

May 28, 2018

**Notice on special income and revision of earnings forecast based on
the change of equity method affiliate to consolidated subsidiary**

Tokai Carbon has completed the share purchase to acquire 1,050,750 shares (9.0% of the outstanding shares) of Tokai Carbon Korea., Ltd. (hereinafter, "TCK") from KC Co., Ltd., the second largest shareholder of TCK (hereinafter, the "Transaction").

The aggregate percentage of shareholding of Tokai Carbon in TCK will be 44.4% after the Transaction, and TCK is expected to become a consolidated subsidiary of Tokai Carbon, based on effective control criteria, subject to discussion with our auditing firm.

Through this transaction, approximately JPY 22 billion special income will be accrued and we will revise the consolidated earnings forecast for fiscal year ended December 31, 2018 (January 1 to December 31, 2018) that was announced on May 8, 2018.

Details

1. Revision for earnings forecast

(1) Revision of the consolidated earnings forecast for the second quarter ended December 31, 2018 (from January 1 to June 30, 2018)

	Net Sales	Operating income	Ordinary income	Quarterly net income/(loss) attributable to 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)	88,000	27,700	28,000	20,200	94.77
New revised forecast (B)	89,400	28,000	28,200	42,800	200.79
Difference (B - A)	1,400	300	200	22,600	—
Difference rate (%)	1.6	1.1	0.7	111.9	—
(Reference) Previous second quarter results (Second quarter ended December 31, 2017)	49,184	4,228	4,924	5,854	27.47

(2) Revision of the consolidated earnings forecast for the full year ended December 31, 2018 (from January 1 to December 31, 2018)

	Net Sales	Operating income	Ordinary income	Quarterly net income/(loss) attributable to 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)	194,000	63,700	64,800	46,800	219.56
New revised forecast (B)	204,000	65,700	66,000	68,600	321.83
Difference (B - A)	10,000	2,000	1,200	21,800	—
Difference rate (%)	5.2	3.1	1.9	46.6	—
(Reference) Results from previous fiscal year, ended December 31, 2017	106,252	11,486	13,249	11,816	55.43

Reasons for Revision

(1) Total Consolidated Results for the Year to Date in the Second Quarter

Tokai Carbon expects net sales to exceed the previous forecast by the consolidation of TCK from June 2018. Operating income is also expected to exceed the previous forecast by same reason, despite the amortization cost of goodwill. Quarterly net income attributable to owners of the parent company is expected to exceed the previous forecast due to the accrual of approximately JPY 22 billion special income.

(2) Full-Year

Due to the revised earnings forecast for the year to date in the second quarter, we revised the previous forecast to adjust net sales, operating income, ordinary income and net income/(loss) attributable to owners of the parent company.

* 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 differ significantly due to a variety of factors.

End of notice