

September 28, 2017

Tokai Carbon to Acquire Shares of U.S. Subsidiary of SGL GE, a Graphite Electrode Manufacturer

Tokai Carbon Co., Ltd. has decided to acquire 100% of the outstanding shares in SGL GE Carbon Holding LLC from SGL GE Holding GmbH (hereinafter, "SGL GE"), a manufacturer of graphite electrodes (hereinafter, the "Transaction"). The Transaction was approved by the Tokai Carbon Board of Directors on September 28, 2017. Tokai Carbon will conclude the definitive agreement on October 2, 2017, to make SGL GE Carbon Holding LLC a wholly owned subsidiary and acquire the U.S. business.

This Transaction is related to the decision by Showa Denko K.K. (hereinafter, "Showa Denko") to receive an approval from the U.S. antitrust authorities to proceed the acquisition of SGL GE as a subsidiary announced in its press release "Acquisition of the Graphite Electrode Business of SGL Carbon SE" on October 20, 2016. Tokai Carbon will enter into the definitive agreement of the Transaction right after Showa Denko acquires all outstanding shares of SGL GE on October 2, 2017.

1. Reason for Share Acquisition

Tokai Carbon Co., Ltd. has completed the business restructuring planned during Phase 1 of T-2018, the three-year mid-term management plan announced in February 2016. The company is now switching its focus to the growth strategy during Phase 2 as announced in February 2017. Tokai Carbon has budgeted around 50 billion yen for strategic investment in M&A, and is targeting growth in corporate value, in addition to improving the profitability of existing business and expansion of business scope.

Tokai Carbon has engaged in the graphite electrode business as one of its main businesses for close to a century and has expanded the business globally, with plants in Japan and Germany. When the oversupply of graphite electrodes became evident in 2015, Tokai Carbon cut production capacity at its two graphite electrode plants in Japan by 40% as part of its efforts to streamline the carbon ceramics segment. This production capacity was redirected to expanding production of LiB anode material. Taking these steps increased competitiveness by improving the operating rate and reducing costs, however, it diminished the presence of Tokai Carbon as a global competitor in terms of graphite electrode production capacity. The North American market has the largest electric furnace steel production in the world and is an important market for graphite electrode manufacturers. Although Tokai Carbon supplies products through a sales subsidiary, it has long struggled to establish a strong production and sales structure in the North American market.

This acquisition will enable Tokai to acquire a manufacturing base in North America, thereby increasing the company's presence in the world largest EAF market and building a solid business base as a global competitor, supported by a tri-regional structure consisting of bases in Asia, Europe, and North America.

Tokai Carbon also expects the partial relocation of production in Japan to North America to optimize the company's global production structure and improve cost competitiveness. It will also enable the company to ensure the production capacity for the growing LiB anode material in the medium to long-range.

2. Overview of SGL GE Carbon Holding LLC (as of September 28, 2017)

(1)	Name of Company	SGL GE Carbon Holding LLC	
(2)	Location	160, Greentree Drive Suite 101, Dover, DE, USA	
(3)	Name and Title of Representative	Scott L. Carlton, President	
(4)	Business Description*	Manufacturing, selling and R&D for graphite electrodes	
(5)	Capital	USD 100	
(6)	Date Established	February 3, 2016	
(7)	Major Shareholders and Ownership Ratio	SGL GE Holding GmbH (100.0%)	
(8)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
(9)	Business Results and Financial Position** (USD million)		
	Accounting Period	Fiscal year ending December 2016	
	Net Assets	56.8	
	Total Assets	133.5	
	Net Sales	80.8	
	Operating Profit	▲ 13.2	
	Net Income	▲ 26.9	

*The description of the “Business Description” represents the business of SGL GE Carbon Holding LLC group companies.

**The financial figures in the “Business Results and Financial Position” are unaudited and represent the sum of non-consolidated financial results of SGL GE and its subsidiary companies.

3. Overview of SGL GE Holding GmbH (as of September 28, 2017)

(1)	Name of Company	SGL GE Holding GmbH	
(2)	Location	Werner-von-Siemens-Str. 18 86405, Meitingen, Germany	
(3)	Name and Title of Representative	Klaus Unterharnscheidt, Managing Director	
(4)	Business Description	Manufacturing, selling and R&D for graphite electrodes	
(5)	Capital	EUR 25,002	
(6)	Net Assets	EUR 120.3 million	
(7)	Total Assets	EUR 530.7 million	
(8)	Date Established	December 11, 2015	
(9)	Major Shareholders* and Ownership Ratio	SGL CARBON GmbH (100%)	
(10)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Our subsidiary company in Germany procures products from SGL GE Holdings GmbH
		Related party relationship	Not applicable

* Major shareholder of SGL GE is SGL CARBON GmbH as of September 28, 2017, but this will have been changed to SDK at the signing date of definitive agreement of the Transaction. (Planned)

4. Number of Shares to be Acquired, Acquisition Price and Shareholdings before and after the Transaction

(1) Number of Shares Held before the Transaction	0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%)
(2) Number of Shares Acquired through the Transaction	100 shares (Number of voting rights: 100)
(3) Acquisition Price	JPY12.9 billion*
(4) Number of Shares Held after the Transaction	100 shares (Number of voting right: 100) (Ratio of voting rights held: 100.0%)

*Acquisition price is calculated at the exchange rate of JPY 110 to the U.S. dollar. Total acquisition price of the Transaction is subject to customary price adjustments as of the closing date.

5. Schedule of the Transaction*

(1) September 28, 2017	Board resolution for the conclusion of stock purchase agreement
(2) October 2, 2017	Signing of the definitive agreement (Planned)
(3) Early November, 2017	Transfer of the shares (Planned)

*The actual schedule of the Transaction is tentative as of September 28, 2017 and may differ from the above according to transaction procedures.

6. Outlook

It is expected that there shall be few material effect due to the Transaction on the consolidated financial outlook of Tokai Carbon for the fiscal year ending December 2017. If matters to be disclosed such as revision of earning forecast arise in the process of examination, Tokai Carbon will make additional disclosure in a timely manner. The impact to the fiscal year ending December 2018 will be included in the consolidated financial outlook for the same period which will be delivered early February, 2018 when Tokai Carbon announces the financial results for the fiscal year ending December 2017.

End of notice

Company name: Tokai Carbon Co., Ltd.

Security code: 5301 [Tokyo Stock Exchange]

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