



March 27, 2020

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Notice Concerning Disposal of Treasury Shares as Restricted Stock Remuneration

Tokai Carbon Co., Ltd. (the “Company”) hereby announces that, at the Board Meeting held today, it resolved to dispose of its treasury shares (the “Disposal of Treasury Shares” or “Disposal”) as restricted stock remuneration as described below.

1. Summary of the disposal

(1) Disposal Date	April 24,2020
(2) Class and number of shares to be disposed	Common stock of the Company : 21,132
(3) Disposal price	899 yen per share
(4) Total disposal price	18,997,668 yen
(5) Recipients of allotment and number of the recipients and number of shares to be disposed of	Directors of the company (excluding outside directors) 5 directors 21,132 shares
(6) Other	The disposal of Treasury Shares on conditional on submission of a securities notice in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reasons for disposal

The Company resolved, at the Board of Directors’ Meeting held on Feb 12, 2020, to introduce a Restricted Stock remuneration plan (the “Plan”) for its directors excluding outside directors (the “Target directors”) in order to provide them with medium-to-long-term incentives and share the shareholder value. Further, the company obtained approval at the 2019 Ordinary General Meeting of shareholders held on March 27, 2020, for providing monetary remuneration claim of 100 million yen or less per year to the Target directors as monetary remuneration to become properties

contributed for acquisition of restricted stock (the “restricted stock remuneration), and set the transfer-restricted period of the restricted stocks at 30 years.

An overview of the plan is described below.

[Outline of the plan]

The Targeted Directors will issue all the monetary claims that the Company paid to them under the Plan as properties contributed in kind to receive the issue or undertake the disposal of the common shares of the Company. The total number of common shares that the Company will newly issue or dispose of under the plan shall be limited to 100,000 shares per year, and the amount to be paid in per share shall be determined by the Board Meeting based on the closing price for the common share of the Company at the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board Meeting (if trading is not closed on the said day, the closing price on the immediately preceding trading day) to an extent not especially favorable to the Target Directors who subscribe to the said common shares.

Furthermore, the issuance or disposal of the Company's common shares through the Plan shall be on the following conditions between the Company and the Targeted Directors who are intending to receive the provision of the compensation of restricted stocks: (1) to prohibit the transfer of the Shares to a third party, the setting of a security right to Shares, or any other disposal of Shares for a fixed period , and (2) to conclude an agreement on the allotment of restricted stock, including the statement that the Company will acquire the Shares without charge in case of an occurrence of certain matters.

Having comprehensively considered the purpose of the Plan, the Company's business situations, the duties of the Target Directors and various other factors, the Company resolved to provide monetary claims totaling 18,997,668 yen (the “Monetary Remuneration Claims”) and grant 21,132 common shares, with the aim of further motivating each Target Director. The Company has set 30 year period of transfer restriction with the Target Directors for the long-term shareholder value enhancement.

For the Disposal of the Treasury Share this time, the five Target Directors, recipients of the allotment, under the Plan, will pay in all the Monetary Remuneration Claims as properties contributed in kind and undertake the disposal of the common shares (the “Allocated Share) of the Company. At the disposal of treasury stock, the following is an outline of the restricted stock allotment agreement (the “Allotment agreement”) concluded between the Company and the Target Director.

3. Overview of the allotment agreement

(1) Transfer restriction period : April 24, 2020 – April 23, 2050

(2) Condition for canceling the restriction transfer

During the transfer restriction period, the Target Director shall continue to be Director, Executive Officer, Corporate Auditor, Employee, or Advisor of the Company or a subsidiary of the Company, or any other equivalent position. Subject to certain conditions, the transfer restriction will be lifted at the expiration of the transfer restriction period for all of the Allocated Shares.

(3) Treatment of resignation of the Target Director, etc. due to expiration of term of office or other legitimate reasons during the transfer-restriction period

① Canceling period of the restriction of transfer

Expiration of term of office or retirement age or other justifiable grounds for the applicable Director from any position of Director, Executive Officer, Corporate Auditor, Employee, or Advisor of the Company or a subsidiary of the Company or any other equivalent position In the case of retirement (excluding the case of retirement due to death), the transfer restriction will be lifted immediately after the retirement or retirement of the Target Director. In the case of retirement due to death, the transfer restriction will be lifted at the time determined separately by the Board Meeting after the death of the Target Director.

② The number of restricted stock to be cancelled

The number of the allocated shares held at the time of the retirement or retirement specified in ①, divided by the period of employment (monthly unit) pertaining to the transfer restriction period of the Target Director by 12 (if the number exceeds 1, assume 1), multiplied by the number obtained (as a result of calculation, less than 1 share , the fraction will be rounded down if it occurs.).

(4) Free acquisition by the Company

At the end of the transfer restriction period or at the time of the release of the transfer restriction specified in (3) above, the Company will free acquire the Allocated Shares for which the transfer restriction has not been released of charge.

(5) Management of stock

The Allocated Shares will be managed in a dedicated account opened by Nomura Securities Co., Ltd. By the Target Director during the transfer restriction period so that the shares cannot be transferred, set a security interest or otherwise dispose of during the transfer restriction period. The Company will not to ensure the effectiveness of such transfer restrictions, a contract has been concluded with Nomura Securities Co., Ltd. in connection with the management of the account of the Allocated Share held by each of the Target

Directors. In addition, the Target Directors shall agree on the content of the management of the account.

(6) Treatment of reorganization

During the transfer restriction period, a merger agreement in which the company becomes a dissolving company, a stock swap agreement in which the company becomes a wholly owned subsidiary, a stock transfer plan, and other matters related to reorganization are approved by General Meeting of Shareholders (In the case where approval by the general meeting of shareholders of the Company is not required, approved by the Board Meeting of the Company). In that case, by the resolution of the Board Meeting, the number of the Allocated Shares held at that time, divided by the period of employment (monthly unit) pertaining to the transfer restriction period of the Target Director by 12 (if the number exceeds 1, assume 1) multiplied by the number obtained (as a result of calculation, less than 1 share, the fraction will be rounded down if it occurs.). This transfer restriction will be lifted immediately before the business day preceding the effective date of the reorganization. Immediately after the transfer restriction has been lifted, the Company will free acquire all of the Allocated Shares for which the transfer restriction has not been released of charge.

4. Basis for calculating the amount to be paid and its details

To avoid arbitrary pricing, the disposal price for the Disposal of Own Shares shall be set at 899 yen, which is the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on March 26, 2020 (The business day immediately before the Board Meeting made the resolution). This is the market share price immediately prior to the date of the resolution, and the Company believes that it is reasonable and not particularly advantageous price.