



[Translation]
May 10, 2018

To whom it may concern:

Company Name: Toyo Kohan Co., Ltd.

Name of Representative: President and Representative Director Hirohiko Sumida
(Code No. 5453 First Section, Tokyo Stock Exchange)

Contact: Executive Officer and Chief of Administration Division Takashi Dairaku
(Telephone +81-3-5211-6200)

Announcement of Opinion regarding the Tender Offer for Our Shares by Our Controlling Shareholder, Toyo Seikan Group Holdings Co., Ltd.,

Toyo Kohan Co., Ltd. (the “**Company**”) hereby announces that, with respect to a tender offer (the “**Tender Offer**”) from Toyo Seikan Group Holdings Co., Ltd., (in accordance with the Financial Instrument and Exchange Act of Japan and related acts and regulations, the “**Tender Offeror**”), the Company’s controlling shareholder, targeting the common stock of the Company (the “**Company Shares**”) as announced by “Notice of Support for the Tender Offer for Our Shares by Our Controlling Shareholder, Toyo Seikan Group Holdings Co., Ltd., and Recommendation to Tender” dated as of February 7, 2018, the Company resolved at a meeting of the board of directors held on May 10, 2018 to express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer.

The aforementioned resolution of the board of directors’ meeting was passed on the assumption that (i) the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror by way of the Tender Offer and a series of procedures to be implemented thereafter, and (ii) the Company Shares are to be delisted.

1. Outline of the Tender Offeror

(A) Name	Toyo Seikan Group Holdings, Ltd.
(B) Address	Osaki Forest Bldg., 2-18-1, Higashi-Gotanda, Shinagawa-ku, Tokyo, Japan
(C) Title and Name of Representative	Takao Nakai, President and Representative Director
(D) Description of Business	Business management of group companies, etc.
(E) Capital	11,094 million yen (as of December 31, 2017)
(F) Date of Establishment	July 29, 1941
(G) Major Shareholders and Shareholding Ratios (as of	The Master Trust Bank of Japan, Ltd. 12.28% (Trust Account) Toyo College of Food Technology 7.44%

September 30, 2017) (See Note 1)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td style="text-align: right;">6.90%</td> </tr> <tr> <td>Toyo Institute of Food Technology</td> <td style="text-align: right;">5.69%</td> </tr> <tr> <td>Sumitomo Mitsui Banking Corporation</td> <td style="text-align: right;">2.98%</td> </tr> <tr> <td>Fukoku Mutual Life Insurance Company</td> <td style="text-align: right;">2.57%</td> </tr> <tr> <td>Sumitomo Mitsui Trust Bank, Limited</td> <td style="text-align: right;">1.93%</td> </tr> <tr> <td>The Gunma Bank, Ltd.</td> <td style="text-align: right;">1.80%</td> </tr> <tr> <td>Toyo Ink SC Holdings Co., Ltd.</td> <td style="text-align: right;">1.74%</td> </tr> <tr> <td>Mitsui Sumitomo Insurance Company, Limited</td> <td style="text-align: right;">1.58%</td> </tr> </table>	Japan Trustee Services Bank, Ltd. (Trust Account)	6.90%	Toyo Institute of Food Technology	5.69%	Sumitomo Mitsui Banking Corporation	2.98%	Fukoku Mutual Life Insurance Company	2.57%	Sumitomo Mitsui Trust Bank, Limited	1.93%	The Gunma Bank, Ltd.	1.80%	Toyo Ink SC Holdings Co., Ltd.	1.74%	Mitsui Sumitomo Insurance Company, Limited	1.58%
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(H) Relationship between Company and Tender Offeror																	
Capital Relationship	The Tender Offeror owns 47,885,756 Company Shares (ownership ratio: 47.53%; See Note 2) as of today, and the Company is its consolidated subsidiary.																
Personnel Relationship	A director (Mr. Norimasa Maida) of the Company concurrently serves as a senior managing executive officer and director of the Tender Offeror, an audit and supervisory board member (Mr. Kunio Okawa) of the Company concurrently serves as a standing audit and supervisory board member of the Tender Offeror, the president and representative director (Mr. Hirohiko Sumida) of the Company concurrently serves as an operating officer of the Tender Offeror.																
Business Relationship	The Company purchases steel products from Tokan Trading Corporation, one of the Tender Offeror's Operating Group Companies (See Note 3), which procures steel products from blast furnace steelmakers, and the Company sells surface-treated steel products to Toyo Seikan Co., Ltd., one of the Tender Offeror's Operating Group Companies and other companies. Also the Tender Offeror assumes part of the corporate function of the Company, in addition to loaning funds to the Company.																
Status as Related Party	The Tender Offeror is a parent company of the Company, therefore it is a related party of the Company.																

Note 1: Shareholding ratios of major shareholders are taken from the 105th Q2 Report of the Tender Offeror dated November 14, 2017.

Note 2: "Ownership ratio" means the percentage owned (rounded to two decimal places) of the difference (100,754,968 shares) of the number of issued shares of the Company as of March 31, 2018 (100,800,000) stated in the Financial Statement (Japanese GAAP) (consolidated) for the Y.E. March 2018 released today (the "Financial Statement") less the number of treasury shares held by the Company as of March 31, 2018 (54,032) as stated in the Financial Statement; the same applies hereinafter.

Note 3: Tender Offeror's Operating Group Companies means, among the companies that belong to the Tender Offeror and its subsidiaries and affiliates (the "Tender Offeror's Group"), the operating companies excluding the Tender Offeror and the Company Group (as defined in "(B) Background, Purpose, and Decision-making Process for the Tender Offer, and Management Policy after the Tender Offer" under "(2) Grounds and Reasons for the Opinion regarding the Tender Offer" in "3. Details of, and Grounds

and Reasons for, the Opinion on the Tender Offer”); the same applies hereunder.

2. Price of Tender Offer

718 yen per share of common stock (hereinafter referred to as “**Tender Offer Price**”).

3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer

(1) Details of Opinion

The Company resolved at a meeting of the board of directors held on May 10, 2018 to express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer based on the grounds and reasons described in “(2) Grounds and Reasons for the Opinion regarding the Tender Offer” below.

The above-mentioned resolution by the meeting of board of directors was resolved pursuant to the method described in “(E) Approval by all of the Non-Interested directors of the Company and Opinion of No Objection by all of the Non-Interested Corporate Auditors of the Company” under “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” below.

(2) Grounds and Reasons for the Opinion regarding the Tender Offer

(A) Overview of the Tender Offer

The Company received an explanation from the Tender Offeror on the overview of the Tender Offer as follows.

The Tender Offeror holds 47,885,756 Company Shares as of today (ownership ratio: 47.53%), making the Company a consolidated subsidiary of the Tender Offeror since FY 1999, according to the substantive control threshold.

According to the Tender Offeror, the Tender Offeror, at the board of directors meeting held on February 7, 2018 determined to conduct the Tender Offer for all of the issued Company Shares (excluding the Company Shares held by the Tender Offeror and the Company’s treasury shares) for the purpose of acquiring the Company as a wholly-owned subsidiary of the Tender Offeror, subject to the satisfaction (or waiver by the Tender Offeror) of the following conditions (conditions (i) through (v) below are hereinafter collectively referred to as the “**Conditions Precedent for the Tender Offer**”): (i) procedures and actions required under competition laws in Japan and China have been completed; (ii) the Company’s board of directors has passed a resolution to express its opinion to support the Tender Offer and recommend that Company’s shareholders to tender their shares in the Tender Offer; (iii) the third-party committee established at the Company has made a report to the Company’s board of directors containing positive opinions on the Consulted Matters (defined below in “(D) Establishment of an Independent Third-Party Committee at the Company and Obtainment of a Written Report” under “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of, and grounds and Reasons for, the Opinion on the Tender Offer”) and has not withdrawn the said report; (iv) the Company’s board of directors has passed a resolution to the effect that a distribution of surplus for the record date of March 31, 2018 will not be made (please see (2) Dividends at the End of Y.E. March, 2018” under “11. Others”); and (v) no events have occurred

that cause a material adverse effect to the financial condition (meaning the events listed as permissible grounds for withdrawal of tender offer in the proviso of Article 27-11, Paragraph 1 of the Financial Instrument and Exchange Act of Japan, and other ground similar or equivalent thereto) of the Company Group.

According to the Tender Offeror, the Tender Offeror has determined that it has become possible to conduct the Tender Offer, and decided to commence the Tender Offer on May 11, 2018 because the procedures and actions required under the relevant competition laws in Japan and China have been completed, the third-party committee established by the Company submitted the Written Report dated May 10, 2018 (as defined in “(C) The Company’s Decision-making Process for its Opinion to Support the Tender Offer and Reasons Thereof”) to the effect that there had been no change to the Written Report dated February 7, 2018 (as defined in “(C) The Company’s Decision-making Process for its Opinion to Support the Tender Offer and Reasons Thereof”), and the other Condition Precedents for the Tender Offer have been fulfilled.

If the Tender Offer is executed, according to the Tender Offeror, the Tender Offeror plans to purchase a minimum of 19,278,300 (see Note 4) Company Shares such that the Tender Offeror becomes the owner of a total of at least two thirds of the Company’s total voting rights (see Note 5). If the total number of share certificates, etc. tendered in response to the Tender Offer (the “**Tendered Share Certificates, Etc.**”) is less than the minimum number of shares to be purchased (19,278,300), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. Conversely, given that the Tender Offeror intends to acquire all of the issued Company Shares (excluding the Company Shares held by the Tender Offeror and the Company’s treasury shares) through the Tender Offer as stated above, there is no maximum number of shares to be purchased, and if the number of Tendered Share Certificates, Etc. meets or exceeds the minimum number of shares to be purchased (19,278,300), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

Note 4: The minimum number of shares to be purchased is the product (19,278,300 shares) of the difference (192,783 voting rights) of two thirds (671,640 voting rights; rounded up to the nearest unit) of the Company’s total voting rights defined in Note 5 below (1,007,459) less the voting rights owned by the Tender Offeror (478,857), multiplied by 100 shares per voting right.

Note 5: “The Company’s total voting rights” means the number of voting rights (1,007,459) pertaining to the difference (100,745,968 shares) of the total number of issued shares as of March 31, 2018 (100,800,000) stated in the Financial Statement less the number of treasury shares held by the Company as of March 31, 2018 (54,032) stated in the Financial Statement.

Since the Tender Offeror’s purpose is to make the Company a wholly-owned subsidiary of the Tender Offeror, according to the Tender Offeror, if the Tender Offeror is unable to acquire all of the issued Company Shares (excluding the Company Shares held by the Tender Offeror and the Company’s treasury shares) through the Tender Offer, the Tender Offeror will conduct the transactions stated in “(4) Policy for Organizational Restructuring after the Tender Offer (matters relating to the ‘Two-Step Acquisition’)” below (collectively with the Tender Offer, the “**Transaction**”) to acquire all of the issued Company Shares (excluding the Company Shares held by the Tender Offeror and the Company’s treasury shares).

(B) Background, Purpose, and Decision-making Process for the Tender Offer, and Management Policy after the Tender Offer

According to the tender Offeror, the Tender Offeror was founded in 1917 as TOYO SEIKAN KAISHA, LTD. (the Tender Offeror's former trade name; "TOYO SEIKAN KAISHA") and listed on the Osaka Stock Exchange in October 1935, and on the Tokyo Stock Exchange in May 1949. In April 2013, TOYO SEIKAN KAISHA became a holding company in order to flexibly deal with a changing business environment, enhance competitiveness, and enable future growth, changing its trade name to the Tender Offeror's current name. By clearly defining the Tender Offeror's Group's overall business strategy and goals, and optimally distributing management resources of the Tender Offeror's Group, the Tender Offeror has achieved flexible and efficient operations which saw it through its 100th anniversary on June 25, 2017.

The Tender Offeror's Group currently consists of the Tender Offeror and 87 subsidiaries (71 consolidated subsidiaries and 16 non-consolidated subsidiaries) and 12 affiliated companies, and works to provide high-quality and high-performance products "Safely, Affordably, and Quickly" by exploiting metals, plastics, paper, glass and other materials, according to the Tender Offeror. As a general container manufacturer, the Tender Offeror's Group's main businesses include the Packaging Business (which engages in the manufacture and sale of metal, plastic, paper and glass containers, the contracted manufacture and sale of aerosol products and general filling products and the manufacture and sale of machinery and equipment related to packaging containers), the Steel Plate Related Business (which engages in the manufacture and sale of steel plate and derivative products), the Functional Materials Related Business (which engages in the manufacture and sale of aluminum substrates for magnetic disks, functional films for optics, ceramic glazes, micronutrient fertilizers, pigments, gel coats and other functional materials) and the Real Estate Related Business (which engages in the leasing of office buildings and commercial facilities). According to the Tender Offeror, the Tender Offeror Group is also involved in the manufacture and sale of automobile press molds, machinery and equipment, cemented carbide, agricultural materials, and other products, the sale of petroleum products and the like, and property insurance.

According to the Tender Offeror, in the "Formulation of the new Toyo Seikan Group Mid-Term Management Plan" dated May 13, 2016, the Tender Offeror established "Fourth Mid-Term Management Plan," and has been working to implement the plan. However, as announced in the "Notice Concerning the Development of New Mid-term Management Plan of the Toyo Seikan Group" dated March 7, 2018, the Tender Offeror has decided to discontinue the "Fourth Mid-Term Management Plan" in FY 2017 (Y.E. March 2018), and newly develop the "Fifth Mid-Term Management Plan" which is a three-year plan for the period from the FY 2018 (Y.E. March 2019) through the FY 2020 (Y.E. March 2021) (the "**Tender Offeror's Mid-Term Management Plan**"), to be released on May 15, 2018, because (a) the business environment surrounding the Tender Offeror's Group has been changing at an accelerated pace while the Offeror's Group has been pursuing structural reforms of its packaging business, organizational reforms, and industry realignment, and (b) the Tender Offeror plans to switch over to a new operational structure, having decided to make the Tender Offer. The outline of basic strategies of the Tender Offeror's Mid-Term Management Plan is as follows:

- Continue to offer new value to clients and society
- Pursue reforms of organizational structure and corporate culture to carry out growth

The Tender Offeror's Mid-Term Management Plan establishes numerical targets of 800 billion yen in sales and 34 billion yen in operating profit in FY 2018 (Y.E. March 2019), 810 billion yen in sales and 40 billion yen in operating profit in FY 2019 (Y.E. March 2020), and 820 billion yen in sales and 50 billion yen in operating profit in FY 2020 (Y.E. March 2021), according to the Tender Offeror. The policy with respect

to returning value to shareholders and distributing profits is to aim for a consolidated dividend payout ratio of at least 20% on a stable and continuous basis.

The Company has been established in 1934 as a tinplate manufacturer, with the Tender Offeror taking a leading role among founders with the goal of creating itself a stable supply source of tinplate, which is a major raw component of metal cans. At the time of establishment, over 80% of the global tinplate production was manufactured in the U.S., the U.K. and Germany, with domestic tinplate production being around 40,000 tons manufactured annually solely by the government owned Yawata Steel Works, and the Company was the first privately owned tinplate manufacture in Japan. Further, at the time of establishment, Japanese tinplate consumption was growing steadily, but almost all of the annual domestic demand of 120,000 to 150,000 t was imported from overseas. Under such circumstances, against the back drop of the rapid growth in demand for metal cans in Japan associated with the expansion of canned food exporting, the Tender Offeror has established the Company with technical support from Yawata Steel Works, aiming to change its import-oriented procurement practice by establishing a stable, self-sufficient source of tinplate. Since its founding, the Company has grown steadily while focusing on “Iron”, and in May 1949 it listed on the Tokyo Stock Exchange. The Tender Offeror has constantly been the largest shareholder since 1952. In 1999, when the Tender Offeror held 47% of the total number of voting rights of all shareholders of the Company, the Company became a consolidated subsidiary of the Tender Offeror with the introduction of the control threshold rules through amendment of the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc. and related ministerial orders.

The Company has succeeded in expanding into aluminum, synthetic resin, and other areas outside steel by utilizing the rolling, surface treatment, laminating (applying heated polyester film to steel plate) and other techniques unique to the Company, based on the expertise and knowledge developed over many years as a pioneer of surface-treated steel plate. The Company Group (consisting of the Company and its 16 subsidiaries and 7 affiliated companies as of today; the “**Company Group**”), has continued to satisfy its customers with products and services in its main business areas of (i) manufacturing and sale of steel plate, including tinplate and tin-free steel (steel plate produced by electrolytic chromic acid treatment of tinplate), finished steel-plate products, and performance films for containers (the Steel Plate Related Business), (ii) manufacturing and sale of aluminum substrates for magnetic disks and functional films for optics (the Functional Materials Related Business), and (iii) manufacturing and sale of automobile press molds, strip steel for packaging, machinery and equipment, and hard alloys (the Machinery Related Business), based on its firm corporate vision of “constantly providing value and contributing to the global environment and social development.” Since 1999, as a consolidated subsidiary of the Tender Offeror’s Group, it has played an important role in the Steel Plate and Functional Materials related business segments.

On May 11 2016, the Company implemented a three-year, group-wide mid-term management plan, “TK WORKS 2018” based on the changing economy and revenue environment in Japan. By steadfastly pursuing the important measures laid out in TK WORKS 2018, the Company will aim to achieve sustained growth and enhanced medium-to-long-term corporate value. The basic policies of TK WORKS 2018 are as follows:

Basic Policies of the Mid-Term Management Plan

- (1) Strengthen the management base with improving profitability of existing businesses and achieve a V-shaped recovery.

- (2) Secure investment returns from the previous mid-term management plan, and continue to create new business by following a growth strategy of further development in global markets and enhancing research and development.
- (3) Increase corporate value for the group as a whole by expanding business areas with further improved collaboration with the Toyo Seikan Group.
- (4) Respond flexibly to changes in the business environment and work to foster personnel who will create new value.

According to the Tender Offeror, in recent years the business environment has been harsh due to shrinking domestic markets and increased competition as a result of a declining birth rate and rising materials and energy costs. In this situation, the Metal Container Business of the Tender Offeror's Operating Group Companies, which accounts for approximately 30% of its major Packaging Business, purchases approximately 70% of its steel materials from the Company, and the Tender Offeror—regards the Company as an important group company. The domestic Packaging Business cannot expect further market expansion in Japan due to the declining birthrate and aging population, and faces tough price competition due to low differentiation among competitors. Since the materials account for a very large portion of the Metal Container Business's total cost of production, enhanced collaboration with the Company in the area of materials-related technological development is of growing importance in order to reduce costs and increase competitiveness.

According to the Tender Offeror, although the overseas market for metal containers is growing, especially in Europe and the U.S., we are facing a turning point due to increased regulation of BPA (see Note 6) and other aspects relating to environmental and sustainability concerns (see Note 7). In this situation, the Tender Offeror's Group is constructing a system that combines the metal finishing technology held by Toyo Seikan Co., Ltd. (part of the Tender Offeror's Operating Group Companies), the metallurgical expertise and surface treatment technology held by the Company, and the technology for manufacturing metal container production machinery held by Stolle Machinery Company, LLC (one of the Tender Offeror's Operating Group Companies) in the U.S. to allow it to provide a group-internal metal container value chain from the development and manufacturing of materials through to the final product. Among these companies, Toyo Seikan Co., Ltd. and Stolle Machinery Company, LLC are both wholly-owned subsidiaries of the Tender Offeror. Making the Company a wholly-owned subsidiary of the Tender Offeror will allow the unification of a wide range of businesses of the Tender Offeror's wholly-owned subsidiaries including the sale of materials, sale and installation of metal container production machinery (and sale of consumable components), and licensing of metal container production technology, and the enhancement of existing business models. Exploiting these strengths will allow the development of revolutionary metal container production systems that are low-consumption, low-energy, and efficient employment, which is expected to reduce the barriers that equipment investment, materials procurement, and production technology have posed to internalizing production of metal containers by the Tender Offeror's provision of low-cost production systems to beverage manufacturers and other businesses, enable beverage manufacturers to internalize production of material containers, and create business opportunities, including the sale of products to emerging countries with no widespread adoption of metal containers. Additionally, the Company has collaborated with Toyo Seikan Co., Ltd., which is one of the Tender Offeror's Operating Group Companies, in the development of raw materials for the Metal Container Business. The Company has used the knowledge it gained through these collaborations to make progress in the development of synthetic resins and other non-metal materials, and has a proven record. Through the conversion of the

Company to a wholly-owned subsidiary of the Tender Offeror, the Metal Container Business will be developed through the enhancement of collaboration on technical development between the Tender Offeror and the Company, and the businesses of the Tender Offeror's Operating Group Companies and the Company in areas outside metal containers are also expected to expand.

Note 6: Refers to the chemical Bisphenol A, which is mainly contained in plastic products and has been claimed to affect human health.

Note 7: Meaning the achievement of a sustainable society.

The Tender Offeror says that Tender Offeror's Operating Group Companies are considering expanding its overseas business beyond Asia, Europe and North America where the group companies have already been expanding their businesses, into the Middle East, South America, and Eastern Europe, which are experiencing major economic growth, and needs to grow its size and profit base, according to the Tender Offeror. The construction of a competitive business model to achieve international expansion calls for large amounts of funding and risk, and also requires knowledge of local laws and customs, and fostering or securing of global personnel; the Company and the Tender Offeror's Group as a whole will benefit from planning and executing appropriate overseas investment based on strategies specific to each business and region. The conversion of the Company to a wholly-owned subsidiary will allow more streamlined decision-making and more flexible investment, and permit the planning and implementation of group-wide strategic decisions that include the Company.

The Tender Offeror and the Tender Offeror's Operating Group Companies are also working on establishing and fostering new businesses including life science, electronics, communications, energy, environment, and packaging, according to the Tender Offeror. Collaboration with the Company has already produced some successes (such as the creation of a batch analysis system utilizing the Company's new DNA Chip Business, which has seen success in the medical field, and the foodborne bacteria detection kits of the Tender Offeror), and further synergies can be expected when the Company, the Tender Offeror and the Tender Offeror's Operating Group Companies pursue these avenues in unison.

The Tender Offeror's Group is actively involved in sustainability and CSR (see Note 8). Global CSR, environmental protection, social contributions and stronger governance are essential for the Tender Offeror's Group. However, it has become difficult to find personnel with practical expertise in auditing, legal affairs, environment and other expert areas—by concentrating the personnel of both the Tender Offeror and the Company in the Tender Offeror, rather than having each company function separately, these personnel can be fostered and put to use through the enhancement of corporate functions, according to the Tender Offeror.

Note 8: Meaning corporate social responsibility.

The Tender Offeror says it considers it necessary for both itself and the Company to provide value to customers and other stakeholders from a common standpoint, operating efficiently based on a fully unified business strategy, in order to swiftly realize the above projects.

Additionally, according to the Tender Offeror, while the Company's business and investments are currently managed in the Company Group's interest, in order to respond to a rapidly changing business environment, it is important for the Company to streamline decision-making and manage its business and assets in the

interest of the Tender Offeror's Group as a whole by becoming a wholly-owned subsidiary of the Tender Offeror. While adopting medium-to-long-term investment and business strategies across the Tender Offeror's Group, including the Company, is of growing importance in order to respond to these rapid changes, it will also be necessary to secure the interest of the Company's minority shareholders should it remain a listed company. Using the Company's management resources in the medium-to-long-term strategies of the Tender Offeror's Group as a whole may cause conflicts of interest between the Tender Offeror and the minority shareholders of the Company.

While the Tender Offeror and the Company had been continuously in discussions on plausible management options to achieve a combined increase in corporate value, upon the initial proposal regarding the Transaction made by the Tender Offeror on September 14th, 2017, the Tender Offeror and the Company have been engaged in continuous discussions and negotiations. As a result, the Tender Offeror has reached a conclusion that making the Company a wholly-owned subsidiary of the Tender Offeror through the acquisition of all of the shares of the Company by the Tender Offeror is the best way to adopt a strong organizational structure for medium-to-long-term business operations in the midst of a challenging business environment, in order to enable the Company and the rest of the Tender Offeror's Group as a whole to increase corporate value and develop in a sustainable manner, according to the Tender Offeror.

According to the Tender Offeror, although the Tender Offeror as of February 7, 2018 was aiming to commence the Tender Offer around late March, 2018, it was difficult for the Tender Offeror to accurately estimate the period needed for completing procedures involving Chinese competition authorities and related matters. Given such circumstances, it was resolved that, as stated in "(C) The Company's Decision-making Process for its Opinion to Support the Tender Offer and Reasons Thereof" below, upon the actual commencement of the Tender Offer, the board of directors would instruct the third-party committee to consider whether there has been any change to its opinion expressed to the Company's board of directors on February 7, 2018 and to respond either by stating that there has been no change or providing its amended opinion if there has been any change, and the board of directors would express its opinion regarding the Tender Offer as of the commencement of the Tender Offer.

According to the Tender Offeror, the Tender Offeror has determined that it has become possible to conduct the Tender Offer, and decided to commence the Tender Offer on May 11, 2018 because the procedures and actions required under the relevant competition laws in Japan and China have been completed, the third-party committee established by the Company submitted the Written Report dated May 10, 2018 to the effect that there had been no change to the Written Report dated February 7, 2018 (as defined in "(C) The Company's Decision-making Process for its Opinion to Support the Tender Offer and Reasons Thereof"), and the other Condition Precedents for the Tender Offer have been fulfilled.

The Tender Offeror and the Company will, according to the Tender Offeror, consult to determine the Tender Offeror's strategy and future business strategies with respect to the Company's business once it becomes a wholly-owned subsidiary. The Tender Offeror will strive to work with the Company's business characteristics and strengths to enhance its business following the conversion to a wholly-owned subsidiary. The Tender Offeror will also use the unified operations following the conversion of the Company to a wholly-owned subsidiary to build relationships among the business partners of the Company in its existing businesses, the Tender Offeror and Tender Offeror's Operating Group Companies, and through enhancement of product development in growth markets and creation of new markets expand into global

markets, across a wide range of business areas including the Tender Offeror and Tender Offeror's Operating Group Companies in addition to the Company's current focus areas relating to steel plate, functional materials and machinery. At the same time, the Tender Offeror will maintain and further develop the tinsplate and other surface treatment technologies that the Company has built up over so many years, respect the strengths of the Company's unique characteristics, operating base, technologies, and management systems, and work to further enhance and expand the Company's business.

According to the Tender Offeror, its current plan is for the existing management of the Company to continue to manage the Company after it becomes a wholly-owned subsidiary, but the details will be determined after consultation with the Company with consideration for the Tender Offeror's Operating Group Companies' management systems. At this time, the Tender Offeror does not plan to change the Company's trade name or restructure it as a non-surviving company after acquiring it as a wholly-owned subsidiary, and the work conditions of the Company's employees will in general be maintained.

(C) The Company's Decision-making Process for its Opinion to Support the Tender Offer and Reasons Therefor

As described in "(B) Background, Purpose, and Decision-making Process for the Tender Offer, and Management Policy after the Tender Offer" above, upon receipt of the initial proposal from the Tender Offeror on September 14, 2017, the Company has taken measures as set forth in "(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest" below, appointed SMBC Nikko Securities Inc. ("**SMBC Nikko Securities**") as its financial advisor and third-party appraiser independent both from the Tender Offeror and the Company, and Takai & Partners as its legal advisor independent both from the Tender Offeror and the Company. In addition, the Company has appointed Plutus Consulting Co., Ltd. ("**Plutus**"), which is a third-party appraiser independent both from the Tender Offeror and the Company and requested the share valuation of the Company Shares and submission of an opinion letter to the effect that the Tender Offer Price is fair to the Company's minority shareholders from a financial viewpoint (a fairness opinion).

The Company also established a third-party committee on October 27, 2017 as an advisory body to the board of directors of the Company, in order to assess the proposals above (for the detail of the third-party committee, please refer to "(D) Establishment of an Independent Third-Party Committee by the Company and Obtainment of a Written Report" under "(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest" below). Under such structure, the Company discussed and examined the purpose of the Transaction, the management structure and the policy after the Transaction, as well as the terms and conditions of the Transaction, with the Tender Offeror on several occasions.

In addition, with respect to the Tender Offer Price among the terms and conditions of the Transaction, the Company was continuously in negotiations with the Tender Offeror after the receipt of the initial proposal from the Tender Offeror on September 14, 2017 until February 6, 2018 on which the Company received the final proposal from the Tender Offeror which provided that the Tender Offer Price would be 718 yen per share.

Then, in light of the legal advice that the Company received from Takai & Partners as its legal advisor, as well as the reports on share valuation of the Company Shares received on February 6, 2018 from SMBC Nikko Securities and Plutus, and the fairness opinion concerning the Company Shares received on February

6, 2018 from Plutus, the Company prudently discussed and examined the Transaction and the terms and conditions of the Transaction, according maximum respect to the content of a report dated February 7, 2018, submitted by the third-party committee (the “**Written Report dated February 7, 2018**”) (for the detail, please refer to “(D) Establishment of an Independent Third-Party Committee by the Company” under “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” below).

As to the business environment for the Company Group going forward, in the Steel Plate Related Business, the domestic market for materials for steel cans is shrinking due to factors such as a decline in the beverage can materials field that is resulting from a shift from steel to other materials given the diversification of beverage containers, and thus competition with competitors has become more intense. In addition, the price of steel, a raw material for products, has fluctuated significantly over the short term and impacted the stable procurement of such materials. At Tosyali Toyo Steel Co. Inc., a joint venture company established with TOSYALI HOLDINGS A.S. in the Republic of Turkey in 2012, the plan launch took longer than initially anticipated, causing eleven months delay, but it has commenced its full-scale operation in May 2017.

In the Functional Materials Related Business, changes in the demand for hard disk drives, which are end products of aluminum substrates for magnetic disks, have been drastic, and the quality standards for the substrates is getting higher due to the increasing density of memory capacities. Further, as for functional films for optics, competition is intensifying in the flat panel display related market.

In the Machinery Related Business, although machinery and equipment are showing a falling trend, hard alloys and strip steel for packaging materials have been solid. Further, the automobile press molds business acquired by the Company in 2016, is facing increasingly intensifying competition due to manufacturers in emerging countries becoming more capable.

Under these circumstances, in order for the Company to realize further growth in sustainable and constructive fashion going forward, it will be necessary to (a) make investment for growth in growing fields of existing businesses and new businesses, (b) maximize group-synergies between the Company and the Tender Offeror, and (c) promote personnel exchanges. The Company believes that becoming a wholly-owned subsidiary of the Tender Offeror will enable the Company to implement these measures with greater certainty.

(a) With respect to growth investment in growing areas of existing businesses and new businesses, the Company considers that, by effectively exploiting the Tender Offeror’s capital strength and creditworthiness, it will be possible to globally expand business and make investment in businesses that could be a new core profitable business of the Company Group in the future, such as global expansion through product development in growing markets such as MENA (Middle East and North Africa) and creation of new markets and the DNA Chip Business, and, in addition, it will be possible for the Company to draw out an ever-greater growth strategy because it will be offered more options from mid- and long-term perspectives, such as additional investment into overseas market for expansion of existing operations, expansion of businesses to new areas and M&A aiming to strengthen the existing operations.

Concerning (b) maximization of group synergies with the Company, the Company anticipates that the

business of both the Company and the Tender Offeror's Group will expand, because the Company's becoming a wholly owned subsidiary of the Tender Offeror will drastically facilitates the information sharing and the mutual utilization of know-hows and knowledge between the Tender Offeror Group and the Company, which has been limited due to the fact that the Company being independent and autonomous as a listed company.

Specifically, in the Automobile Related Business, as the spread of electric cars continue, mutual utilization of the networks of the Company Group, which engages in the business of manufacturing materials for car batteries and automobile press molds and the Tender Offeror, which engages in the business of manufacturing exterior materials for car batteries will make it possible to expand sales networks in Japan and overseas.

In overseas markets, the Company expects that its sales channels for steel plate materials will expand by exploiting the Tender Offeror's sales networks for production machinery and equipment for metal cans, and, in addition, the Company plans to globally expand the business of laminated food can products, starting with Europe and the U.S., by integrating its laminate technologies (which have superior environmentally friendly capabilities) with the can manufacturing technologies of the Tender Offeror's Operating Group Companies, and thereby promoting early establishment of BPA-free products, which have limited effects on human body, through joint development.

In addition to the above, joint development by the Company and the Tender Offeror is anticipated. Specifically, the Company plans to carry out joint development of CFRP (see Note 9), which is a material that combines extreme durability and lightness, and also intends to promote development of new products that will be made by combining its laminate technologies and the Tender Offeror's soft packaging materials. In addition, in terms of the DNA Chip Business, a new business for the Company, while the Company already has experiences in the medical field, the Tender Offeror has already established technologies in the food inspection field, and although the markets targeted by the Company and the Tender Offeror are different, some technologies are common in basic and applied research, we therefore believe that joint promotion of research and development by both companies will make it possible to reduce development costs and accelerate the speed of development.

Note 9: "CFRP" is an abbreviation for carbon fiber reinforced plastics. This type of plastic has greater strength and rigidity than resin by being reinforced with carbon fibers.

(c) As to the promotion of personnel exchange, the Company believes that more active personnel exchanges between the Company and the Tender Offeror will enable the companies to share knowledge and expertise cultivated by each of them in research and development areas, and better quality CSR activities will be possible by centralizing CSR activities, which are specialized and wide-ranging and have recently gained higher social demand.

For the above reasons, becoming a wholly-owned subsidiary of the Tender Offeror through the Transaction and integrating management with the Tender Offeror would not only make it easier for the Company to actually implement measures necessary for its growth strategy but also enable it and the Tender Offeror to mutually exploit resources such as managerial resources including people, goods, and capital, as well as expertise including knowledge and information in the production, research, and development areas, which were difficult to share in the past from the standpoint of maintaining independence and autonomy as a listed

company. In addition, the Company reached the conclusion that becoming a wholly-owned subsidiary of the Tender Offeror will enable it to respond to the ever-changing and severe business environment because it will make it possible to carry out more prompt decision-making and agile investment, and thus further enhancement of the corporate value of the Company is expected along with the realization of its growth strategy.

Furthermore, becoming a wholly-owned subsidiary of the Tender Offeror will make it possible to promptly and flexibly implement a variety of measures including joint development by the Tender Offeror and the Company without taking into consideration conflicts of interest between the Tender Offeror and the minority shareholders of the Company, and therefore the implementation of the measures will become more efficient.

Based on the above circumstances, the Company resolved that, as its opinion as of February 7, 2018, if the Tender Offer was commenced, it would express an opinion to support the Tender Offer.

In addition, the Company determined that the Tender Offer provides its shareholders with an opportunity to sell their shares at a price to which a reasonable premium is added based on the following facts:

- (i) comparing with the calculation results of the share value of the Company Shares by SMBC Nikko Securities that are stated in “(B) Outline of Valuation” under “(3) Matters Regarding Valuation”, the Tender Offer Price is above the upper end of the calculation results based on the market price method and within the range of the calculation results based on the discounted cash flow analysis (“**DCF Analysis**”);
- (ii) comparing with the calculation results of the share value of the Company Shares by Plutus that are stated in (B) Outline of Valuation” under “(3) Matters Regarding Valuation” the Tender Offer Price is above the upper end of the calculation results based on the market price method and within the range of the calculation results based on the DCF Analysis, and an opinion has been obtained from Plutus to the effect that the Tender Offer Price is fair to the Company’s minority shareholders from a financial perspective (a fairness opinion);
- (iii) the Tender Offer Price is a price inclusive of a premium of (a) 20.07% (to be rounded to two decimal places; the same applies to each percentage of a premium on a share price below) on 598 yen, the closing price of the Company’s shares quoted on the Tokyo Stock Exchange on February 6, 2018, which is the business day before the announcement date of the Tender Offer, (b) 39.69 % on 514 yen, the simple average closing price (to be rounded to the nearest whole yen; the same applies to each simple average closing price below) over the period of one month through February 6, 2018, (c) 48.35 % on 484 yen, the simple average closing price over the period of three months through February 6, 2018, and (d) 43.31 % on 501 yen, the simple average closing price over the period of six months through February 6, 2018;
- (iv) measures to ensure the fairness of the Tender Offer stated in “(3) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” have been taken and it is determined that consideration is given to minority shareholders’ interests; and
- (v) the Tender Offer Price is a price determined after the above measures to eliminate conflicts of interest have been taken and then discussions and negotiations have been conducted several times between the Company and the Tender Offeror that are comparable to discussions and negotiations to be conducted in a transaction at arm’s length.

Based on the above, the Company resolved at its board of directors meeting held on February 7, 2018, that, as its opinion as of February 7, 2018, if the Tender Offer was commenced, it would express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer.

The Company's board of directors, at the above meeting of the board of directors also resolved that, upon the actual commencement of the Tender Offer, the board of directors would instruct the third-party committee to consider whether there has been any change to its opinion expressed to the Company's board of directors on February 7, 2018 and to respond either by stating that there has been no change or providing its amended opinion if there has been any change, and the board of directors would express its opinion regarding the Tender Offer as of the commencement of the Tender Offer.

The Company received a notice on May 7, 2018 from the Tender Offeror informing the Company that as the procedures and actions required under the relevant competition laws in Japan and China had been completed, the Tender Offeror determined that it had become possible to conduct the Tender Offer and decided to commence the Tender Offer on May 11, 2018. The third party committee which was established by the Company as described in "(D) Establishment of an Independent Third-Party Committee at the Company and Obtainment of a Written Report" under "(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest" below, as was instructed by the Company on February 7, 2018 to examine whether there had been any change to its opinion expressed to the Company's board of directors on February 7, 2018 and to respond either by stating that there had been no change or providing its amended opinion if there had been any change, examined matters such as if there had been any material change occurred between February 7, 2018 and May 10, 2018 in the Company's business or other conditions surrounding the Transaction, and has submitted today to the Company's board of directors its report dated May 10, 2018 to the effect that there had been no change to its above opinion (the "**Written Report dated May 10, 2018**"). Given such opinion from the third party committee and other relevant situations, the Company once again prudently discussed and examined the Transaction and the terms and conditions of the Transaction, and as the Company has determined that, based on its recognition that there had not been any material change occurred between February 7, 2018 and May 10, 2018 in the Company's business or other conditions surrounding the Transaction, there is no factor as of today which requires the Company to change its previous determination regarding the Tender Offer, the Company has resolved at the meeting of directors held today with unanimous approval by all the directors who were present and participated in the discussion and resolution to express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer .

The above-mentioned resolution by the meeting of board of directors was resolved pursuant to the method described in "(E) Approval by all of the Non-Interested directors of the Company and Opinion of No Objection by all of the Non-Interested Corporate Auditors of the Company" under "(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest" below.

For the detail of the aforementioned resolution of the board of directors' meeting, please refer to "(E) Approval by all of the Non-Interested Directors of the Company and Opinion of No Objection by all of the

Non-Interested Corporate Auditors of the Company” under “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” below.

(3) Matters Regarding Valuation

(A) Name of the Appraiser and their Relationship with the Company and the Tender Offeror

To ensure the fairness of decision-making process for the Tender Offer Price presented by the Tender Offeror, the Company requested SMBC Nikko and Plutus, both of whom are third party appraisers independent from the Company and the Tender Offeror, to evaluate the Company’s share value. The Company further requested Plutus to submit a fairness opinion to the effect that the Tender Offer Price is fair to the minority shareholders of the Company from a financial point of view.

Neither of SMBC Nikko or Plutus is a related party of the Company or the Tender Offeror, nor has any material interest in relation to the Tender Offer.

(B) Outline of Valuation

The Company requested SMBC Nikko Securities to evaluate the Company’s share value, and received a share price valuation report on February 6, 2018 from SMBC Nikko Securities. However, the Company did not receive an opinion letter to the effect that the Tender Offer Price was fair to the Company’s minority shareholders from a financial perspective (a fairness opinion) from SMBC Nikko Securities.

Since shares of the Company are listed on the Tokyo Stock Exchange and a market share price exists, SMBC Nikko Securities evaluated the Company’s share value by using a market price method and in order to reflect the state of future business operations to the assessment, DCF Analysis was adopted for the calculation.

The following shows the assessment ranges of values per Company Share that were derived from each calculation method.

Market price method:	From 484 yen to 514 yen
DCF Analysis:	From 587 yen to 898 yen

For the market price method, the share value range per share of 484 yen to 514 yen was derived based on the following figures quoted on the Tokyo Stock Exchange as of the evaluation reference date of February 6, 2018; 514 yen, which was simple average closing price over the preceding one-month period; and 484 yen, which was the simple average closing price over the preceding three-month period.

For the DCF Analysis, the value range of 587 yen to 898 yen per Company Share was derived by evaluating the Company’s corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate from Q3 of the fiscal period ending March 2018 based on the Company’s business plan for the period from the fiscal period ending March 2018 to the fiscal period ending March 2021 (the “**Business Plan**”), publicly disclosed information, and the like (including the consolidated business result forecast in the Q3 Financial Statement (Japanese GAAP) (consolidated) for Y.E. March 2018 announced on February 7, 2018 (the “**Quarterly Financial Statement**”). The discount rate used for the calculation ranges from 5.38% to 6.58%. In evaluating the going-concern value, the perpetual growth method was used with perpetual growth rate

ranging from -0.5% to 0.5%. SMBC Nikko Securities made DCF Analysis on following forecast for the consolidated financial conditions which was based on the Business Plan. According to the Business Plan, considerable income increases are expected in some fiscal periods. Specifically, increased operating income, ordinary income and current income are expected for the fiscal period ending March 2018 due to improved productivity of aluminum substrates for magnetic disks and functional films for optics, equalization of acceptance of orders for automobile press molds, decreased outsourcing expenses and other improvements, and significant increase in ordinary income and current income is expected in the fiscal period ending in March 2019 mainly because Tosyali Toyo Steel Co. Inc., an affiliate accounted for under the equity method, will turn to surplus as a result of its increased sales volume. Synergies anticipated as a result of the Transaction are not considered in the Business Plan.

(unit: million)

	Fiscal period ending March 2018 (six months)	Fiscal period ending March 2019	Fiscal period ending March 2020	Fiscal period ending March 2021
Net sales	60,975	135,195	137,691	139,919
Operating income	1,751	5,006	5,469	5,578
EBITDA	5,578	12,127	12,652	12,958
Free cash flow	1,156	△658	5,462	5,208

The Company requested Plutus to evaluate the Company's share value, and received a share price valuation report on February 6, 2018 from Plutus. In addition, the Company received an opinion letter to the effect that the Tender Offer Price is fair to minority shareholders from a financial perspective (a fairness opinion) from Plutus (Note 10).

Since shares of the Company are listed on the Tokyo Stock Exchange and a market share price exists, Plutus evaluated the Company's share value using the market price method, and in order to take into account the state of future business operations in the assessment, DCF Analysis was adopted for the calculation.

The following shows the assessment ranges of values per Company Share that were derived from each calculation method.

Market price method:	From 484 yen to 598 yen
DCF Analysis:	From 617 yen to 833 yen

For the market price method, the share value range per share of 484 yen to 598 yen was derived based on the following figures quoted on the Tokyo Stock Exchange as of the evaluation reference date of February 6, 2018; 598 yen, which was the closing price on the reference date; 514 yen, which was simple average closing price over the preceding one-month period; 484 yen, which was the simple average closing price over the preceding three-month period; and 501 yen, which was the simple average closing price over the preceding six-month period.

For the DCF Analysis, the value range of 617 yen to 833 yen per Company Share was derived by

evaluating the Company’s corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate from Q3 of the fiscal period ending March 2018 based on the Business Plan, publicly disclosed information, and the like (including the consolidated business result forecast in the Quarterly Financial Statement). The discount rate used for the calculation ranges from 5.203% to 6.698%. In evaluating the going-concern value, the perpetual growth method was used with perpetual growth rate of 0%. Plutus made DCF Analysis on following forecast for the consolidated financial conditions which was based on the Business Plan. According to the Business Plan, considerable income increases are expected in some fiscal periods. Specifically, increased operating income, ordinary income and current income are expected for the fiscal period ending March 2018 due to improved productivity of aluminum substrates for magnetic disks and functional films for optics, equalization of acceptance of orders for automobile press molds, decreased outsourcing expenses and other improvements, and significant increase in ordinary income and current income is expected in the fiscal period ending in March 2019 mainly because Tosyali Toyo Steel Co. Inc., an affiliate accounted for under the equity method, will turn to surplus as a result of its increased sales volume. Synergies anticipated as a result of the Transaction are not considered in the Business Plan.

(unit: million)

	Fiscal period ending March 2018 (six months)	Fiscal period ending March 2019	Fiscal period ending March 2020	Fiscal period ending March 2021
Net sales	60,975	135,195	137,691	139,919
Operating income	1,751	5,006	5,469	5,578
EBITDA	5,454	11,981	12,513	12,818
Free cash flow	727	△848	5,319	5,066

(Note 10)

In preparing and submitting the fairness opinion and conducting the valuation of the Company Shares underlying the opinion, Plutus has relied upon the assumptions that all information and materials that were furnished by the Company and publicly available information were accurate and complete and all facts that could materially affect the valuation of the Company Shares were disclosed to Plutus, and Plutus has used the materials and information as it was. Plutus has not independently verified or shall not be obliged to verify the accuracy and completeness of such materials or information for any reason whatsoever.

Plutus has not independently evaluated, appraised or assessed assets and liabilities (including off-balance-sheet assets, off-balance-sheet liabilities and other contingent liabilities) of the Company and their respective subsidiaries and affiliates, and has not made any analysis and valuation of individual assets and liabilities. Plutus has not independently requested any third-party institution to make such valuation, appraisal or assessment. Plutus has not independently assessed creditworthiness of the Company under applicable laws or ordinances in respect of insolvency, suspension of payment or similar matters.

Plutus assumed that the Company’s financial forecasts and other materials used as a basis of the fairness

opinion were prepared by the management of the Company based on the best estimation and judgment which could be obtained at this point and in accordance with reasonable and appropriate methods. Plutus has not guaranteed their feasibility, nor expressed any opinion on the analyses or forecasts subject to which they were prepared or the assumptions on which they were based.

The fairness opinion constitutes an expression of opinion as of the date of its preparation regarding whether the Transaction is fair to the Company's minority shareholders from a financial point of view. Such opinion is based on the premise of the financial and capital markets, economic conditions and other environment as of the preparation date, and based on the information that Plutus has obtained on or before the preparation date. The content of the fairness opinion may be affected by subsequent changes in circumstances. In such case, Plutus will not be obligated to update, revise or supplement the content of the fairness opinion. In the fairness opinion, Plutus does not infer or indicate any opinion other than those expressly indicated in the fairness opinion or with respect to the matters after the submission date of the fairness opinion.

The fairness opinion was prepared for the Company as material to be used as basis for verification of the fairness of the Tender Offer Price. Accordingly, the fairness opinion does not express any opinion on relative advantages of the Company's decision or the Transaction in comparison with other strategic options that are open to the Company. In addition, the fairness opinion does not express any opinion for shareholders, holders of other securities, creditors, and other stakeholders of the Company, nor does it recommend shareholders to take any action associated with the Transaction.

The consolidated financial forecast used by SMBC Nikko Securities and Plutus in DCF Analysis differs from the figures in the consolidated net sales and consolidated operation income stated in the "TK WORKS 2018," the Company's mid-term management plan, announced on May 11, 2016 by the Company or the consolidated business result forecast for Y.E. March 2018 announced on May 11, 2017 by the Company due to following reasons.

After announcing that mid-term management plan, as the profitability in the Steel Plate Related Business, Functional Materials Related Business and the Machinery Related Business deteriorated, the Company's current performance and its forecast deviates from the mid-term management plan (regarding causes for that deviation in the earnings forecast for Y.E. March 2018, please see "(3) Note on Consolidated Earnings Forecast and Other Forward-Looking Statements" in "1. Qualitative Information on Quarterly Financial Results" in the Quarterly Financial Statement). Therefore, in light of the Company's current income environment and performance, it has been determined that it was appropriate to evaluate the Company's corporate value objectively and reasonably based on the forecast reflecting the current situation rather than the initial target figures in the mid-term management plan. Concerning such consolidated financial forecast, the third-party committee has, based on the result of interviews with the Company's staff involved in the preparation of such forecast in person, confirmed that no circumstances, in the process of preparing such business plan, have been identified which cast doubts on the reasonableness or objectivity of the content thereof.

(4) Policy for Organizational Restructuring after the Tender Offer (matters relating to the "Two-Step Acquisition")

As stated in "(A) Overview of the Tender Offer" under "(2) Grounds and Reasons for the Opinion", according to the Tender Offeror, the purpose of the Tender Offer is for the Company to become a wholly-owned subsidiary of the Tender Offeror, and in the event that the Tender Offeror is unable to obtain all of

the issued Company Shares after the successful completion of the Tender Offer, the Tender Offeror intends to request the Company to implement the following procedures.

Specifically, according to the Tender Offeror, if the Tender Offeror has acquired at least 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer and the Tender Offeror has become able to exercise voting rights as a special controlling shareholder of the Company as stipulated in Article 179, Item 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same), the Tender Offeror intends, promptly following the settlement of the Tender Offer, to require all shareholders of the Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company; the “**Selling Shareholders**”) to sell their Company Shares to the Tender Offeror (the “**Demand for the Sale of Shares**”) under Part II, Chapter 2, Section 4-2 of the Companies Act. In the event of a Demand for the Sale of Shares, each of the Company Shares held by Selling Shareholders will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Tender Offeror will notify the Company of the Demand for the Sale of Shares and seek the Company’s approval thereof. If the Company approves the Demand for the Sale of Shares by a resolution of the board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual Selling Shareholders, on the day stipulated by the Demand for the Sale of Shares, the Tender Offeror will acquire all of the issued Company Shares held by the Selling Shareholders. The Tender Offeror will deliver an amount of cash consideration per share equal to the Tender Offer Price to the Selling Shareholders in exchange for the Company Shares held by the Selling Shareholders. In addition, according to the Company’s Press Release, if the Company receives a notice from the Tender Offeror of its intention to conduct a Demand for the Sale of Shares with respect to matters set out in items under Paragraph 1 of Article 179-2 of the Companies Act, the Company’s board of directors intends to approve the Tender Offeror’s Demand for the Sale of Shares.

Alternatively, according to the Tender Offeror, if the Tender Offeror is unable to acquire at least 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer, the Tender Offeror intends to request the Company to hold an extraordinary shareholders’ meeting at which the following proposals will be submitted (the “**Extraordinary Shareholders’ Meeting**”) promptly following the settlement of the Tender Offer: (i) to conduct a consolidation of the Company Shares (the “**Share Consolidation**”), and (ii) to make a partial amendment to the Company’s Articles of Incorporation that would abolish the share unit number provisions on the condition that the Share Consolidation becomes effective. The Tender Offeror intends to approve proposals described above at the Extraordinary Shareholders’ Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders’ Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder will receive an amount of cash obtained by selling the Company Shares equivalent to the total number of shares less than one unit (with such aggregate sum rounded down to the nearest whole number; the same applies hereinafter) to the Tender Offeror or the Company as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of shares less than one unit in the Company will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Tender Offeror and the Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares owned by each such shareholder. A petition will be filed to the court for permission to purchase such Company

Shares on this basis. Although the ratio of the Share Consolidation of the Company Shares has not been determined as of today, it is intended that shareholders (excluding the Tender Offeror and the Company) who held shares in the Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for the Tender Offeror to become the owner of all of the Company Shares (excluding treasury shares held by the Company).

In the interest of protecting the rights of minority shareholders in circumstances involving the above procedures, the Companies Act provides that, if the Demand for the Sale of Shares is made, the Selling Shareholders are able to petition a court to determine the price of the Company Shares which held by them in accordance with Article 179-8 of the Companies Act and other applicable laws and regulations. In the event that the petition described above is filed, the purchase price will be finally determined by the court.

Also, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one unit as a result thereof, each shareholder may request that the Company purchase all such shares less than one unit at a fair price, and such shareholders may file a petition to the court to determine the price of the Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations. As stated above, it is intended that any shareholders of the Company who do not tender their Company Shares in the Tender Offer (excluding the Tender Offeror and the Company) will hold shares less than one unit, and any shareholders of the Company who oppose the Share Consolidation will be able to file the petition to determine the price in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to, implementation and interpretation of the relevant laws and regulations by authorities, the shareholding percentage of the Tender Offeror after the Tender Offer, and the ownership of Company Shares by shareholders other than the Tender Offeror, more time may be required or alternative methods may be utilized to implement the procedure.

However, even in such a case, it is intended that a method will be used whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) will ultimately receive cash consideration equal to the number of Company Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares. In such a case, the Company, after consulting with the Company, will announce specific details and expected timing promptly once determined.

It is further noted that the Tender Offer by no means solicits shareholders of the Company to vote at the Extraordinary Shareholders' Meeting. All shareholders of the Company are solely responsible for seeking their own specialist tax and other advice with regard to the tax consequences of receiving money through the Tender Offeror in the procedures outlined above or purchase of shares by the Tender Offeror if a demand for the purchase of shares is made.

(5) Possibility of and Reasons for Delisting

The Company Shares are presently listed on the First Section of the Tokyo Stock Exchange as of the date hereof, but the Tender Offeror has not set the maximum number of shares to be purchased through the Tender Offer. Accordingly, depending on the results of the Tender Offer, the Company Shares may be delisted after the prescribed procedures are completed, in accordance with the delisting criteria set by the

Tokyo Stock Exchange. Even if the requirements of the delisting criteria is not met as of the time of completion of the Tender Offer, when procedures described in a “(4) Policy for Organizational Restructure after the Tender Offer (Matters Relating to the “Two-Step Acquisition”)” above are taken after the completion of the Tender Offer, the Company Shares will be delisted through prescribed procedures because of falling under the delisting criteria. The Company Shares cannot be traded at the Tokyo Stock Exchange after the delisting.

(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest

In light of the fact that the Company is a consolidated subsidiary of the Tender Offeror and that continuous relationships between the Tender Offeror and there are ongoing personnel and business relationships between the Tender Offeror and the Company, the Company and the Tender Offeror have implemented the following measures as measures to ensure the fairness of the Tender Offer, including the measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest. A director and senior managing executive officer of the Tender Offeror is concurrently serving as director of the Company, a standing audit and supervisory board members of the Tender Offeror concurrently serves as an audit and supervisory board member of the Company, and the Company’s president and representative director is concurrently serving as an operating officer of the Tender Offeror.

(A) Obtainment by the Tender Offeror of a Share Price Valuation Report from a Third-Party Appraiser Independent from the Tender Offeror

In deciding the Tender Offer Price, according to the Tender Offeror, the Tender Offeror has requested Daiwa Securities Co., Ltd. (“**Daiwa Securities**”), its financial adviser as a third-party appraiser independent from the Tender Offeror and the Company, to evaluate the Company’s share value to ensure the fairness of the Tender Offer Price. Daiwa Securities is not a related party of the Tender Offeror or the Company and does not have any material interest in relation to the Tender Offer.

According to the Tender Offeror, Daiwa Securities evaluated the Company’s share value using the market price method, comparable company comparison method and DCF Analysis, and the Tender Offeror obtained the Tender Offeror’s Valuation Report from Daiwa Securities on February 6, 2018. The Tender Offeror has not obtained from Daiwa Securities an evaluation on the fairness of the Tender Offer Price (a fairness opinion).

The ranges of values per Company Share evaluated by Daiwa Securities are as follows:

Market price method:	From 482 yen to 608 yen
Comparable company comparison method:	From 484 yen to 626 yen
DCF Analysis:	From 557 yen to 799 yen

For the market price method, the share value range per share of 482 yen to 608 yen was derived based on the following figures quoted on the First Section of the Tokyo Stock Exchange as of the evaluation reference date of February 5, 2018: 608 yen, which was the closing price as of the reference date; 510 yen (to be rounded to the nearest whole yen; the same applies to each simple average closing price below), which was the simple average closing price over the preceding one-month period; 482 yen, which was the simple average closing price over the preceding three-month period; and 500 yen, which was the simple average

closing price over the preceding six-month period, according to the Tender Offeror.

For the comparable company comparison method, the value range of 484 yen to 626 yen per Company Share was derived by comparing the market share prices and financial indicators such as the profitability of listed companies engaged in relatively similar business to that of the Company, according to the Tender Offeror.

For the DCF Analysis, the value range of 557 yen to 799 yen per Company Share was derived by evaluating the Company's corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate from the third quarter of the fiscal year ending March 2018 based on the Company's estimated future earnings and investment plan in the Business Plan, publicly disclosed information, and the like, according to the Tender Offeror. According to the Business Plan, considerable income increases are expected in some fiscal periods. For the content of the income increase expected in the Business Plan, please see "(B) Outline of Valuation" under "(3) Matters Regarding Valuation" above.

In addition to the evaluation details and results reported in the valuation report submitted to the Tender Offeror by Daiwa Securities, according to the Tender Offeror, the Tender Offeror comprehensively considered the results of due diligence on the Company conducted from October 2017 to December 2017, examples of the premiums paid in tender offers similar to the Tender Offer conducted in the past for share certificates etc. by a party other than an issuer, the support for the Tender Offer by the Company's board of directors, trends in the market price of Company Shares, and the estimated number of shares to be tendered in the Tender Offer, and in light of the results of discussion and negotiation with the Company, the Tender Offeror finally decided on the Tender Offer Price of 718 yen by a resolution at the board of directors meeting held on February 7, 2018.

According to the Tender Offeror, the Tender Offer Price of 718 yen per share represents a premium of 20.07% (rounded to one decimal place; the same applies to other percentages in this section) on 598 yen, which was the closing price for the Company Shares quoted on the First Section of the Tokyo Stock Exchange on February 6, 2018 (which was the business day immediately preceding the announcement date of the Implementation of the Tender Offer); a premium of 39.69% on 514 yen, which was the simple average closing price for the Company Shares over the one-month period from January 9, 2018 to February 6, 2018; a premium of 48.35% on 484 yen, which was the simple average closing price for the Company Shares over the three-month period from November 7, 2017 to February 6, 2018; a premium of 43.31% on 501 yen, which was the simple average closing price over the six-month period from August 7, 2017 to February 6, 2018, and a premium of 0.28% on 716 yen, which was the closing price for the Company Share quoted on the First Section of the Tokyo Stock Exchange on May 9, 2018 (the business day immediately preceding today).

(B) Obtainment by the Company of Share Price Valuation Reports and a Fairness Opinion from Independent Third-Party Appraisers

The Company has, in relation to expressing an opinion on the Tender Offer, requested SMBC Nikko Securities and Plutus, which are third-party appraisers that are independent from the Company and the Tender Offeror, to evaluate the Company's share value and Plutus to submit an opinion letter to the effect

that the Tender Offer Price is fair to the Company's minority shareholders from a financial perspective (a fairness opinion), to ensure fairness in the decision making process with respect to the Tender Price proposed by the Tender Offeror.

Neither of SMBC Nikko Securities and Plutus is a related party of the Tender Offeror or the Company, nor has any material interest in relation to the Tender Offer.

As to the overview of the valuation reports of the Company Shares and the fairness opinion, please refer to "(3) Matters Regarding Valuation" above.

(C) Advice from a Law Firm Independent from the Company

The Company appointed Takai & Partners as its legal advisor who is independent from the Tender Offeror and the Company in order to ensure the fairness and appropriateness of decision-making by the Company's board of directors in relation to the Transaction including the Tender Offer and received legal advice from that law firm on the decision-making methods and processes of, and other matters relating to, the Company's board of directors, including procedures for the Transaction.

The Company has been prudently discussing and examining the specific terms and conditions of and other matters relating to the Transaction including the Tender Offer by taking into consideration the legal advice on decision-making processes and methods for, and other matters to be noted in relation to, the Transaction including the Tender Offer that it received from Takai & Partners.

Takai & Partners is not a related party of the Company or the Tender Offeror, and does not have any material interest in relation to the Tender Offer.

(D) Establishment of an Independent Third-Party Committee at the Company and Obtainment of a Written Report

Based on the fact that the Company is a consolidated subsidiary of the Tender Offeror and the Transaction including the Tender Offer constitutes a material transaction, etc. with a controlling shareholder, the Company established on October 27, 2017 a third-party committee composed of members including external experts who are highly independent from the Tender Offeror and the Company for the purpose of prudent decision-making by the Company and from the standpoint of eliminating arbitrariness and possible conflicts of interest in the decision-making processes of the Company's board of directors as well as of ensuring the fairness of the decision-making processes (the Company appointed Mr. Akira Nishida, an attorney-at-law (Nishida-Law-Office), and Mr. Yoshiro Hayashi and Mr. Ryo Someya, independent outside directors of the Company, as the members of the third-party committee). Then, the Company consulted the third-party committee on the following matters (collectively, the "**Consulted Matters**"):

- (a) justifiability of the purpose of the Transaction (whether it can be said that the Transaction will contribute to the enhancement of the corporate value of the Company);
- (b) appropriateness of the procedures for the Transaction (whether decisions on the Transaction are made through fair procedures and consideration is given so as not to prejudice the interests of the Company's minority shareholders);
- (c) reasonableness of the consideration to be delivered to the Company's minority shareholders as a result of the Transaction; and
- (d) whether it can be said that the Transaction is not disadvantageous to the Company's minority shareholders based on the matters set out in (a), (b), (c), and other matters.

The third-party committee held its meeting 9 times in total during the period from October 27, 2017 to

February 6, 2018 and they prudently examined and discussed the Consulted Matters. Specifically, for the purpose of examining the Consulted Matters, the third-party committee received explanations from the Company on matters such as business environment of the Company, the purpose of the Transaction proposed by the Tender Offeror, anticipated effects of the Transaction on the business of the Company and held Q&A sessions in relation to such matters. In addition, the third-party committee sent to the Tender Offeror questions regarding matters such as business environment of the Tender Offeror, the purpose and background of the Transaction, business policy after implementation of the Transaction and received responses in writing. The third-party committee also received explanations from the Company on matters such as the latest business performance and contents of the business plan, and held Q&A sessions in relation to such matters. Further, the third-party committee received explanations from SMBC Nikko Securities and Plutus, the third-party appraisers, on matters concerning the valuation results of share value of the Company Shares and held Q&A sessions. In connection with negotiations on the Tender Offer Price between the Company and the Tender Offeror, the third-party committee received explanations of situations from the Company and SMBC Nikko Securities on a timely basis, and held Q&A sessions. Also, the third-party committee received explanations from Takai & Partners, the legal advisor of the Company, on the decision-making methods and processes of, and other matters relating to, the Company's board of directors, including procedures for the Transaction, and held Q&A sessions.

The third-party committee prudently discussed and examined the Consulted Matters based on the outcome of the above inquiries, discussions, and examinations, and, as a result, submitted to the Company's board of directors a written report with the content summarized below on February 7, 2018 with a unanimous approval of the members.

- (i) Based on the documents submitted to, and the results of interviews conducted by the third party committee, the following facts are recognized:
 - (a) The Company's overseas business requires knowledge of local laws, customs and so forth, and fostering and securing of global human resources. By effectively utilizing the bases of the Tender Offeror Group, it is expected that the Company and the Tender Offeror Group as a whole will benefit from planning and executing appropriate overseas investment based on strategies specific to each business and region;
 - (b) The business environment in recent years has become more severe due to shrinking domestic markets as a result of the declining birthrate and aging population, intensifying competition with competing companies, and rising cost of materials and energy. Concerning the domestic existing businesses of the Company, it is expected that, through integrated management as the Tender Offeror's Group, the Company will realize improvement of profitability, maximization of synergies between the Tender Offeror and the Company, and exertion of group capabilities (including price competitiveness, material procurement capability, etc.) in competition with other companies in the same industry; and
 - (c) In developing our new business, integration of the research and development departments of the Company and the Tender Offeror Group promotes mutual utilization of technologies owned by each company in addition to speeding up development, which will possibly result in generating new businesses.

Therefore, it can be said that the Transaction will be conducted for the purpose of improving the corporate value of the Tender Offeror Group including the Company and contribute to the enhancement of the corporate value of the Company.

- (ii) As a result of examining the facts relating to the negotiation process of the Transaction, the following facts are recognized:
- (a) in internal decision-making and negotiations with the Tender Offeror, sufficient measures to avoid conflicts of interest have been taken to eliminate influence from the Tender Offeror;
 - (b) in the actual negotiation process, in order to maximize the Tender Offer Price with the protection of interests of minority shareholders in mind, it is deemed that tenacious negotiations were carried out without blindly accepting the proposal from the Tender Offeror;
 - (c) in such negotiations, SMBC Nikko Securities and Plutus, which are experts of the share valuation, have provided advice from an independent standpoint in a timely manner;
 - (d) Takai & Partners has provided legal advice in a timely manner; and
 - (e) in the process of preparing the business plan (including amendments to the forecasted consolidated financial results for the fiscal year ending March 31, 2018) that is the basis of share price valuation of the Company, the Company is not unfairly affected by the Tender Offeror.

Therefore, the fairness of the procedures of the Transaction is deemed to be ensured.

- (iii) Based on the documents submitted to, and the results of questions and answers sessions held by the third party committee, the following facts are recognized:
- (a) each of the methods of share valuation based on market price method and DCF Analysis method adapted by SMBC Nikko Securities is reasonable;
 - (b) each of the methods of share valuation based on market price method and DCF Analysis method adapted by Plutus is reasonable;
 - (c) concerning the business plan (including amendments to the forecasted consolidated financial results for the fiscal year ending March 31, 2018), based on which SMBC Nikko Securities and Plutus have conducted share valuation by DCF Analysis method, no circumstances, in the process of preparing such business plan, have been identified which cast doubts on the reasonableness or objectivity of the content thereof; and
 - (d) the Tender Offer Price was formed as a result of negotiations between the Tender Offeror and the Company, as parties in a transaction at arm's length. Since the Tender Offer Price is within the range of the valuation results of the Company Shares conducted by SMBC Nikko Securities and Plutus, and the Tender Offer Price represents a premium of no less than the average premium of the similar past transactions, the consideration to be received by the Company's minority shareholders through the Transaction is reasonable.
- (iv) The third-party committee has come to conclusion that, in a series of procedures relating to the Two-Step Acquisition, the Transaction would not impose any disadvantage on the Company's minority shareholders. Based on the decisions with respect to the Consulted Matters (i), (ii) and (iii), the third party committee is of the opinion that the Transaction is not disadvantageous for the Company's minority shareholders (the Company's shareholders other than the Tender Offeror).
- (v) Based on the above, it deems to be reasonable that the Company resolves at its board of directors meeting that the Company express an opinion to support the Tender Offer and recommends the shareholders of the Company to tender their shares in the Tender Offer.

Further, The Company received a notice on May 7, 2018 from the Tender Offeror informing the Company that as the procedures and actions required under the relevant competition laws in Japan and China had been completed, the Tender Offeror determined that it had become possible to conduct the

Tender Offer and decided to commence the Tender Offer on May 11, 2018. The third party committee which was established by the Company, as was instructed on February 7, 2018 to examine whether there had been any change to its opinion expressed to the Company's board of directors on February 7, 2018 and to respond either by stating that there had been no change or providing its amended opinion if there had been any change, examined matters such as if there had been any material change occurred between February 7, 2018 and May 10, 2018 in the Company's business or other conditions surrounding the Transaction, and has submitted today to the Company's board of directors the Written Report dated May 10, 2018 to the effect that there had been no change to its above opinion.

(E) Approval of All Disinterested Directors and Audit and Supervisory Board Members of the Company

As described in "(C) The Company's Decision-making Process for its Opinion to Support the Tender Offer and Reasons Therefor" under "(2) Grounds and Reasons for the Opinion on the Tender Offer" at the Company's board of directors meeting held on February 7, 2018, all directors other than Mr. Hirohiko Sumida and Mr. Norimasa Maida deliberated on the relevant matters and unanimously approved the resolution that, as its opinion as of then, if the Tender Offer was commenced, it would express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer.

In addition, out of four audit and supervisory board members of the Company (including its outside audit and supervisory board members), three members other than Mr. Kunio Okawa were present at the above board of directors meeting, and all of the audit and supervisory board members declared no objection to the Company's board of directors' resolution that, as its opinion as of then, if the Tender Offer was commenced, it would express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer.

The third party committee which was established by the Company, as was instructed on February 7, 2018 to examine whether there had been any change to its opinion expressed to the Company's board of directors on February 7, 2018 and to respond either by stating that there had been no change or providing its amended opinion if there had been any change, examined matters such as if there had been any material change occurred between February 7, 2018 and May 10, 2018 in the Company's business or other conditions surrounding the Transaction, and has submitted today to the Company's board of directors the Written Report dated May 10, 2018 to the effect that there had been no change to its above opinion. Given such opinion from the third party committee and other relevant situations, the Company once again prudently discussed and examined the Transaction and the terms and conditions of the Transaction, and as the Company has determined that, based on its recognition that there had not been any material change occurred between February 7, 2018 and May 10, 2018 in the Company's business or other conditions surrounding the Transaction, there is no factor as of today which requires the Company to change its previous determination regarding the Tender Offer, the Company has resolved at the meeting of directors held today with unanimous approval by all the directors who were present and participated in the discussion and resolution to express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer.

Among the directors of the Company, Mr. Hirohiko Sumida concurrently serves as an operating officer of the Tender Offeror and Mr. Norimasa Maida concurrently serves as a director of the Tender Offeror, and therefore they do not participate in any deliberations on the Transaction including the Tender Offer, nor do

they participate in any discussions or negotiations about the Transaction on the side of the Company from the standpoint of enhancing the fairness, transparency, and objectivity of decision-making by the Company's board of directors in relation to the Transaction including the Tender Offer and avoiding conflicts of interest.

In addition, out of four audit and supervisory board members of the Company (including its outside audit and supervisory board members), three members other than Mr. Kunio Okawa were present at the above board of directors meeting, and all of the audit and supervisory board members declared no objection to the Company's board of directors' resolution to express an opinion to support the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer. Mr. Kunio Okawa, an audit and supervisory board member of the Company, concurrently serves as a standing audit and supervisory board member of the Tender Offeror, and therefore he does not participate in any deliberations on the Transaction including the Tender Offer from the standpoint of enhancing the fairness, transparency, and objectivity of decision-making by the Company's board of directors in relation to the Transaction including the Tender Offer and avoiding conflicts of interest.

(F) Measures to Secure an Opportunity for Other Tender Offerors to Carry Out a Tender Offer

While the shortest period of a tender offer under laws and ordinances is 20 business days, according to the Tender Offeror, the Tender Offeror has set the tender offer period to 30 business days. By setting the tender offer period to a relatively long period, the Tender Offeror intends to ensure that the Company's shareholders are provided with an opportunity to make an appropriate decision on whether or not to accept the Tender Offer and parties other than the Tender Offeror are provided with an opportunity to carry out a tender offer, and thereby ensuring the appropriateness of the Target Offer Price. Further, the Tender Offeror and the Company have not reached any agreement that includes deal protection provisions to prohibit the Company from contacting a counter offeror or other agreement that restricts any counter offeror from carrying out a counter tender offer for the Company Shares. By securing an opportunity for a counter tender offer, as well as by setting a relatively long tender offer period in this way, consideration is also given to ensuring the fairness of the Tender Offer.

The Tender Offeror does not include so-called "tendering by the majority of the minority" in the conditions for the completion of the Tender Offer, but believes that due consideration is given to the interests of the Company's minority shareholders because the measures set out in (A) through (F) above have been taken by the Tender Offeror and the Company, according to the Tender Offeror.

4. Matters Regarding Material Agreements Regarding Tender Offer

(1) Agreements Between the Tender Offeror and the Company or its Directors and the Details of Those Agreements

The Company and the Tender Offeror have entered into a Memorandum of Understanding regarding the implementation of the Tender Offer ("MOU") on February 7, 2018. The MOU sets forth provisions such as that the Tender Offeror shall implement the Tender Offer upon the satisfaction (or waiver by the Tender Offeror) of the Conditions Precedent for the Tender Offer.

(2) Matters Regarding Material Agreements Regarding Tendering of Shares in the Tender Offer between the Tender Offeror and the Shareholders of the Company

Not applicable

5. Matters Concerning Inappropriate Profits Received from the Tender Offeror or its Specially Related Parties
Not applicable

6. Policy for Responses Regarding Basic Policies on the Control of the Company
Not applicable

7. Inquiries to the Tender Offeror
Not applicable

8. Request for Extension of the Tender Offer Period
Not applicable

9. Future Prospects

Please refer to the description in “(B) Background, Purpose and Decision-Making Process of the Tender Offeror for the Tender Offer, and Management Policy after the Tender Offer” of “(2) Grounds and Reasons for the Opinion regarding Tender Offer” under “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” and “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover)” and “(5) Possibility of, and reasons for, delisting” under “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” above.

10. Matters Concerning Transactions, etc. with the Controlling Shareholder

(1) Applicability of the Transactions, etc. with the Controlling Shareholder and Status of Compliance with the Policy on Measures to Protect Minority Shareholder Interests

Since the Tender Offeror is the controlling shareholder of the Company, the Transaction including the Tender Offer will fall under “transactions, etc. with controlling shareholders” for the Company. Set out below is the status of whether the procedure taken by the Company regarding the Tender Offer complies with “The Policy on Measures to Protect the Minority Shareholder Interests When Conducting Transactions, etc. with the Controlling Shareholder” in the Report regarding Corporate Governance as of July 3, 2017 disclosed by the Company, which sets forth as follows: In deciding whether to implement transactions and other measures with the parent company where the interests of shareholders other than the parent company and the parent company may be substantially conflicting, the Company has been making appropriate decisions in accordance with laws and regulations and other social norms. Regarding the relationship with the parent company group, the Company operates independently in its business management and transactions and in product sales transactions, the Company proposes the Company's desirable price in consideration of the market price and total cost, negotiates and then determines on terms and conditions same as the ones with other business partners not affiliated to the Company.

The Company has taken measures to ensure the fairness with respect to the Transaction, including the Tender Offer by the Controlling Shareholder of the Company, and to conform to the principles set out in “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” in “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” above.

(2) Matters regarding Measures to Ensure the Fairness and Avoid Conflicts of Interest

Please refer to the description in “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” under “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” above.

(3) Outline of Opinion that the Transaction Is Not Disadvantageous to the Minority Shareholders of the Company Obtained from Parties Having No Conflicts of Interest with the Controlling Shareholder

As described in “(D) Establishment of an Independent Third-Party Committee at the Company and Obtainment of a Written Report” under “(6) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest” in “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer”, the Company received the Written Report dated February 7, 2018 to the effect that the third party committee is of the opinion that the Transaction is not disadvantageous for the Company’s minority shareholders from the third-party committee that is independent from the Company and the Tender Offeror on February 7, 2018. The Company also received the Written Report dated May 10, 2018 to the effect that there had been no change to its above opinion.

11. Others

(1) Release of Financial Statement for Y.E. March 2018

The Company released today its Financial Statement for Y.E. March 2018 (Japanese GAAP) (consolidated). Please see the above release for the details.

(2) Dividends at the End of Y.E. March 2018

As we announced in the “Notice of Revision of Year-End Dividend Forecast for the Fiscal Year Ending March 31, 2018” dated February 7, 2018, the Company resolved at its meeting of the board of directors held on February 7, 2018 that the Company would not pay the year-end dividends for the fiscal year ending March 31, 2018. The Company intends to take the action reasonably necessary to pay dividends equivalent to the dividends originally forecast (if it is difficult to pay dividends to the shareholders as of the end of Y.E. March 2018, the Company will pay interim dividends). In such case, the Company will promptly determine and make a further announcement regarding the new dividend policy and method at a later date.

(Reference)

“Announcement of Commencement of Tender Offer for the Shares of Toyo Kohan Co., Ltd. (Securities code: 5453)”, dated May 10, 2018 (as attached).