

Information Material regarding Bond-Type Class Shares

February 13, 2024

This material has been prepared solely for the benefit of the holders of shares of common stock of TOKAI CARBON CO., LTD. (the "Company") in evaluating the proposal of the Company for a partial amendment to the Articles of Incorporation scheduled to be submitted to the Company's Annual General Meeting of Shareholders for the fiscal year 2023 (the "General Meeting of Shareholders") planned to be held on March 28, 2024 and not for the purpose of soliciting investment or engaging in any other similar activities in Japan or any foreign country. This material does not constitute an offer of securities in the United States. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933, and may not be offered or sold in the United States absent registration thereunder or an applicable exemption from registration requirements. In this case, no offering of securities will be made in the United States.



TOKAI CARBON GROUP

Features of Bond-Type Class Shares

- Like subordinated bonds, Bond-Type Class Shares have intermediate characteristic between shares and bonds, and are a hybrid financing method in which 50% of the issue amount is treated as equity and 50% as debt for rating purposes.
- Bond-Type Class Shares are treated as shares under the Companies Act and, unlike subordinated bonds, lead to an increase in shareholders' equity for accounting purposes, but do not have voting rights and are not convertible into Common Shares.
- The Company plans to apply for listing on the Prime Market of the Tokyo Stock Exchange separately from its Common Shares, and intends to provide investment opportunities to a wide range of investors.

			Approx. 5 yrs after Issuance
Equity Credit for Rating Purposes	Expected to be evaluated as having the equity credit (50% of the amount of funds raised) by Rating Agency (R&I)	Treat 50% of issue amount as equity and 50% as debt	
Voting Rights	No voting rights	No dilution of Common Shares	
Rights to Convert	No rights to convert into Common Shares		
Tokyo Stock Exchange Listing	A listing application for the Prime Market of the Tokyo Stock Exchange is planned to be made	Listing on Tokyo Stock Exchange	
Preferred Dividend	Fixed for approx. five years from the issuance (floating thereafter) (*1) The order of distribution is senior to dividends to Common Shares, Non-participating (*2), Cumulative (*3)	Fixed Dividend	Floating Dividend
Call Option in Exchange for Cash (Company's Option)	In principle, the Company may acquire the Bond-Type Class Shares after five years from the issuance (*4) (Acquisition in the amount equal to the issue price plus unpaid and accrued dividends payable)		The Company may acquire the shares in exchange for cash

*1 The annual dividend rate will be the sum of the fixed base rate plus the initial spread for approximately five years from the issuance, and thereafter, the sum of the floating base rate plus the initial spread+1%.

*2 The Bond-Type Class Shares are "non-participating", meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance.

*3 The Bond-Type Class Shares are "cumulative," meaning that any unpaid dividends shall be carried over to subsequent fiscal years.

*4 The specific events triggering the call option will be determined by the Board of Directors at the time of the resolution for issuance.

Effects and Impacts on Financial Indicators, etc.

- Although the Bond-Type Class Shares are shares, the impact on ROE and EPS for Common Shares is limited. Dividends and distribution of residual assets are senior to dividends to Common Shares, and a fixed amount will be paid for the preferred dividend for a certain period of time, and no dividend is paid beyond the preferred dividend stipulated at the time of issuance.
- It leads to a decline in the Net D/E Ratio, etc., and contributes to the improvement of financial soundness indicators for both accounting and rating purposes.

Impact on Key Financial Indicators	ROE for Common Shares	$\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Equity capital (Common Shares)}}$	Impact is mostly limited to the preferred dividend amount (as compared to before issuance)
	EPS for Common Shares	$\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Number of issued shares (Common Shares)}}$	
	PBR for Common Shares	$\frac{\text{Market Capitalization (Common Shares)}}{\text{Net Asset} - \text{Net Asset of Bond-Type Class Shares} - \text{Preferred Dividend}}$	
	Net D/E Ratio	$\frac{\text{Net Interest-Bearing Debt}}{\text{Shareholders' equity (including Bond-Type Class Shares)}}$	Contribution to improvement of financial soundness
Distribution to Bond-Type Class Shareholders	Preferred Dividend	Senior to Common Shares, limited to the annual dividend rate determined at the time of issuance (fixed dividend for approx. 5 years from the issuance)	Non-participating product nature
	Distribution of Residual Assets	Senior to Common Shares, limited to the amount equivalent to the issue price and the amount of preferred dividend	



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