



May 30, 2024

Company name: TOCAI CARBON CO., LTD.
Representative: Hajime Nagasaka, President & CEO
(Stock Code : 5301 TSE Prime Market)
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TOKAI CARBON to Make Oriental Sangyo Co., Ltd.
a Wholly-owned Subsidiary through a Simplified Share Exchange

TOKAI CARBON (the “Company”) announces that it resolved at its Board of Directors meeting held on May 30, 2024, to conduct a share exchange (the “Share Exchange”) in which the Company will become a wholly-owning parent company and Oriental Sangyo Co., Ltd. (Head office: 180 Kamijo-Araimachi, Kofu, Yamanashi, Representative Director: Yuji Yamake; hereinafter “Oriental Sangyo”), a consolidated subsidiary of the Company, will become a wholly-owned subsidiary. The Company concluded a share exchange agreement (the “Share Exchange Agreement”) with Oriental Sangyo today.

The Company plans to implement the Share Exchange in the form of a simplified share exchange, pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act, without obtaining the approval of shareholders for the Share Exchange at a general meetings of shareholders.

The Share Exchange is a simplified share exchange to turn a consolidated subsidiary into a wholly-owned subsidiary. Accordingly, some of the matters and details of the disclosure have been omitted.

1. Purpose of the Share Exchange

Oriental Sangyo, a company engaged in processing carbon products, manufacturing and sale of artificial graphite powder and pencil lead, belongs to the Tokai Carbon Group’s fine carbon business.

Tokai Carbon’s fine carbon business entered the full-scale business in 1986, when the Tanoura plant in Kumamoto Prefecture was converted into a plant exclusively for fine carbon. Since then, Tokai Carbon has expanded the business by leveraging the heat treatment technology acquired through graphite electrode business to meet the demands of general industry, aerospace components, and the semiconductor industry. Tokai Carbon’s fine carbon business is now supporting the rapidly growing technological innovation of semiconductors by purification of graphite components and developing silicon carbide coating technology.

The fine carbon business’ mass production technology for SiC products was born through research and development in Japan, but has grown significantly by expanding to the United States and South Korea, where semiconductor customer companies are concentrated. The semiconductor market is expected to expand further in the medium term due to the spread of IoT, AI, and EVs, and semiconductor manufacturers are working to strengthen their production systems and improve the performance of semiconductors. Under these circumstances, as manufacturing processes become more sophisticated, it is expected that the proportion of SiC products in semiconductor manufacturing processes will increase. Tokai Carbon is planning to increase its SiC production capacity by 1.5 times in 2025 compared to 2022 due to increasing

demand.

Based on this common understanding, the Company and Oriental Sangyo will aim to further strengthen the cohesiveness of our group and further enhance the flexibility of group management, and to realize the Tokai Carbon Group long-term vision “Contribute to a sustainable society through advanced materials and solutions.” by implementing this stock exchange.

2. Outline of the Share Exchange

(1) Schedule of the Share Exchange

(1)	Date on which the Share Exchange Agreement is resolved by the Board of Directors (both companies)	May 30, 2024
(2)	Date on which the Share Exchange Agreement is executed (both companies)	May 30, 2024
(3)	Date on which the Share Exchange is resolved by the general meetings of shareholders (Oriental Sangyo)	June 14, 2024
(4)	Effective date of the Share Exchange	July 2, 2024

Note : The Company plans to implement the Share Exchange in the form of a simplified share exchange, pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act, without obtaining the approval of shareholders for the Share Exchange at a general meeting of shareholders.

(2) Method of the Share Exchange

In the Share Exchange, the Company will become a wholly-owning parent company and Oriental Sangyo will become a wholly-owned subsidiary.

For the Company, the Share Exchange will be implemented in the form of a simplified share exchange, pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act, without obtaining the approval of shareholders for the Share Exchange at a general meeting of shareholders. Oriental Sangyo plans to implement the Share Exchange with obtaining the approval of shareholders for the Share Exchange at an extraordinary general meeting of shareholders to be held on June 14, 2024. The Share Exchange is scheduled to become effective July 2, 2024.

(3) Share allotment in the Share Exchange

Company name	The Company (wholly-owning parent company in the share exchange)	Oriental Sangyo (wholly-owned subsidiary in the share exchange)
Share allotment ratio (Share exchange ratio)	1	27.98 (Note 1)
Number of shares to be delivered upon the Share Exchange	Common shares of the Company: 228,037 shares	

Note 1: Rounded down to the second decimal place.

Note 2: Share exchange ratio and number of shares to be delivered

Common shares of the Company shall be allotted and delivered according to the above allotment ratio for each common share of Oriental Sangyo. However, there will be no allotment of shares upon the Share Exchange regarding the common shares of Oriental Sangyo held by the Company on the effective date.

The number of common shares of the Company to be delivered upon the Share Exchange is scheduled to be 228,037 shares. All of the shares to be delivered are scheduled to be sourced from the treasury shares held by the Company (11,728,100 shares as of March 31, 2024) and the Company does not plan to issue any new shares.

Note 3: Treatment of shares constituting less than one (1) unit

The shareholders of Oriental Sangyo who will hold shares of the Company constituting less than one (1) unit (100 shares) upon the Share Exchange will be entitled to use the following systems concerning the shares of the Company. Shareholders cannot sell shares constituting less than one (1) unit in the financial instruments exchange market.

- i. Rights to request repurchase of shares constituting less than one (1) unit (sale of shares of less than 100 shares)

Pursuant to Article 192, Paragraph 1 of the Companies Act, this system allows holders of shares of the Company constituting less than one (1) unit to request the Company to repurchase the shares constituting less than one (1) unit held by such shareholder.

- ii. Further purchase of shares constituting less than one (1) unit (purchase to reach a total of 100 shares)

Pursuant to Article 194, Paragraph 1 of the Companies Act and the provisions of the Company's Articles of Incorporation, this system allows holders of shares of the Company constituting less than one (1) unit to request the Company to sell the number of shares of the Company that will achieve a total of one (1) unit (100 shares) together with the number of shares constituting less than one (1) unit held by such shareholder.

(4) Treatment of share options and bonds with share options in relation to the Share Exchange

There is no information to disclose on this matter as Oriental Sangyo has not issued any share options or bonds with share options.

3. Basis for the details of the allotment concerning the Share Exchange

The Company's share value was calculated using the market price method because the Company's common shares are listed on the Prime Market of the Tokyo Stock Exchange. Using the market price method, the Company's shares were valued based on the closing price of the Company's common shares in the Prime Market of the Tokyo Exchange on April 30, 2024, the calculation record date, in order to obtain consent from corporate shareholders, as well as the simple average closing price for the last one month to the calculation record date, the simple average closing price for the last three months to the calculation record date, and the simple average closing price for the last six months to the calculation record date. The calculation results are as follows.

Closing price of the calculation record date	1,049 yen
Simple average closing price for the last one month	1,033 yen
Simple average closing price for the last three months	1,012 yen
Simple average closing price for the last six months	1,039 yen

In terms of the share value of Oriental Sangyo, on the other hand, to ensure the fairness and appropriateness in the calculation of the share exchange ratio to be applied to the Share Exchange, Deloitte Financial Advisory (the "Deloitte"), a third-party valuation institution independent of both companies was commissioned to conduct the calculation.

Given that common shares of Oriental Sangyo were not listed and that there were no similar listed companies, Deloitte did not use the market price method or the comparable company analysis method to calculate the share value. Meanwhile, the source of the share value lies in the earning capacity, so the consulting firm used the discounted cash flow method (the "DCF method"), rather than the adjusted book value method, to reflect its earnings power based on the status of future business activities in the valuation.

The result of calculations of the per-share value of Oriental Sangyo by Deloitte, using the DCF method, is as follows.

	Calculation results (yen per share)
DCF method	24,744 to 33,051

In the business plan of Oriental Sangyo which is used by Deloitte for the calculation by the DCF method, no significant increase or decrease in profit is forecast in any business year. In addition, the business plan is not contingent on the implementation of the Share Exchange.

On the assumption that the share value per the Company's common shares is one (1) using the above valuation methods, the valuation range of the share exchange ratio is as follows.

Calculation method used		Calculation results of the share exchange ratio
The Company	Oriental Sangyo	
Market price method	DCF method	24.45 to 31.51

4. Outline of the parties involved in the Share Exchange

	Wholly-owning parent company in the share exchange	Wholly-owned subsidiary in the share exchange
(1) Company name	TOKAI CARBON	Oriental Sangyo Co., Ltd.
(2) Head office location	1-2-3 Kita Aoyama, Minato-ku, Tokyo	180 Kamijo-Araimachi, Kofu, Yamanashi
(3) Name and position of representative	Hajime Nagasaka, President and Representative Director	Yuji Yamake, President and Representative Director
(4) Main business	Manufacture and sale of carbon black, graphite electrodes, fine carbon, smelting and lining, friction materials, industrial furnaces and related products.	Processing of carbon products, manufacture and sale of artificial graphite powder and pencil lead.
(5) Capital	20,436 million yen (as of March 31, 2024)	40 million yen (as of March 31, 2024)
(6) Date of establishment	April 8, 1918	March 16, 1953
(7) Number of issued shares	224,943,104 shares (as of March 31, 2024)	80,000 shares (as of March 31, 2024)
(8) Fiscal year-end	December 31	December 31
(9) Major shareholders and shareholding ratio	(As of December 31, 2023) The Master Trust Bank of Japan, Ltd.: 20.38% Custody Bank of Japan, Ltd.: 8.44% MUFG Bank, Ltd.: 2.73% Mitsubishi UFJ Trust and Banking Corporation: 2.16% Mitsubishi UFJ Morgan Stanley Securities Co., Ltd: 1.29%	(As of March 31, 2024) TOKAI CARBON: 83.56% Masao Hayama: 5.63% MITSUBISHI PENCIL COMPANY, Ltd.: 5.00% Akio Hosoda: 1.50% Tomomitsu Takeda: 1.50% The Yamanashi Chuo Bank, Ltd.: 1.25%

(10) Operating results and financial position for the last three years (Unit: Millions of yen unless otherwise stated)						
Fiscal year	TOKAI CARBON (Consolidated)			Oriental Sangyo Co., Ltd.		
	Ended December 31, 2021	Ended December 31, 2022	Ended December 31, 2023	Ended December 31, 2021	Ended December 31, 2022	Ended December 31, 2023
Net assets	256,570	300,868	360,103	1,947	2,118	2,294
Total assets	512,503	576,465	640,005	2,355	2,549	2,672
Net assets per share (yen)	1,075.19	1,260.95	1,521.89	24,340	26,476	28,677
Net sales	258,874	340,371	363,946	1,337	1,407	1,390
Operating income	24,647	40,588	38,728	186	251	230
Ordinary income	24,770	42,521	41,607	202	257	234
Profit for the year attributable to owners of parent	16,105	22,418	25,468	154	169	150
Profit for the year per share (yen)	75.55	105.16	119.45	1,927	2,107	1,875
Dividends per share (yen)	30.00	30.00	36.00	125.00	125.00	125.00

5. Status after the Share Exchange

There will be no changes to the company name, head office location, name and position of the representative, main business, capital, and fiscal year-end of the Company, the wholly owning parent company in the share exchange, as a result of the Share Exchange.

6. Outlook

The impact of the Share Exchange on the financial results for the fiscal year ending December 31, 2024 is expected to be minimal. However, should any significant effects on the financial results come to light, the Company shall promptly disclose them.

7. Inquiries on this matter should be addressed to:

Akihiko Sato, Corporate Planning Department (TEL: 050-1702-4901)

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