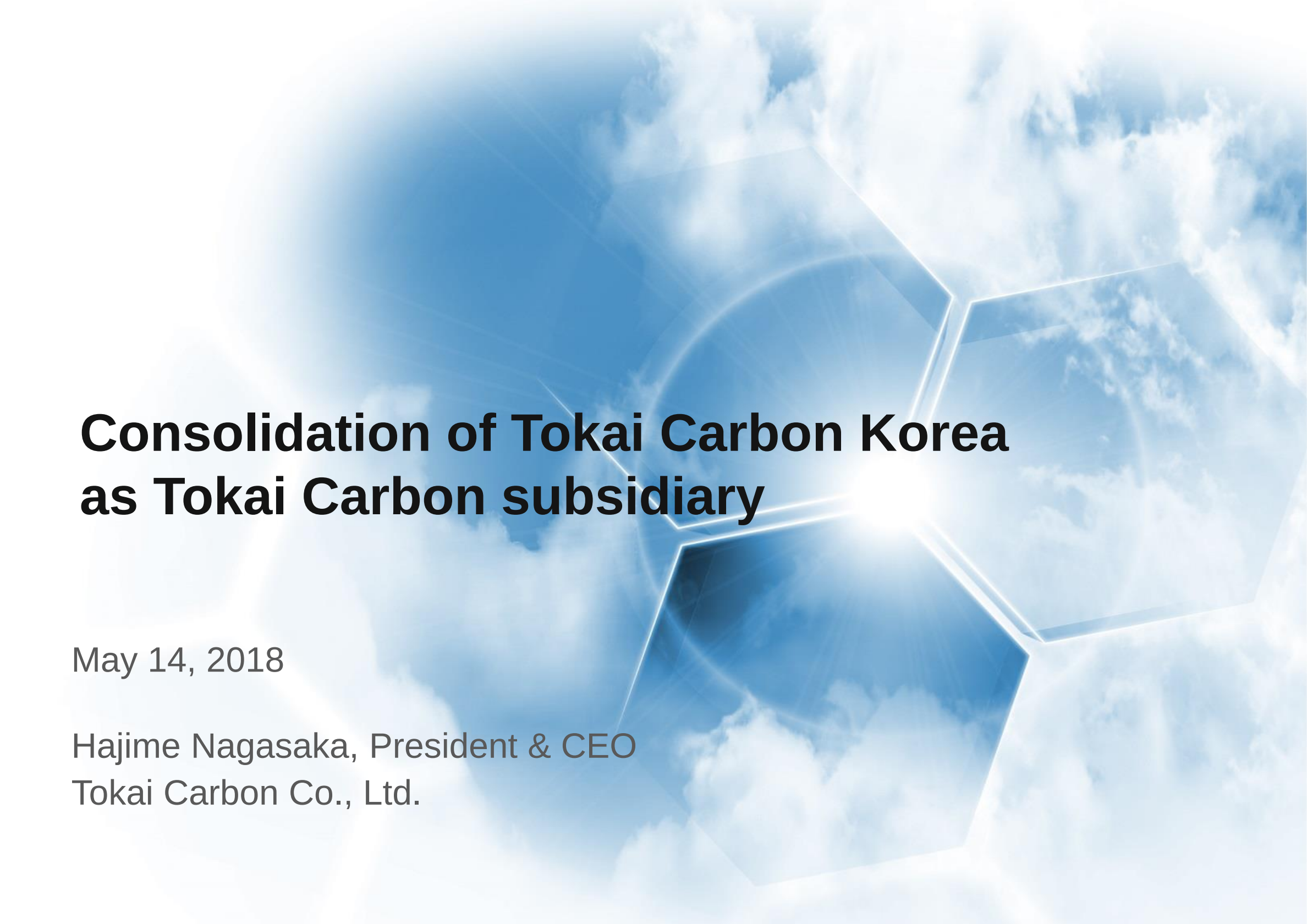




Consolidation of Tokai Carbon Korea as Tokai Carbon subsidiary

May 14, 2018

Hajime Nagasaka, President & CEO
Tokai Carbon Co., Ltd.

Overview of the acquisition

Company	Tokai Carbon Korea Co., Ltd. (TCK) <Tokai Carbon's equity method affiliate>
Seller	KC Co., Ltd. (KC) <The second largest shareholder of TCK after Tokai Carbon>
Number of shares to be acquired	1,050,750 shares
Shareholding Ratio	Pre-deal : 35.4%→Post-deal : 44.4% (Expected to become a consolidated subsidiary based on effective control criteria)
Acquisition Price	JPY7.8Bn*
Financing	Cash on hand(Planned)

*Calculated using exchange rate of KRW1.00=JPY0.101.

Overview of Tokai Carbon Korea Co., Ltd.(TCK)

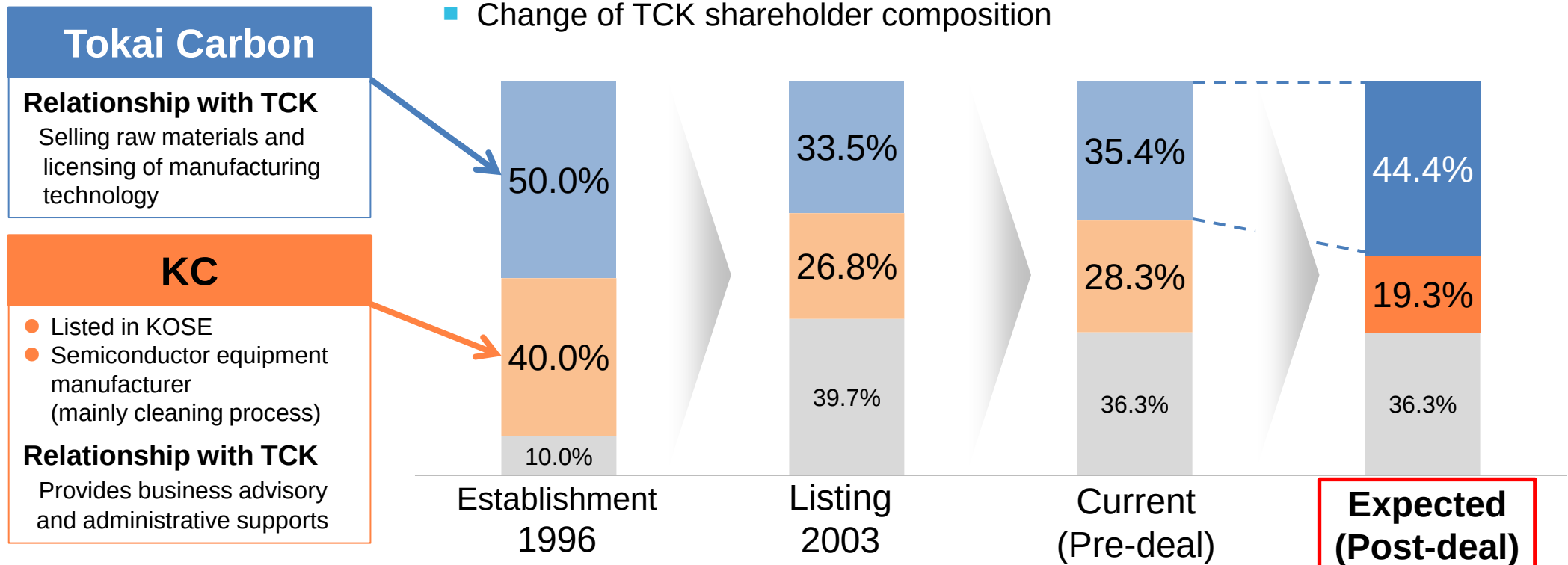
Company Name	Tokai Carbon Korea., Ltd. (TCK)
Date of Establishment	August 1996
Market Capitalization*	KRW 732.0Bn (JPY 73.9Bn) <KOSDAQ:064760>
Financial Results*	Year ended December 2017 Sales: KRW130.3Bn (JPY13.2Bn) Operating Income: KRW 47.7Bn (JPY 4.8Bn)
Number of Employees	Approximately 320
Business Description	Manufacturing and sale of carbon graphite products and CVD-SiC coated/solid products. Main customers are major semiconductor manufacturers and semiconductor equipment manufacturers.

*Market Capitalization and Business Results are calculated using exchange rate of KRW1.00=JPY0.101. Market Capitalization is as of May 11, 2018.

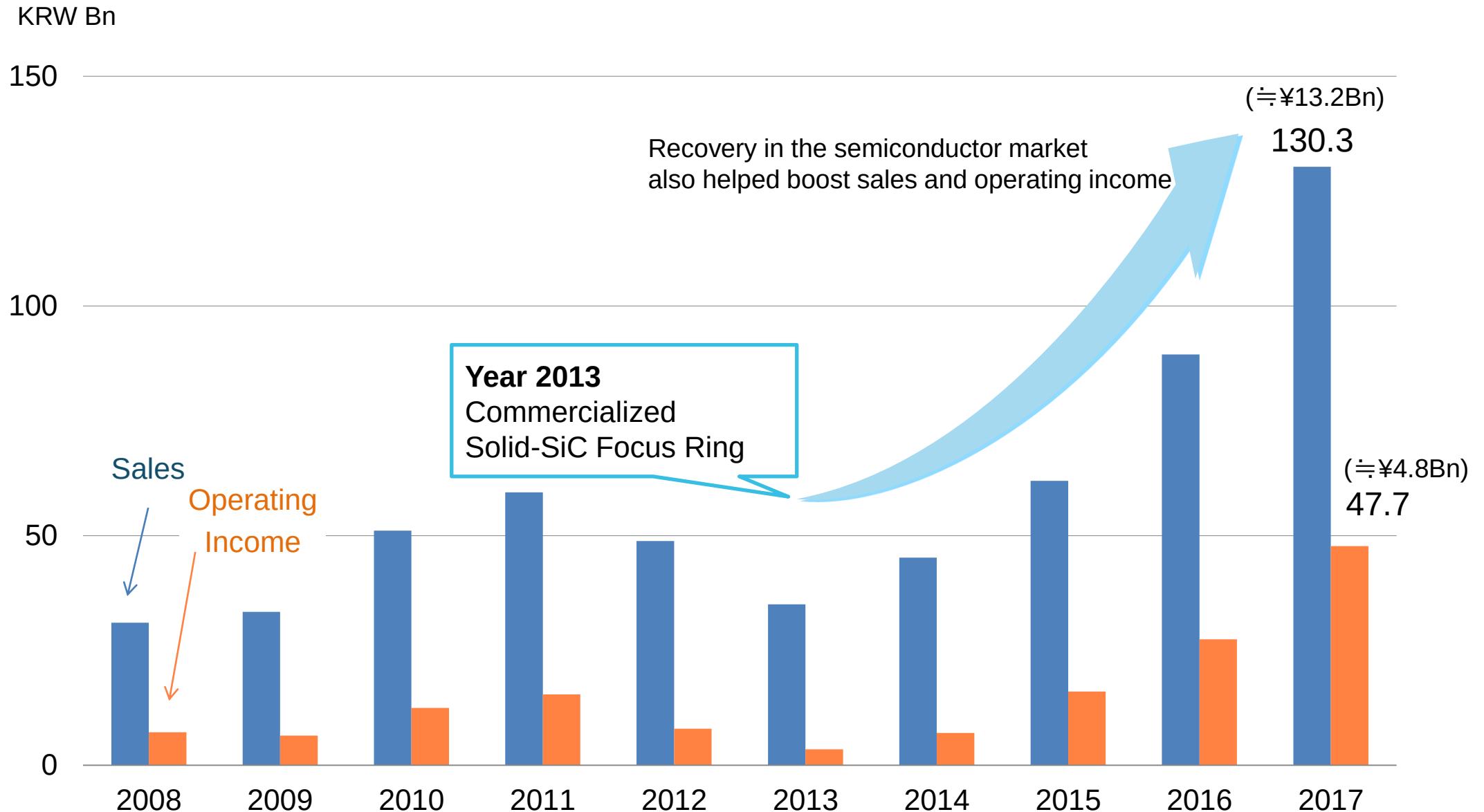
Relationship Between Tokai Carbon, KC and TCK

- TCK was established as a joint venture of 3 companies including Tokai Carbon and KC
- Tokai Carbon has fostered relationship with KC as a business partner for more than 20 years since TCK was established
- Tokai Carbon and KC have agreed on this transaction in order to mutually strengthen both companies' business through "selection and concentration"

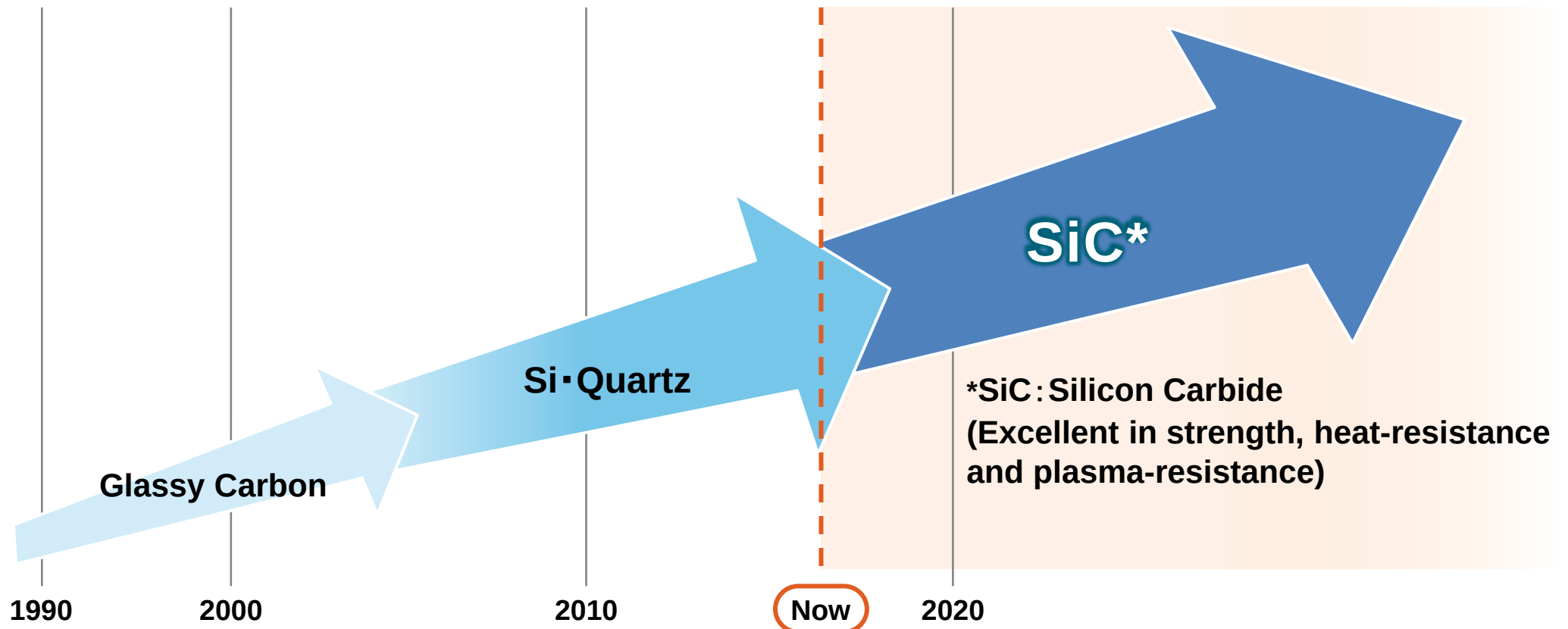
■ Change of TCK shareholder composition



TCK's Financial Results in the Last 10 Years



Material transition used for “Focus Ring”

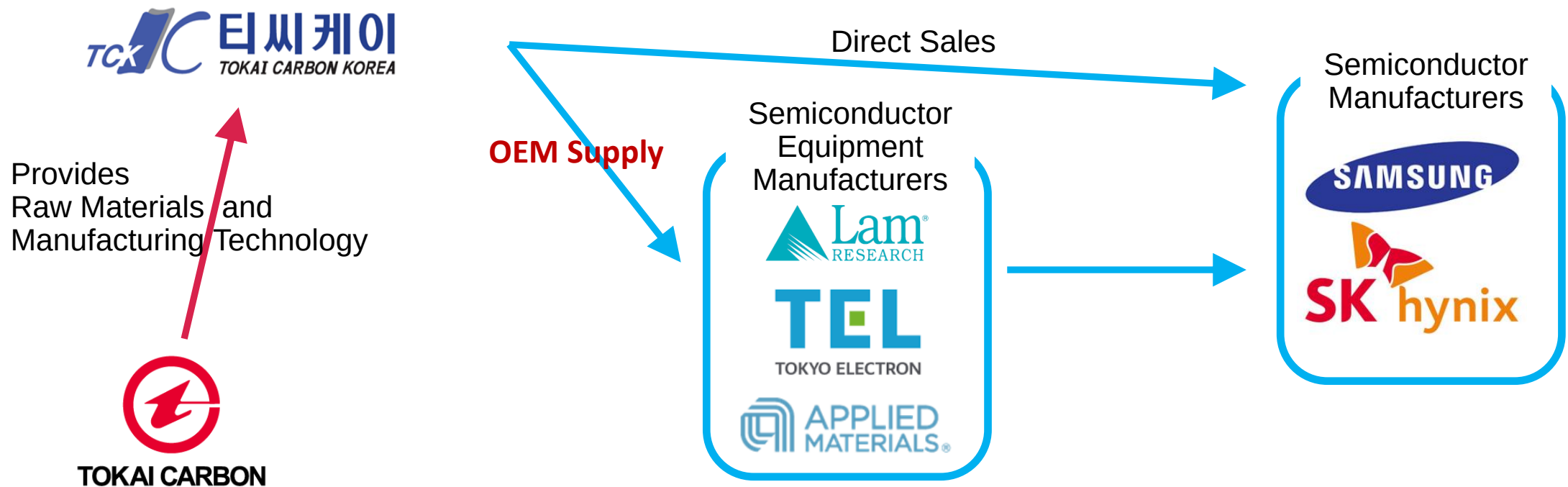


- Miniaturization and higher integration of semiconductors, have lead to increase in the number of etching steps and higher output of dry etchers
- CVD-SiC was developed as the third-generation raw material after Glassy Carbon, Si and Quartz
- The advantageous characteristics of CVD-SiC contribute to total cost reduction for semiconductor manufacturers

*CVD(Chemical Vapor Deposition)is a process that coverts gaseous materials (vapor) into thin films (deposit) via chemical reactions at the heated substrate surface

TCK is the Top Runner for CVD-SiC Products

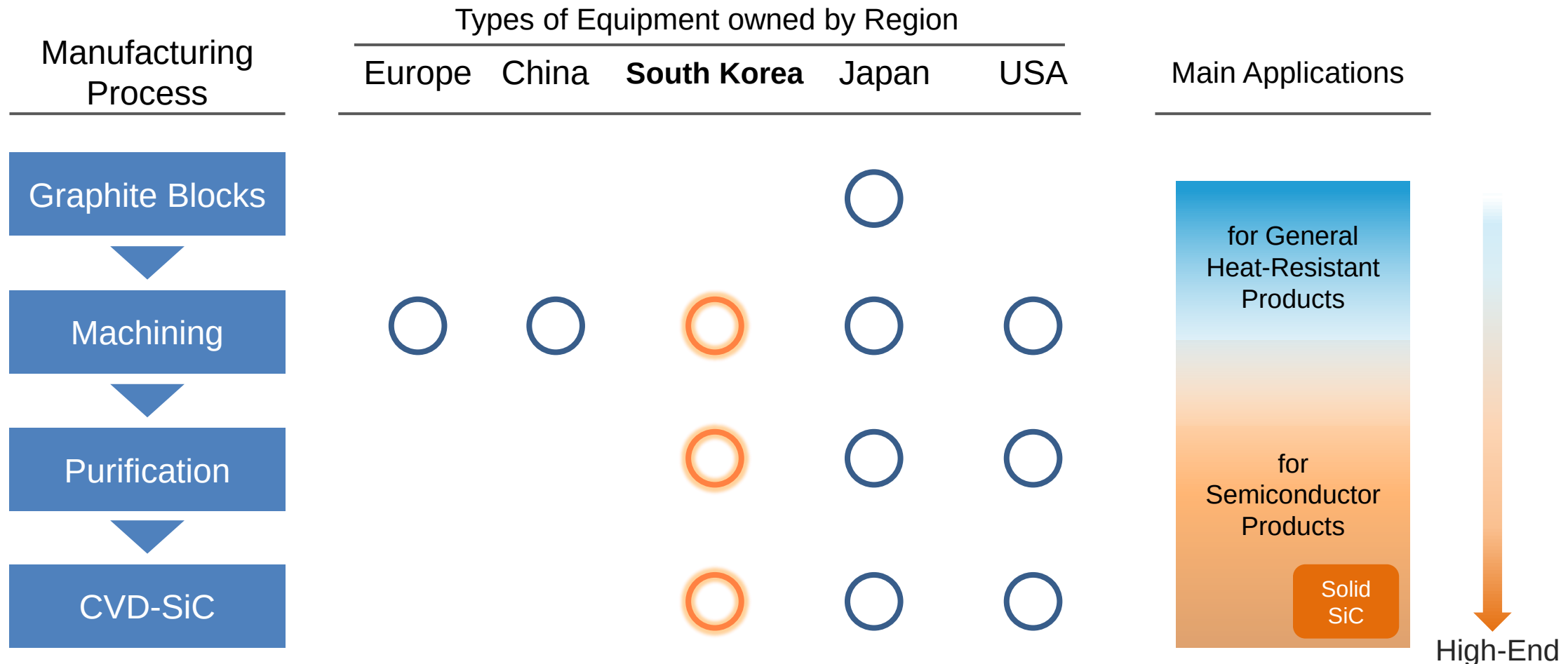
■ Main Customers of TCK



- TCK has expanded the business based on the strong relationships with major semiconductor manufacturers and advanced technical capabilities
- TCK owns the world's largest manufacturing and processing capability for CVD-SiC products, and boasts significant market share
- Tokai Carbon has been providing the basic technology for Solid SiC Focus Ring, which is the main product of TCK. Today, TCK boasts significant presence as a top runner in this product segment

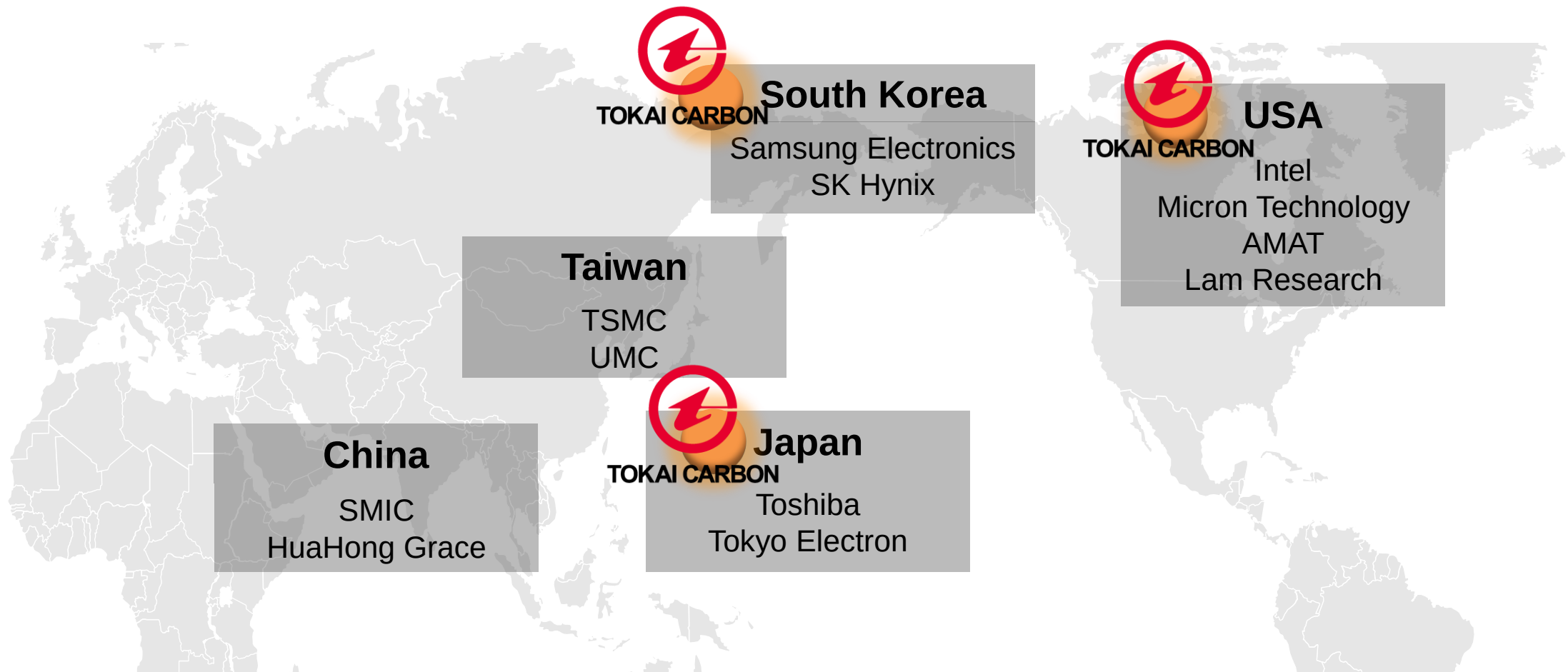
Reinforcing the Value Chain of Fine Carbon Business

- High purity treatment and CVD-SiC coating treatment are required for applications such as semiconductors
- By acquiring a base in Korea, Tokai Carbon will enhance the group operational efficiency and provide better services and proposals to users such as semiconductor manufacturers



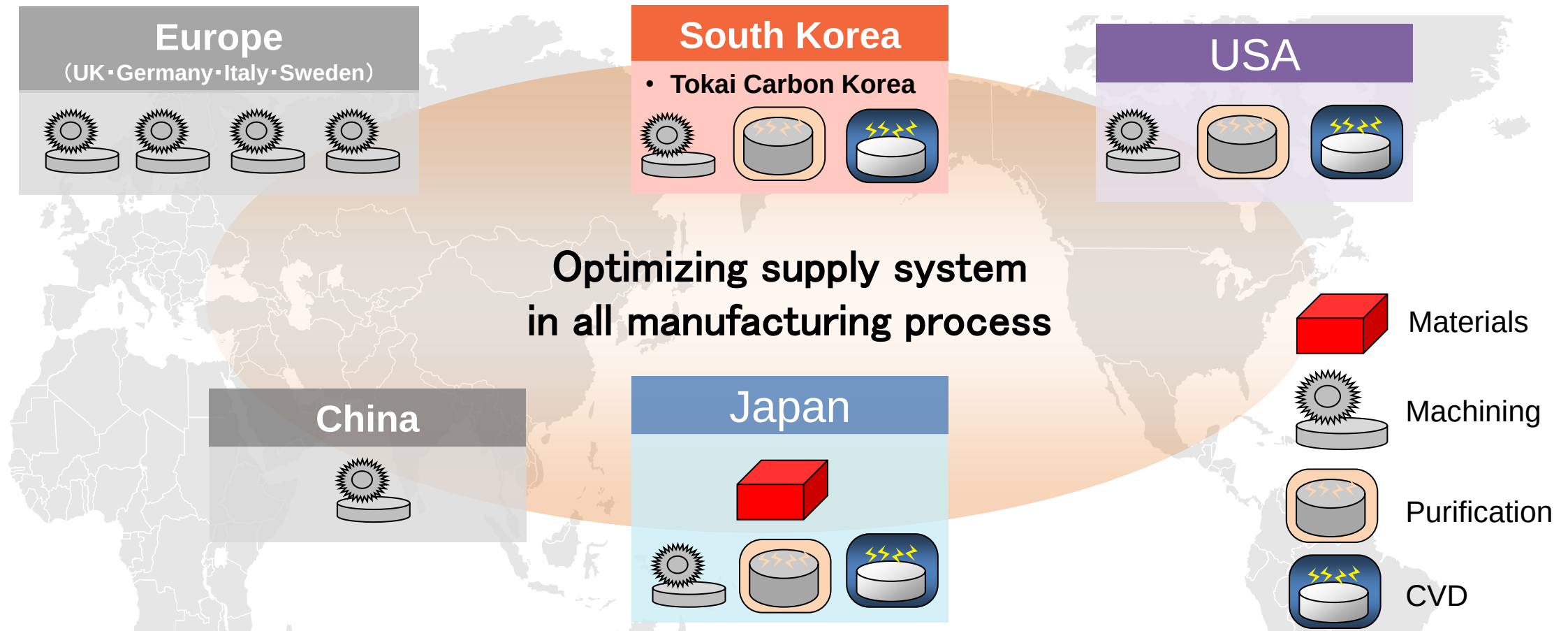
Strategically located at the heart of Semiconductor Industry

- Many semiconductor device makers and semiconductor equipment manufacturers are based in Japan, USA, South Korea and Taiwan
- As a result of this transaction, Tokai Carbon would become the only player, which has processing, purification, and CVD bases in all of Japan, USA, and South Korea



Outlook

- Acquisition of TCK which owns the world's largest CVD-SiC manufacturing and processing capability would help expand business foundation and strengthen competitiveness as Tokai Carbon Group
- Tokai Carbon will pursue integrated strategy with TCK in the growing semiconductor industry to enhance customer value



Schedule / Expected Impact on Financial Performance

Schedule

- Board of Directors resolution: May 14, 2018
- Contract signing date: May 14, 2018
- Completion of share acquisition: Expected in late May, 2018
- This schedule is as of May 14, 2018, and is subject to change depending on circumstances such as contract procedures etc.

Expected Impact on Financial Performance

- As a result of consolidation of TCK, increase in revenue, profits, assets etc. is expected for FY2018
- Further details will be reviewed and promptly disclosed in the event of any change in performance, forecasts or any other items which to be disclosed

Cautionary Statement Regarding Future Prospects

The earnings forecasts and other forward-looking statements in this document are based on information obtainable at the time this document was published and assumptions as of the date of publication concerning elements of uncertainty that could affect future earnings.

Actual results may differ substantially, depending on various future factors. Factors that affect business performance include, but are not limited to, economic conditions, trends in product demand and market prices, and fluctuation in exchange rates.

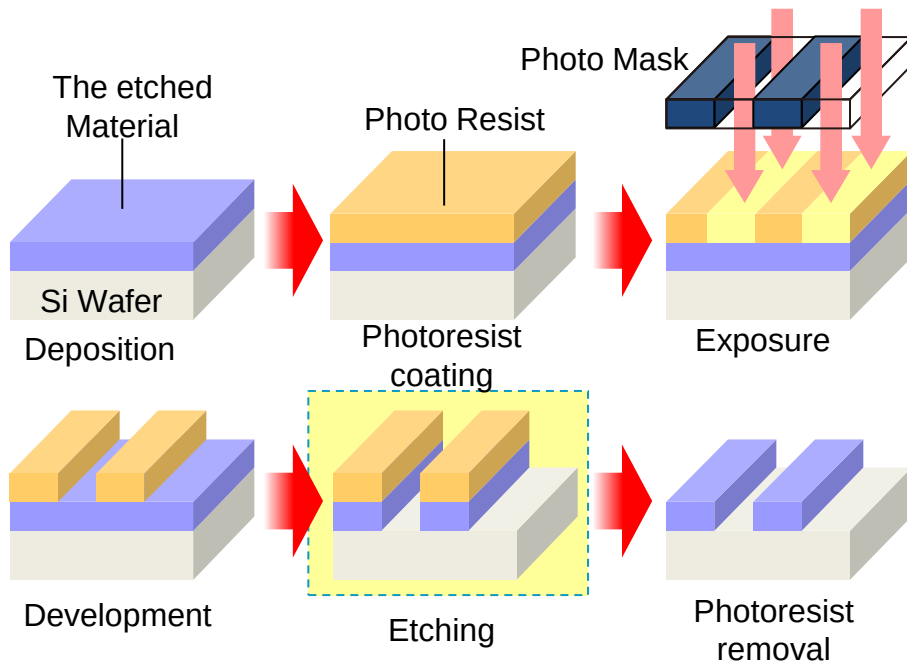
For information about this acquisition:
Corporate Planning Department
Hajikano Tel.: +81-3-3746-5228

(Reference) What is “Solid SiC Focus Ring”

- Solid SiC: ultra-high purity Silicon Carbide manufactured using CVD method
- Characteristics: strength, heat-resistance, plasma-resistance and chemical stability
- Suitable to be used for the critical chamber parts (e.g. Focus Ring) for dry etching process which continue to increase its output power

■ Etching process

- ✓ Process to shape thin film into a designed pattern (circuits) on semiconductor



■ Solid SiC Focus Ring

