

[Translation]

November 4, 2016

To whom it may concern:

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Announcement concerning Implementation of the Tender Offer of Our Shares by Hitachi Zosen Corporation which is Our Controlling Shareholder and Recommendation to Tender

Hitachi Zosen Fukui Corporation (the “Company”) hereby announces that at a meeting held as of the date hereof, the board of directors of the Company has resolved to express an opinion in favor of the tender offer (“Tender Offer”) by Hitachi Zosen Corporation (“Tender Offeror”) for the Company’s ordinary shares (“Company Shares”) and to recommend the shareholders of the Company to accept the Tender Offer.

The decision of the board of directors has been made on the premises that the Tender Offeror intends to make the Company a wholly-owned subsidiary through the Tender Offer and subsequent transactions, and that the Company Shares will be delisted.

1. Overview of the Tender Offeror

(i) Name	Hitachi Zosen Corporation	
(ii) Address	7-89 Nankokita 1 Cho-me, Suminoe-ku, Osaka-shi, Osaka	
(iii) Name and title of representative	Takashi Tanisho, Representative Director and CEO	
(iv) Businesses	Designs, construction, installment, sales, repair, maintenance and operation, etc. of environmental systems, industrial plants, water treatment system, industrial machinery, process equipment, infrastructure-related equipment, disaster prevention systems and precision machinery, etc.	
(v) Amount of capital	45,442 Million Yen	
(vi) Date of incorporation	May 29, 1934	
(vii) Major shareholders	Japan Trustee Services Bank, Ltd.(trust account)	9.24%

and shareholding ratio (as of March 31, 2016) (Note)	The Master Trust Bank of Japan, Ltd.(trust account)	6.71%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.11%
	CBNY –GOVERNMENT OF NORWAY (standing proxy: Citibank Japan Ltd.)	2.69%
	GOLDMAN SACHS INTERNATIONAL (standing proxy: Goldman Sachs Japan Co. Ltd.)	2.50%
	Japan Trustee Services Bank, Ltd.(trust account 9)	1.84%
	Sompo Japan Nipponkoa Insurance Inc.	1.39%
	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (standing proxy: Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1.35%
	BNP Paribas Securities (Japan) Limited	1.33%
	Trust & Custody Services Bank, Ltd. (Pension Trust)	1.01%
(viii) Relationship between the Company and the Tender Offeror		
Capital Ties	As of the date hereof, the Tender Offeror owns 5,367,400 Company Shares (including indirectly holding 5,000 Company Shares), equivalent to 54.49% (rounded to the nearest hundredth digit) of all issued shares (i.e. 9,850,000).	
Personal Ties	As of the date hereof, an employee of the Tender Offeror concurrently serves as a statutory auditor of the Company. Also, as of the date hereof, six employees of the Tender Offeror are seconded to the Company.	
Transactions	The Tender Offeror and the Company have a transactional Relationship whereby the Company provides its products and services to the Tender Offeror.	
Applicability as a related party	The Tender Offeror is a parent company of the Company and falls within the definition of its related party.	

(Note) The shareholding ratio is the ratio of shares held against the total number of issued shares of the Tender Offeror, rounded to the nearest hundredth digit.

2. Purchase Price

2,125 yen per ordinary share (“Tender Offer Price”)

3. Opinion regarding the Tender Offer, and Basis and Reasons thereof

(1) Opinion regarding the Tender Offer

As of the date hereof, the board of directors of the Company resolved to express an opinion in favor of the Tender Offer, and to recommend the shareholders of the Company to accept the Tender Offer, according to the basis and reasons stated in “(2) Basis and Reasons of the Opinion regarding Tender Offer” below.

The decision of the board of directors above has been made in accordance with such procedures provided under “(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest” in “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

(2) Basis and Reasons of the Opinion regarding Tender Offer

(i) Overview of the Tender Offer

The Company has received the following explanation from the Tender Offeror with respect to the overview of the Tender Offer.

As of the date hereof, the Tender Offeror owns 5,362,400 Company Shares, or 54.44% (Note) of the Company, by which the Company, listed on the JASDAQ (Standard) Market of the Tokyo Stock Exchange (the “JASDAQ Market”), being a consolidated subsidiary of the Tender Offeror.

At its board of directors’ meeting held today, the Tender Offeror has decided to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and treasury shares held by the Company; the same applies hereinafter.), and to conduct the Tender Offer as part of the transaction to make the Company a wholly-owned subsidiary of the Tender Offeror (the “Transaction”).

Since the Tender Offeror does not establish the maximum and minimum number of shares to be purchased in the Tender Offer, the Tender Offeror will purchase all of the shares that are tendered in the Tender Offer (the “Tendered Shares, Etc.”). Should the Tender Offeror fail to acquire all of the Company Shares through the Tender Offer, then after the Tender Offer, the Tender Offeror plans to request the Company to implement a set of procedures stated in “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” below and to make the Company a wholly-owned subsidiary of the Tender Offeror.

(Note) “Shareholding Ratio” means a holding ratio to the number of shares (i.e., 9,849,732 shares) obtained by deducting (i) the number of treasury shares held by the Company as of September 30, 2016 (i.e., 268 shares), as set forth in the Second Quarterly Earnings Release for FY 2016, ending March 31, 2017 (Japan GAAP) (Consolidated) disclosed by the Company on September 30, 2016 (the “Company’s FY 2016 Second Quarterly Earnings Release”) from (ii) the total issued shares of the Company as of September 30, 2016 (i.e., 9,850,000 shares), as set forth in the Company’s FY 2016 Second Quarterly Earnings Release (which percentage is rounded to the nearest hundredth). The same applies hereinafter.

As of the date hereof, the Tender Offeror executed an agreement to tender Company Shares in the Tender Offer (the “Share Tender Agreement”) with Cornwall Capital Management LP, a large shareholder of the Company. Under the Share Tender Agreement, the Cornwall Capital

Management LP has agreed to tender in the Tender Offer all of the Company Shares held by funds (the “Funds”) managed by Cornwall Capital Management LP (total number of shares held: 1,317,300 shares, Shareholding Ratio: 13.37 %). Since Cornwall Capital Management LP is considered to be in the position to effectively negotiate over the Tender Offer Price as a shareholder independent from the Tender Offeror and has the common interest with minority shareholders, the Tender Offeror made a proposal to Cornwall Capital Management LP aiming to execute the Share Tender Agreement in late September of 2016. Subsequently, the Tender Offeror and Cornwall Capital Management LP, after a series of negotiations, concluded to execute the Share Tender Agreement as of the date hereof. As to the details of the Share Tender Agreement, please refer to “4. Matters on the Important Agreement regarding the Acceptance of the Tender Offer between the Tender Offeror and the Company’s Shareholder” below.

(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

The Tender Offeror has been listed on the First Section of the Tokyo Stock Exchange, and the Tender Offeror Group (meaning the Tender Offeror, its consolidated subsidiaries and affiliated companies accounted for using the equity method; the same applies hereinafter) has developed its engineering business and manufacturing business mainly on business areas of designs, construction, installment, sales, repair, maintenance and operation, etc. of environmental systems, industrial plants, water treatment system, industrial machinery, process equipment, infrastructure-related equipment, disaster prevention systems and precision machinery, etc. The Tender Offeror Group currently consists of Tender Offeror, 94 consolidated subsidiaries of the Tender Offeror and 13 affiliated companies accounted for using the equity method as of the date hereof.

Formulating “Hitz 2016 Vision,” a long-term vision for 6 years from FY 2011 to FY 2016 (from April 1, 2011 to March 31, 2017), with the aim of leading the Tender Offeror Group become a highly profitable company with public recognition, the Tender Offeror Group has been promoting policies to strengthen its profitability, expand its business scale and fortify its financial structure. In order to realize this long-term vision, the Tender Offeror Group made “Hitz Vision,” a previous medium-term management plan from FY 2011 to FY 2013 (from April 1, 2011 to March 31, 2014), as a period to build its foundation and made “Hitz Vision II,” a 3-year medium-term plan started in FY 2014 (from April 1, 2014 to March 31, 2017), as a period to achieve its targets, and has been promoting key policies to strengthen its profitability, potential for business growth and management foundation. The Tender Offeror considers FY 2016 (from April 1, 2016 to March 31, 2017), which is the final fiscal year of “Hitz 2016 Vision” and “Hitz Vision II,” as an important fiscal year for wrapping up the management policy and measures implemented to date under the long-term vision and for starting the medium-term plan from FY 2017 (from April 1, 2017 to March 31, 2018).

In “Hitz 2016 Vision” and “Hitz Vision II,” the Tender Offeror Group places business areas such as (i) “environment and green energy” which relates to improvement of environment, efficient use of resources and energy, and the expanded use of renewable energy, and (ii) “social infrastructure development and disasters prevention” which aims to realize efficient and safe society and to construct disaster-resistant social foundation, as the growing business areas which will attract social demand.

Specifically in environment and green energy area of the engineering business, in order to define its position as “Hitachi Zosen, the Environmental Company” and develop concrete position both in and outside Japan, the Tender Offeror Group is providing equipment and systems relating to wind turbine, solar energy, emission reduction of carbon dioxide and nitrogen oxide in addition to the waste power generation which has engineering order reception of 860 places from all over the world. Further, the Tender Offer Group has focused on

developing and manufacturing “all-solid-state battery,” a next generation battery which enables high power output, and contributing to realize sustainable society, aiming to become a No.1 company group on that area.

On the other hand, manufacturing business, including ship engines, processing machines, bridges, shield tunneling machines for tunnels etc., and precision machinery, as well as large-scale press business operated by the Company, is still one of the main pillars of the Tender Offeror Group’s business. In addition to strengthen the technology of its manufacturing business, the Tender Offeror Group promotes the idea of “technology-oriented company” which means to enhance improvement of technology in a broad sense including the operation process necessary to provide products and service to the customers. At the same time, the Tender Offeror Group implements management policies such as selection of business and the concentration of management resources on developing business areas, increasing the weight of business segments which prospectively contribute to its profit stably and continuously, and thereby aims to realize “well-balanced management.”

The Company, on the other hand, was established in 1964 as Fukui Machinery Co., Ltd. for the purpose of manufacturing press machines and metal processing machines, receiving investment of 50% by the Tender Offeror and 50% by other companies in Fukui prefecture, and the investment rate by the Tender Offeror increased to be 73% through third-party share issuances in 1981, 1986 and 1987. The Tender Offeror currently owns Company Shares which are equivalent to 54.44% of Shareholding Ratio after the Company’s share issuances to the other parties. The Company changed its trade name to the current in accordance with its consolidation with the large-scale press business of the Tender Offeror in 1999. After that, the Company listed on the JASDAQ Securities Exchange in 2006 for the purpose of increasing fund raising capacity and establishing competitive framework with other listed companies in the same industry and then listed on JASDAQ Market in 2013 as a result of the merger between the Tokyo Stock Exchange and the Osaka Securities Exchange, Inc. Even after the listing, the Tender Offeror considers the Company as a core of the Tender Offeror Group’s manufacturing business, and therefore, as mentioned above, has continuously owned more than 50% of issued shares of the Company. In the recession after the financial crisis (“Lehman Shock”), the Company received benefit of product mix, which means to optimize and combine the manufacturing of products and its volume, as a member of the Tender Offeror Group such as receiving orders of manufacturing parts of ship engine and shield tunneling machines from the Tender Offeror. The Company currently still works on the manufacture and sale of large-scale press machines and their peripheral automation equipment and their after-sales service work therefor mainly for automobile industry, and is a material subsidiary engaged in large-scale press machines segment within the Tender Offeror Group.

After the Company consolidated and integrated with the large-scale press business of the Tender Offeror executing the assignment agreement of large-scale press business of the Company between the Tender Offeror in 1999, it defines its management philosophy as “ ‘Customer is the first,’ to make excellent products and to contribute to the society,” “Aiming at First-class company in the industry by showing creativity and devoting ourselves into development of technology and improvement of company structure” and “Harmonizing with the employee’s and company’s target and building up the employee’s welfare through company’s prosperity.” The Company supplied best suited products to its customers and made effort to improve customer satisfactions through consistently working on all processes of manufacture and market of large-scale press machines and their peripheral automation equipment and after-sales service work therefor (including check, repair, remodel, supply of spare parts and relocation). Recently, the Company makes efforts on further improvement of earning capacities by strengthening management framework as well as renewing equipment such as numerical control of manufacturing machines and promoting development of new technology and new products. The

Tender Offeror and the Company share common management strategy as the members of the Tender Offeror Group, and have already developed the business synergies such as by promoting joint research and development of razor technology, within a limited area paying attention to each company's independence as a listed company.

The Company's business specializes in the manufacture and sale of large-scale press machines, their peripheral automation equipment and after-sales service work therefor, and their customers are limited to the automobile industry. Therefore, the Company's business is largely affected by the trends of capital investment in the automobile industry globally, but since capital investment of the automobile industry is adjusted sensitively in response to the number of automobiles sold, there will be a high volatility in the Company's business performances reflecting the changes in the number of automobiles sold, etc. Specifically, the automobile industry's capital investment to overseas production bases, which had been continuing over the past several years, seems to have been completed for the time being, and since there are few regions where the number of automobile production will widely increase within a short period of time in the future, capital investment of the automobile industry is unlikely to increase in near future and demand for large-scale press machines, etc. will likely to be sluggish. In particular, Japanese manufacturers, which are the Company's main customers, will likely to face further difficulties, due to the effects of the strong yen. As the number of capital investment decreases, competition with other companies in the industry to receive orders becomes severer, and difficult business environment will likely to continue for the Company's performance in the next several years. According to the actual Monthly Order Entry Trend announced on October 7, 2016 by the Japan Forming Machinery Association with respect to the forming machinery field related to the Company's business, while the amount of total orders of the Japan Forming Machinery Association's member corporations for September picked up to about the same level as that of September of the previous year, the amounts of total orders for the first 5 months of FY 2016 have been comparatively below those of the same months of the previous year. In order to respond to customer needs under such difficult environment and survive the competition with other companies in the same industry, the completion of new materials towards the further lightening of car bodies, for example, stronger high tensile steel materials and aluminum materials, and in the future, technical strength that can respond to the processing of carbon fiber composite materials and others and the substantiality of the research and development system therefor will become necessary. In addition, the trend for moving manufacturing bases overseas and diversification due to increases in the domestic labor costs and the geographical spreading of the markets centered around developing nations will further speed up in the future, and domestic and foreign press machine manufacturers have been newly establishing and reinforcing overseas bases to meet the needs demanded by the automobile industry. While it can be expected that competition between such similar businesses will further intensify in the future, the construction of an after-sales service system that can cover the production bases of customers that are expanding globally has become essential for the Company.

Under such circumstances, the Tender Offeror came to an understanding that it would be necessary for the Tender Offeror Group including the Company, to further strengthen themselves by further pushing forward a measure to contribute to enhance profitability and business growth as provided in "Hitz Vision II." After the proposal of the Transaction by the Tender Offeror to the Company in mid July 2016, the Tender Offeror appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities") as its financial advisor and third party valuation institution and TMI Associates as its legal advisor, both which are independent from the Tender Offeror and the Company. On the other hand, the Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor and third party valuation institution and Kitahama Partners Tokyo Office ("Kitahama Partners")

as its legal advisor, both which are independent from the Tender Offeror and the Company. Further, an independent committee (please refer to “2. Overview of the Purchase,” “(4) Basis for Calculating the Purchase Price,” “(ii) Process of Calculation,” “(Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest),” “(d) Establishment of an Independent Committee at the Company” below for the composition and specific contents of activities, etc. of such independent committee) was established in order to avoid conflicts of interest, whereby a structure for consultation and negotiation regarding the Transaction was constructed. Thereupon, there have been multiple consultations and reviews with respect to the various measures for the purpose of improving both companies’ corporate value between the Tender Offeror and the Company, such as the strengthening of business and restructuring of management by the further promotion of the group management.

As a result, by the Tender Offeror making the Company its wholly-owned subsidiary, the Tender Offeror and the Company may enjoy the synergies as explained in sections (a) to (d) below by fully utilizing the Company’s business characteristics and operations and structures, such as the automobile industry being the Company’s main customer and aiming to reduce costs by advancing the standardization of designing and the use of CAD/CAM (method to systematically design and manufacture by using computers) on the manufacturing floor, and by further securing mutual collaboration believes that the strengthening of the manufacturing business, which is the origin of the Tender Offeror Group, and the expansion of overseas business will become possible. However, as mentioned above, since volatility in the Company’s business performances will be high in this process, a downward swing of performance for a certain interval can be expected. Since it is difficult to take measures that are quickly effective against such worsening of performance, there is a possibility that sufficient valuation will be not be obtained from the capital market in the short-term and will provoke a fall of the price of the Company Shares. In addition, since mutual synergies will not be thoroughly generated under the situation where the Company being a listed company independent from the Tender Offeror, the Tender Offeror has reached to a conclusion that, by making the Company to be the wholly-owned subsidiary of the Tender Offeror, not only the corporate value of the Company, but also that of the entire Tender Offeror Group may be enhanced. Therefore, the Tender Offeror has resolved to commence the Tender Offer, for the purpose of the Tender Offeror making the Company its wholly-owned subsidiary, in its board of directors’ meeting held today.

The Tender Offeror and the Company believe that the Transaction has the following strategic significance, and plan to make efforts to achieve them.

(a) Strengthening the power to handle customer’s needs and enhancing productivity through the optimal product mix

It is thought that (a) by the Company becoming a wholly-owned company, the Company will be able to fully extend its know-how on design and production such as standardization of design and standardization and streamlining of the thorough manufacturing process using CAD and CAM, to other manufacturing plants of the Tender Offeror Group, which the Company was unable to maximize due to its independence as a public-listed company although it has achieved it through many years of manufacturing and distributing press machines to the customers in automobile industry and which the Company gained trust in despite the intensely competitive environment as well as (b) enhancing optimal product mix among each factory and affiliate company of the Tender Offeror Group will contribute to strengthening the manufacturing business of the Tender Offeror Group.

Further, since the performance of the Company will be greatly affected by the capital investment of the automobile industry which is its main customer, seeking enhancement of

production capacity in haste involves a very high business risk, and the Company's capital investments have been limited for the purpose to improve its productivity and efficiency; if there is any production needs that exceed its existing production capacity, the Company has been outsourcing the manufacturing to Sakai plant etc. of the Tender Offeror. Also, in cases such as Lehman Shock where the Company has excess production capacity, the Company has manufactured products of the Tender Offeror (ship engine parts, shield tunneling machines) based on a mutually complementary relationship established at a management level.

However, under the circumstance where the awareness of corporate governance is improving and harsh looks are given to parent/subsidiary transactions while minority shareholders existing, it is becoming difficult to promptly respond to the change in the economic environment by mutually complementing the production capacity, while securing objective fairness in transactions between the Tender Offeror and the Company under the current situation where the Company remains to be listed and minority shareholders exist. Therefore, by further strengthening the cooperation with the Company through the Transaction, mutual utilization of excess production capacity between the Tender Offeror and the Company as well as strengthening the technical cooperation will contribute to stabilizing the business operation of the Company and will also lead to strengthening the manufacturing business which will serve as a basis for "technology-oriented company" which is the goal of the Tender Offeror Group.

(b) Business expansion in the automobile industry

With the Tender Offeror and the Company cooperating in terms of productivity and technology, and by utilizing Company's sales networks within the automobile industry, propulsion of business in the automobile industry such as development and sales of the all-solid-state lithium battery for the automobile industry pursued by the Tender Offeror will become possible through eco-friendly electric vehicle etc. and is thought to contribute to strengthening the "environment and green energy" which the Tender Offeror states to focus on in its medium-term management plan. Further, by the Tender Offeror Group expanding the research and development structure as a group in order to support the anticipated technical innovation of the automotive body material, the Tender Offeror Group may be able to respond to the needs of, and may consequently expand future businesses with, the automobile industry.

(c) Strengthening the overseas solution business

With respect to future capital investment by the automobile industry, growth in the domestic investment is unpromising while, on the other hand, investment overseas is likely to continue to increase on a long-term even if it stagnates for a short-term; under such situation, the Tender Offeror Group recognizes that it is important to enhance the Company's capacity to handle overseas needs. After the Transaction, it will become easier for the Company to use of the Tender Offeror Group's overseas location networks, which may strengthen the Company's after-sales service system overseas without the Company making an excessive investment in advance. Strengthening the Company's after-sales service system is thought to lead also to the enhancement of the solution business (after-sales service, operation and maintenance business) through the one-stop service starting from EPC (engineering, procurement and construction) to the after-sales service which is the field that the Tender Offeror Group is focusing on.

(d) Furtherance of the Group's strategy focusing on the next medium-term management plan

The Tender Offeror Group has been originally implementing the group's strategy based on selection and concentration of the management resources; by undertaking the Transaction, the Tender Offeror Group will become able to make more expeditious and aggressive investments

towards the Company's business, which plays an important role within the Tender Offeror Group's machine business, which will consequently accelerate the growth of the Company's business and further strengthen the group's strategy.

Also, as of today, among the eight directors and four statutory auditors of the Company, one statutory auditor concurrently serves as an employee of the Tender Offeror and the management structure post the Transaction remains undecided as of today, but the Tender Offeror plans to consider the most suitable system which would achieve business synergy with the Tender Offeror and the Company in the future. Further, the Tender Offeror's policy is to continue its management aiming for further improvement of corporate value along with the Company and other group companies. Subsequent to the Transaction, the Tender Offeror will make efforts to strengthen the Company's business while taking note of management which fully takes advantage of the characteristics of the Company's business and the merits of the operation and structure. Such specific measures are scheduled to be considered as a part of planning the medium-term management plan for FY 2017 (from April 1, 2017 to March 31, 2018) and thereafter.

(iii) Decision-Making Process by the Board of Directors of the Company

The Company, as stated in "(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer" above, has received the proposal of the Transaction including the Tender Offer from the Tender Offeror in middle July of 2016, appointed Nomura Securities and Kitahama Partners as its third party valuation institution and its legal advisor respectively, as described in "(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest," so that it may ensure the fairness of the Transaction including the Tender Offer, such as the fairness of the Tender Offer Price, and established an independent committee in order to consider the proposal on the Transaction and repeatedly discussed and reviewed the purpose of the Transaction, management setup and policy after the Transaction, the terms of the Transaction, etc. with the Tender Offeror and Mitsubishi UFJ Morgan Stanley Securities, its financial advisor.

Also, as for Tender Offer Price, after receiving the proposal about the Transaction, the Company received advice about the point such as the process of negotiation and way of decision of the Transaction including the Tender Offer from Kitahama Partners, began negotiation with the Tender Offeror in the middle of August and had discussions and negotiations for several times with the Tender Offeror. Even after the Company received a final proposal regarding the price (2,125 yen) from the Tender Offeror based on the negotiations with the Company and Cornwall Capital Management LP, the Company received an explanation about the calculation of the value of the Company Share from Nomura Securities and taking the opinion of the independent committee into consideration, made efforts to raise the Tender Offer Price further. In addition, the independent committee conducted a direct Q&A session with the Tender Offeror with regard to the understanding of calculation of the Tender Offer Price. Based on these discussions and negotiations, the Company received from the independent committee opinions about such final proposal and from Nomura Securities a formal share valuation report as of November 2 about the Company Shares and examined carefully. As a result the Company reached the decision to accept such final proposal.

Also, the Company received legal advice for the points for decision with respect to the Transaction including the Tender Offer, such as the process and way of decision with respect to the Transaction including the Tender Offer from Kitahama Partners, its legal advisor, and an opinion letter from the independent committee as of November 2, 2016(as for the outline of the opinion letter and details of the independent committee's activity, please refer to "(d) Establishment of an Independent Committee at the Company" in "(6) Measures to Ensure

Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below). The Company then had deliberate discussions and reviews from various viewpoints (e.g. whether the Company’s corporate value may be enhanced by the Transaction, whether the terms of the Transaction such as the Tender Offer Price are reasonable, or the like), taking the legal advice received from Kitahama Partners, its legal advisor, and the share valuation report received from Nomura Securities, the third party valuation institution, into full considerations on the contents of the opinion letter submitted by the independent committee.

As a result, the Company concluded that the Transaction will contribute to improve the Company’s corporate value, as described below.

The business environment surrounding the Company is deeply influenced by trends in automobile industry. As mentioned above, it seems that the automobile industry’s capital investments to overseas production bases, which had been continuing over the past several years, has been completed for the time being, and since there are few region where the number of automobiles produced will widely increase in a short time in the future, that capital investment of the automobile industry will unlikely to increase in the near future and demand for large-scale press machines, etc. will likely to be sluggish. In addition, the industry is becoming unpredictable from the foothold, e.g. reexamination of the capital investment because of Brexit, etc. as for in developed countries and anxiety about the economic forecast as for in developing countries.

The Company’s business specializes in producing and selling one type of machinery; i.e. producing and selling large-scale press machines and its peripheral automation equipment and after-sales service work, and because of automobile industry’s high volatility of conditions, increasing of production capacity may involve severe risk and may damage the Company’s corporate value heavily even where demand exceeds supply. Accordingly, the Company may not accept orders which exceed its production capacity.

On the other hand, in order for the Company to keep its corporate value in mid- to long- term, the Company is required to maintain the technologies which accept not only high tensile strength steel, which is stronger material, and aluminum but also new materials such as carbon fiber composite material for press machines in the trends of lightening automobile weights. Although the Company is devoting itself in research and development in various ways to respond to such new needs of its customer and technological innovations, there are inevitable limits due to lack of human and material resources.

Also, in order to expand after-sales service work, it is necessary for the after-sales service systems to be constructed globally, as automobile industry globally expands. However, the burden in the aspect of human resources for constructing such systems globally, e.g. employment of human resources that can correspond to legal and tax regulations in each country, is becoming heavier for the Company alone. At present the Company is making use of the Tender Offeror’s bases in China and India.

In such situation, the Company considers that it will become easier for the Company to correspond to the issues above which cannot be solved easily by the Company alone if it becomes a wholly-owned subsidiary of the Tender Offeror.

With respect to production capacity, the Company has been making use of redundant production capacity of each other with the Tender Offeror, but it has been limited as both companies are listed companies. The Company therefore thinks that product mix with the Tender Offeror will be promoted more than now by the Company becoming a wholly-owned subsidiary of the Tender Offeror and it will lead to the stable management of the Company’s factories.

With respect to research and development, after the Transaction it will become easier to make use of the resources of the engineering laboratories and technological resources also in the field

of basic research, which cannot be done easily by the Company alone. Specifically, the Company developed a laser blanking line which cut steel sheet at high speed with laser including high speed laser cutting machines together with its customers and delivered to the customers' factories, and believes that it will be able to solve the remaining problems in doing laser cutting by making use of the Tender Offeror's research and development resources.

Also with respect to the construction of global after-sales service system, the Company expects that it will become easier to use bases and personnel of the Tender Offeror in each country in wider range and that labor and burdens needed for the establishment will be reduced. In addition, the Company expects it will be easier than before to secure human resources needed for the Company's future development by promoting personal exchange with the Tender Offeror.

The Company therefore believes that the realization of the close connection with the Tender Offeror by becoming the Tender Offeror's wholly-owned subsidiary by the Transaction contributes to not only the easier implementation of necessary measures for the management of the Company, but also the mutual exploitation of the management resources and know-how with the Tender Offeror, which has been difficult from the viewpoint of maintenance of independence and autonomy as a listed company, as are conducive to the Company's future development.

Also, the Company determined that the Tender Offer will provide the shareholders of the Company with an opportunity to sell the Company Shares at reasonable prices, taking into consideration that the Tender Offer Price (a) exceeds the price range valuated by the average market price method and is in the price ranges valuated by the comparable company analysis method and the discounted cash flow method ("DCF Method") among the results of valuation of the Company Shares by Nomura Securities described in "(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Company" in "(3) Matters Related to the Valuation" below, (b) is the sum of 1,410 yen, which is the regular transaction closing price of the Company Shares on JASDAQ Market on November 2, 2016, which is the business day before the date of announcement of the Tender Offer and the premium of 50.71% of it (which is rounded to the nearest to hundredth; the same shall apply hereinafter in the calculation of the premiums), the sum of 1,415 yen, which is the simple average of the regular transaction closing prices of the share for the past one (1) month before the date (the amount less than one yen has been rounded to the nearest one yen; the same shall apply hereinafter in the calculation of the simple average of the regular transaction closing prices) and the premium of 50.18% of it, the sum of 1,374 yen, which is the simple average of the regular transaction closing prices of the share for the past three (3) months before the date and the premium of 54.66% of it and the sum of 1,305 yen, which is the regular transaction simple average of the closing prices of the share for the past six (6) months before the date and the premium of 62.84% of it and it is believed that high premium is included compared to the standard of other tender offer cases which are aimed at acquiring 100% ownership, (c) shows consideration for the minority shareholders, e.g. measures for avoiding conflicts of interest described in "(5) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" and (d) is the price which was proposed as a result of discussions and negotiations where such measures were taken between the Company and the Tender Offeror which are equal to those of independent parties and more specifically the result of serious and continual discussions and negotiations based on the result of valuation of the Company Share's value and discussion with the independent committee, etc.

Therefore, at the Company's board members' meeting held today, the Company resolved to express its opinion in favor of the Tender Offer and recommend that the shareholders of the Company accept the Tender Offer.

(3) Matters Related to the Valuation

(a) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Tender Offeror

In determining the Tender Offer Price, the Tender Offeror requested Mitsubishi UFJ Morgan Stanley Securities, acting in the capacity of a third-party valuation institution independent from both the Tender Offeror and the Company, to conduct financial analysis of the Company's stock value. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Tender Offeror and the Company and does not have a material interest in respect of the Tender Offer.

Mitsubishi UFJ Morgan Stanley Securities conducted a valuation of the Company Shares by using each of the market price analysis, the comparable company analysis, and the discounted cash flow analysis (the "DCF Analysis"), and the Tender Offeror obtained a share valuation report (the "Share Valuation Report") from Mitsubishi UFJ Morgan Stanley Securities as of November 2, 2016. The Tender Offeror has not obtained any opinion on the fairness of the Tender Offer Price (a fairness opinion).

The ranges of per share values of the Company Shares, as calculated under each of the abovementioned analysis, are as follows:

Market price analysis: 1,305 yen - 1,415 yen
Comparable company analysis: 1,549 yen - 2,148 yen
DCF Analysis: 1,874 yen - 2,434 yen

In the market price analysis, the base date was established as November 2, 2016 and the price range of per share value of the Company Shares was calculated to be 1,305 yen to 1,415 yen based upon the regular transaction closing price of the Company Shares on the JASDAQ Market on the base date (1,410 yen), as well as the simple average of the regular transaction closing prices for: the last one (1) month (from October 3, 2016 through November 2, 2016) (1,415 yen); the last three (3) months (from August 3, 2016 through November 2, 2016) (1,374 yen); and the last six (6) months (from May 6, 2016 through November 2, 2016) (1,305yen).

The comparable company analysis resulted in a per share value of the Company Shares ranging from 1,549 yen to 2,148 yen by evaluating the equity value of the Company through a comparison with financial indexes indicating, among other data, share prices and profitability of listed companies operating a relatively similar business to that of the Company.

In the DCF Analysis, the price range of per share value of the Company Shares was calculated to be 1,874 yen to 2,434 yen, by calculating the corporate value and share value by discounting the free cash flow that the Company is expected to generate after the fiscal year ending March 2021 by using a certain discount rate based on the earnings forecast in and after the fiscal year ending March 2017 (taking into consideration various factors including business plans for the period of the fiscal year ending March 2017 to the fiscal year ending March 2020 of the Company, up-to-date trends of the Company's business performance, publicly available information and the effects which could occur by the implementation of the Transactions)(Note). The financial forecast is made without taking into consideration the implementation of the Transaction. In addition, a substantial increase or decrease in profits is not forecasted in the financial forecast Mitsubishi UFJ Morgan Stanley Securities has assumed in its valuation under the DCF Analysis.

(Note) In valuation of the Company Shares, Mitsubishi UFJ Morgan Stanley Securities, as a general rule, used information furnished by the Tender Offeror and the Company and publicly available information or other materials as is, without any amendment thereto, based on the assumption that all such information is accurate and complete, and did not perform independent verification of its accurate and complete, and, therefore, did not, individually, verify the accuracy and completeness of the information and materials. Additionally, Mitsubishi UFJ Morgan Stanley Securities did not conduct independent valuation and assessment of the assets and liabilities of the Company's affiliates (including off-balance sheet assets and liabilities or other contingent liability) or request a third party institution to conduct any appraisal or assessment thereof. Furthermore, Mitsubishi UFJ Morgan Stanley Securities assumed that the information regarding the Company's financial projections was reasonably prepared based on the best estimates and judgment available from the Company and the Tender Offeror at the time. The valuation provided by Mitsubishi UFJ Morgan Stanley Securities reflects the abovementioned information as of November 2, 2016.

The Tender Offeror finally determined the Tender Offer Price to be 2,125 yen per share today, considering the results of the discussions and negotiations with the Company and Cornwall Capital Management LP, based on the statement and analysis results in the Share Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, the possibilities for the support of the Tender Offer by the board of directors' meeting of the Company, premium rates offered by tender offerors other than issuers in the past tender offer cases (the tender offer cases assuming that tender offerors intends to make target companies a wholly-owned subsidiary) conducted in the past year, the price performance trend of the Company Shares and the prospect of the Tender Offer, among other things.

The Tender Offer Price (2,125 yen per share) is a price that is obtained by adding 50.71% premium to 1,410 yen, the closing price of the Company Shares at JASDAQ Market on November 2, 2016, the business day immediately preceding the announcement of the Tender Offer; 50.18% premium to 1,415 yen, which is the simple average of the regular transaction closing price of the Company Shares in the past one (1) month period (from October 3, 2016 to November 2, 2016); 54.66% premium to 1,374 yen, which is the simple average of the regular transaction closing price of the Company Shares in the past three (3) month period (from August 3 to November 2); and 62.84% premium to 1,305 yen, which is the simple average of the regular transaction closing price of the Company Shares in the past six (6) month period (from May 3, 2016 to November 2, 2016).

(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Company

The Company requested Nomura Securities, which is a third party valuation institution independent from the Tender Offeror and the Company, to value the Company Shares in order to ensure fairness of the decision-making process of the Tender Offer Price proposed by the Tender Offeror. Nomura Securities is not a related party of the Tender Offeror and the Company and does not have a material interest in respect of the Tender Offer. Nomura Securities considered the following share valuation methods: since the Company Shares are listed on the JASDAQ Market, Nomura Securities used the average market price method; since there is a company comparable with the Company and it is possible to imply share value of the Company Shares by comparing with the similar companies, Nomura Securities also used the comparable company method; and Nomura Securities also used the DCF Method to reflect the future business operation to the valuation. The Company received a share valuation report with regard

to the Company Shares, dated as of November 2, 2016. In addition, the Company did not obtain any fairness opinion regarding the Tender Offer Price from Nomura Securities.

According to Nomura Securities, the ranges of the per share values of the Company Shares calculated by each of these methods is as follows:

Average market price method:	From 1,303 yen to 1,439 yen
Comparable company method:	From 1,091 yen to 2,249 yen
DCF Method:	From 1,681 yen to 3,107 yen

Under the average market price method, the base date was established as November 1, 2016 and the price range of per share value of the Company Shares was calculated to be 1,303 yen to 1,439 yen based upon the closing price of the Company Shares on the JASDAQ Market on the base date (1,439 yen), as well as the simple average of the closing prices for: the last five (5) business days (1,434 yen); the last one (1) month (1,415 yen); the last three (3) months (1,373 yen); and the last six (6) months (1,303 yen).

Under the comparable company method, the range of the per share value was calculated to be 1,091 yen to 2,249 yen by first selecting AIDA ENGINEERING, LTD. as a domestic listed company operating press machine businesses, similar to those of the Company, and second by analyzing share values of the Company through application of a ratio of EBITDA to corporate value (“EBITDA Multiple”), of operating income to corporate value, of net income to total market value, and of shareholder’s equity to total market value.

Under the DCF Method, Nomura Securities calculated the corporate value by discounting the future cash flow that the Company is expected to generate after the 2nd Quarter of the business year ended March 2017 to the present value according to business risks by a certain discount rate, taking into consideration assumptions to be considered reasonable, such as the earnings forecast and investment plan based on the business plans for the period of the fiscal year ending March 2017 to the fiscal year ending March 2020 of the Company.

For the discount rate, 6.5% to 7.5% was applied, and in calculating the going concern values, the multiple method and permanent growth rate method were used, EBITDA Multiple was set at 1.5 times to 3.5 times and the perpetual growth rate was set at -0.5% to 0.5%. As a result, the range of the per share value was calculated to be 1,681 yen to 3,107 yen.

The financial forecast based on the business plan of the Company which Nomura Securities has assumed in its valuation under the DCF Method is as follows. A substantial increase or decrease in profits is not forecasted in the following financial forecast. In addition, the financial forecast is made without taking into consideration the implementation of the Transaction.

(Unit : million yen)

	Fiscal year ending March, 2017 (for nine month)	Fiscal year ending March, 2018	Fiscal year ending March 2019	Fiscal year ending March, 2020
Sales Amount	16,961	21,500	21,000	21,000
Operating Income	1,823	2,010	1,760	1,760
EBITDA	2,361	2,671	2,413	2,405
Free Cash Flow	2,019	1,459	1,293	1,278

(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)

The Tender Offeror, as stated in “(1) Overview of the Tender Offer” in “(2) Basis and Reasons of the Opinion regarding Tender Offer” above, plans to request the Company to implement a set of procedures below in order to make the Company a wholly-owned subsidiary of the Tender Offeror after the Tender Offer is completed, in the event the Tender Offeror does not acquire all of the issued shares of the Company (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the Company) when the Tender Offer is completed.

Specifically, after the completion of the Tender Offer, provided that upon completion of the Tender Offer the total number of voting rights of the Company held by the Tender Offeror amounts to 90% or more of the voting rights of all shareholders of the Company, and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended, the “Companies Act”), the Tender Offeror plans to demand that all shareholders of the Company (excluding the Company and the Tender Offeror) (“Demand for Sale Shareholders”) sell all of their Company Shares in accordance with the provisions of Part II, Chapter II, Section 4-2 of the Companies Act promptly after the completion of the settlement of the Tender Offer (“Demand for Sale of Shares”).

When exercising the Demand for Sale of Shares, the Tender Offeror will set a cash amount equal to the Tender Offer Price to be paid to Demand for Sale Shareholders as per-share consideration for the Company Shares. In such case, the Tender Offeror will notify the Company such intention and ask the Company to approve the Demand for Sale of Shares. Provided the Company approves the Demand for Sale of Shares through the board of directors’ resolution, the Tender Offeror will purchase all of the Company Shares held by Demand for Sale Shareholders by following procedures set forth in the relevant laws and regulations, without obtaining their consent, as of the date specified in the Demand for Sale of Shares.

In the event that the Company receives notification from the Tender Offeror concerning the matters prescribed in each Item of Paragraph 1 of Article 179-2 of the Companies Act, with the intention to Demand for Sale of Shares, the board of directors of the Company plans to approve such Demand for Sale of Shares.

On the other hand, if the total number of voting rights of the Company held by the Tender Offeror is less than 90% of the voting rights of all shareholders of the Company after the Tender Offer is completed, the Tender Offeror plans to request promptly after completing the settlement of the Tender Offer that the Company hold an extraordinary meeting of shareholders (“Extraordinary Shareholders’ Meeting”) around from late February to early March of 2017 at which the Company will present proposals to approve the consolidation of the Company Shares (the “Share Consolidation”) and, subject to the Share Consolidation becoming effective, abolish the article in the Articles of Incorporation concerning share units. The Tender Offeror will vote in favor of these proposals at the Extraordinary Shareholders’ Meeting.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will own a proportionate number of the Company Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders’ Meeting on the effective date of the Share Consolidation. The shareholders of the Company will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the Company Shares in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; the same applies hereinafter.) to the Company or the

Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With regard to the sale price of the Company Shares for a number equivalent to the total number of such fractional shares, it is planned that a motion will be filed with the court to permit a voluntary sale, after calculating the amount to be paid to the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Company and the Tender Offeror) by multiplying the Tender Offer Price by the number of the Company Shares they own respectively.

While the consolidation ratio of the Share Consolidation has not yet been determined as of the date hereof, the Tender Offeror will determine the number of the Company Shares to be owned by the shareholders who do not tender their shares in Tender Offer (excluding the Company and the Tender Offeror) to be less than one share so that only the Tender Offeror will own the Company Shares (excluding the treasury shares held by the Company) after the Share Consolidation.

As a provision of the Companies Act intended to protect the rights of minority shareholders with regard to procedures such as those described above, Article 179-8 of the Companies Act and other relevant laws and regulations provide that the Demand for Sale Shareholders may file a motion with the court to determine the sale/purchase price of Company Shares they own. In case this motion is filed, the sale/purchase price will be ultimately ruled by the court.

Also, the Companies Act provides that in the event of the Share Consolidation, if there are any fractional shares resulting from the Share Consolidation, the shareholders of the Company may demand that the Company purchases all of their fractional shares at fair prices and that they may file a motion with the court to determine the fair price of the Company Shares. Since, as stated above, the number of the Company Shares to be owned by the shareholders who do not tender their shares in Tender Offer (excluding the Company and the Tender Offeror) is to be less than one share through the Share Consolidation, the shareholders who dissent from the Share Consolidation may file a motion with the court to determine the sale/purchase price in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. If this motion is filed, the purchase price will be ultimately ruled by the court.

Depending on the relevant matters such as the revisions of the relevant laws and regulations, their enforcement and their interpretation by the authorities, and the shareholding ratio by the Tender Offeror and the status of ownership of the Company Shares by the other shareholders of the Company after the Tender Offer, the above procedures may require a longer time or may be replaced with other measures having equivalent effects. However, even in such cases, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of the Company who do not tender their shares in Tender Offer (excluding the Company and the Tender Offeror). The amount of cash to be paid to the respective shareholders in that event is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the Company Shares each shareholder owns. Specific procedures and the schedule thereof in such cases will be announced by the Company as soon as they have been determined.

Furthermore, the Tender Offer is not intended to solicit the approval of the shareholders of the Company at the Extraordinary Shareholders' Meeting. Please consult your own tax advisors at your own responsibility with respect to the tax treatment for the acceptance of the Tender Offer and any other procedures set out above and the demand for purchase.

(5) Prospect of Being Delisted and the Grounds Therefor

The Company Shares are listed on the JASDAQ Market as of the date hereof. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Company Shares may be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. Furthermore, even if the relevant standards do not apply at the time of completion of the Tender Offer, where the Tender Offer is completed, the Tender Offeror plans to acquire all the issued shares of the Company (excluding the Company Shares held by the Tender Offeror and the treasury shares held by the Company), and in case each of the procedures set forth in “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” above is implemented after the Tender Offer is completed, the Company Shares will be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. After the delisting, the Company Shares may not be traded on the JASDAQ Market.

(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Tender Offeror and the Company recognize that the Company is a consolidated subsidiary of the Tender Offeror as of the date hereof, and that the Transaction including the Tender Offer falls within the material transaction with a controlling shareholder. Therefore, the Tender Offeror and the Company have taken the following measures in order to ensure fairness of the Tender Offer.

In addition, although the Tender Offeror does not establish the minimum of the number of shares to be purchased of so-called “Majority of Minority” in the Tender Offer, since the Tender Offeror and the Company implemented the measures (a) through (f) below, the interests of the minority shareholders of the Company are reasonably considered.

The measures implemented by the Tender Offeror, of the below measures are based on the explanation from the Tender Offeror.

(a) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Tender Offeror

The Tender Offeror has obtained the Share Valuation Report from Mitsubishi UFJ Morgan Stanley Securities, as of November 2, 2016. For the details, please refer to the “(a) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Tender Offeror” in “(3) Matters Related to the Valuation” above.

(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Company

The Company has obtained the share valuation report from Nomura Securities, as of November 2, 2016. For the details, please refer to the “(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Company” in “(3) Matters Related to the Valuation” above.

(c) Advice to the Company by an Independent Law Firm

The Company appointed Kitahama Partners and received legal advice regarding the decision-making process of making the announcement of its opinion on the Tender Offer, the manner of decision-making and other points to be noted from Kitahama Partners, which is a legal adviser independent from the Company and the Tender Offeror, in order to ensure the

transparency and the rationality of the decision-making process of the Transaction, including the Tender Offer, among other things.

(d) Establishment of an Independent Committee at the Company

Taking it into consideration that the Company is a consolidated subsidiary of the Tender Offeror and the Transaction including the Tender Offer falls under one of important transactions with a controlling shareholder, on September 26, 2016, the Company established an independent committee, which consists of commissioners including outside intellectuals who are highly independent of the Tender Offeror and the Company (as commissioners, Mr. Omou Yamazaki, a certified public accountant and tax accountant (and president of GG Partners Co., Ltd), Mr. Hiroshi Mizukami, a lawyer (at Mizukami Law Office) and Mr. Tadaaki Ito, an outside statutory auditor of the Company (and chairman of the board of the Fukui Bank, Ltd.) were selected), from the viewpoint of avoiding the arbitrariness and conflicts of interests through the process of and ensuring the fairness of decision at the board of directors of the Company. The Company consulted the independent committee from the viewpoints of (a) the validity of the purpose of the Transaction, (b) the fairness of the process of negotiation about the Transaction and (c) the properness of the terms of the Transaction (including consideration to the minority shareholders through the Transaction) about (d) whether the Transaction is disadvantageous to the minority shareholders of the Company (collectively, “Issues for Consultation”). The meetings of the independent committee were held for six times in total from September 26 to November 2, 2016, where the Issues for Consultation were carefully discussed and examined. Specifically, the committee received an explanation about how the Company received the proposal about the Transaction from the Tender Offeror, the purpose of the Transaction, the condition and the forecast of the Company’s business, the details of the business plan made by the Company, etc. from and had a Q&A session with the board directors of the Company. Also, the committee received an explanation about how and in what background the Tender Offeror made the proposal about the Transaction, the synergies expected from the Transaction, deployment of the business of the Tender Offeror’s group planned after the Transaction, the understanding of calculation of the Tender Offer Price, etc. from and had a Q&A session with the Tender Offeror. Also, the committee received an explanation about the valuation of the Company’s shares from and had a Q&A session with Nomura Securities, and received reports about the process and details of the discussion and negotiation with the Tender Offeror from the board members of the Company. Taking them into consideration, the independent committee repeatedly had discussions about the purpose of the Transaction, the process of negotiation and the terms of the Transaction (including the consideration to the minority shareholders through the Transaction) with Nomura Securities and Kitahama Partners.

The independent committee carefully discussed and examined the Issues for Consultation as explained above, and as a result, it submitted an opinion letter on November 2, 2016 with unanimous approval of the commissioners, the brief contents of which are as follows:

(a) The independent committee determined that, while the expectations of the Transaction are (i) stabilization of the Company’s management by making use of redundant production capacity mutually and realizing optimal product mix, (ii) deepening the cooperation in terms of technology by promotion of research and development, and (iii) improvement of solution business by strengthening after-sales systems overseas, by making a whole-subsidary of Tender Offeror and realizing a strong combination, such expectations of the Transaction are valid, since the Transaction has an intention to improve the corporate value without damaging the Company’s minority shareholders, provided that difficult business environment will likely to continue for the Company’s performance in the next several

years due to high volatility of demands and intensifying competition among companies in the same business and that it will likely to cause the risks of temporary shortfall in revenues.

(b) From the process of selecting Nomura Securities as a third party valuation institution, the condition of negotiation on even ground with the Tender Offeror based on advice from an independent law firm and the condition of discussion by the board members of the Company who are not stakeholders of the Tender Offeror, the independent committee determined that there are no facts that cast doubt on the validity of the process of the negotiations for the Transaction.

(c) From the fact that the Tender Offer Price exceeds the price range valuated by the average market price method and is in the price ranges valuated by the comparable company analysis method and the DCF Method among the results of valuation of the Company Shares by Nomura Securities, that sufficient premium is added compared to the similar cases in which controlling shareholders intend to make target companies a wholly-owned subsidiary, that the market price of the Target Share is fairly evaluated compared with the amount of its net asset, that serious negotiation about the consideration distributed to minority shareholders by the Transaction was held by reference to the valuation by Nomura Securities and that the terms other than the Tender Offer Price such as Tender Offer Period show consideration for the minority shareholders and so on, the committee determined that there are no facts that cast doubt about the properness of the terms of the Transaction.

(d) As a result of examination from the viewpoints mentioned above, the independent committee determined that the Transaction is deemed not disadvantageous to the Company's minority shareholders.

(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest

The Company received the proposal from the Tender Offeror in middle July of 2016, and the Company created the systems to examine the proposal about the Transaction by selecting Nomura Securities and Kitahama Partners as a financial advisor and third party valuation institution and a legal advisor respectively and by establishing an independent committee to consider the proposal about the Transaction, so that it can ensure the fairness of the Transaction including the Tender Offer, such as the fairness of the Tender Offer Price. After that, as a result of continual serious negotiations with the Tender Offeror with the advice of Nomura Securities and Kitahama Partners, the Company decided to accept the final proposal to fix the Tender Offer Price at 2,125 yen on November 1, 2016.

The board of directors of the Company discussed and examined carefully the terms of the Transaction, taking related materials such as the share valuation report received on November 2, 2016 from Nomura Securities and legal advice from Kitahama Partners, the opinion letter submitted on November 4, 2016 by the independent committee into consideration.

As a result, the board of directors of the Company concluded that it is necessary to not only make it easier to realize a strong combination with the Tender Offeror Group and put the measures necessary for the management of the Company but also make it possible to make use of management resources and know-how mutually with the Tender Offeror Group, which has been difficult from the viewpoint of the maintenance of independence and autonomy as a listed company by implementing the measures described in “(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” in “(2) Basis and Reasons of the Opinion regarding Tender Offer” above in order to achieve the improvement of the Company's value in a severe business environment

surrounding the Company, and accordingly the Company found it conducive for improvement of the Company's corporate value to become a subsidiary of the Tender Offeror through the Transaction including the Tender Offer.

Also, the board of directors determined that the terms of the Tender Offer such as the Tender Offer Price are appropriate for the shareholders of the Company and that the Tender Offer will provide the shareholders of the Company with an opportunity to sell the shares of the Company at reasonable prices, as (i) the Tender Offer Price exceeds the price range valuated by the average market price method of the share valuation report which the Company received on November 2, 2016 from Nomura Securities and is in the price ranges valuated by the comparable company analysis method and the DCF method of the report, and (ii) the Tender Offer Price is the sum of 1,410 yen, which is the regular transaction closing price of the Company Shares on JASDAQ Market on November 2, 2016, which is the business day before the date of announcement of the Tender Offer and the premium of 50.71% of it, the sum of 1,415 yen, which is the simple average of the regular transaction closing prices of the share for the past one (1) month before the date and the premium of 50.18% of it, the sum of 1,374 yen, which is the simple average of the regular transaction closing prices of the share for the past three (3) months before the date and the premium of 54.66% of it and the sum of 1,305 yen, which is the simple average of the regular transaction closing prices of the share for the past six (6) months before the date and the premium of 62.84% of it.

Accordingly, the Company resolved with unanimous approvals of the directors who joined the deliberation and resolution at today's board of directors' meeting to express its opinion in favor of the Tender Offer and to recommend that the shareholders of the Company accept the Tender Offer.

Also, at the meeting, the statutory auditors of the Company except Mr. Toshiki Nakamura and Mr. Akio Takada joined the deliberation and both of them expressed opinions that they had no objection against the Company's expressing the approval for the Tender Offer and recommending that the shareholders of the Company accept the Tender Offer. Mr. Toshiki Nakamura, who is an employee of the Tender Offeror, and Mr. Akio Takada, who is undertaking a part of the Tender Offeror's business, never joined the deliberations about the Transaction at the meetings above, from the viewpoint of improving the fairness, transparency and objectivity of process of the decision about the Transaction and avoiding conflicts of interests.

(f) Measure to Ensure Opportunities for the Other Acquirers to purchase the Company Shares

The Tender Offeror has set the Tender Offer Period to be 30 business days, while the shortest period set forth by law is 20 business days. By setting a comparatively long Tender Offer Period, it is intended that, while ensuring the opportunity for appropriate decisions to be made on the acceptance of the Tender Offer by the shareholders of the Company, opportunities for persons other than the Tender Offeror to purchase the Company Shares are ensured, and appropriateness of the Tender Offer Price is thereby ensured.

In addition, the Tender Offeror and the Company do not have any agreement which may restrict communications between the persons proposing competing purchase and the Company, such as an agreement including provisions for protection of transactions, which prohibit the Company from communicating with the persons proposing competing purchase. The Tender Offeror has given consideration to ensure fairness of the Tender Offer by ensuring opportunities for competing purchase, in addition to the establishment of the Tender Offer Period above.

4. Matters on the Important Agreement regarding the Acceptance of the Tender Offer between

the Tender Offeror and the Company's Shareholder

In conducting the Tender Offer, the Tender Offeror, as stated in "(i) Overview of the Tender Offer" in "(2) Basis and Reasons of the Opinion regarding Tender Offer," executed the Share Tender Agreement with Cornwall Capital Management LP as of the date hereof. Under the Share Tender Agreement, the Cornwall Capital Management LP has agreed to tender in the Tender Offer all of the Company Shares held by Funds (total number of shares held: 1,317,300 shares, Shareholding Ratio: 13.37 %). Under the Share Tender Agreement, Cornwall Capital Management LP is obligated to tender all of the Company Shares in the Tender Offer subject to the following conditions: (i) all of the steps required for the commencement of the Tender Offer have been completed and the Tender Offer has not been withdrawn, (ii) the representations and warranties provided by the Tender Offeror to Cornwall Capital Management LP in the Share Tender Agreements (see Note below) are true and correct at the date of execution of the Share Tendering Agreement and at the date of the settlement commencement, and (iii) the board of directors of the Company has unanimously resolved that it supports the Tender Offer and recommends that the Company's shareholders accept the Tender Offer; the Company publicly discloses the said resolutions; and the board of directors of the Company has not withdrawn its support for the Tender Offer. Also, under the Share Tender Agreement, Cornwall Capital Management LP may also tender to the Tender Offer by waiving such conditions at its discretion. In addition, under the Share Tender Agreement, Cornwall Capital Management LP is prohibited from cancelling the tender unless (a) during the Tender Offer Period, Cornwall Capital Management LP receives a tender offer from a third party at a price higher than the Tender Offer Price; or (b) Cornwall Capital Management LP determines in good faith after consultation with its financial advisors and outside legal counsel that (i) such proposal other than the Tender Offer which Cornwall Capital Management LP desires to accept is reasonably likely to be implemented and that (ii) a tender into the Tender Offer or a failure of withdrawal of previous tender into the Tender Offer is, according to advice of its legal counsel, reasonably likely to cause the directors of Cornwall Capital Management LP to breach their duty of care.

(Note) Under the Share Tender Agreement, the Tender Offeror has provided the following representations and warranties to Cornwall Capital Management LP: (i) organization of the Tender Offeror, (ii) execution and performance of the Share Tender Agreements, (iii) legal bindingness and the enforceability, (iv) no necessary permits and licenses and (v) no conflict with the laws.

5. Benefits Offered by the Tender Offeror or its Special Interested Party

Not applicable.

6. Policy regarding Fundamental Policy on Control of the Company

Not applicable.

7. Questions to the Tender Offeror

Not applicable.

8. Request for Extension of the Tender Offer Period

Not applicable.

9. Outlook after the Tender Offer

Please refer to “(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” in “(2) Basis and Reasons of the Opinion regarding Tender Offer,” “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” and “(5) Prospect of Being Delisted and the Grounds Therefor,” each in “3. Opinion regarding the Tender Offer, and Basis and Reasons thereof” above.

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

Since the Tender Offeror is the controlling shareholder (the parent company) of the Company, the expression of an opinion concerning the Tender Offer constitutes a transaction with a controlling shareholder. Compliance in the Tender Offer with “Guideline Regarding Policy for the Protection of Minority Shareholders in Transactions, etc. with the Controlling Shareholder” in its corporate governance report released on June 30, 2016 is as follows.

As described in “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” of “3. Opinion regarding the Tender Offer, and Basis and Reasons thereof” above, the Company took measures to secure fairness and to avoid any conflict of interest, and believes that such measures demonstrate its compliance with its policy detailed in its corporate governance report.

Also, as of the date hereof, the Company obtained from the independent committee the opinion letter stating that the Transactions are not contrary to the interests of the minority shareholders of the Company. For the details, please refer to “3. Opinion regarding the Tender Offer, and Basis and Reasons thereof,” “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest,” and “(d) Establishment of an Independent Committee at the Company” above.

11. Other

The Company resolved at its board of directors’ meeting held today that the Company would change the dividend forecasts for the Fiscal Year ending March 2017 and would not pay any year-end dividend for the Fiscal Year ending March 2017 if the Tender Offer successfully closes as set forth in “Announcement regarding Revision of the Expected Dividends for the Fiscal Year ending March 2017.”

(Reference) “Announcement concerning Commencement of Tender Offer for Shares of Hitachi Zosen Fukui Corporation (Code Number: 6163)” dated as of today.

[Translation]

November 4, 2016

To whom it may concern:

Company Name: Hitachi Zosen Corporation
Representative: Takashi Tanisho
Representative Director and
CEO
Contact person: Shoichi Morimoto
Manager of Department of
General Affairs and Human
Resources
TEL. 06-6569-0013

**Announcement concerning Commencement of Tender Offer
for Shares of Hitachi Zosen Fukui Corporation (Code Number:6163)**

Hitachi Zosen Corporation (the “Tender Offeror”) hereby announces that at its board of directors’ meeting held today, it has decided to acquire the ordinary shares of Hitachi Zosen Fukui Corporation (Code Number: 6163, JASDAQ (Standard) Market of the Tokyo Stock Exchange (the “JASDAQ Market”); the “Target Company”) through a tender offer (the “Tender Offer”) pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”) as described below.

1. Purpose of the Purchase

(1) Overview of the Tender Offer

As of the date hereof, the Tender Offeror owns 5,362,400 ordinary shares (the “Target Shares”), or 54.44% (Note) of the Target Company, by which the Target Company, listed on the JADAQ Market, being a consolidated subsidiary of the Tender Offeror.

At its board of directors’ meeting held today, the Tender Offeror has decided to acquire all of the Target Shares (excluding the Target Shares held by the Tender Offeror and treasury shares held by the Target Company; the same applies hereinafter.), and to conduct the Tender Offer as part of the transaction to make the Target Company a wholly-owned subsidiary of the Tender Offeror (the “Transaction”).

Since the Tender Offeror does not establish the maximum and minimum number of shares to be purchased in the Tender Offer, the Tender Offeror will purchase all of the shares that are tendered in the Tender Offer (the “Tendered Shares, Etc.”). Should the Tender Offeror fail to acquire all of the Target Shares through the Tender Offer, then after the Tender Offer, the Tender Offeror plans to request the Target Company to implement a set of procedures stated in “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” below and to make the Target Company a wholly-owned subsidiary of the Tender Offeror.

(Note) “Shareholding Ratio” means a holding ratio to the number of shares (i.e., 9,849,732 shares) obtained by deducting (i) the number of treasury shares held by the Target Company

as of September 30, 2016 (i.e., 268 shares), as set forth in the Second Quarterly Earnings Release for FY 2016, ending March 31, 2017 (Japan GAAP) (Consolidated) disclosed by the Target Company on September 30, 2016 (the “Target Company’s FY 2016 Second Quarterly Earnings Release”) from (ii) the total issued shares of the Target Company as of September 30, 2016 (i.e., 9,850,000 shares), as set forth in the Target Company’s FY 2016 Second Quarterly Earnings Release (which percentage is rounded to the nearest hundredth). The same applies hereinafter.

As of the date hereof, the Tender Offeror executed an agreement to tender Target Shares in the Tender Offer (the “Share Tender Agreement”) with Cornwall Capital Management LP, a large shareholder of the Target Company. Under the Share Tender Agreement, the Cornwall Capital Management LP has agreed to tender in the Tender Offer all of the Target Shares held by funds (the “Funds”) managed by Cornwall Capital Management LP (total number of shares held: 1,317,300 shares, Shareholding Ratio:13.37%). Since the Cornwall Capital Management LP is considered to be in the position to effectively negotiate over the tender offer price per the Target Share in the Tender Offer (the “Tender Offer Price”) as a shareholder independent from the Tender Offeror and has the common interest with minority shareholders, the Tender Offeror made a proposal Cornwall Capital Management LP aiming to execute the Share Tender Agreement in late September of 2016. Subsequently, the Tender Offeror and Cornwall Capital Management LP, after a series of negotiations, concluded to execute the Share Tender Agreement as of the date hereof. As to the details of the Share Tender Agreement, please refer to “(3) Matters on the Important Agreement regarding the Acceptance of the Tender Offer between the Tender Offeror and the Target Company’s Shareholder” below.

According to the “Announcement concerning Implementation of the Tender Offer of Our Shares by Hitachi Zosen Corporation which is Our Controlling Shareholder and Recommendation to Tender” dated today announced by the Target Company (the “Target Company Press Release”), the board of directors of the Target Company, at a meeting held today, resolved to express its opinion in favor of the Tender Offer and recommend that the shareholders of the Target Company accept the Tender Offer as the Tender Offer will provide the shareholders of the Target Company with an opportunity to sell Target Shares at reasonable prices .

As to the details of the Target Company’s decision-making process, please refer to the Target Company Press Release and “2. Overview of the Purchase,” “(4) Basis for Calculating the Purchase Price,” “(ii) Process of Calculation,” “(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),” “(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest” below.

(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

The Tender Offeror has been listed on the First Section of the Tokyo Stock Exchange, and the Tender Offeror Group (meaning the Tender Offeror, its consolidated subsidiaries and affiliated companies accounted for using the equity method; the same applies hereinafter.) has developed its engineering business and manufacturing business mainly on business areas of designs, construction, installment, sales, repair, maintenance and operation, etc. of environmental systems, industrial plants, water treatment system, industrial machinery, process equipment, infrastructure-related equipment, disaster prevention systems and precision machinery, etc. The Tender Offeror Group currently consists of the Tender Offeror, 94 consolidated subsidiaries of

the Tender Offeror and 13 affiliated companies accounted for using the equity method as of the date hereof.

Formulating “Hitz 2016 Vision,” a long-term vision for 6 years from FY 2011 to FY 2016 (from April 1, 2011 to March 31, 2017), with the aim of leading the Tender Offeror Group become a highly profitable company with public recognition, the Tender Offeror Group has been promoting policies to strengthen its profitability, expand its business scale and fortify its financial structure. In order to realize this long-term vision, the Tender Offeror Group made “Hitz Vision,” a previous medium-term management plan from FY 2011 to FY 2013 (from April 1, 2011 to March 31, 2014), as a period to build its foundation and made “Hitz Vision II,” a 3-year medium-term plan started in FY 2014 (from April 1, 2014 to March 31, 2017), as a period to achieve its targets, and has been promoting key policies to strengthen its profitability, potential for business growth and management foundation. The Tender Offeror considers FY 2016 (from April 1, 2016 to March 31, 2017), which is the final fiscal year of “Hitz 2016 Vision” and “Hitz Vision II,” as an important fiscal year for wrapping up the management policy and measures implemented to date under the long-term vision and for starting the medium-term plan from FY 2017 (from April 1, 2017 to March 31, 2018).

In “Hitz 2016 Vision” and “Hitz Vision II,” the Tender Offeror Group places business areas such as (i) “environment and green energy” which relates to improvement of environment, efficient use of resources and energy, and the expanded use of renewable energy, and (ii) “social infrastructure development and disasters prevention” which aims to realize of efficient and safe society and to construct disaster-resistant social foundation, as the growing business areas which will attract social demand.

Specifically in environment and green energy area of the engineering business, in order to define its position as “Hitachi Zosen, the Environmental Company” and develop concrete position both in and outside Japan, the Tender Offeror Group is providing equipment and systems relating to wind turbine, solar energy, emission reduction of carbon dioxide and nitrogen oxide in addition to the waste power generation which has engineering order reception of 860 places from all over the world. Further, the Tender Offer Group has focused on developing and manufacturing “all-solid-state battery,” a next generation battery which enables high power output, and contributing to the realize sustainable society, aiming to become a No.1 company group on that area.

On the other hand, manufacturing business, including ship engines, processing machines, bridges, shield tunneling machines for tunnels etc., and precision machinery, as well as large-scale press business operated by the Target Company, is still one of the main pillars of the Tender Offeror Group’s business. In addition to strengthen the technology of its manufacturing business, the Tender Offeror Group promotes the idea of “technology-oriented company” which means to enhance improvement of technology in a broad sense including the operation process necessary to provide products and service to the customers. At the same time, the Tender Offeror Group implements management policies such as selection of business and the concentration of management resources on developing business areas, increasing the weight of business segments which prospectively contribute to its profit stably and continuously, and thereby aims to realize “well-balanced management.”

The Target Company, on the other hand, was established in 1964 as Fukui Machinery Co., Ltd. for the purpose of manufacturing press machines and metal processing machines, receiving investment of 50% by the Tender Offeror and 50% by other companies in Fukui prefecture, and the investment rate by the Tender Offeror increased to be 73% through third-party share issuances in 1981, 1986 and 1987. The Tender Offeror currently owns Target Shares which are equivalent to 54.44% of Shareholding Ratio after the Target Company’s share issuances to the other parties. The Target Company changed its trade name to the current in accordance with its consolidation with the large-scale press business of the Tender Offeror in 1999. After that, the

Target Company listed on the JASDAQ Securities Exchange in 2006 for the purpose of increasing fund raising capacity and establishing competitive framework with other listed companies in the same industry and then listed on JASDAQ Market in 2013 as a result of the merger between the Tokyo Stock Exchange and the Osaka Securities Exchange, Inc. Even after the listing, the Tender Offeror considers the Target Company as a core of the Tender Offeror Group's manufacturing business, and therefore, as mentioned above, has continuously owned more than 50% of issued shares of the Target Company. In the recession after the financial crisis ("Lehman Shock"), the Target Company received benefit of product mix, which means to optimize and combine the manufacturing of products and its volume, as a member of the Tender Offeror Group such as receiving orders of manufacturing parts of ship engine and shield tunneling machines from the Tender Offeror. The Target Company currently still works on the manufacture and sale of large-scale press machines and their peripheral automation equipment and their after-sales service work therefor mainly for automobile industry, and is a material subsidiary engaged within large-scale press machines segment in the Tender Offeror Group.

After the Target Company consolidated and integrated with the large-scale press business of the Tender Offeror executing the assignment agreement of large-scale press business of the Target Company between the Tender Offeror in 1999, it defines its management philosophy as "Customer is the first, to make excellent products and to contribute to the society," "Aiming at First-class company in the industry by showing creativity and devoting ourselves into development of technology and improvement of company structure" and "Harmonizing with the employee's and company's target and building up the employee's welfare through company's prosperity." The Target Company supplied best suited products to its customers and made effort to improve customer satisfactions through consistently working on all processes of manufacture and market of large-scale press machines and their peripheral automation equipment and after-sales service work therefor (including check, repair, remodel, supply of spare parts and relocation). Recently, the Target Company makes efforts on further improvement of earning capacities by strengthening management framework as well as renewing equipment such as numerical control of manufacturing machines and promoting development of new technology and new products. The Tender Offeror and the Target Company share common management strategy as the members of the Tender Offeror Group, and have already developed the business synergies such as by promoting joint research and development of razor technology, within a limited area paying attention to each company's independence as a listed company.

The Target Company's business specializes in the manufacture and sale of large-scale press machines, their peripheral automation equipment and after-sales service work therefor, and their customers are limited to the automobile industry. Therefore, the Target Company's business is largely affected by the trends of capital investment in the automobile industry globally, but since capital investment of the automobile industry is adjusted sensitively in response to the number of automobiles sold, there will be high volatility in the Target Company's business performances reflecting the changes in the number of automobiles sold, etc. Specifically, the automobile industry's capital investment to overseas production bases, which had been continuing over the past several years, seems to have been completed for the time being, and since there are few regions where the number of automobile production will widely increase within a short period of time in the future, capital investment of the automobile industry is unlikely to increase in near future and demand for large-scale press machines, etc. will likely to be sluggish. In particular, Japanese manufacturers, which are the Target Company's main customers, will likely to face further difficulties, due to the effects of the strong yen. As the number of capital investment decreases, competition with other companies in the industry to receive orders becomes severer, and difficult business environment will likely to continue for the Target Company's performance in the next several years. According to the actual Monthly Order Entry Trend announced on October 7, 2016 by the Japan Forming Machinery Association

with respect to the forming machinery field related to the Target Company's business, while the amounts of total orders of the Japan Forming Machinery Association's member corporations for September picked up to about the same level as that of September of the previous year, the amount of total orders for the first 5 months of FY 2016 have been comparatively below those of the same months of the previous year. In order to respond to customer needs under such difficult environment and survive the competition with other companies in the same industry, the completion of new materials towards the further lightening of car bodies, for example, stronger high tensile steel materials and aluminum materials, and in the future, technical strength that can respond to the processing of carbon fiber composite materials and others and the substantiality of the research and development system therefor will become necessary. In addition, the trend for moving manufacturing bases overseas and diversification due to increases in the domestic labor costs and the geographical spreading of the markets centered around developing nations will further speed up in the future, and domestic and foreign press machine manufacturers have been newly establishing and reinforcing overseas bases to meet the needs demanded by the automobile industry. While it can be expected that competition between such similar businesses will further intensify in the future, the construction of an after-sales service system that can cover the production bases of customers that are expanding globally has become essential for the Target Company.

Under such circumstances, the Tender Offeror came to an understanding that it would be necessary for the Tender Offeror Group including the Target Company, to further strengthen themselves by further pushing forward a measure to contribute to enhance profitability and business growth as provided in "Hitz Vision II." After the proposal of the Transaction by the Tender Offeror to the Target Company in mid July 2016, the Tender Offeror appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities") as its financial advisor and third party valuation institution and TMI Associates as its legal advisor, both which are independent from the Tender Offeror and the Target Company. On the other hand, the Target Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor and third party valuation institution and Kitahama Partners Tokyo Office ("Kitahama Partners") as its legal advisor, both which are independent from the Tender Offeror and the Target Company. Further, an independent committee (please refer to "2. Overview of the Purchase," "(4) Basis for Calculating the Purchase Price," "(ii) Process of Calculation," "(Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)," "(d) Establishment of an Independent Committee at the Target Company" below for the composition and specific contents of activities, etc. of such independent committee) was established in order to avoid conflicts of interest, whereby a structure for consultation and negotiation regarding the Transaction was constructed. Thereupon, there have been multiple consultations and reviews with respect to the various measures for the purpose of improving both companies' corporate value between the Tender Offeror and the Target Company, such as the strengthening of business and restructuring of management by the further promotion of the group management. As a result, by the Tender Offeror making the Target Company its wholly-owned subsidiary, the Tender Offeror and the Target Company may enjoy the synergies as explained in sections (a) to (d) below by fully utilizing the (a) to (d) below by fully utilizing the Target Company's business characteristics and operations and structures, such as the the automobile industry being the Target Company's main customer and aiming to reduce costs by advancing the standardization of designing and the use of CAD/CAM (method to systematically design and manufacture by using computers) on the manufacturing floor, and by further securing mutual collaboration believes that the strengthening of the manufacturing business, which is the origin of the Tender Offeror Group, and the expansion of overseas business will become possible. However, as mentioned above, since volatility in the Target Company's business performances will be high

in this process, a downward swing of performance for a certain interval can be expected. Since it is difficult to take measures that are quickly effective against such worsening of performance, there is a possibility that sufficient valuation will not be obtained from the capital market in the short-term and will provoke a fall of the price of the Target Shares. In addition, since mutual synergies will not be thoroughly generated under the situation where the Target Company being a listed company independent from the Tender Offeror, the Tender Offeror has reached to a conclusion that, by making the Target Company to be the wholly-owned subsidiary of the Tender Offeror, not only the corporate value of the Target Company, but also that of the entire Tender Offeror Group may be enhanced. Therefore, the Tender Offeror has resolved to commence the Tender Offer, for the purpose of the Tender Offeror making the Target Company its wholly-owned subsidiary, in its board of directors' meeting held today.

The Tender Offeror and the Target Company believe that the Transaction has the following strategic significance, and plan to make efforts to achieve them.

(a) Strengthening the power to handle customer's needs and enhancing productivity through the optimal product mix

It is thought that (a) by the Target Company becoming a wholly-owned company, the Target Company will be able to fully extend its know-how on design and production such as standardization of design and standardization and streamlining of the thorough manufacturing process using CAD and CAM, to other manufacturing plants of the Tender Offeror Group, which the Target Company was unable to maximize due to its independence as a public-listed company although it has achieved it through many years of manufacturing and distributing press machines to customers in the automobile industry and which the Target Company gained trust in despite the intensely competitive environment as well as (b) enhancing optimal product mix among each factory and affiliate company of the Tender Offeror Group will contribute to strengthening the manufacturing business of the Tender Offeror Group.

Further, since the performance of the Target Company will be greatly affected by the capital investment of the automobile industry which is its main customer, seeking enhancement of production capacity in haste involves a very high business risk, and the Target Company's capital investments have been limited for the purpose to improve its productivity and efficiency; if there is any production needs that exceed its existing production capacity, the Target Company has been outsourcing the manufacturing to Sakai plant etc. of the Tender Offeror. Also, in cases such as Lehman Shock where the Target Company has excess production capacity the Target Company has manufactured products of the Tender Offeror (ship engine parts, shield tunneling machines) based on a mutually complementary relationship established at a management level.

However, under the circumstance where the awareness of corporate governance is improving and harsh looks are given to parent/subsidiary transactions while minority shareholders existing, it is becoming difficult to promptly respond to the change in the economic environment by mutually complementing the production capacity, while securing objective fairness in transactions between the Tender Offeror and the Target Company under the current situation where the Target Company remains to be listed and minority shareholders exist. Therefore, by further strengthening the cooperation with the Target Company through the Transaction, mutual utilization of excess production capacity between the Tender Offeror and the Target Company as well as strengthening the technical cooperation will contribute to stabilizing the business operation of as the Target Company and will also lead to strengthening of the manufacturing business which will serve as a basis for "technology-oriented company" which is the goal of the Tender Offeror Group.

(b) Business expansion in the automobile industry

With the Tender Offeror and the Target Company cooperating in terms of productivity and technology, and by utilizing Target Company's sales networks within the automobile industry, propulsion of business in the automobile industry such as development and sales of the all-solid-state lithium battery for the automobile industry pursued by the Tender Offeror will become possible through eco-friendly electric vehicle etc. and is thought to contribute to strengthening the "environment and green energy" which the Tender Offeror states to focus on in its medium-term management plan. Further, by the Tender Offeror Group expanding the research and development structure as a group in order to support the anticipated technical innovation of the automotive body material, the Tender Offeror Group may be able to respond to the needs of, and may consequently expand future businesses with, the automobile industry.

(c) Strengthening the overseas solution business

With respect to future capital investment by the automobile industry, growth in the domestic investment is unpromising while, on the other hand, investment overseas is likely to continue to increase on a long-term even if it stagnates for a short-term; under such situation, the Tender Offeror Group recognizes that it is important to enhance the Target Company's capacity to handle overseas needs. After the Transaction, it will become easier for the Target Company to use of the Tender Offeror Group's overseas location networks, which may strengthen the Target Company's after-sales service system overseas without the Target Company making an excessive investment in advance. Strengthening the Target Company's after-sales service system is thought to lead also to the enhancement of the solution business (after-sales service, operation and maintenance business) through the one-stop service starting from EPC (engineering, procurement and construction) to the after-sales service which is the field that the Tender Offeror Group is focusing on.

(d) Furtherance of the Group's strategy focusing on the next medium-term management plan

The Tender Offeror Group has been originally implementing the group's strategy based on selection and concentration of the management resources; by undertaking the Transaction, the Tender Offeror Group will become able to make more expeditious and aggressive investments towards the Target Company's business, which plays an important role within the Tender Offeror Group's machine business, which will consequently accelerate the growth of the Target Company's business and further strengthen the group's strategy.

Also, as of today, among the eight directors and four statutory auditors of the Target Company, one statutory auditor concurrently serves as an employee of the Tender Offeror and the management structure post the Transaction remains undecided as of today, but the Tender Offeror plans to consider the most suitable system which would achieve business synergy with the Tender Offeror and the Target Company in the future. Further, the Tender Offeror's policy is to continue its management aiming for further improvement of corporate value along with the Target Company and other group companies. Subsequent to the Transaction, the Tender Offeror will make efforts to strengthen the Target Company's business while taking note of management which fully takes advantage of the characteristics of the Target Company's business and the merits of the operation and structure. Such specific measures are scheduled to be considered as a part of planning the medium-term management plan for FY 2017 (from April 1, 2017 to March 31, 2018) and thereafter.

On the other hand, according to the Target Company Press Release, the Target Company, as mentioned above, has received the proposal of the Transaction including the Tender Offer from the Tender Offeror in middle July of 2016, appointed Nomura Securities and Kitahama Partners as its third party valuation institution and its legal advisor respectively, as described in “(ii) Process of Calculation” in “(4) Basis for Calculating the Purchase Price” in “2. Overview of the Purchase”, so that it may ensure the fairness of the Transaction including the Tender Offer, such as the fairness of the Tender Offer Price, and established an independent committee in order to consider the proposal on the Transaction and repeatedly discussed and reviewed the purpose of the Transaction, management setup and policy after the Transaction, the terms of the Transaction, etc. with the Tender Offeror and Mitsubishi UFJ Morgan Stanley Securities, its financial advisor.

Also, as for Tender Offer Price, after receiving the proposal about the Transaction, the Target Company received advice about the point such as the process of negotiation and way of decision of the Transaction including the Tender Offer from Kitahama Partners, began negotiation with the Tender Offeror in the middle of August and had discussions and negotiations for several times with the Tender Offeror. Even after the Target Company received a final proposal regarding the price (2,125 yen) from the Tender Offeror based on the negotiations with the Target Company and Cornwall Capital Management LP, the Target Company received an explanation about the calculation of the value of the Target Share from Nomura Securities and taking the opinion of the independent committee into consideration, made efforts to raise the Tender Offer Price further. In addition, the independent committee conducted a direct Q&A session with the Tender Offeror with regard to the understanding of calculation of the Tender Offer Price. Based on these discussions and negotiations, the Target Company received from the independent committee opinions about such final proposal and from Nomura Securities a formal share valuation report as of November 2 about the Target Shares and examined carefully. As a result the Target Company reached the decision to accept such final proposal.

Also, the Target Company received legal advice for the points for decision with respect to the Transaction including the Tender Offer, such as the process and way of decision with respect to the Transaction including the Tender Offer from Kitahama Partners, its legal advisor, and an opinion letter from the independent committee as of November 2, 2016 (as for the outline of the opinion letter and details of the independent committee’s activity, please refer to “(d) Establishment of an Independent Committee at the Target Company” in “(Measures to ensure fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest)” in “(ii) Process of Calculation” in “(4) Basis for Calculating the Purchasing Price” in “2. Overview of the Purchase”). The Target Company then had deliberate discussions and reviews from various viewpoints (e.g. whether the Target Company’s corporate value may be enhanced by the Transaction, whether the terms of the Transaction such as the Tender Offer Price are reasonable, or the like), taking the legal advice received from Kitahama Partners, its legal advisor, and the share valuation report received from Nomura Securities, the third party valuation institution, into full considerations on the contents of the opinion letter submitted by the independent committee.

As a result, the Target Company concluded that the Transaction will contribute to improve the Target Company’s corporate value, as described below.

The business environment surrounding the Target Company is deeply influenced by trends in automobile industry. As mentioned above, it seems that the automobile industry’s capital investments to overseas production bases, which had been continuing over the past several years, has been completed for the time being, and since there are few region where the number of automobiles produced will widely increase in a short time in the future, that capital investment of the automobile industry will unlikely to increase in the near future and demand for large-scale press machines, etc. will likely to be sluggish. In addition, the industry is becoming

unpredictable from the foothold, e.g. reexamination of the capital investment because of Brexit, etc. as for in developed countries and anxiety about the economic forecast as for in developing countries.

The Target Company's business specializes in producing and selling one type of machinery; i.e. producing and selling large-scale press machines and its peripheral automation equipment and after-sales service work, and because of automobile industry's high volatility of conditions, increasing of production capacity may involve severe risk and may damage the Target Company's corporate value heavily even where demand exceeds supply. Accordingly, the Target Company may not accept orders which exceed its production capacity.

On the other hand, in order for the Target Company to keep its corporate value in mid- to long-term, the Target Company is required to maintain the technologies which accept not only high tensile strength steel, which is stronger material, and aluminum but also new materials such as carbon fiber composite material for press machines in the trends of lightening automobile weights. Although the Target Company is devoting itself in research and development in various ways to respond to such new needs of its customer and technological innovations, there are inevitable limits due to lack of human and material resources.

Also, in order to expand after-sales service work, it is necessary for the after-sales service systems to be constructed globally, as automobile industry globally expands. However, the burden in the aspect of human resources for constructing such systems globally, e.g. employment of human resources that can correspond to legal and tax regulations in each country, is becoming heavier for the Target Company alone. At present the Target Company is making use of the Tender Offeror's bases in China and India.

In such situation, the Target Company considers that it will become easier for the Target Company to correspond to the issues above which cannot be solved easily by the Target Company alone if it becomes a wholly-owned subsidiary of the Tender Offeror.

With respect to production capacity, the Target Company has been making use of redundant production capacity of each other with the Tender Offeror, but it has been limited as both companies are listed companies. The Target Company therefore thinks that product mix with the Tender Offeror will be promoted more than now by the Target Company becoming a wholly-owned subsidiary of the Tender Offeror and it will lead to the stable management of the Target Company's factories.

With respect to research and development, after the Transaction it will become easier to make use of the resources of the engineering laboratories and technological resources also in the field of basic research, which cannot be done easily by the Target Company alone. Specifically, the Target Company developed a laser blanking line which cut steel sheet at high speed with laser including high speed laser cutting machines together with its customers and delivered to the customers' factories, and believes that it will be able to solve the remaining problems in doing laser cutting by making use of the Tender Offeror's research and development resources.

Also with respect to the construction of global after-sales service system, the Target Company expects that it will become easier to use bases and personnel of the Tender Offeror in each country in wider range and that labor and burdens needed for the establishment will be reduced. In addition, the Target Company expects it will be easier than before to secure human resources needed for the Target Company's future development by promoting personal exchange with the Tender Offeror.

The Target Company therefore believes that the realization of the close connection with the Tender Offeror by becoming the Tender Offeror's wholly-owned subsidiary by the Transaction contributes to not only the easier implementation of necessary measures for the management of the Target Company, but also the mutual exploitation of the management resources and know-how with the Tender Offeror, which has been difficult from the viewpoint of maintenance

of independence and autonomy as a listed company, as are conducive to the Target Company's future development.

Also, the Target Company determined that the Tender Offer will provide the shareholders of the Target Company with an opportunity to sell Target Shares at reasonable prices, taking into consideration that the Tender Offer Price (a) exceeds the price range valuated by the average market price method and is in the price ranges valuated by the comparable company analysis method and the discounted cash flow method ("DCF Method") among the results of valuation of the Target Shares by Nomura Securities described in "(ii) Process of Calculation" in "(4) Basis for Calculating the Purchase Price" in "2. Overview of the Purchase" below, (b) is the sum of 1,410 yen, which is the regular transaction closing price of the Target Shares on JASDAQ Market on November 2, 2016, which is the business day before the date of announcement of the Tender Offer and the premium of 50.71% of it (which is rounded to the nearest hundredth; the same shall apply hereinafter in the calculation of the premiums), the sum of 1,415 yen, which is the simple average of the regular transaction closing prices of the share for the past one (1) month before the date (the amount less than one yen has been rounded to the nearest one yen; the same shall apply hereinafter in the calculation of the simple average of the regular transaction closing prices) and the premium of 50.18% of it, the sum of 1,374 yen, which is the simple average of the regular transaction closing prices of the share for the past three (3) months before the date and the premium of 54.66% of it and the sum of 1,305 yen, which is the simple average of the regular transaction closing prices of the share for the past six (6) months before the date and the premium of 62.84% of it and it is believed that high premium is included compared to the standard of other tender offer cases which are aimed at acquiring 100% ownership, (c) shows consideration for the minority shareholders, e.g. measures for avoiding conflicts of interest described in "(5) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" and (d) is the price which was proposed as a result of discussions and negotiations where such measures were taken between the Target Company and the Tender Offeror which are equal to those of independent parties and more specifically the result of serious and continual discussions and negotiations based on the result of valuation of the Target Share's value and discussion with the independent committee, etc.

Therefore, at the Target Company's board members' meeting held today, the Target Company resolved to express its opinion in favor of the Tender Offer and recommend that the shareholders of the Target Company accept the Tender Offer. As for the details of the process of and reasons for the decision about the approval for the Tender Offer, etc. by the Target Company, please refer to "(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest" in "(Measures to ensure fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest)" in "(ii) Process of Calculation" in "(4) Basis for Calculating the Purchasing Price" in "2. Overview of the Purchase."

(3) Matters on the Important Agreement regarding the Acceptance of the Tender Offer between the Tender Offeror and the Target Company's Shareholder

The Tender Offeror executed the Share Tender Agreement with Cornwall Capital Management LP as of the date hereof. Under the Share Tender Agreement, the Cornwall Capital Management LP has agreed to tender in the Tender Offer all of the Target Shares held by Funds (total number of shares held: 1,317,300 shares, Shareholding Ratio:13.37%). Under the Share Tender Agreement, Cornwall Capital Management LP is obligated to tender all of the Target Shares in the Tender Offer subject to the following conditions: (i) all of the steps required for the commencement of the Tender Offer have been completed and the Tender Offer has not been

withdrawn, (ii) the representations and warranties provided by the Tender Offeror to Cornwall Capital Management LP in the Share Tender Agreements (see Note below) are true and correct at the date of execution of the Share Tendering Agreement and at the date of the settlement commencement, and (iii) the board of directors of the Target Company has unanimously resolved that it supports the Tender Offer and recommends that the Target Company's shareholders accept the Tender Offer; the Target Company publicly discloses the said resolutions; and the board of directors of the Target Company has not withdrawn its support for the Tender Offer. Also, under the Share Tender Agreement, Cornwall Capital Management LP may also tender to the Tender Offer by waiving such conditions at its discretion. In addition, under the Share Tender Agreement, Cornwall Capital Management LP is prohibited from cancelling the tender unless (a) during the period of purchases in the Tender Offer ("Tender Offer Period"), Cornwall Capital Management LP receives a tender offer from a third party at a price higher than the Tender Offer Price; or (b) Cornwall Capital Management LP determines in good faith after consultation with its financial advisors and outside legal counsel that (i) such proposal other than the Tender Offer which Cornwall Capital Management LP desires to accept is reasonably likely to be implemented and that (ii) a tender into the Tender Offer or a failure of withdrawal of previous tender into the Tender Offer is, according to advice of its legal counsel, reasonably likely to cause the directors of Cornwall Capital Management LP to breach their duty of care.

(Note) Under the Share Tender Agreement, the Tender Offeror has provided the following representations and warranties to Cornwall Capital Management LP: (i) organization of the Tender Offeror, (ii) execution and performance of the Share Tender Agreements, (iii) legal bindingness and the enforceability, (iv) no necessary permits and licenses and (iv) no conflict with the laws.

(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)

The Tender Offeror, as stated in "(1) Overview of the Tender Offer" above, plans to request the Target Company to implement a set of procedures below in order to make the Target Company a wholly-owned subsidiary of the Tender Offeror after the Tender Offer is completed, in the event the Tender Offeror does not acquire all of the issued shares of the Target Company (excluding the Target Shares held by the Tender Offeror and the treasury shares held by the Target Company) when the Tender Offer is completed.

Specifically, after the completion of the Tender Offer, provided that upon completion of the Tender Offer the total number of voting rights of the Target Company held by the Tender Offeror amounts to 90% or more of the voting rights of all shareholders of the Target Company, and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended, the "Companies Act"), the Tender Offeror plans to demand that all shareholders of the Target Company (excluding the Target Company and the Tender Offeror) ("Demand for Sale Shareholders") sell all of their Target Shares in accordance with the provisions of Part II, Chapter II, Section 4-2 of the Companies Act promptly after the completion of the settlement of the Tender Offer ("Demand for Sale of Shares").

When exercising the Demand for Sale of Shares, the Tender Offeror will set a cash amount equal to the Tender Offer Price to be paid to Demand for Sale Shareholders as per-share consideration for the Target Shares. In such case, the Tender Offeror will notify the Target Company such intention and ask the Target Company to approve the Demand for Sale of Shares. Provided the Target Company approves the Demand for Sale of Shares through the board of directors' resolution, the Tender Offeror will purchase all of the Target Shares held by Demand for Sale Shareholders by following procedures set forth in the relevant laws and regulations, without obtaining their consent, as of the date specified in the Demand for Sale of Shares.

According to the Target Company Press Release, in the event that the Target Company receives notification from the Tender Offeror concerning the matters prescribed in each Item of Paragraph 1 of Article 179-2 of the Companies Act, with the intention to Demand for Sale of Shares, the board of directors of the Target Company plans to approve such Demand for Sale of Shares.

On the other hand, if the total number of voting rights of the Target Company held by the Tender Offeror is less than 90% of the voting rights of all shareholders of the Target Company after the Tender Offer is completed, the Tender Offeror plans to request promptly after completing the settlement of the Tender Offer that the Target Company hold an extraordinary meeting of shareholders ("Extraordinary Shareholders' Meeting") around from late February to early March of 2017 at which the Target Company will present proposals to approve the consolidation of the Target Shares (the "Share Consolidation") and, subject to the Share Consolidation becoming effective, abolish the article in the Articles of Incorporation concerning share units. The Tender Offeror will vote in favor of these proposals at the Extraordinary Shareholders' Meeting.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will own a proportionate number of the Target Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders' Meeting on the effective date of the Share Consolidation. The shareholders of the Target Company will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the Target Shares in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; the same applies hereinafter.) to the Target Company or the Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With regard to the sale price of the Target Shares for a number equivalent to the total number of such fractional shares, it is planned that a motion will be filed with the court to permit a voluntary sale, after calculating the amount to be paid to the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Target Company and the Tender Offeror) by multiplying the Tender Offer Price by the number of the Target Shares they own respectively.

While the consolidation ratio of the Share Consolidation has not yet been determined as of the date hereof, the Tender Offeror will determine the number of the Target Shares to be owned by the shareholders who do not tender their shares in Tender Offer (excluding the Target Company and the Tender Offeror) to be less than one share so that only the Tender Offeror will own the Target Shares (excluding the treasury shares held by the Target Company) after the Share Consolidation.

As a provision of the Companies Act intended to protect the rights of minority shareholders with regard to procedures such as those described above, Article 179-8 of the Companies Act and other relevant laws and regulations provide that the Demand for Sale Shareholders may file

a motion with the court to determine the sale/purchase price of Target Shares they own. In case this motion is filed, the sale/purchase price will be ultimately ruled by the court.

Also, the Companies Act provides that in the event of the Share Consolidation, if there are any fractional shares resulting from the Share Consolidation, the shareholders of the Target Company may demand that the Target Company purchases all of their fractional shares at fair prices and that they may file a motion with the court to determine the fair price of the Target Shares. Since, as stated above, the number of the Target Shares to be owned by the shareholders who do not tender their shares in Tender Offer (excluding the Target Company and the Tender Offeror) is to be less than one share through the Share Consolidation, the shareholders who dissent from the Share Consolidation may file a motion with the court to determine the sale/purchase price in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. If this motion is filed, the purchase price will be ultimately ruled by the court.

Depending on the relevant matters such as the revisions of the relevant laws and regulations, their enforcement and their interpretation by the authorities, and the shareholding ratio by the Tender Offeror and the status of ownership of the Target Shares by the other shareholders of the Target Company after the Tender Offer, the above procedures may require a longer time or may be replaced with other measures having equivalent effects. However, even in such cases, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of the Target Company who do not tender their shares in Tender Offer (excluding the Target Company and the Tender Offeror). The amount of cash to be paid to the respective shareholders in that event is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the Target Shares each shareholder owns. Specific procedures and the schedule thereof in such cases will be announced by the Target Company as soon as they have been determined.

Furthermore, the Tender Offer is not intended to solicit the approval of the shareholders of the Target Company at the Extraordinary Shareholders' Meeting. Please consult your own tax advisors at your own responsibility with respect to the tax treatment for the acceptance of the Tender Offer and any other procedures set out above and the demand for purchase.

(5) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Tender Offeror and the Target Company recognize that the Target Company is a consolidated subsidiary of the Tender Offeror as of the date hereof, and that the Transaction including the Tender Offer falls within the material transaction with a controlling shareholder. Therefore, the Tender Offeror and the Target Company have taken the following measures in order to ensure fairness of the Tender Offer.

In addition, although the Tender Offeror does not establish the minimum of the number of shares to be purchased of so-called "Majority of Minority" in the Tender Offer, since the Tender Offeror and the Target Company implement the measures (a) through (f) below, the interests of the minority shareholders of the Target Company are reasonably considered.

(a) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Tender Offeror

(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Target Company

- (c) Advice to the Target Company by an Independent Law Firm
- (d) Establishment of an Independent Committee at the Target Company
- (e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest
- (f) Measure to Ensure Opportunities for the Other Acquirers to purchase the Target Shares

For the details of the items above, please refer to “2. Overview of the Purchase,” “(4) Basis for Calculating the Purchase Price,” “(ii) Process of Calculation” and “(Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below.

(6) Prospect of Being Delisted and the Grounds Therefor

The Target Shares are listed on the JASDAQ Market as of the date hereof. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Target Shares may be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. Furthermore, even if the relevant standards do not apply at the time of completion of the Tender Offer, where the Tender Offer is completed, the Tender Offeror plans to acquire all the issued shares of the Target Company (excluding the Target Shares held by the Tender Offeror and the treasury shares held by the Target Company), and in case each of the procedures set forth in “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” above is implemented after the Tender Offer is completed, the Target Shares will be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. After the delisting, the Target Shares may not be traded on the JASDAQ Market.

2. Overview of the Purchase

(1) Overview of the Target Company

(i)	Name	Hitachi Zosen Fukui Corporation	
(ii)	Address	1-8-28, Jiyugaoka, Awara-city, Fukui	
(iii)	Name and title of representative	Seichi Soda, Representative Director & President	
(iv)	Businesses	Manufacture and sales of press machine and factory automation system, and after-sales service, such as repair, remodel, inspection and relocation, thereof	
(v)	Amount of capital	1,055 Million Yen	
(vi)	Date of incorporation	August 18, 1964	
(vii)	Major shareholders and shareholding ratio (as of March 31, 2016) (Note)	Hitachi Zosen Corporation	54.44%
		THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT (Standing Proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	12.77%
		Hitachi Zosen Fukui Corporation Client Stock Ownership	2.54%
		SASAKURA Engineering Co., Ltd.	2.44%
		Hitachi Zosen Fukui Corporation Employee Stock Ownership	2.21%
		SAKAI OVEX CO., LTD.	1.62%
		Shoko Kakizoe	1.07%
		CBHK S/A FUBON SECURITIES CO., LTD A/C GLOBAL (Standing Proxy: Citibank Japan Ltd.)	1.05%
		Fumitake Shirasaki	1.02%
		Harumi Yamagata	1.02%
(viii)	Relationship between the Tender Offeror and the Target Company		
	Capital Ties	The Tender Offeror owns 5,367,400 Target Shares (including indirectly holding 5,000 Target Shares), equivalent to 54.49% of all issued shares as of March 31, 2016 as stated in the 52nd Term Annual Securities Report filed by the Target Company on August 5, 2016.	

Personal Ties	As of the date hereof, an employee of the Tender Offeror concurrently serves as a statutory auditor of the Target Company. Also, as of the date hereof, six employees of the Tender Offeror are seconded to the Target Company.
Transactions	The Tender Offeror and the Target Company have a transactional Relationship whereby the Target Company provides its products and services to the Tender Offeror.
Applicability as a related party	The Target Company is a consolidated subsidiary of the Tender Offeror and falls within definition of its related party.

(Note) The shareholding ratio is the ratio of shares held against the total number of issued shares of the Target Company, rounded to the nearest hundredth digit.

(2) Schedule

(i) Schedule

Board of directors resolution	Friday, November 4, 2016
Date of public notice for commencement of tender offer	Monday, November 7, 2016 Notices will be posted electronically, and a notice to this effect will be published in the Nihon Keizai Shimbun. (Address for electronic notices: http://disclosure.edinet-fsa.go.jp/)
Tender offer registration statement submission date	Friday, November 7, 2016

(ii) Period of purchase at initial filing

Monday, November 7, 2016 to Monday, December 19, 2016 (30 business days)

(iii) Possibility of extension at the request of the Target Company

Not applicable.

(3) Purchase Price

2,125 yen per ordinary share

(4) Basis for Calculating the Purchase Price

(i) Basis of calculation

In determining the Tender Offer Price, the Tender Offeror requested Mitsubishi UFJ Morgan Stanley Securities, acting in the capacity of a third-party valuation institution independent from both the Tender Offeror and the Target Company, to conduct financial analysis of the Target Company's stock value. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Tender Offeror and the Target Company and does not have a material interest in respect of the Tender Offer.

Mitsubishi UFJ Morgan Stanley Securities conducted a valuation of the Target Shares by using each of the market price analysis, the comparable company analysis, and the discounted cash flow analysis (the "DCF Analysis"), and the Tender Offeror obtained a share valuation report (the "Share Valuation Report") from Mitsubishi UFJ Morgan Stanley Securities as of November 2, 2016. The Tender Offeror has not obtained any opinion on the fairness of the Tender Offer Price (a fairness opinion).

The ranges of per share values of the Target Shares, as calculated under each of the abovementioned analysis, are as follows:

Market price analysis: 1,305 yen - 1,415 yen
Comparable company analysis: 1,549 yen - 2,148 yen
DCF Analysis: 1,874 yen - 2,434 yen

In the market price analysis, the base date was established as November 2, 2016 and the price range of per share value of the Target Shares was calculated to be 1,305 yen to 1,415 yen based upon the regular transaction closing price of the Target Shares on the JASDAQ Market on the base date (1,410 yen), as well as the simple average of the regular transaction closing prices for: the last one (1) month (from October 3, 2016 through November 2, 2016) (1,415 yen); the last three (3) months (from August 3, 2016 through November 2, 2016) (1,374 yen); and the last six (6) months (from May 6, 2016 through November 2, 2016) (1,305yen).

The comparable company analysis resulted in a per share value of the Target Shares ranging from 1,549 yen to 2,148 yen by evaluating the equity value of the Target Company through a comparison with financial indexes indicating, among other data, share prices and profitability of listed companies operating a relatively similar business to that of the Target Company.

In the DCF Analysis, the price range of per share value of the Target Shares was calculated to be 1,874 yen to 2,434 yen, by calculating the corporate value and share value by discounting the free cash flow that the Target Company is expected to generate after the fiscal year ending March 2021 by using a certain discount rate based on the earnings forecast in and after the fiscal year ending March 2017 (taking into consideration various factors including business plans for the period of the fiscal year ending March 2017 to the fiscal year ending March 2020 of the Target Company, up-to-date trends of the Target Company's business performance, publicly available information and the effects which could occur by the implementation of the Transactions)(Note). The financial forecast is made without taking into consideration the implementation of the Transaction. In addition, a substantial increase or decrease in profits is not forecasted in the financial forecast Mitsubishi UFJ Morgan Stanley Securities has assumed in its valuation under the DCF Analysis.

(Note) In valuation of the Target Shares, Mitsubishi UFJ Morgan Stanley Securities, as a general rule, used information furnished by the Tender Offeror and the Target Company and publicly available information or other materials as is, without any amendment thereto, based on the assumption that all such information is accurate and complete, and did not perform independent verification of its accurate and complete, and, therefore, did not, individually, verify the accuracy and completeness of the information and materials. Additionally, Mitsubishi UFJ Morgan Stanley Securities did not conduct independent valuation and assessment of the assets and liabilities of the Target Company's affiliates (including off-balance sheet assets and liabilities or other contingent liability) or request a third party institution to conduct any appraisal or assessment thereof. Furthermore, Mitsubishi UFJ Morgan Stanley Securities assumed that the information regarding the Target Company's financial projections was reasonably prepared based on the best estimates and judgment available from the Target Company and the Tender Offeror at the time. The valuation provided by Mitsubishi UFJ Morgan Stanley Securities reflects the abovementioned information as of November 2, 2016.

The Tender Offeror finally determined the Tender Offer Price to be 2,125 yen per share today, considering the results of the discussions and negotiations with the Target Company and Cornwall Capital Management LP, based on the statement and analysis results in the Share Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, the possibilities for the support of the Tender Offer by the board of directors' meeting of the Target Company, premium rates offered by tender offerors other than issuers in the past tender offer cases (the tender offer cases assuming that tender offerors intends to make target companies a wholly-owned subsidiary) conducted in the past year, the price performance trend of the Target Shares and the prospect of the Tender Offer, among other things.

The Tender Offer Price (2,125 yen per share) is a price that is obtained by adding 50.71% premium to 1,410 yen, the closing price of the Target Shares at JADAQ Market on November 2, 2016, the business day immediately preceding the announcement of the Tender Offer; 50.18% premium to 1,415 yen, which is the simple average of the regular transaction closing price of the Target Shares in the past one (1) month period (from October 3, 2016 to November 2, 2016); 54.66% premium to 1,374 yen, which is the simple average of the regular transaction closing price of the Target Shares in the past three (3) month period (from August 3 to November 2); and 62.84% premium to 1,305 yen, which is the simple average of the regular transaction closing price of the Target Shares in the past six (6) month period (from May 3, 2016 to November 2, 2016).

(ii) Process of Calculation

(Process to Determine the Tender Offer Price)

After the Tender Offeror made a proposal of the Transaction to the Target Company in the middle of July 2016, the Tender Offeror and the Target Company repeatedly discussed and examined the schedule and specific scheme with regard to implementation of the proposal in middle July of 2016. Also, the Tender Offeror made a proposal towards the Share Tender Agreement to Cornwall Capital

Management LP in late September of 2016 and, after the proposal, conducted a series of negotiations with it mainly regarding the Tender Offer Price. Taking into consideration discussion with the Target Company and the execution of the Share Tender Agreement, the Tender Offeror determined to conduct the Tender Offer to make the Target Company a wholly-owned subsidiary of the Tender Offeror, and determined the Tender Offer Price as below process. For the details, please refer to “(1) Overview of the Tender Offer” and “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” in “1. Purpose of the Purchase” above.

(a) Name of third party that provided an opinion regarding the calculation

In determining the Tender Offer Price, the Tender Offeror requested Mitsubishi UFJ Morgan Stanley Securities to conduct financial analysis of the valuation of the shares of the Target Company. The Tender Offeror obtained the Share Valuation Report from Mitsubishi UFJ Morgan Stanley Securities as of November 2, 2016. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Tender Offeror and the Target Company and does not have a material interest in respect of the Tender Offer.

(b) Summary of opinion

According to the Share Valuation Report, the methods of the analysis and the ranges of per share values of the Target Shares, as calculated under the methods, are as follows:

Market price analysis: 1,305 yen - 1,415 yen
Comparable company analysis: 1,549 yen - 2,148 yen
DCF Analysis: 1,874 yen - 2,434 yen

(c) Background of the determination of the Tender Offer Price based on the opinion

The Tender Offeror finally determined the Tender Offer Price to be 2,125 yen per share on November 4, 2016, considering the results of the discussions and negotiations with the Target Company and Cornwall Capital Management LP, based on the statement and analysis results in the Share Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, the possibilities for the support of the Tender Offer by the board of directors' meeting of the Target Company, premium rates offered by tender offerors other than issuers in the past tender offer cases (the tender offer cases assuming that tender offerors intends to make target companies a wholly-owned subsidiary) conducted in the past year, the price performance trend of the Target Shares and the prospect of the Tender Offer, among other things.

(Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)

The Tender Offeror and the Target Company recognize that the Target Company is a consolidated subsidiary of the Tender Offeror as of the date hereof, and that the Transaction including the Tender Offer falls within the material transaction with a controlling shareholder. Therefore, the Tender Offeror and the Target Company have taken the following measures in order to ensure fairness of the Tender Offer.

In addition, although the Tender Offeror does not establish the minimum of the number of shares to be purchased of so-called “Majority of Minority” in the Tender Offer, since the Tender Offeror and the Target Company implement the measures (a) through (f) below, the interests of the minority shareholders of the Target Company are reasonably considered.

The measures implemented by the Target Company, of the below measures are based on the Target Company Press Release and explanation from the Target Company.

(a) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Tender Offeror

The Tender Offeror has obtained the Share Valuation Report from Mitsubishi UFJ Morgan Stanley Securities, as of November 2, 2016. For the details, please refer to the “(i) Basis of calculation” above.

(b) Obtaining a Share Valuation Report from a Third Party Valuation Institution Independent from the Target Company

The Target Company requested Nomura Securities, which is a third party valuation institution independent from the Tender Offeror and the Target Company, to value the Target Shares in order to ensure fairness of the decision-making process of the Tender Offer Price proposed by the Tender Offeror. Nomura Securities is not a related party of the Tender Offeror and the Target Company and does not have a material interest in respect of the Tender Offer. Nomura Securities considered the following share valuation methods: since the Target Shares are listed on the JASDAQ Market, Nomura Securities used the average market price method; since there is a company comparable with the Target Company and it is possible to imply share value of the Target Shares by comparing with the similar companies, Nomura Securities also used the comparable company method; and Nomura Securities also used the DCF Method to reflect the future business operation to the valuation. The Target Company received a share valuation report with regard to the Target Shares, dated as of November 2, 2016. In addition, the Target Company did not obtain any fairness opinion regarding the Tender Offer Price from Nomura Securities.

According to Nomura Securities, the ranges of the per share values of the Target Shares calculated by each of these methods is as follows:

Average market price method:	From 1,303 yen to 1,439 yen
Comparable company method:	From 1,091 yen to 2,249 yen
DCF Method:	From 1,681 yen to 3,107 yen

Under the average market price method, the base date was established as November 1, 2016 and the price range of per share value of the Target Shares was calculated to be 1,303 yen to 1,439 yen based upon the closing price of the Target Shares on the JASDAQ Market on the base date (1,439 yen), as well as the simple average of the closing prices for: the last five (5) business days (1,434 yen); the last one (1) month (1,415 yen); the last three (3) months (1,373 yen); and the last six (6) months (1,303yen).

Under the comparable company method, the range of the per share value was calculated to be 1,091 yen to 2,249 yen by first selecting AIDA ENGINEERING, LTD. as a domestic listed company operating press machine businesses, similar to those of the Target Company, and second by analyzing share values of the Target

Company through application of a ratio of EBITDA to corporate value (“EBITDA Multiple”), of operating income to corporate value, of net income to total market value, and of shareholder’s equity to total market value.

Under the DCF Method, Nomura Securities calculated the corporate value by discounting the future cash flow that the Target Company is expected to generate after the 2nd Quarter of the business year ended March 2017 to the present value according to business risks by a certain discount rate, taking into consideration assumptions to be considered reasonable, such as the earnings forecast and investment plan based on the business plans for the period of the fiscal year ending March 2017 to the fiscal year ending March 2020 of the Target Company.

For the discount rate, 6.5% to 7.5% was applied, and in calculating the going concern values, the multiple method and permanent growth rate method were used, EBITDA Multiple was set at 1.5 times to 3.5 times and the perpetual growth rate was set at -0.5% to 0.5%. As a result, the range of the per share value was calculated to be 1,681 yen to 3,107 yen.

The financial forecast based on the business plan of the Target Company which Nomura Securities has assumed in its valuation under the DCF Method is as follows. A substantial increase or decrease in profits is not forecasted in the following financial forecast. In addition, the financial forecast is made without taking into consideration the implementation of the Transaction.

(Unit : million yen)

	Fiscal year ending March, 2017 (for nine month)	Fiscal year ending March, 2018	Fiscal year ending March 2019	Fiscal year ending March, 2020
Sales Amount	16,961	21,500	21,000	21,000
Operating Income	1,823	2,010	1,760	1,760
EBITDA	2,361	2,671	2,413	2,405
Free Cash Flow	2,019	1,459	1,293	1,278

(c) Advice to the Target Company by an Independent Law Firm

The Target Company appointed Kitahama Partners and received legal advice regarding the decision-making process of making the announcement of its opinion on the Tender Offer, the manner of decision-making and other points to be noted from Kitahama Partners, which is a legal adviser independent from the Target Company and the Tender Offeror, in order to ensure the transparency and the rationality of the decision-making process of the Transaction, including the Tender Offer, among other things.

(d) Establishment of an Independent Committee at the Target Company

According to the Target Company, taking it into consideration that the Target Company is a consolidated subsidiary of the Tender Offeror and the Transaction including the Tender Offer falls under one of important transactions with a controlling shareholder, on September 26, 2016, the Target Company established an independent committee, which consists of commissioners including outside intellectuals who are highly independent of the Tender Offeror and the Target Company (as commissioners,

Mr. Omou Yamazaki, a certified public accountant and tax accountant (and president of GG Partners Co., Ltd), Mr. Hiroshi Mizukami, a lawyer (at Mizukami Law Office) and Mr. Tadaaki Ito, an outside statutory auditor of the Target Company (and chairman of the board of the Fukui Bank, Ltd.) were selected), from the viewpoint of avoiding the arbitrariness and conflicts of interests through the process of and ensuring the fairness of decision at the board of directors of the Target Company. The Target Company consulted the independent committee from the viewpoints of (a) the validity of the purpose of the Transaction, (b) the fairness of the process of negotiation about the Transaction and (c) the properness of the terms of the Transaction (including consideration to the minority shareholders through the Transaction) about (d) whether the Transaction is disadvantageous to the minority shareholders of the Target Company (collectively, “Issues for Consultation”). The meetings of the independent committee were held for six times in total from September 26 to November 2, 2016, where the Issues for Consultation were carefully discussed and examined. Specifically, the committee received an explanation about how the Target Company received the proposal about the Transaction from the Tender Offeror, the purpose of the Transaction, the condition and the forecast of the Target Company’s business, the details of the business plan made by the Target Company, etc. from and had a Q&A session with the board directors of the Target Company. Also, the committee received an explanation about how and in what background the Tender Offeror made the proposal about the Transaction, the synergies expected from the Transaction, deployment of the business of the Tender Offeror’s group planned after the Transaction, the understanding or calculation of the Tender Offer Price, etc. from and had a Q&A session with the Tender Offeror. Also, the committee received an explanation about the valuation of the Target Company’s shares from and had a Q&A session with Nomura Securities, and received reports about the process and details of the discussion and negotiation with the Tender Offeror from the board members of the Target Company. Taking them into consideration, the independent committee repeatedly had discussions about the purpose of the Transaction, the process of negotiation and the terms of the Transaction (including the consideration to the minority shareholders through the Transaction) with Nomura Securities and Kitahama Partners.

The independent committee carefully discussed and examined the Issues for Consultation as explained above, and as a result, it submitted an opinion letter on November 2, 2016 with unanimous approval of the commissioners, the brief contents of which are as follows:

(a) The independent committee determined that, while the expectations of the Transaction are (i) stabilization of the Target Company’s management by making use of redundant production capacity mutually and realizing optimal product mix, (ii) deepening the cooperation in terms of technology by promotion of research and development, and (iii) improvement of solution business by strengthening after-sales systems overseas, by making a whole-subsidiary of Tender Offeror and realizing a strong combination, such expectations of the Transaction are valid, since the Transaction has an intention to improve the corporate value without damaging the Target Company’s minority shareholders, provided that difficult business environment will likely to continue for the Target Company’s performance in the next several years due to high volatility of demands and intensifying competition among companies in the same business and that it will likely cause the risks of temporary shortfall in revenues.

(b) From the process of selecting Nomura Securities as a third party valuation institution, the condition of negotiation on even ground with the Tender Offeror based

on advice from an independent law firm and the condition of discussion by the board members of the Target Company who are not stakeholders of the Tender Offeror, the independent committee determined that there are no facts that cast doubt on the validity of the process of the negotiations for the Transaction.

(c) From the fact that the Tender Offer Price exceeds the price range valuated by the average market price method and is in the price ranges valuated by the comparable company analysis method and the DCF Method among the results of valuation of the Target Shares by Nomura Securities, that sufficient premium is added compared to the similar cases in which controlling shareholders intend to make target companies a wholly-owned subsidiary, that the market price of the Target Share is fairly evaluated compared with the amount of its net asset, that serious negotiation about the consideration distributed to minority shareholders by the Transaction was held by reference to the valuation by Nomura Securities and that the terms other than the Tender Offer Price such as Tender Offer Period show consideration for the minority shareholders and so on, the committee determined that there are no facts that cast doubt about the properness of the terms of the Transaction.

(d) As a result of examination from the viewpoints mentioned above, the independent committee determined that the Transaction is deemed not disadvantageous to the Target Company's minority shareholders.

(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest

According to the Target Company, it received the proposal from the Tender Offeror in middle July of 2016, and the Target Company created the systems to examine the proposal about the Transaction by selecting Nomura Securities and Kitahama Partners as a financial advisor and third party valuation institution and a legal advisor respectively and by establishing an independent committee to consider the proposal about the Transaction, so that it can ensure the fairness of the Transaction including the Tender Offer, such as the fairness of the Tender Offer Price. After that, as a result of continual serious negotiations with the Tender Offeror with the advice of Nomura Securities and Kitahama Partners, the Target Company decided to accept the final proposal to fix the Tender Offer Price at 2,125 yen on November 1, 2016.

The board of directors of the Target Company discussed and examined carefully the terms of the Transaction, taking related materials such as the share valuation report received on November 2, 2016 from Nomura Securities and legal advice from Kitahama Partners, the opinion letter submitted on November 2, 2016 by the independent committee into consideration.

As a result, the board of directors of the Target Company concluded that it is necessary to not only make it easier to realize a strong combination with the Tender Offeror Group and put the measures necessary for the management of the Target Company but also make it possible to make use of management resources and know-how mutually with the Tender Offeror Group, which has been difficult from the viewpoint of the maintenance of independence and autonomy as a listed company by implementing the measures described in “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” in “1. Purpose of the Purchase” above in order to achieve the improvement of the Target Company's value in a severe business environment surrounding the Target Company, and accordingly the Target Company found it conducive for improvement of the Target Company's corporate value to

become a subsidiary of the Tender Offeror through the Transaction including the Tender Offer.

Also, the board of directors determined that the terms of the Tender Offer such as the Tender Offer Price are appropriate for the shareholders of the Target Company and that the Tender Offer will provide the shareholders of the Target Company with an opportunity to sell the shares of the Target Company at reasonable prices, as (i) the Tender Offer Price exceeds the price range valuated by the average market price method of the share valuation report which the Target Company received on November 2, 2016 from Nomura Securities and is in the price ranges valuated by the comparable company analysis method and the DCF method of the report, and (ii) the Tender Offer Price is the sum of 1,410 yen, which is the regular transaction closing price of the Target Shares on JASDAQ Market on November 2, 2016, which is the business day before the date of announcement of the Tender Offer and the premium of 50.71% of it, the sum of 1,415 yen, which is the simple average of the regular transaction closing prices of the share for the past one (1) month before the date and the premium of 50.18% of it, the sum of 1,374 yen, which is the simple average of the regular transaction closing prices of the share for the past three (3) months before the date and the premium of 54.66% of it and the sum of 1,305 yen, which is the simple average of the regular transaction closing prices of the share for the past six (6) months before the date and the premium of 62.84% of it.

Accordingly, the Target Company resolved with unanimous approvals of the directors who joined the deliberation and resolution at today's board of directors' meeting to express its opinion in favor of the Tender Offer and to recommend that the shareholders of the Target Company accept the Tender Offer.

Also, at the meeting, the statutory auditors of the Target Company except Mr. Toshiki Nakamura and Mr. Akio Takada joined the deliberation and both of them expressed opinions that they had no objection against the Target Company's expressing the approval for the Tender Offer and recommending that the shareholders of the Target Company accept the Tender Offer. Mr. Toshiki Nakamura, who is an employee of the Tender Offeror, and Mr. Akio Takada, who is undertaking a part of the Tender Offeror's business, never joined the deliberations about the Transaction at the meetings above, from the viewpoint of improving the fairness, transparency and objectivity of process of the decision about the Transaction and avoiding conflicts of interests.

(f) Measure to Ensure Opportunities for the Other Acquirers to purchase the Target Shares

The Tender Offeror has set the Tender Offer Period to be 30 business days, while the shortest period set forth by law is 20 business days. By setting a comparatively long Tender Offer Period, it is intended that, while ensuring the opportunity for appropriate decisions to be made on the acceptance of the Tender Offer by the shareholders of the Target Company, opportunities for persons other than the Tender Offeror to purchase the Target Shares are ensured, and appropriateness of the Tender Offer Price is thereby ensured.

In addition, the Tender Offeror and the Target Company do not have any agreement which may restrict communications between the persons proposing competing purchase and the Target Company, such as an agreement including provisions for protection of transactions, which prohibit the Target Company from communicating with the persons proposing competing purchase. The Tender Offeror has given consideration to ensure fairness of the Tender Offer by ensuring opportunities for

competing purchase, in addition to the establishment of the Tender Offer Period above.

(iii) Relationship with the appraisal institution

Mitsubishi UFJ Morgan Stanley Securities, the financial advisor (the valuation institution) of the Tender Offeror, is not a related party of the Tender Offeror and does not have any material interest in the Transaction, including the Tender Offer.

(5) Number of Shares to be Purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
4,487,332 shares	— shares	— shares

Notes:

- (1) Since the maximum and minimum number of shares to be purchased in the Tender Offer is not established, the Tender Offeror will purchase all of the Tendered Shares, Etc. Shares constituting less than a whole unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with legal procedures during the Tender Offer Period from any shareholder who exercises the right under the Companies Act to require the Target Company to purchase shares constituting less than a whole unit.
- (2) The Tender Offeror does not plan to purchase any treasury shares held by the Target Company.
- (3) The Tender Offeror has not established any maximum number of shares to be purchased at the Tender Offer. Therefore, the number of shares to be purchased represents the maximum number of shares which may be acquired by the Tender Offeror (4,487,332 shares). The maximum number of shares to be purchased is calculated by deducting the number of treasury shares held by the Target Company as of September 30, 2016 (i.e., 268 shares), as set forth in the Target Company's FY 2016 Second Quarterly Earnings Release and the number of Target Shares held by the Tender Offeror (i.e., 5,362,400 shares) from the total issued shares of the Target Company as of September 30, 2016 (i.e., 9,850,000 shares), as set forth in the Target Company's FY 2016 Second Quarterly Earnings Release.

(6) Change in Shareholding Ratio as a Result of the Purchase

Number of voting rights represented by the shares held by the Tender Offeror prior to the purchase	53,624 rights	(shareholding ratio before the purchase 54.44%)
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Number of voting rights represented by the shares held by specially interested parties prior to the purchase	773 rights	(shareholding ratio before the purchase 0.78%)
Number of voting rights represented by the shares held by the Tender Offeror after the purchase	98,498 rights	(shareholding ratio after the purchase 100.00%)
Number of voting rights represented by the shares held by specially interested parties after the purchase	— rights	(shareholding ratio after the purchase -%)
Number of voting rights of all shareholders of the Target Company	98,483 rights	

(Notes)

- (1) The “number of voting rights represented by the shares held by specially interested parties prior to the purchase” indicates the total number of voting rights represented by the number of shares held by each specially interested party that is excluded from the specially interested parties pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance Relating to Disclosure of Tender Offer for Share Certificates by a Person Other than the Issuer (Ministry of Finance Ordinance No. 38 of 1990; as amended, the “Ordinance”) in the calculation of the shareholding ratio prescribed in each Item of Article 27-2, Paragraph 1 of the Act. In the calculation of “number of voting rights represented by the shares held by the Tender Offeror after the purchase” the “number of voting rights represented by the shares held by specially interested parties prior to the purchase” has not been added to the numerator because the shares held by specially interested parties (excluding treasury shares held by the Target Company) are subject to the Tender Offer.
- (2) The “number of voting rights of all the shareholders of the Target Company” indicates the number of voting rights of all the shareholders as of June 30, 2016 as stated in the 53rd Term 1st Quarter Report submitted by the Target Company on August 5, 2016. However, since the shares constituting less than a whole unit (excluding treasury shares held by the Target Company) shall also be subject to the purchase through the Tender Offer, in the calculation of the “shareholding ratio before the purchase” and the “shareholding ratio after the purchase”, the number of the voting rights (98,497 rights) represented by the number of shares (9,849,732 shares) that is obtained by deducing the number of treasury shares (268 shares) held by the Target Company as of September 30, 2016, as set forth in the Target Company's FY 2016 Second Quarterly Earnings Release, from (b) the total number of issued shares of the Target Company as of September 30, 2016, as set forth in the Target Company's FY 2016 Second Quarterly Earnings Release

(9,850,000 shares), is used as the denominator.

- (3) With respect to the “shareholding ratio before the purchase” and “shareholding ratio after the purchase,” any fraction less than a thousandth digit is rounded off to the closest hundredth digit.

- (7) Purchase Price 9,535,580,500 million yen

(Note) The “Purchase Price” is calculated by multiplying the number of shares to be purchased (4,487,332 shares) by the Tender Offer Price per share (JPY 2,125).

- (8) Settlement Method

- (i) Name and address of the principal office of the securities companies, banks that will settle the Tender Offer

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (the Sub-Agent)
3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

- (ii) Commencement date of the settlement

Tuesday, December 27, 2016

- (iii) Settlement method

Without delay after the conclusion of the Tender Offer Period, a notice of purchase through the Tender Offer will be mailed to the address of each tendering shareholder (or, in the case of foreign shareholders, their standing proxies). In addition, delivery of such notice by the Sub-Agent will be made via the electromagnetic method by displaying it at the website after logging in.

Purchases will be made in cash. The sales price of the share certificates, etc. purchased will be remitted by the Tender Offer Agent or the Sub-Agent, without delay after the settlement commencement date, to the account designated by the tendering shareholder (or, in the case of foreign shareholders, their standing proxies), in accordance with the instructions of the tendering shareholder (or, in the case of foreign shareholders, their standing proxies).

- (iv) Method for returning share certificates

If none of the share certificates tendered are purchased in accordance with the conditions set out in “(ii) Existence of conditions for withdrawal of the tender offer, details thereof and method of disclosing withdrawal”, under “(9) Other Conditions and Methods of Purchase” below, the share certificates which are required to be returned will, promptly after the settlement commencement date (or, if the Tender Offer is revoked, the date the revocation was made), be returned to the tendering shareholders by restoring the record of such shares to the original record as of immediately before the application.

(9) Other Conditions and Methods of Purchase

- (i) Existence and content of conditions provided in each item under Article 27-13 (4) of the Act

Since the maximum and minimum number of shares to be purchased in the Tender Offer is not established, the Tender Offeror will purchase all of the Tendered Shares, Etc.

- (ii) Existence of conditions for withdrawal of the tender offer, details thereof and method of disclosing withdrawal

If any of the matters arise that are provided for in Article 14, Paragraph 1, Item 1, Sub-items A through I or L through R or Item 3, Sub-items A through H or J, of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965; as amended, the "Order") or Items 3 through 6 of Paragraph 2 of that Article, the Tender Offeror may revoke the Tender Offer. In the context of the Tender Offer, examples of matters that correspond to the events listed in Article 14, Paragraph 1, Item 3, Sub-items A through I of the Order as provided for in Sub-item J of that Item are the following:

(x) where (a) a false statement concerning a material matter is found in a statutory disclosure document submitted by the Target Company in the past or where a statement of a material matter required to be included in such a document is found to have been omitted and where the Tender Offeror did not know of the existence of such false statement, etc. and (b) the Tender Offeror could not have known of the existence of such false statement, etc. even with the exercise of due care; or

(y) where matters provided under Item 3, Sub-items A through G arises in a material subsidiary of the Target Company.

If the Tender Offeror is to revoke the Tender Offer, it will give an electronic public notice and will place a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Ordinance and then immediately give the public notice.

- (iii) Conditions for reduction in purchase price, details thereof and method of disclosure of reduction

In accordance with Article 27-6, Paragraph 1, Item 1, of the Act, if the Target Company carries out an act provided for in Article 13, Paragraph 1, of the Order during the Tender Offer Period, the Tender Offeror may reduce the purchase price in accordance with the criteria provided for in Article 19, Paragraph 1, of the Ordinance. If the Tender Offeror is to reduce the purchase price, it will give an electronic public notice and will place a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Ordinance and then immediately give the public notice. If the Tender Offeror does reduce the purchase price, the share certificates

tendered on or before the day of the public notice will also be purchased at the reduced price.

(iv) Matters relating to tendering shareholders' right to cancel contracts

Any tendering shareholder may cancel its contract relating to the Tender Offer at any time during the Tender Offer Period. If you wish to do so, please attach your acknowledgement of receipt of offer to tender shares in tender offer to a written document stating to the effect that you are canceling your contract relating to the Tender Offer (the "Cancellation Notice") and deliver or send it to the head office or domestic branch office of the Tender Offer Agent that your share certificates were received at, by 4:00 P.M. on the last day of the Tender Offer Period. The cancellation will take effect when the Cancellation Notice is delivered to or reaches the Tender Offer Agent defined below. Please therefore be careful to note that if you send a Cancellation Notice and it does not reach the Tender Offer Agent by 4:00 P.M. on the last day of the Tender Offer Period, you will not be able to cancel your contract. In the event of the cancellation of application tendered through kabu.com Securities Co., Ltd., as the Sub-Agent, Tendering Shareholders must follow the procedures for the cancellation of application by 4:00 p.m. on the last day of the Tender Offer Period through the website after logging in in the way described in "Share Tender Offer (TOB)" (<http://kabu.com/item/tob/>) at its website (<http://kabu.com/>).

Entities authorized to receive the Written Request for Cancellation:
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo
(and other branch offices of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in Japan)

(v) Method of disclosure in the event of amendment to purchase conditions etc.

The Tender Offeror may amend the purchase conditions during the Tender Offer Period, except for where doing so is prohibited under Article 27-6, Paragraph 1, of the Act and Article 13, Paragraph 2, of the Order. If the Tender Offeror is to amend a purchase condition, it will give an electronic public notice on the content of the amendment and will place a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Ordinance and then immediately give the public notice. If a purchase condition is amended, the share certificates tendered on or before the day of the public notice will also be purchased in accordance with the amended purchase condition.

(vi) Method of disclosure in the event of filing of an amendment statement

If the Tender Offeror files an amendment statement to the Kanto Finance Bureau, except for cases provided in the proviso to Article 27-8, Paragraph 11 of the Act, it will immediately give public announcement, by the method provided for in Article 20 of the Ordinance, of details in the statement that relate to details that were set out in the public notice of the commencement of the tender offer. It will also immediately amend the tender offer explanatory statement and amend and deliver the amended

tender offer explanatory statement to tendering shareholders who had already received delivery of the pre-amendment tender offer explanatory statement. However, if the scope of the amendments is only minor, the Tender Offeror will make the amendments by preparing a document setting out the reasons for the amendments, the amended matters, and their details after amendment and delivering that document to tendering shareholders.

(vii) Method of disclosure of results of the tender offer

The results of the Tender Offer will be publicly announced by the method provided for in Article 9-4 of the Order and Article 30-2 of the Ordinance on the day immediately following the last day of the Tender Offer Period.

(10) Date of Public Notice of the Commencement of the Tender Offer

Monday, November 7, 2016

(11) Tender Offer Agent

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (the Sub-Agent)
3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

3. Policies and Outlook after the Tender Offer

Please see “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer”, “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” and “(6) Prospect of Being Delisted and the Grounds Therefor” in “1. Purpose of the Purchase”

4. Miscellaneous

(1) Existence and Content of Agreements between the Tender Offeror and the Target Company or its Officers

(i) Existence and Content of Agreements between the Tender Offeror and the Target Company

According to the Target Company Press Release, the board of directors of the Target Company, at a meeting held today, resolved to express its opinion in favor of the Tender Offer and to recommend that the shareholders of the Target Company accept the Tender Offer.

For the details, please refer to “2. Overview of the Purchase,” “(4) Basis for Calculating the Purchase Price,” “(ii) Process of Calculation,” “(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),” “(e) Unanimous Approval of Directors without Conflict of Interest and No Objections from All Statutory Auditors without Conflict of Interest” above.

(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

Please refer to “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” in “1. Purpose of the Purchase” above.

(iii) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

Please refer to “2. Overview of the Purchase,” “(4) Basis for Calculating the Purchase Price,” “(ii) Process of Calculation,” “(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)” above.

(2) Other Information Necessary for Investors to Determine whether or not to Accept the Tender Offer

(i) Revision of the Expected Dividends for the Fiscal Year ending March 2017

The Target Company resolved at its board of directors’ meeting held today that the Target Company would change the dividend forecasts for the Fiscal Year ending March 2017 which the Target Company announced on May 11, 2016 and would not pay any year-end dividend for the Fiscal Year ending March 2017 if the Tender Offer successfully closes. For more details, please refer to “Announcement regarding Revision of the Expected Dividends for the Fiscal Year ending March 2017” dated as of the date of hereof which the Target Company announced.

(ii) Announcement of the Target Company’s FY 2016 Second Quarterly Earnings Release

The Target Company has announced today the Target Company’s FY 2016 Second Quarterly Earnings Release. The summary of the financial results for the second quarter is as set out below. These have not been reviewed by the accounting auditors required under 193-2(1) of the Act. In addition, the summary below is the partial excerpts from the content the Target Company has announced. For details, please see the content of such announcement by the Target Company.

(a) Status of Profit and Loss (Consolidated)

Accounting Period	Consolidated Cumulative Second Quarter of the FY 53 Ending March 2017 (from April 1, 2016 to September 30, 2016)
Amount of Sales	JPY 12,778,414 thousand
Cost of Sales	JPY 10,437,752 thousand
Selling and General Administrative Expenses	JPY 968,593 thousand

Non-operating Income	JPY 37,764 thousand
Non-operating Expenses	JPY 6,853 thousand
Net Income (Quarter)	JPY 956,973 thousand

(b) Status of Per Share Indices (Consolidated)

Accounting Period	Consolidated Cumulative Second Quarter of the FY 53 Ending March 2017 (from April 1, 2016 to September 30, 2016)
Net Income (Quarter) per Share	JPY 97.16
Dividend per Share	—

End

Restrictions on Solicitation

This press release is intended for the announcement of the Tender Offer to the general public and is not intended to solicit sales of shares. If anyone desires to sell his or her shares, the shareholder should review the Tender Offer explanatory statement and accept the Tender Offer in his or her own discretion. This press release is not considered as an offer or solicitation of sales of securities or as a solicitation of a purchase offer, and does not constitute any such part. This press release (or any part thereof) or the fact of its distribution does not provide a basis of any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

The U.S. Regulations

The Tender Offer is conducted in accordance with the Financial Instruments and Exchange Act of Japan and related regulations and is subject to disclosure requirements that are different from those of the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as well as the regulations promulgated thereunder, do not apply to the Tender Offer, and the Tender Offer is not conducted pursuant to such provisions. Financial statements and information included in this press release have been prepared in accordance with Japanese accounting standards that may not be comparable to the financial statements and information of United State companies. Also, it may be difficult to enforce rights and claims arising under the U.S. federal securities laws, since the Tender Offeror is a Japanese company located outside of the United States, and some or all of its officers and directors may not be U.S. residents. It may not be possible to sue a non-U.S. company or its officers or directors in courts outside the United States for violations of the U.S. securities laws. It may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

Except as otherwise specified, the Tender Offer and all documents and procedures in respect thereof are prepared or conducted in the Japanese language. If there are discrepancies between any Japanese documents prepared as part of the Tender Offer with any documents or portions of documents translated into or prepared in English, then the Japanese documents will prevail.

This press release contains "forward looking statements" as defined in Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Due to known or unknown risks, uncertainties and other factors, actual results may differ greatly from the express or implied estimates or forecasts included in any "forward looking statements" contained in this document. The Tender Offeror and its affiliates provide no representation or warranty that the express or implied estimates or forecasts included in any "forward looking statements" will be achieved. Any "forward looking statements" in this press release have been prepared based on the information held by the Tender Offeror as of the date of this document, and unless as otherwise provided by applicable laws or regulations, the Tender Offeror and its affiliates have no obligation to update or modify such statements in order to reflect events or circumstances arising in the future.

To the extent permitted by and conducted in accordance with securities laws and regulations in

Japan and Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934, each of the Tender Offer Agent, each financial advisor of the Target Company and the Tender Offeror and their respective affiliates, as part of its ordinary securities trading activities, and affiliates of the Tender Offeror, may sell or purchase, or make arrangements for the sale or purchase, of shares of the Target Company during the Tender Offer Period. If information regarding such sale or purchase is disclosed in Japan, it will be also disclosed on the English homepage of the Tender Offeror, the Tender Offer Agent or the financial advisor which conducted such sale or purchase.