TOKAI CARBON CO.,LTD.

June 26, 2018

Tokai Carbon to Acquire Sid Richardson Carbon, Ltd., a Carbon Black Manufacturer in the US

Tokai Carbon Co., Ltd. is pleased to announce that it has entered into an agreement to acquire 100% of the interests of the US carbon black manufacturer Sid Richardson Carbon, Ltd. and its affiliate companies (SRCG, Ltd. and New SRCG Genpar, LLC). The transaction was approved by the Tokai Carbon Board of Directors and Tokai Carbon entered into a definitive agreement on June 26, 2018.

1. Background to this Acquisition

Under the three-year mid-term management plan (T-2018), Tokai Carbon is now shifting its focus from the business restructuring strategy (Phase 1 of T-2018) to the growth strategy (Phase 2 of T-2018) as disclosed in February, 2017. Tokai Carbon drew on a portion of its approximately 50 billion yen M&A strategic investment budget to acquire the US subsidiary of SGL GE, a graphite electrode manufacturer, in November, 2017 and consolidate Tokai Carbon Korea, a fine carbon manufacturer, in May, 2018. The acquisition of Sid Richardson Carbon at this time represents another strategic investment toward achieving the goals of the mid-term management plan.

Carbon black is a cornerstone of Tokai Carbon's business and one that we intend to grow over the mid- to long-term. Tokai Carbon produces furnace black, which is made from petroleum and coal tar base oil, at its plants in Japan, Thailand, and China. Tokai Carbon has established a position as one of the leading Asian companies in this market segment. In 2014, Tokai Carbon moved into the thermal black segment through its acquisition of Cancarb in Canada. Thermal black, which is made primarily from natural gas, is significantly strengthening Tokai Carbon's profitability. Since leading Japanese customers have increased their presence in the North American market, Tokai Carbon realized that going forward one of our key challenges would be to grow our furnace black business in North America to meet burgeoning customer demand.

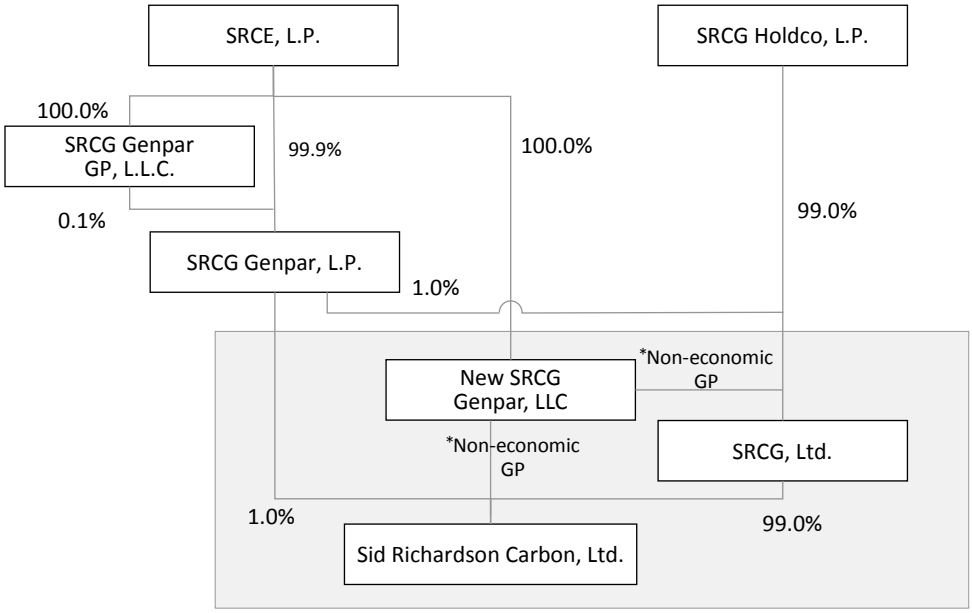
Sid Richardson Carbon has three plants and is the leading manufacturer and seller of furnace black in the US. Since its establishment, Sid Richardson Carbon has built a solid reputation among European, North American and Japanese tire manufacturers.

The acquisition of Sid Richardson Carbon will support Tokai Carbon's expansion into the North American market, the second largest market after China. The acquisition will also permit Tokai Carbon to build a global supply network for tire and rubber product manufacturers while broadening its worldwide customer base to include European and North American customers as well.

Additionally, we expect to draw on Sid Richardson Carbon's unique technology strengths to improve Tokai Carbon's productivity and strengthen our cost competitiveness.

The acquisition of Sid Richardson Carbon will contribute to Tokai Carbon's ongoing efforts to establish itself as a global player in the carbon black business. The acquisition will enable Tokai Carbon to expand its business, improve its profitability, and increase its corporate value.

<Scope of acquisition>



The gray area is the scope of acquisition

*Non-economic GP is a person or entity that serves as a general partner for purposes of satisfying the State Partnership Law (including responsibility for general partner liabilities), but does not receive proportionate amount of the profits or losses of the partnership. Non-economic GP does not own any partnership interest of the partnership.

2. Overview of the acquired companies

① Overview of Sid Richardson Carbon, Ltd. (as of April 30, 2018)

(1)	Name of Company	Sid Richardson Carbon, Ltd.		
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA		
(3)	Representative	New SRCG Genpar, LLC		
(4)	Business Description	Manufacturing, selling and R&D for furnace black		
(5)	Capital Contributed*1*2	USD 128.3 million		
(6)	Date Established*3	February 16, 1993		
(7)	Partners and Ownership Ratio	SRCG, Ltd. (99.0%) SRCG Genpar, L.P. (1.0%) New SRCG Genpar, LLC (0.0%)		
(8)	Relationship with Tokai Carbon	Capital relationship	Not applicable	
		Personnel relationship	Not applicable	
		Business relationship	Not applicable	
(9)	Business Results and Financial Position for the past three years *2 (USD million)			
	Accounting Period	FY2015	FY2016	FY2017
	Net Assets	110.5	96.2	114.8
	Total Assets	176.7	181.9	201.2
	Net Sales	340.7	254.3	311.9

Operating Profit	35.3	18.6	21.3
Net Income	32.2	15.7	18.6

② Overview of SRCG, Ltd. (as of April 30, 2018)

(1)	Name of Company	SRCG, Ltd.		
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA		
(3)	Representative	New SRCG Genpar, LLC		
(4)	Business Description	Serving as the 99.0% limited partner of Sid Richardson Carbon, Ltd.		
(5)	Capital Contributed*1*2	USD 129.0 million		
(6)	Date Established*3	February 16, 1993		
(7)	Partners and Ownership Ratio	SRCG Holdco, L.P. (99.0%) SRCG Genpar, L.P. (1.0%) New SRCG Genpar, LLC (0.0%)		
(8)	Relationship with Tokai Carbon	Capital relationship	Not applicable	
		Personnel relationship	Not applicable	
		Business relationship	Not applicable	
(9)	Business Results and Financial Position for the past three years *2 (USD million)			
	Accounting Period	FY2015	FY2016	FY2017
	Net Assets	111.3	97.2	115.6
	Total Assets	111.3	97.2	115.6
	Net Sales	31.9	15.6	18.4
	Operating Profit	31.9	15.6	18.4
	Net Income	31.9	15.6	18.4

③ Overview of New SRCG Genpar, LLC (as of June 1, 2018)

(1)	Name of Company	New SRCG Genpar, LLC	
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA	
(3)	Name and Title of Representative	William R. Jones, President	
(4)	Business Description	Serving as the sole general partner of each of Sid Richardson Carbon, Ltd. and SRCG, Ltd.	
(5)	Capital Contributed*1*2	USD 0	
(6)	Date Established*3	May 23, 2018	
(7)	Owners and Ownership Ratio	SRCE, L.P. (100.0%)	
(8)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable

*1 The financial figures in "*Capital Contributed*" represent total equity capital as of either April 30, 2018 or June 1, 2018, as applicable.

*2 The financial figures in "*Capital Contributed*" and "*Business Results and Financial Position for the past*

three years" are based on U.S. federal income tax accounting principles. SRCG, Ltd. does not prepare audited financial statements. New SRCG Genpar, LLC was established in May, 2018 and thus does not have information related to business results and financial position for the past three years.

*[3] "*Date Established*" is the effective date of the certificate of limited partnership.

3. Overview of Sellers

① Overview of SRCE, L.P. (as of April 30, 2018)

(1)	Name of Company	SRCE, L.P.	
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA	
(3)	Representative	SRCE GP, L.L.C.	
(4)	Business Description	Oil, gas and other mineral ownership, exploration and development	
(5)	Capital*	USD 494.4 million	
(6)	Net Assets*	USD 494.4 million	
(7)	Total Assets*	USD 494.4 million	
(8)	Date Established	February 6, 1948	
(9)	Major Shareholders and Ownership Ratio	Fannin Partners, L.P. (99.9%) SRCE GP, L.L.C. (0.1%)	
(10)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Related party relationship	Not applicable

② Overview of SRCG Holdco, L.P. (as of April 30, 2018)

(1)	Name of Company	SRCG Holdco, L.P.	
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA	
(3)	Representative	SRCE GP, L.L.C.	
(4)	Business Description	Serving as the 99.0% limited partner of SRCG, Ltd.	
(5)	Capital*	USD 127.7 million	
(6)	Net Assets*	USD 127.7 million	
(7)	Total Assets*	USD 127.7 million	
(8)	Date Established	March 19,2018	
(9)	Major Shareholders and Ownership Ratio	SRCG Holdco Investors, L.P. (100.0%) SRCE GP, L.L.C. (0.0%)	
(10)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Related party relationship	Not applicable

③ Overview of SRCG Genpar, L.P. (as of April 30, 2018)

(1)	Name of Company	SRCG Genpar, L.P.
(2)	Location	201 MAIN STREET, SUITE 3000, FORT WORTH, TX, USA
(3)	Representative	SRCG Genpar GP, L.L.C.

(4)	Business Description	Serving as the 1.0% limited partner of each of Sid Richardson Carbon, Ltd. and SRCG, Ltd.	
(5)	Capital*	USD 4.4 million	
(6)	Net Assets*	USD 4.4 million	
(7)	Total Assets*	USD 4.4 million	
(8)	Date Established	February 3, 1993	
(9)	Major Shareholders and Ownership Ratio	SRCE, L.P. (99.9%) SRCG Genpar GP, L.L.C. (0.1%)	
(10)	Relationship with Tokai Carbon	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Related party relationship	Not applicable

* The financial figures in "*Capital*," *Net Assets*" and "*Total Assets*" are based on U.S. federal income tax accounting principles. In addition, the financial figures in "Capital" represent total equity capital as of April 30, 2018.

4. Acquisition Price and Ownership ratio before and after the Transaction*

(1)	Ownership percentage before the Transaction	0.0%
(2)	Acquisition Price	JPY 34.1 billion
(3)	Ownership percentage after the Transaction	100.0%

* Ownership percentage of all three acquired companies will increase from 0.0% to 100.0%. Acquisition price is calculated at the exchange rate of USD 1=JPY 110. Total acquisition price of the Transaction is subject to customary price adjustments at closing and may change accordingly.

5. Schedule of the Transaction*

(1)	June 26, 2018	Board meeting to approve Transaction
(2)	June 26, 2018	Signing of the definitive agreement
(3)	Early September, 2018	Transfer of the interests (Planned)

* The Schedule of the Transaction is tentative as of June 26, 2018 and may differ from the above depending on the approval status from relevant authorities with regards to antitrust law and fulfillment of other closing conditions.

6. Outlook

Tokai Carbon is currently reviewing the impact of the Transaction to the fiscal year ending December 2018. Tokai Carbon will make an announcement as soon as the review is completed.

7. Capital investment to fulfill environmental regulation

On December 22, 2017, SRC reached a settlement with the EPA (Environmental Protection Agency), DOJ (Department of Justice), State of Louisiana and State of Texas to pay civil penalties and install new pollution control technologies in order to fulfill environmental regulations regarding reduction of emissions of harmful air pollutants. The impact of this settlement was reflected in the acquisition price.

Settlement Conditions	Amount	Period

Civil penalties	USD999 thousand	July 3, 2018 (Planned)
Environmental mitigation	Over USD490 thousand	2018-2021 (Planned)
Capital investment	Approximately USD100 million	2018-2023 (Planned)

(URL)
https://www.epa.gov/enforcement/sid-richardson-carbon-and-energy-company-clean-air-act-settlement

End of notice

Company name: Tokai Carbon Co., Ltd.
Security code: 5301 [Tokyo Stock Exchange]
Contact: Midori Hajikano, General Manager,
Corporate Planning Department, Tel.: +81-3-3746-5228