



Announcement of Acquisition of Equity in Cancarb (Canadian Carbon Black Producer) and Related Assets

January 20, 2014

On January 20, 2014, Tokai Carbon's board of directors approved the company to acquire all outstanding shares of Cancarb Limited (Alberta, Canada, President: David Petrie) ("Cancarb") from TransCanada PipeLines Limited (Headquarter: Alberta, Canada, President: Russell K. Girling), a direct wholly-owned subsidiary of TransCanada Corporation (Headquarter: Alberta, Canada, President: Russell K. Girling), and related assets ("Assets") owned by TransCanada Energy Ltd. (Headquarter: Alberta, Canada, President: Alexander J. Pourbaix), which is an indirect wholly-owned subsidiary of TransCanada Corporation.

1. Background of the acquisition of Cancarb

Cancarb engages in developing, manufacturing and marketing thermal black used for rubber auto parts and for refractory in global marketplace, including in the U.S., Europe and Asia.

As a producer of thermal black, which is made of natural gas, Cancarb seizes more than 50% share¹ in the global thermal black market and has achieved stable earnings through sale of high-value-added products, taking advantage of its favorable location with easy access to rich North American natural gas supply including shale gas.

Carbon black business is Tokai Carbon's mid-to-long term growth target area and the company has already established a leading position in Asia mainly in China and Thailand, in addition to Japan, in furnace black market. It believes collaboration with Cancarb would help the company to further improve the presence in the global carbon black market and accelerate the growth.

Entering into thermal black field, which uses natural gas for its major ingredients, is expected to lead the expansion of the product portfolio of Tokai Carbon group as well as to strengthen earnings stability and cost competitiveness. Furthermore, Tokai Carbon is also convinced that synergies in marketing and technology can be realized through cooperation with Cancarb.

Tokai Carbon aims for acceleration of global expansion through M&A (Mergers and Acquisitions) in the new three-year plan "T-2015". This transaction would be the strong first step to move our strategy forward.

The Assets are related to waste heat recovery facility that is operated in an integrated manner with Cancarb's production facility and are acquired in this transaction as adjunct assets to Cancarb.

*Thermal black:

Carbon black with larger particle size, which is produced in the thermal method. Its particle size is larger than what is produced through oil furnace method, which utilizes petroleum and coal-based oil. It is mainly used for special polymer, and rubber-related products such as auto parts are the main markets. It is also used for refractory and ceramic products.

¹ Company estimate

2. Overview of Acquired Company (Cancarb Limited)

(1)	Name	Cancarb Limited		
(2)	Location	1702 Brier Park Crescent N.W., Medicine Hat, Alberta, Canada		
(3)	Representative	David Petrie, President		
(4)	Business Overview	Developing, manufacturing and marketing of thermal black, others		
(5)	Capital	C\$ 426,182 (As of December 2012)		
(6)	Establishment	1973		
(7)	Substantial Shareholder	TransCanada PipeLines Limited (100.0%)		
(8)	Relationship with the Listed Company	There is no capital, human or business relationship between Tokai Carbon and Cancarb.		
(9)	Financial Performance over the Last Three Years (C\$ 000)			
	Year Ending	December 2010	December 2011	December 2012
	Net Assets	74,488	40,589	31,883
	Total Assets	84,388	49,070	38,786
	Net Assets Per Share	6,207	3,382	2,657
	Sales	57,056	63,565	59,700
	Operating Profit	14,062	21,670	22,190
	Recurring Profit	14,062	21,670	22,190
	Net Income	9,972	16,101	16,295
	EPS	831	1,342	1,358
	Dividend Per Share	-	-	-

3. Overview of the Seller of Acquired Company

(1)	Name	TransCanada PipeLines Limited
(2)	Location	450 1st Street S.W., Calgary, Alberta, Canada
(3)	Representative	Russell K. Girling, President
(4)	Business Overview	Operations of natural gas and petroleum pipelines businesses
(5)	Substantial Shareholder	TransCanada Corporation (100.0%)
(6)	Relationship with the Listed Company	There is no capital, human or business relationship between Tokai Carbon and TransCanada PipeLines Limited.

4. Overview of the Acquired Assets

Assets Name and Location	Assets related to waste heat recovery facility 1702 Brier Park Crescent N.W., Medicine Hat, Alberta, Canada
Use	Power generation using the waste heat generated from carbon black production in thermal method and sale of electric power to City of Medicine Hat

5. Overview of the Seller of Acquired Assets

(1)	Name	TransCanada Energy Ltd.
(2)	Location	450 1st Street S.W., Calgary, Alberta, Canada
(3)	Representative	Alexander J. Pourbaix, President
(4)	Business Overview	Operations of energy businesses, such as power generation
(5)	Substantial Shareholder	701671 Alberta Ltd. (100.0%)

(6) Relationship with the Listed Company	There is no capital, human or business relationship between Tokai Carbon and TransCanada Energy.
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6. Overview of the Seller's Parent Company

(1) Name	TransCanada Corporation
(2) Location	450 1st Street S.W., Calgary, Alberta, Canada
(3) Representative	Russell K. Girling, President
(4) Business Overview	Operations of natural gas and petroleum pipelines businesses, energy businesses
(5) Capital	C\$ 12,069MM (As of December 2012)
(6) Establishment	1951
(7) Net Assets	C\$ 18,336MM (As of December 2012)
(8) Total Assets	C\$ 48,333MM (As of December 2012)
(9) Substantial Shareholders ²	TD Asset Management, Inc. (5.6%), Royal Bank of Canada, Banking & Securities Investments (5.1%)
(10) Relationship with the Listed Company	There is no capital, human or business relationship between Tokai Carbon and TransCanada Corporation, and they are not related parties.

7. Acquired Shares, Share Ownership Changes and the Transaction Consideration

(1) Share Ownership Before the Transaction	0 share (# of Voting Right: 0) (% of Voting Right: 0.0%)
(2) Acquired Shares	12
(3) Transaction Consideration	C\$ 190MM (approx. JPY 18.2 billion ³) (This amount includes consideration for the Assets (waste heat recovery facility) in addition to the consideration for the equity of Cancarb) The transaction consideration is to be adjusted based on the movements of working capital to the closing date. The amount of transaction expenses is currently unknown.
(4) Share Ownership After the Transaction	12 (# of Voting Right: 12) (% of Voting Right: 100.0%)

8. Timeline

(1) Board Meeting	January 20, 2014
(2) Signing of Purchase and Sale Agreement / Assets Purchase Agreement	January 20, 2014
(3) Closing	March 2014 (plan*) *Subject to regulatory approvals

9. Future Outlook

Tokai Carbon is currently examining the transaction's impact on its earnings outlook for the current fiscal year and

² Based on Form F-13 Filing, etc

³ Based on the exchange rate as of January 16, 2014

will disclose once it is fully identified.

10. Advisor

Morgan Stanley acted as the exclusive financial advisor to Tokai Carbon.

Appendix: Cancarb's Global Platform

