00	6.00	12.00
Results from previous fiscal year, ended December 31, 2016	3.00	3.00	6.00

Tokai Carbon's policy on the allocation of profits is: "To improve the corporate value over medium to long term, the Company believes that returning profits to its shareholders is an important management task, and by taking into account the performance and outlook of each term, as well as investment plan and cash flow conditions, the Company shall strive to pay a stable and continuous dividend with a consolidated dividend ratio of 30%."

Based on this policy, we have taken the financial status and earnings forecasts for the first six months and the full consolidated fiscal year ending December 31, 2017 into collective consideration, and have revised our dividend forecast for the end of the second quarter and the end of the fiscal year from 4 yen to 6 yen.

The dividend forecast for the full year has consequently been increased to 12 yen, an increase of 6 yen compared to the previous period.

- * The above-mentioned 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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