

[Translation for Reference and Convenience Purposes Only]

Please note that the following is an unofficial English translation of Japanese original text of Notice of Convocation of the 105th Ordinary General Meeting of Shareholders of Toyo Seikan Group Holdings, Ltd. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 5901

June 5, 2018

To Our Shareholders:

Takao Nakai  
President  
Toyo Seikan Group Holdings, Ltd.  
2-18-1 Higashi-Gotanda, Shinagawa-ku,  
Tokyo

**NOTICE OF CONVOCATION OF  
THE 105th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 105th Ordinary General Meeting of Shareholders of Toyo Seikan Group Holdings, Ltd. (the “Company”). The Meeting will be held as described below.

**If you are unable to attend the Meeting, you can exercise your voting rights in writing or via the Internet. Please review the “Reference Documents for the General Meeting of Shareholders” mentioned below, and exercise your voting rights by 5:15 p.m., Tuesday, June 26, 2018.**

- 1. Time and Date:** 10:00 a.m., Wednesday, June 27, 2018
- 2. Place:** 2F Meeting Room, Osaki Forest Bldg.  
2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
  - Items to be Reported:**
    - (1) The Business Report and the Consolidated Financial Statements, and the Audit Reports of the Accounting Auditor and the Audit and Supervisory Board for the Consolidated Financial Statements for the 105th Fiscal Year (from April 1, 2017 to March 31, 2018)
    - (2) The Non-consolidated Financial Statements for the 105th Fiscal Year (from April 1, 2017 to March 31, 2018)
  - Items to be Resolved:**
    - Proposal 1:** Appropriation of Surplus
    - Proposal 2:** Election of Fourteen (14) Directors
    - Proposal 3:** Election of One (1) Audit and Supervisory Board Member
    - Proposal 4:** Gratis Allotment of Share Options for Takeover Defense Measures

1. For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the Meeting.
2. Should any modification to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements occur, the matters after modification will be posted on the Internet website of the Company (<http://www.tskg-hd.com/>).

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## Reference Documents for the 105th General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Appropriation of Surplus

The details of the proposal for the appropriation of surplus are as follows:

1. Matters concerning a year-end dividend

Rewarding shareholders is one of our most important management issues.

Although we posted a loss of 12,325 million yen for the fiscal year under review due to significant extraordinary losses, including a valuation loss on shares of subsidiaries and affiliates, we intend to pay a year-end dividend for the fiscal year as follows, according to our basic dividend policy of ensuring stable and constant payout to shareholders.

(1) Type of dividend property

Cash

(2) Allotment of dividend property to shareholders and its total amount

Year-end dividend for the Company's common share: 7 yen per share

Total amount of payout: 1,420,035,134 yen

As the Company has already paid 7 yen per share as an interim dividend, the aggregate amount of annual dividend for the fiscal year under review will be 14 yen per share.

(3) Effective date of the distribution of surplus

June 28, 2018

2. Matters concerning the appropriation of surplus

In order to ensure future options for our capital strategy, including stable and constant payout and retirement of own shares, we ask for shareholders' approval of the proposed partial draw-down of the Company's general reserve.

(1) Accounting title of the reserve to be reduced and the total reduction amount

General reserve 14,000,000,000 yen

(2) Accounting title of the reserve to be increased and the total increase amount

Retained earnings brought forward 14,000,000,000 yen

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**Proposal 2: Election of Fourteen (14) Directors**

The term of office of all eleven existing Directors will expire at the close of the 105th Ordinary General Meeting of Shareholders. Therefore, we ask our shareholders to approve the appointment of fourteen Directors, including five outside Directors, increasing the number of Directors by three (one of which is outside Director), in order to further enhance the Group's management system with diversified views being reflected in management and strengthen its corporate governance structure through creating a more effective board of directors.

The candidates for Directors are as follows:

No.	Name	Current status and area of responsibility at the Company		Attendance at Board of Directors Meetings
1	Takao Nakai	President and Representative Director Chairman of Group CSR Promotion Committee Chairman of Group Risk and Compliance Committee Chairman of Group Environment Committee	Reelection	14 out of 14 times (100.0%)
2	Norimasa Maida	Senior Executive Officer and Director Chief Technology Officer	Reelection	13 out of 14 times (92.9%)
3	Toshiyasu Gomi	Senior Executive Officer and Director Secretariat, CSR, Legal, HR Development and Group Risk & Compliance	Reelection	14 out of 14 times (100.0%)
4	Masashi Gobun	Senior Executive Officer and Director Accounting, Finance, IT and Group Information Management	Reelection	14 out of 14 times (100.0%)
5	Masakazu Soejima	Operating Officer and Director Corporate Strategy and Investor Relations	Reelection	11 out of 11 times (100.0%)
6	Kazuo Murohashi	Operating Officer and Director General Affairs and Human Resources General Manager, Human Resources Department	Reelection	11 out of 11 times (100.0%)
7	Mitsuo Arai	Director	Reelection Outside Independent	13 out of 14 times (92.9%)
8	Hideaki Kobayashi	Director	Reelection Outside Independent	14 out of 14 times (100.0%)
9	Tsutao Katayama	Director	Reelection Outside Independent	14 out of 14 times (100.0%)
10	Kei Asatsuma	Director	Reelection Outside Independent	14 out of 14 times (100.0%)
11	Hiroshi Suzuki	Audit and Supervisory Board Member	New election Outside Independent	—
12	Ichio Otsuka	Special Advisor	New election	—
13	Hirohiko Sumida	Operating Officer	New election	—
14	Kouki Ogasawara	Operating Officer General Manager of General Affairs Department	New election	—

- Note: 1. Since Directors Masakazu Soejima and Kazuo Murohashi took office at the Ordinary General Meeting of Shareholders held on June 27, 2017, the number of Board of Directors meetings available for them to attend was 11.
2. Hiroshi Suzuki, who currently serves as an Audit and Supervisory Board Member, will resign from the position at the coming shareholders meeting on June 27, 2018.
3. "Independent" marked in the above table means that the relevant candidate is an independent director who meets the independent criteria of both the Tokyo Stock Exchange (TSE) and the Company. The Company notified TSE that it has appointed Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, and Hiroshi Suzuki as Independent Directors of the Company, but not for Kei Asatsuma due to the policy of the law firm to which he belongs.

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions	
1	Takao Nakai (Apr. 1, 1952)	Apr. 1975	Joined the Company
	Reelection	Jun. 2000	General Manager, Material Procurement Department
		Jun. 2003	General Manager, Material Procurement Department, Material Procurement & Environment Division
		Jun. 2005	Director
		Jun. 2006	Operating Officer
			Head of International Division
		Jun. 2008	Executive Officer
	Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)	Apr. 2013	Senior Executive Officer
			Head of International Operations, Marketing and Procurement
	Number of the Company's shares owned: 47,100	Jun. 2013	Executive Vice President and Director
			Assistant to President
		Jun. 2014	President and Representative Director (up to present)
		Chairman of Group CSR Promotion Committee (up to present)	
	Reason of nomination for Director: Takao Nakai is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated as the President and Representative Director of the Company and therefore is qualified to lead the management of the Group.	Jun. 2015	Chairman of Group Compliance Promotion Committee
			Chairman of Group Environment Committee (up to present)
		Dec. 2016	Chairman of Group Risk and Compliance Committee (up to present)
	2	Norimasa Maida (Mar. 3, 1954)	Apr. 2008
Reelection		Apr. 2010	In charge of Film Sales Division, Toyo Kohan Co., Ltd. General Manager, Chemical Products Department, Toyo Kohan Co., Ltd.
Attendance at Board of Directors Meetings: 13 out of 14 times (92.9%)		Apr. 2012	Operating Officer of the Company
			In charge of Group Development Strategy
		Apr. 2013	Executive Officer
			In charge of Technology and Business Development
Number of the Company's shares owned: 6,400		Apr. 2015	Chief Technology Officer (up to present)
		Jun. 2015	Director (up to present)
		Apr. 2016	Senior Executive Officer (up to present)
			(Significant concurrent position)
		Reason of nomination for Director: Norimasa Maida is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated at the technology development division over many years and therefore is qualified to act as the Company's corporate executive.	

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions	
3	<p>Toshiyasu Gomi (Sep. 3, 1955)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)</p> <p>Number of the Company's shares owned: 15,000</p>	<p>Apr. 1978 Joined the Company</p> <p>Jun. 2005 General Manager, HR Department, Corporate Administration Division</p> <p>Jun. 2007 Plant Manager, Kawasaki Plant, Production &amp; Operations Division</p> <p>Jun. 2010 Operating Officer In charge of Business Restructuring</p> <p>Apr. 2013 In charge of Secretariat, General Affairs, Legal, HR and Compliance</p> <p>Apr. 2014 Executive Officer</p> <p>Apr. 2015 In charge of Secretariat, CSR, General Affairs, Legal, HR and Compliance</p> <p>Jun. 2015 Director (up to present)</p> <p>Apr. 2016 Senior Executive Officer (up to present)</p> <p>Dec. 2016 In charge of Secretariat, CSR, General Affairs, Legal, HR and Group Risk and Compliance</p> <p>Jun. 2017 Head of Secretariat, CSR, General Affairs, Legal and HR; In charge of Group Risk &amp; Compliance</p> <p>Apr. 2018 In charge of Secretariat, CSR, Legal, HR Development and Group Risk &amp; Compliance (up to present)</p>	
	<p>Reason of nomination for Director: Toshiyasu Gomi is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight mainly in the HR and personnel administration accumulated at the corporate administration division over many years and therefore is qualified to act as the Company's corporate executive.</p>		
4	<p>Masashi Gobun (Apr. 11, 1956)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)</p> <p>Number of the Company's shares owned: 13,820</p>	<p>Apr. 1979 Joined the Company</p> <p>Jun. 2005 General Manager, Information Technology Department, Corporate Administration Division</p> <p>Jun. 2008 General Manager, Accounting &amp; Finance Department, Corporate Administration Division</p> <p>Apr. 2012 Operating Officer</p> <p>Apr. 2013 In charge of Accounting and IT</p> <p>Apr. 2014 Executive Officer</p> <p>May 2015 In charge of Accounting, Finance and IT</p> <p>Jun. 2015 Director (up to present)</p> <p>Apr. 2016 Senior Executive Officer (up to present)</p> <p>Dec. 2016 In charge of Accounting, Finance, IT and Group Information Management</p> <p>Jun. 2017 Head of Accounting, Finance and IT; In charge of Group Information Management</p> <p>Apr. 2018 In charge of Accounting, Finance, IT and Group Information Management (up to present)</p>	
	<p>(Significant concurrent position)</p> <ul style="list-style-type: none"> <li>• Director, Toyo Seikan Co., Ltd.</li> </ul> <p>Reason of nomination for Director: Masashi Gobun is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated at the accounting, finance and IT departments and therefore is qualified to act as the Company's corporate executive.</p>		

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions	
5	Masakazu Soejima (Nov. 23, 1965)	Apr. 1988	Joined the Company
	Reelection	Jun. 2010	General Manager, Accounting & Finance Department, Corporate Administration Division
5	Attendance at Board of Directors Meetings: 11 out of 11 times (100.0%)	Apr. 2012	Director, Can Machinery Holdings, Inc. (up to present)
	Number of the Company's shares owned: 300	Apr. 2013	General Manager, Accounting & Finance Department
5		May 2015	General Manager, Corporate Planning Department
		Apr. 2016	Operating Officer (up to present)
5		Jun. 2017	Director (up to present)
			In charge of Corporate Strategy and Investor Relations (up to present)
Reason of nomination for Director: Masakazu Soejima is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated at the accounting and corporate planning departments over many years and therefore is qualified to act as the Company's corporate executive.			
6	Kazuo Murohashi (Sep. 24, 1963)	Apr. 1986	Joined the Company
	Reelection	Jun. 2009	Plant Manager, Shimizu Plant, Production & Operations Division
6	Attendance at Board of Directors Meetings: 11 out of 11 times (100.0%)	Oct. 2010	Plant Manager, Shizuoka Plant, Production & Operations Division
	Number of the Company's shares owned: 3,800	Apr. 2012	General Manager, HR Department, Corporate Administration Division
6		Apr. 2013	General Manager, General Affairs and HR Department, Corporate Administration Division, Toyo Seikan Co., Ltd.
		Jul. 2015	General Manager, HR Department, Corporate Administration Division, Toyo Seikan Co., Ltd.
6		Apr. 2016	General Manager, HR Department (up to present)
		Apr. 2017	Operating Officer (up to present)
6		Jun. 2017	Director (up to present)
			In charge of General Affairs and HR (up to present)
Reason of nomination for Director: Kazuo Murohashi is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated at the HR and personnel administration departments over many years and therefore is qualified to act as the Company's corporate executive.			

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions	
7	Mitsuo Arai (Sep.16, 1945)	Aug. 1971	Joined Otsuka CPA Office
	Reelection Outside Independent	Mar. 1976	Registered as Certified Public Accountant (up to present)
		Sep. 1976	Registered as Certified Tax Accountant (up to present)
Jul. 1983		Resigned from Otsuka CPA Office	
Attendance at Board of Directors Meetings: 13 out of 14 times (92.9%)		Aug. 1983	Established Arai CPA Office
			Representative Partner (up to present)
		Apr. 1990	Adjunct Professor, Faculty of Economics, Kokugakuin University
Number of the Company's shares owned: 0		Jun. 2006	Director of the Company (up to present)
		Mar. 2015	Resigned from Adjunct Professor, Faculty of Economics, Kokugakuin University
		(Significant concurrent positions)	
<ul style="list-style-type: none"><li>• Certified Public Accountant (Head of Arai Certified Public Accountant Office)</li><li>• Outside Director (Audit and Supervisory Committee Member), Okamoto Industries, Inc.</li></ul>			
Reason of nomination for outside Director: Mitsuo Arai is nominated for outside Director since we believe that he has specialized knowledge and insight, and abundant experience as a certified public accountant and therefore is considered qualified to act as the Company's corporate executive. Although he has not been directly involved in corporate management other than as an outside Director, the Company deemed that he would be able to adequately perform his duties as outside Director for the above reasons.			
8	Hideaki Kobayashi (Dec. 19, 1945)	Apr. 1968	Entered the Ministry of Foreign Affairs
	Reelection Outside Independent	Jan. 1995	Assistant Vice-Minister, Minister's Secretariat & Consular and Migration Affairs Department, Ministry of Foreign Affairs
		Apr. 1995	Deputy Secretary General (External Affairs), Secretariat of the Japan Fair Trade Commission
Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)			Aug. 1997
	Feb. 2000		Ambassador Extraordinary and Plenipotentiary, Permanent Mission of Japan to the United Nations
	Apr. 2001		Chief of Protocol, the Ministry of Foreign Affairs
Number of the Company's shares owned: 2,500		Oct. 2002	Chief Chamberlain to H.I.H. Crown Prince, The Imperial Household Agency
		Oct. 2005	Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand
		Oct. 2008	Director of State Guest House, Cabinet Office
<ul style="list-style-type: none"><li>• Outside Director, Densan Co. Ltd.</li></ul>			
Reason of nomination for outside Director: Hideaki Kobayashi is nominated for outside Director since we believe that he has abundant experience and extensive knowledge and insight as a diplomat over many years and therefore is qualified to act as the Company's corporate executive. Although he has not been directly involved in corporate management other than as an outside Director, the Company deemed that he would be able to adequately perform his duties as outside Director for the above reasons.			



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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions	
9	Tsutao Katayama (Apr. 24, 1949)	Apr. 1983	Full-time Instructor, Faculty of Engineering, Doshisha University
	Reelection Outside Independent	Apr. 1986	Assistant Professor, Faculty of Engineering
		Apr. 1991	Professor, Faculty of Engineering
		Apr. 2004	Vice President
		Apr. 2008	Professor, Department of Biomedical Engineering, Faculty of Life and Medical Sciences (up to present)
		Jun. 2015	Director of the Company (up to present)
	Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)		
	Number of the Company's shares owned: 700	(Significant concurrent position) • Professor, Department of Biomedical Engineering, Faculty of Life and Medical Sciences, Doshisha University	
	Reason of nomination for outside Director: Tsutao Katayama is nominated for outside Director since we believe that he has specialized knowledge and insight, and abundant experience as a university professor and therefore is qualified to act as the Company's corporate executive.		
10	Kei Asatsuma (Sep. 5, 1970)	Apr. 1997	Admitted to bar (Daiichi Tokyo Bar Association) (up to present) Joined Nagashima & Ohno (current Nagashima Ohno & Tsunematsu) (up to present)
	Reelection Outside Independent	Jan. 2005	Partner, Nagashima Ohno & Tsunematsu (up to present)
		Jun. 2016	Director of the Company (up to present)
		Attendance at Board of Directors Meetings: 14 out of 14 times (100.0%)	(Significant concurrent position) • Lawyer (Partner, Nagashima Ohno & Tsunematsu)
	Number of the Company's shares owned: 0		
	Reason of nomination for outside Director: Kei Asatsuma is nominated for outside Director since we believe that he has specialized knowledge and insight, and abundant experience as a lawyer and therefore is qualified to act as the Company's corporate executive. Although he has not been directly involved in corporate management other than as an outside Director, the Company deemed that he would be able to adequately perform his duties as outside Director for the above reasons.		

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions
11	Hiroshi Suzuki (Sep. 17, 1952)	<p>Apr. 1975 Joined the Tokyo Regional Taxation Bureau</p> <p>Jul. 2000 Professor, National Tax College</p> <p>Jul. 2002 Judicial Research Official, Tokyo District Court</p> <p>Jul. 2004 Examiner, Fourth Large Enterprise Examination Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2005 District Director, Saku Tax Office</p> <p>Jul. 2006 Chief Litigation Officer (International Group), Office of Litigation, First Taxation Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2008 Director, Rulings and Legal Affairs Division, First Taxation Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2009 Director (Appeals Judge), National Tax Tribunal, Tokyo Regional Taxation Bureau</p> <p>Jul. 2011 Director, Tax Counsel Office, Management and Co-ordination Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2012 District Director, Chiba Higashi Tax Office</p> <p>Aug. 2013 Registered as Certified Tax Accountant (up to present) Established Certified Tax Accountant Office (up to present)</p> <p>Jun. 2017 Audit and Supervisory Board Member (up to present)</p>
	New election Outside Independent	
	Number of the Company's shares owned: 200	<p>(Significant concurrent position)</p> <ul style="list-style-type: none"> <li>• Certified Tax Accountant</li> </ul>
Reason of nomination for outside Director: Hiroshi Suzuki is nominated for outside Director since we believe that he has specialized knowledge and insight, and abundant experience at the Tokyo Regional Taxation Bureau, National Tax Agency over many years, and therefore is qualified to act as the Company's corporate executive. Although he has not been directly involved in corporate management, the Company deemed that he would be able to adequately perform his duties as outside Director for the above reasons.		
12	Ichio Otsuka (Nov. 24, 1959)	<p>Apr. 1983 Joined the Company</p> <p>Jun. 2005 Plant Manager, Hiroshima Plant</p> <p>Jun. 2006 Executive Vice President of Asia Packaging Industries (Vietnam) Co., Ltd.</p> <p>Jun. 2007 General Manager, Production Technology Department, Production &amp; Operations Division</p> <p>Jun. 2009 General Manager, Quality Assurance Department, Production &amp; Operations Division</p> <p>Jun. 2011 General Manager, International Operations Department, International Operations Division</p> <p>Apr. 2012 President and Director of Next Can Innovation Co., Ltd.</p> <p>Apr. 2013 Operating Officer of Toyo Seikan Co., Ltd.; In charge of Management of Next Can Innovation Co., Ltd.</p> <p>Apr. 2014 Operating Officer; In charge of Business Development and CSR General Manager, Corporate Planning Department and International Business Development Department</p> <p>Jun. 2014 In charge of Business Development and CSR General Manager, Corporate Planning Department</p> <p>Apr. 2015 Executive Officer; In charge of Corporate Strategy and Investor Relations General Manager, Corporate Planning Department</p> <p>Apr. 2016 Senior Executive Officer and Director of Toyo Seikan Co., Ltd. (Assistant to President)</p> <p>Jun. 2016 President and Representative Director of Toyo Seikan Co., Ltd.</p> <p>Apr. 2018 Special Advisor (up to present)</p>
	New Election	
	Number of the Company's shares owned: 5,600	
Reason of nomination for Director: Ichio Otsuka has been engaged in management of a group company as President and Representative Director and has abundant experience and extensive knowledge and insight accumulated at Production Technology, International Operations, and Corporate Planning divisions. We therefore believe that he is qualified to lead the management of the Group, and nominate him for Director.		

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Candidate No.	Name (Date of birth)	Career summary, status, area of responsibility and significant concurrent positions
13	<p>Horohiko Sumida (Aug. 21, 1956)</p> <p>New election</p> <p>Number of the Company's shares owned: 0</p>	<p>Feb. 1991 Joined Mitsubishi Corporation</p> <p>Jan. 2003 Manager of IT Strategy Unit, Living Essentials Group, Mitsubishi Corp.</p> <p>Apr. 2008 CIO of Living Essentials Group, Mitsubishi Corp.</p> <p>Feb. 2011 Joined Toyo Kohan Co., Ltd.</p> <p>Apr. 2011 Operating Officer, in charge of President's Office, and General Manager of President's Office, Toyo Kohan Co., Ltd.</p> <p>Apr. 2012 Operating Officer, in charge of Corporate Planning, and General Manager of Business Development Department, Toyo Kohan Co., Ltd.</p> <p>Jun. 2012 Operating Officer and Director, in charge of Corporate Planning, and General Manager of Business Development Department, Toyo Kohan Co., Ltd.</p> <p>Apr. 2013 Operating Officer and Director, in charge of Corporate Planning, Toyo Kohan Co., Ltd.</p> <p>Jun. 2014 President and Representative Director of Toyo Kohan Co., Ltd. (up to present) Operating Officer (up to present)</p>
	<p>Reason of nomination for Director: Horohiko Sumida is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated as the President and Representative Director of a group company and therefore is qualified to lead the management of the Group.</p>	
14	<p>Kouki Ogasawara (Nov. 6, 1965)</p> <p>New election</p> <p>Number of the Company's shares owned: 2,500</p>	<p>Apr. 1988 Joined the Company</p> <p>Apr. 2012 General Manager, General Affairs Department, Corporate Administration Division</p> <p>Apr. 2013 General Manager, General Affairs Department (up to present)</p> <p>Apr. 2017 Operating Officer (up to present)</p>
	<p>Reason of nomination for Director: Kouki Ogasawara is nominated for Director since we believe that he has abundant experience and extensive knowledge and insight accumulated at the general affairs division for many years and therefore is qualified to lead the management of the Group.</p>	

- Notes:
1. There are no special interests between the Company and each candidate for Directors.
  2. Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, Kei Asatsuma, and Hiroshi Suzuki are outside Director candidates.
  3. Term of office as outside Director of the Company
    - (1) Mitsuo Arai will have served as outside Director of the Company for twelve years at the close of this Ordinary General Meeting of Shareholders.
    - (2) Hideaki Kobayashi will have served as outside Director of the Company for seven years at the close of this Ordinary General Meeting of Shareholders.
    - (3) Tsutao Katayama will have served as outside Director of the Company for three years at the close of this Ordinary General Meeting of Shareholders.
    - (4) Kei Asatsuma will have served as outside Director of the Company for two years at the close of this Ordinary General Meeting of Shareholders.
    - (5) Hiroshi Suzuki will have served as outside Director of the Company for one year at the close of this Ordinary General Meeting of Shareholders.
  4. Outline of Liability Limitation Agreement with outside Director

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Under provisions in Article 427, paragraph 1 of the Companies Act, the Company has concluded an agreement with Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, Kei Asatsuma, and Hiroshi Suzuki, which limits the liability stipulated in Article 423, paragraph 1 of the Companies Act. The limit of liability amount based on the agreement shall be the higher of either ¥10 million or the amount provided for in the Act. If the proposal for the election of Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, and Kei Asatsuma is approved, the Company will extend their respective agreements.

If the the proposal for the election of Hiroshi Suzuki is approved, the Company will sign an agreement with him on the liability limitation.

5. “Independent” marked in the above table means that the relevant candidate is an independent director who meets the independent criteria of both the Tokyo Stock Exchange (TSE) and the Company.
6. The Company has designated Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, and Hiroshi Suzuki as Independent Directors in accordance with the rules of the Tokyo Stock Exchange (TSE) and notified TSE to that effect. If the proposal for the election of the aforementioned four persons is approved, the Company will continue to designate them as Independent Directors of the Company.
7. Mr. Kei Asatsuma, an outside Director, meets the independence criteria of both TSE and the Company but has not been designated as an Independent Director according to the policy of the law firm to which he belongs.
8. Hirohiko Sumida is to resign from the position of President and Representative Director of Toyo Kohan Co., Ltd. as of June 26, 2018, and will remain as Director of the company.

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**Proposal 3: Election of One (1) Audit and Supervisory Board Member**

At the close of the 105th Ordinary General Meeting of Shareholders, the term of office of Toshitaka Uesugi as Audit and Supervisory Board Member will expire, while Hiroshi Suzuki will resign from the position of Audit and Supervisory Board Member.

We ask for shareholders' approval of decreasing one seat in the Audit and Supervisory Board to four seats and appointing one Audit and Supervisory Board Member, as we have concluded that the four-member structure will continue to be effective in audit operations in light of the current conditions of the Company's audit scheme, including the coordination between the Board and the Company's internal audit division.

The Audit and Supervisory Board has already approved this proposal.

The candidate for Audit and Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and significant concurrent positions
Toshitaka Uesugi (Dec. 5, 1957)	Apr. 1980    Joined the Company Jun. 2008    General Manager, Internal Audit Office Jun. 2014    Standing Audit and Supervisory Board Member (up to present)
Reelection	
Number of the Company's shares owned: 3,820	(Significant concurrent position) <ul style="list-style-type: none"><li>• Auditor of Tokan Kogyo Co., Ltd.</li><li>• Auditor of Nippon Closures Co., Ltd.</li><li>• Auditor of Mebius Packaging Co., Ltd.</li><li>• Auditor of Nippon Tokan Package Co., Ltd.</li></ul>
Reason for nomination for Audit and Supervisory Board Member: Toshitaka Uesugi is nominated for Audit and Supervisory Board Member since we believe that he has years of experience of operations in the Company's audit division and has gained abundant knowledge and insight as an auditor at group companies, and therefore is qualified to serve in the position.	

- Notes:
1. There are no special interests between the Company and the candidate.
  2. Toshitaka Uesugi will assume the position of auditor of Tokan Material Technology Co., Ltd. as of June 18, 2018.

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**[Reference] Independence Criteria for Outside Directors and Auditors of the Company**

The Company hereby establishes the “Independence Criteria for Outside Directors and Auditors” to clearly set the criteria for independence to be fulfilled by outside Directors<sup>(1)</sup> and outside Audit and Supervisory Board Members<sup>(2)</sup> (collectively, the “Outside Directors and Auditors”).

**< Independence Criteria >**

The Outside Directors and Auditors shall not fall under any of the following:

- a) A person who is, or has been in the past ten years, a Director (excluding an outside Director), Audit and Supervisory Board Member (excluding an outside Audit and Supervisory Board Member) or employee of the Company and its consolidated subsidiaries (collectively, the “Group”);
- b) A person who is, or has been in the past three years, a major business partner<sup>(3)</sup> of the Group or a person who executes business<sup>(4)</sup> at a major business partner of the Group;
- c) A person who is, or has been in the past three years, a major shareholder<sup>(5)</sup> of the Company (in the case where a major shareholder is a corporation, a person who executes business at such corporation) or a person who executes business of a corporation of which the Group is a major shareholder;
- d) A consultant, accounting advisor or legal advisor, etc. who receives, or has received in any of the past three fiscal years from the Group, cash and/or other assets exceeding 10 million yen annually in addition to director compensation (if the entity receiving such assets is a corporation, association, or other organization, this refers to a person who belongs to such organization);
- e) A person who receives, or has received in any of the past three fiscal years, donations exceeding 10 million yen annually from the Group or a person who executes business of a corporation, association, or other organization that receives such donations from the Group; or
- f) A spouse or a relative within the second degree of any of the following individuals:
  - 1) A person who is, or has been in the past three years, a Director, Audit and Supervisory Board Member or important employee<sup>(6)</sup> of the Group;
  - 2) A person who falls under the above b), c), or e) (if such person is an employee, this applies only to an important employee); or
  - 3) A person who falls under the above d) (if the entity receiving such assets is a corporation, association, or other organization, this applies only to an accounting advisor, legal advisor or other qualified professionals who belongs to such organization).

**Notes:**

- 1. An Outside Director refers to an outside director as set forth under Article 2, Paragraph 15 of the Companies Act.
- 2. An Outside Audit and Supervisory Board Member refers to an outside auditor as set forth under Article 2, Paragraph 16 of the Companies Act.
- 3. A major business partner means:
  - (1) a business counterparty with whom the Group performed in any of the past three fiscal years transactions (sales or purchase) of an amount exceeding the higher of 100 million yen or 2% of the annual consolidated net sales of the Group or such counterparty; or
  - (2) a financial institution group from which the Group borrows funds, and the total amount of borrowing from such financial institution group exceeds 2% of the Group’s consolidated total assets as of the end of the previous fiscal year.
- 4. A person who executes business refers to a person as set forth under Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act.
- 5. A major shareholder refers to a person who directly or indirectly holds 10% or more of the total voting rights.
- 6. An important employee refers to an employee at and above a general manager level.

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**Proposal 4: Gratis Allotment of Share Options for Takeover Defense Measures**

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the “Former Plan”) based on the resolution at the Board of Directors meeting held on May 15, 2015 and the resolution at the ordinary general meeting of shareholders of the Company held on June 25, 2015 for the 102nd fiscal year, and the effective period of the Former Plan is until the conclusion of the 105th Ordinary General Meeting of Shareholders.

Before the expiration of the effective period of the Former Plan, the Company determined at the Board of Directors meeting held on May 15, 2018, subject to the approval of shareholders at this Ordinary General Meeting of Shareholders, to partially revise the contents of the Former Plan and introduce a renewed plan (the “Renewal”; and the plan after the Renewal is referred to as the “Plan”) as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b)(ii) of the Enforcement Regulations of the Companies Act) under a basic policy regarding the persons who control decisions on the Company’s financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the “Basic Policy”).

Thus, in order to deploy the Plan, the Company is seeking the shareholders’ approval for the delegation to the Board of Directors of the authority to make decisions on matters relating to the gratis allotment of share options in accordance with the terms set out in 2. ‘Details of Proposal’ below pursuant to the provisions of Article 12 of the Articles of Incorporation of the Company.

1. Reasons for Proposal

(1) Basic Policy Regarding the Persons Who Control Decisions on the Company’s Financial and Business Policies

The Company believes that the persons who control decisions on the Company’s financial and business policies need to be persons who understand the source of the Company’s corporate value and who will make it possible to continually and steadily ensure and enhance the Company’s corporate value and, in turn, the common interests of its shareholders.

The Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. Also, the Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of the Company.

Nonetheless, there are some forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the details of the large-scale acquisition or for the target company’s board of directors to make an alternative proposal, and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

The Company’s corporate value is found in (i) integrated technological capabilities in packaging containers based on experience and know-how accumulated since its founding as a leading packaging container company, (ii) a diverse product line able to closely match the diverse needs of customers that is made possible by group companies capable of manufacturing an extensive range of products from a variety of raw materials, (iii) firm and long-term relationships of the trust with customers, and (iv) a sound financial position. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become a person who would control decisions on the Company’s financial

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and business policies. The Company also believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(2) The Source of the Company's Corporate Value and Special Measures to Realize the Basic Policy

(a) Management Philosophy and Business Lines

### Management Philosophy of the Group

Over the 100 years since its foundation in 1917, the Group has offered containers made from a variety of materials such as metal, plastic, paper and glass by leveraging the properties of these materials in response to changes in people's lifestyles and society. Under the Management Philosophy of the Toyo Seikan Group formulated in April 2016, the Group aims to further develop and evolve over the next 100 years by contributing to prosperity of life and expanding environment-friendly systems based on our material development and processing technologies.

### Management Philosophy of Toyo Seikan Group

#### **Management Policy**

We will constantly create new and innovative values, aspire to achieve a sustainable society and contribute to people's happiness.

#### **Creed**

- We will honor dignity and always strive to be fair and unbiased in every way.
- All of us will demonstrate our own strengths and expertise, and contribute to social prosperity while we grow and thrive as an individual, a corporation or a group.

#### **Vision**

- We will aim to become the Group which can provide unique and innovative technologies and products that will meet global expectations.

### Group's business description

Packaging containers are required not only to preserve the contents but also to satisfy the diverse needs of customers, such as maintaining the quality of the contents, convenient distribution and use, the ability to be shaped and decorated according to the contents, and being environmentally friendly. The Company owns group companies with technological capabilities to manufacture packaging containers meeting these needs and, as an integrated container manufacturer, strives to offer high-value-added products.

The Company has defined four reporting segments, namely, Packaging Business, Steel-Plate Related Business, Functional Materials Related Business, and Real Estate Related Business.

#### **(i) Packaging Business**

Manufacture and sale of metal, plastic, paper and glass containers, the contracted manufacture and sale of aerosol products and general filling products and the manufacture and sale of machinery and equipment related to packaging containers

#### **(ii) Steel-Plate Related Business**

Manufacture and sale of steel plate and derivative products

#### **(iii) Functional Materials Related Business**

Manufacture and sale of aluminum substrates for magnetic disks, functional films for optics, ceramic glazes, micronutrient fertilizers, pigments, gel coats and other functional materials

#### **(iv) Real Estate Related Business**

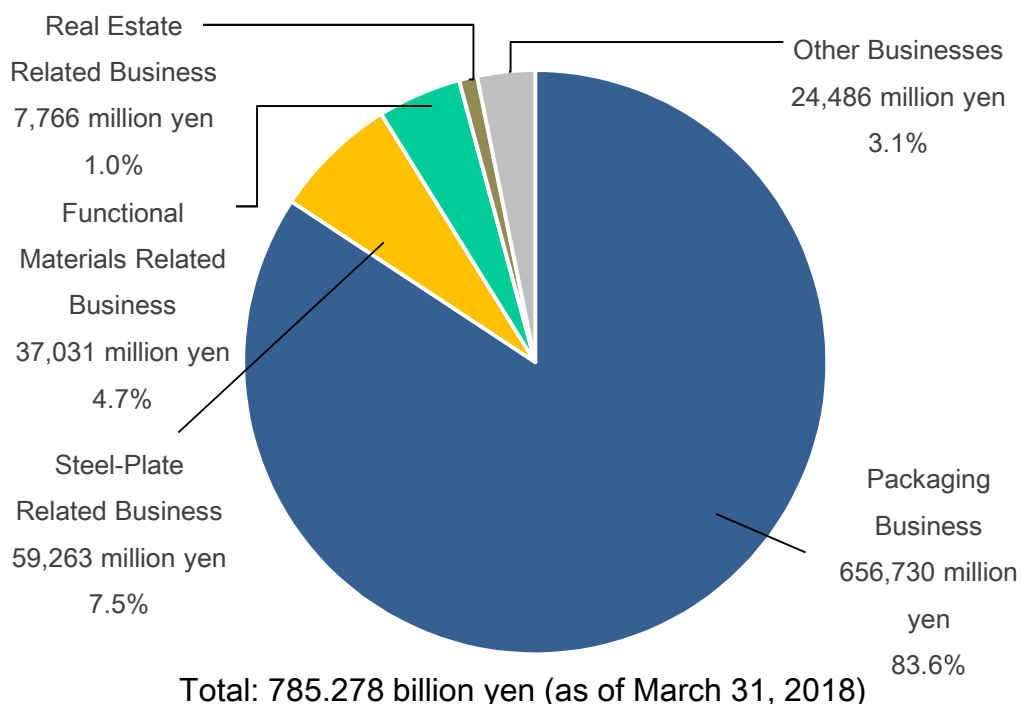
Leasing of office buildings and commercial facilities

#### **(v) Other Businesses**

Manufacture and sale of automobile press molds, machinery and equipment, cemented carbide, agricultural materials, and other products, the sale of petroleum products and the like, and property insurance business



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**(b) Source of Corporate Value**

The source of the Group's corporate value for continuing to newly develop and evolve, enhancing its corporate value, and ensuring the common interests of its shareholders over the next 100 years are as follows.

**(i) Integrated technological capabilities in packaging containers based on experience and know-how accumulated since its founding as a leading packaging container company**

Most important in securing corporate value is the Company's integrated technological capabilities, including its broad knowledge about shaping and forming containers and their suitability for the contents. The foundation of such technological capabilities is the experience and know-how of individual employees. To maintain and improve its technological capabilities, the Company has maintained a strong research and development structure that is comprised of the Corporate R&D, which carries out basic research, and the research and development divisions of the companies within the Group, which focus on developing application technology.

**(ii) Diversity of product line able to closely match the diverse needs of customers that is made possible by group companies capable of manufacturing an extensive range of products from a variety of raw materials**

Through its integrated technological capabilities, the Company brings together the technological capabilities and know-how of group companies specializing in the packaging container industry to build up a wide ranging capacity for product development and succeed in standing out from its competitors.

**(iii) Firm and long-term relationships of trust with customers**

The Company is not affiliated with any larger corporate group, and it has enhanced its corporate value through ongoing transactions and licensing agreements with many customers and licensors. To maintain and enhance the corporate value, it will be indispensable to maintain these trust-based relationships with customers and related parties.

**(iv) Sound financial position**

It is essential for the Company to secure a solid financial position to maintain and develop technological and product development capabilities for packaging containers in general, as well as trust-based relationships with customers and related parties.

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(c) Mid-Term Management Plan

The Group positioned the “Toyo Seikan Group Fourth Mid-Term Management Plan” for the three fiscal years ending in fiscal 2018 as the phase for “solidifying the foundation for growth” as a “global company that has expanded business in peripheral areas with containers as the core business,” and earnestly implemented various measures under the plan, including business structural reforms.

However, the Group decided to discontinue the Toyo Seikan Group Fourth Mid-Term Management Plan at the end of fiscal 2017 in light of situations where (i) business environment surrounding the Group has been changing at an accelerated pace while the Group has been pursuing structural reforms of its packaging business and organizational reforms, and (ii) the Group is implementing a shift to a new operational structure, having decided to make Toyo Kohan Co., Ltd. a wholly owned subsidiary through a tender offer, and newly formulated the “Toyo Seikan Group Fifth Mid-Term Management Plan” for the period from fiscal 2018 to fiscal 2020.

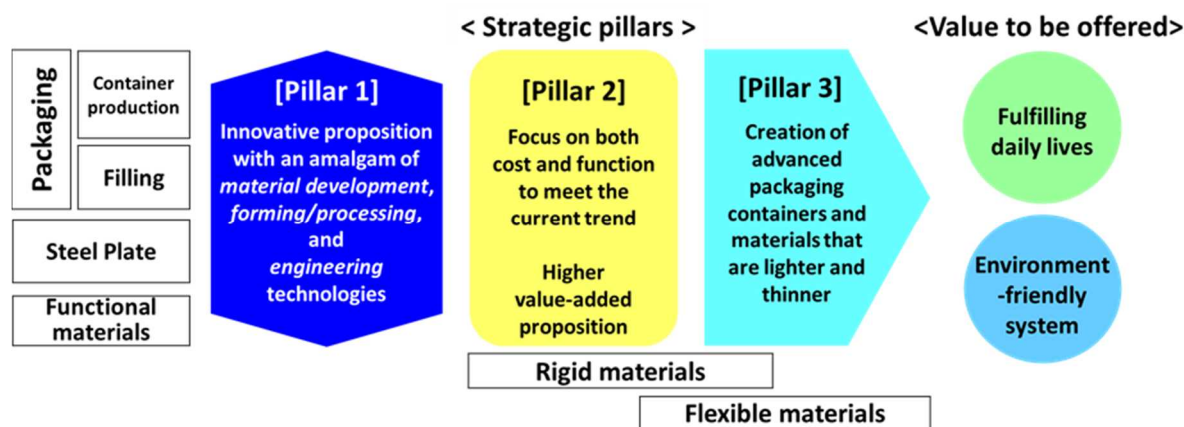
A tender offer for shares in Toyo Kohan Co., Ltd. commenced on May 11, 2018.

**Basic Strategy under the Toyo Seikan Group Fifth Mid-Term Management Plan**

Under the Fifth Mid-Term Management Plan, the Group has defined fiscal 2018 as the year of a fresh start with the spirit of foundation, and formulated a basic policy regarding the Group’s growth strategy and reforms of organizational structure and corporate culture to support the growth strategy, as well as its financial and capital policies.

**(i) Continuous offering of new value to our customers and society**

We will continue to help people live more prosperous lives and propose environment-friendly systems, taking advantage of the combination of the Group’s technologies in three key categories: material development, forming/processing, and engineering.



**(ii) Pursuing reforms of organizational structure and corporate culture to support sustainable growth**

We will implement measures based on the following three policies:

- Reorganization that allows for flexible business operation
- Optimization of scale, function, and location
- Performance of the social responsibilities a leading company is required to take on

**(iii) Implementation of financial and capital policies that enable investment for growth strategy compatible with financial soundness**

We will implement measures based on the following two policies:

- Carrying out investment for growth strategy by appropriately distributing managerial resources
- Implementation of financial and capital policies that flexibly respond to environmental changes

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### **Numerical Goals**

Under the Fifth Mid-Term Management Plan, the numerical goals set by the Group for fiscal 2020, the last fiscal year of the Fifth Mid-Term Management Plan, include consolidated sales of 820 billion yen and operating profit of 50 billion yen.

Although the business environment surrounding the Group is expected to be more severe, the Group aims to achieve sustainable growth by steadily implementing various measures under the Fifth Mid-Term Management Plan.

#### (d) Strengthening of Corporate Governance

The Company believes that working to improve corporate governance is a management priority in order for the Company to contribute to society through corporate activities while enhancing its corporate value and continuing to newly develop and evolve under the management policy, creed and vision that constitute the Group's Management Philosophy, and the Company formulated the Basic Corporate Governance Policy and continues to take measures in accordance with the policy.

#### Holding Company Structure

Under the holding company structure, the Group is moving forward with flexible and efficient business operations by clearly defining the Group's overall management strategy and goals and by working to optimally distribute managerial resources within the Group. By doing so, the Group distinguishes plan-making functions with respect to the Group's management strategy from business execution functions and clarifies the structure of management responsibilities.

#### Outside Executives

The Company established the Independence Standards for Outside Executives for the purpose of clarifying the Company's standards for independence based on which outside Directors and outside Audit and Supervisory Board Members are qualified as independent officers.

The Board of Directors consists of 11 Directors, four of whom are independent outside Directors, and this means that the number of outside Directors on the Board of Directors exceeds one-third of the total number of all Directors. Also, the term of office of the Company's Directors is one year, which enables management responsibilities to be clarified and a management system that responds in a timely manner to changes of the management environment to be flexibly established.

In addition, outside Directors and outside Audit and Supervisory Board Members attend outside member meetings that are, in principle, held every month and where opinions are exchanged with the Representative Director of the Company, and this enables them to frankly exchange opinions in order to enhance the transparency and objectivity of management. They also proactively perform duties such as inspections of domestic and overseas group companies as appropriate.

These outside Directors and outside Audit and Supervisory Board Members, who are independent and take objective standpoints, ensure the functions of supervision over the management system through active discussions at the Board of Directors meetings and monitoring of management.

#### Business Execution Structure

The Company also ensures efficient and flexible management, and clarifies management's decision making and supervision functions and business execution functions by introducing an executive officer structure. To appropriately and promptly establish basic management guidelines, determine various measures to be taken and aggressively promote management activities, a "Management Strategy Meeting" is held once a month which comprises full-time Directors, heads in charge of key organizational functions, senior executive officers and executive officers. Furthermore, a "Management Executive Meeting" is, in principle, held twice a month and attended by full-time Directors, CFO, CTO, senior executive officers, and the presidents of core group companies. Full-time Audit and Supervisory Board Members attend the Management Strategy Meeting and the Management Executive Meeting to express opinions as necessary. The Company also provides various kinds of training opportunities for the purpose of assisting its Directors, Audit and Supervisory Board Members, and executive officers in the acquisition and continuous updating of necessary knowledge in order for them to appropriately

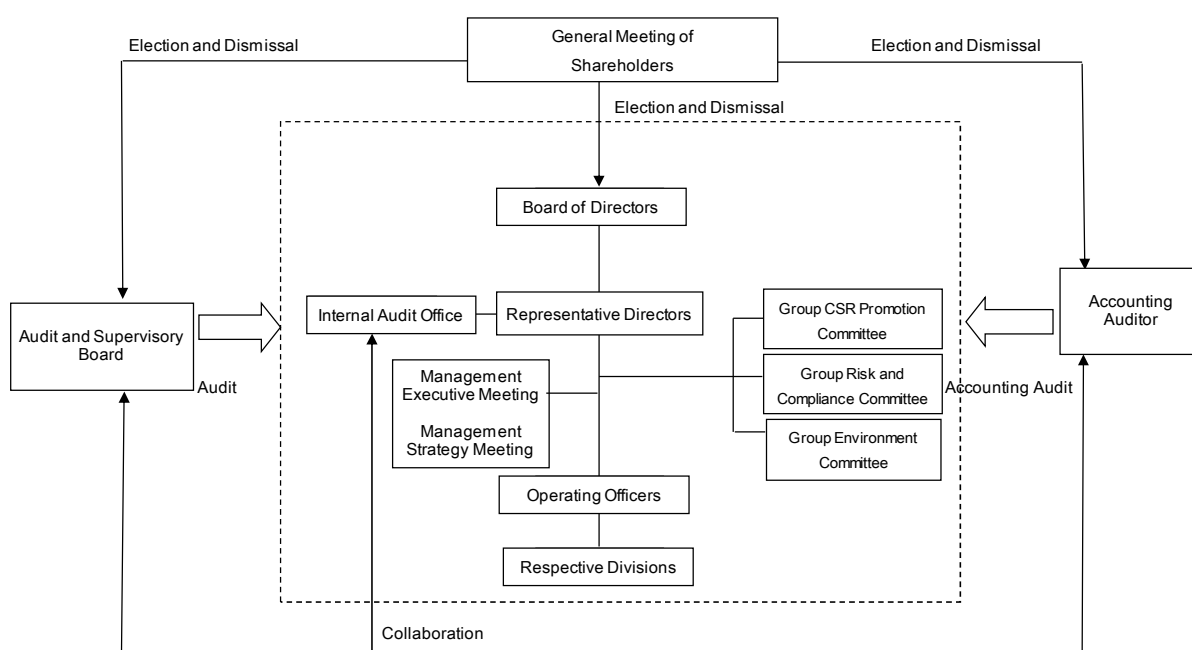
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perform their roles and responsibilities.

Structure for Operating Internal Control Systems

The Company and each company of the Group operate internal control systems. At the Company, with an aim to ensure strict compliance of all business activities with laws and ordinances and to enhance management efficiency, the development and the status of operation of the internal control systems as well as the status of compliance with laws, ordinances, and other regulations are confirmed by the Internal Audit Office, which is under the direct supervision of the president, through internal audits carried out by the Internal Audit Office on a regular basis, and the Company works to improve the internal control systems as appropriate based on the results of the internal audits.

(Company's Corporate Governance Structure)



The Group is committed to achieving strengthened corporate governance and ensuring and enhancing its corporate value and, in turn, common interests of its shareholders through the above-mentioned measures.

(3) Purpose of the Plan

The purpose of the Plan is to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and the Board of Directors believes that persons who would propose a large-scale acquisition of the shares and other equity securities of the Company in a manner that does not contribute to the corporate value of the Company or, in turn, the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, and on the occasion that it receives a large-scale acquisition proposal from an acquirer, to enable the Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

2. Details of Proposal

(1) Plan Outline

The Plan sets out procedures necessary to achieve the purpose stated above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or

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more of the Company's share certificates or other equity securities.

The acquirer must not effect a large-scale acquisition of the shares and other equity securities of the Company until and unless the Board of Directors determines not to trigger the Plan in accordance with the procedures for the Plan.

In the event that an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities of the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders, etc., and in cases such as where the acquisition satisfies the triggering requirements set out in the Plan, the Company will implement a gratis allotment of share options (*shinkabu yoyakuken mushou wariate*) for share options with (a) an exercise condition that does not allow the acquirer, etc. to exercise the rights as a general rule, and (b) an acquisition provision to the effect that the Company may acquire the share options in exchange for shares in the Company from persons other than the acquirer, etc. to all shareholders, except the Company, at that time, or implement any other reasonable measures that could be taken under the laws and ordinances and the Company's Articles of Incorporation.

If a gratis allotment of share options were to take place in accordance with the Plan and all shareholders other than the acquirer received shares in the Company as a result of those shareholders exercising or the Company acquiring those share options, the ratio of voting rights in the Company held by the acquirer may be diluted by up to a maximum of approximately 50%.

In order to eliminate arbitrary decisions by Directors, the Company will establish the Special Committee, which is subject to the Rules of the Special Committee (outlined in Note 1) and solely composed of members who are independent from the management of the Company such as outside Directors of the Company to make objective decisions with respect to matters such as the implementation or non-implementation of the gratis allotment of share options or the acquisition of share options under the Plan. In addition, the Board of Directors will convene a meeting of shareholders and confirm the intent of the Company's shareholders as provided in the Plan.

Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company's shareholders.

### (2) Procedures for Triggering the Plan

#### (a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action (including a proposal (Note 2) for such action) (except for such action as the Board of Directors separately determines not to be subject to the Plan; the "Acquisition") takes place.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*) (Note 3) of a holder (*hoyuusha*) (Note 4) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 5) issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*) (Note 6) that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) (Note 7) and the ownership ratio of share certificates, etc. of a person in special relationship (*tokubetsu kankei-sha*) (Note 8) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 9) issued by the Company.

The party intending to make the Acquisition (the "Acquirer") shall follow the procedures prescribed in the Plan, and the Acquirer must not effect an Acquisition until and unless the Board of Directors passes a resolution not to implement the gratis allotment of share options (the "Share Options;" see (4) 'Outline of the Gratis Allotment of Share Options' below for an outline thereof) or other measures in accordance with the Plan.

#### (b) Submission of Acquirer's Statement

The Company will request an Acquirer to submit to the Company in the form separately prescribed by the Company a legally binding document which includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by, or affixed with the name and seal of, the representative of the Acquirer and to which no conditions or reservations are attached) and a qualification certificate of the person who signed or

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affixed its name and seal to that document (collectively, “Acquirer’s Statement”) before commencing or effecting the Acquisition. The Acquirer’s Statement must include the name, address or location of headquarters, location of offices, the governing law for establishment, name of the representative, contact information in Japan for the Acquirer and an outline of the intended Acquisition. The Acquirer’s Statement and the Acquisition Document set out in (c) below and other materials to be submitted by the Acquirer to the Company or the Special Committee must be written in Japanese.

### **(c) Request to the Acquirer for the Provision of Information**

The Company will provide an Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer’s Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company (“Acquisition Document”), which includes the information described in each item of the list below (“Essential Information”).

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Special Committee (an outline of standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Special Committee are as described in Note 1 and business backgrounds and other matters of members of the Special Committee at the time of the Renewal will be as described in Attachment ‘Profiles of the Members of the Special Committee’). If the Board of Directors or the Special Committee determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer provide additional information. In such case, the Acquirer should provide the additional information within the set time limit.

- (i) Details (including name, capital relationship, financial position, operation results, details of violation of laws or ordinances in the past (if any), and terms of previous transactions by the Acquirer similar to the Acquisition) of the Acquirer and its group (including joint holders (Note 10), persons in special relationship and persons in special relationship with a person in relation to whom the Acquirer is the controlled corporation (Note 11)). (Note 12)
  - (ii) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
  - (iii) The amount and basis for the calculation of the purchase price of the Acquisition.
  - (iv) Information relating to any agreement between the Acquirer and a third party regarding the shares and other equity securities of the Company and any previous acquisition of shares and other equity securities of the Company by the Acquirer.
  - (v) Financial support for the Acquisition (specifically including the names of providers of funds for the Acquisition (including all indirect providers of funds), financing methods and the terms of any related transactions).
  - (vi) Post-Acquisition management policy, business plan, capital and dividend policies for the Group.
  - (vii) Post-Acquisition policies for the Company’s shareholders (other than the Acquirer), and any other stakeholders in the Group such as employees, business partners and customers of the Group.
  - (viii) Specific measures to avoid any conflict of interest with other shareholders in the Company.
  - (ix) Information regarding any relationship with an anti-social force.
  - (x) Any other information that the Board of Directors or the Special Committee reasonably considers necessary.
- (d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

### **(i) Request to the Company’s Board of Directors for the Provision of Information**

If the Special Committee reasonably determines that the Acquirer has submitted the Acquisition Document and other information (including any additional information that the Board of Directors or the Special Committee requests the Acquirer to submit), the Special Committee may set a reply period (the “Board of Directors

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Consideration Period”) considering the time required for the Board of Directors to collect information and consider company value, and request that the Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer’s Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Special Committee considers necessary.

### **(ii) Special Committee Consideration**

If the Special Committee reasonably determines that it has received the Acquisition Document and other information (including any additional information that the Board of Directors or the Special Committee requests the Acquirer to submit) from the Acquirer, it shall conduct its consideration of the Acquisition terms, collection of information such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for, as a general rule, a period of 90 days from the date on which the Special Committee has received the information (this period, including the Board of Directors Consideration Period, is hereinafter referred to as the “Special Committee Consideration Period”).

In order to ensure that the Special Committee’s decision contributes to the Company’s corporate value and, in turn, the common interests of its shareholders, the Special Committee may at the cost of the Company obtain advice from financial advisers, certified public accountants, attorneys, certified public tax accountants, consultants and any other experts.

Further, in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Special Committee will directly or indirectly discuss and negotiate with the Acquirer as appropriate. If the Special Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Special Committee, the Acquirer must promptly respond to such request.

The Special Committee may, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer’s Acquisition, consideration of an alternative proposal and discussion and negotiation with the Acquirer, extend the Special Committee Consideration Period once or multiple times by up to 30 days in total.

### **(e) Recommendation by the Special Committee**

Based on the abovementioned procedures, if the Special Committee determines that the Acquisition falls under one of the trigger events set out below in (3) ‘Requirements for the Gratis Allotment of Share Options, Etc.’ (collectively, “Trigger Event”) or in any other similar cases, the Special Committee will recommend the implementation of the gratis allotment of Share Options or any other reasonable measures that could be taken under the laws and ordinances and the Company’s Articles of Incorporation (Note 13) (the “Gratis Allotment of Share Options, Etc.”) to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. In cases such as where an Acquisition falls under the second Trigger Event (“Trigger Event (2)”) set out in (3) ‘Requirements for the Gratis Allotment of Share Options, Etc.’, the Special Committee may recommend that the Company confirm the intent of the Company’s shareholders in advance.

Notwithstanding the foregoing paragraph, even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Share Options, if the Special Committee determines that either of the events (A) or (B) below applies, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) the Company should suspend the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) the Company should acquire the Share Options for no consideration.

- (A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.
- (B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

On the other hand, if the Special Committee does not determine that the Acquisition falls under the Trigger Event, the Special Committee will not recommend the implementation of the Gratis Allotment of Share Options,

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Etc. to the Board of Directors.

Notwithstanding the foregoing paragraph, even after the above decision has been made, if there is a change in the facts or other matters on which the decision was made and the Acquisition falls under a Trigger Event, the Special Committee may make a new recommendation that the Company should implement the Gratis Allotment of Share Options, Etc.

In addition to the above, if the Special Committee determines that the Acquisition threatens to harm the corporate value of the Company and, in turn, the common interests of its shareholders, the Special Committee may, by providing reasons therefor, make recommendations such as to convene a general meeting of shareholders and confirm the intent of the Company's shareholders regarding the Acquirer's Acquisition.

(f) Resolutions of the Board of Directors

The Board of Directors, in exercising its role under the Companies Act, will make a resolution relating to the implementation or non-implementation of the Gratis Allotment of Share Options, Etc. respecting to the maximum extent any recommendation of the Special Committee described above. However, if the Shareholders Meeting is convened in accordance with (g) below, the Board of Directors, in exercising its role under the Companies Act, will make a resolution relating to the implementation or non-implementation of the Gratis Allotment of Share Options, Etc. subject to any resolution at the Shareholders Meeting.

(g) Convocation of the Shareholders Meeting

If an Acquisition falls under Trigger Event (2) and the Board of Directors determines it practically possible to confirm the intent of the Company's shareholders at a general meeting of shareholders (the "Shareholders Meeting") taking into consideration the time required to convene a general meeting of shareholders or other matters, the Board of Directors shall convene the Shareholders Meeting and confirm the intent of shareholders.

In addition, the Board of Directors may convene the Shareholders Meeting and confirm the intent of the Company's shareholders if the Special Committee recommends implementation of the Gratis Allotment of Share Options, Etc. subject to obtaining approval at the general meeting of shareholders in accordance with (e) above or recommends confirmation of the intent of the shareholders regarding the Acquirer's Acquisition.

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Special Committee or the Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted, the fact the Special Committee Consideration Period has commenced, and the fact that the Special Committee Consideration Period has been extended, as well as the reason for the extension), an outline of recommendations made by the Special Committee, an outline of resolutions by the Board of Directors and an outline of resolutions by the Shareholders Meeting, in accordance with the applicable laws and ordinances or the regulations and rules of the financial instruments exchange.

(3) Requirements for the Gratis Allotment of Share Options, Etc.

The requirements to trigger the Plan to implement gratis allotment of Share Options are as follows. As described above in (e) of (2) 'Procedures for Triggering the Plan,' the Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Special Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of Share Options.

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Share Options.

(a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn,



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the common interests of its shareholders through any of the following actions:

- (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company or the Company's affiliates at a high price.
  - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Group's material assets.
  - (iii) Diversion of the Group's assets to secure or repay debts of the Acquirer or its group company.
  - (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Group's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear) and other Acquisitions that are deemed to materially threaten to cause harm to the Group's corporate value and, in turn, the common interests of its shareholders.
- (c) Acquisitions whose terms (including amount and type of consideration, the timeframe, the legality of the Acquisition method, and the feasibility of the Acquisition being effected) are inadequate or inappropriate in light of the Company's corporate value.

**(4) Outline of the Gratis Allotment of Share Options**

An outline of the gratis allotment of Share Options that may be implemented under the Plan is described below.

**(a) Number of Share Options**

The Company will implement a gratis allotment of Share Options in the same number as the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or the general meeting of shareholders relating to the gratis allotment of Share Options ("Gratis Allotment Resolution").

**(b) Shareholders Eligible for Allotment**

The Company will allot the Share Options to those shareholders, other than the Company, who are recorded in the Company's final register of shareholders on the Allotment Date (the "Entitled Shareholders"), at a ratio of one Share Option for each share in the Company held.

**(c) Effective Date of Gratis Allotment of Share Options**

The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.

**(d) Number of Shares to be Acquired upon Exercise of the Share Options**

The number of shares in the Company to be acquired upon exercise of each Share Option (the "Applicable Number of Shares") shall, in principle, be one share.

**(e) Amount to be Contributed upon Exercise of Share Options**

Contributions upon exercise of the Share Options are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Share Options will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Stock Exchange, Inc. on each day during the 90 day period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction less than one yen after such calculation to be rounded up to the nearest whole yen.

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(f) Exercise Period of the Share Options

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the “Exercise Period Commencement Date”), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Share Options

Except where any exceptional event (Note 14) occurs, the following parties may not exercise the Share Options (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders (Note 15);
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers (Note 16);
- (IV) Persons in Special Relationship with Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Share Options of any party falling under (I) through (IV) without the approval of the Board of Directors; or
- (VI) Any Affiliated Party (Note 17) of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Share Options may not as a general rule exercise the Share Options (provided, however, that the Share Options held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (ii) of paragraph (i) below, ‘Acquisition of the Share Options by the Company,’ subject to complying with applicable laws and ordinances). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Share Options, indemnity clauses and other covenants, may not exercise the Share Options.

(h) Assignment of Share Options

Any acquisition of the Share Options by assignment requires the approval of the Board of Directors.

(i) Acquisition of Share Options by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Share Options for no consideration.
- (ii) On a date separately determined by the Board of Directors, the Company may acquire all of the Share Options that have not been exercised before or on the day immediately prior to such date determined by the Board of Directors, that are held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares in the Company in the number equivalent to the Applicable Number of Shares for each Share Option.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Share Options other than Non-Qualified Parties, the Company may, on a date determined by the Board of Directors that falls after the date upon which such acquisition takes place, acquire all of the Share Options held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Share Option. The same will apply thereafter.

(j) Delivery of Share Options in Case of Merger, Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

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- (k) Issuance of Certificates Representing the Share Options  
Certificates representing the Share Options will not be issued.

- (l) Other

In addition, the details of the Share Options will be separately determined in the Gratis Allotment Resolution.

- (5) Effective Period, Abolition, Revision and Amendment of the Plan

The effective period of the Plan (the “Effective Period”) will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of this Ordinary General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, (i) a resolution is passed at the Company’s general meeting of shareholders to revoke its resolution to assign to the Board of Directors the authority set out above to decide matters relating to the gratis allotment of Share Options with respect to the Plan, or (ii) the Board of Directors passes a resolution to abolish the Plan, the Plan will be abolished in accordance with the resolution.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of a resolution of this Ordinary General Meeting of Shareholders such as cases where any law, ordinance, or regulation or rule of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, or cases where such revision or amendment is not detrimental to the Company’s shareholders, and subject to the approval of the Special Committee.

If the Plan is abolished, revised or amended, the Company will promptly disclose the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

- (6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of May 15, 2018. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the formulation, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

### 3. Impact on Shareholders and Investors

- (1) Impact on Shareholders and Investors Upon the Renewal

The Renewal will have no direct or material impact on shareholders and investors. This is because at that time, only the assignment of authority to the Board of Directors to decide matters relating to the gratis allotment of Share Options will take place and no actual gratis allotment of Share Options will be implemented.

- (2) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Share Options

- (a) Procedures for Shareholders upon Gratis Allotment of Share Options

If the Board of Directors or Shareholders Meeting passes a Gratis Allotment Resolution, the Board of Directors will also decide the Allotment Date in the same resolution and give public notice of this Allotment Date. In this case, the Company will make a gratis allotment of Share Options to the Entitled Shareholders for one Share Option per share in the Company held by the Entitled Shareholders. All Entitled Shareholders will become Share Option holders as a matter of course on the effective date of the gratis allotment of Share Options, and no further procedures, such as applying for such gratis allotment, will be necessary.

In addition, even after the Board of Directors passes a Gratis Allotment Resolution, the Company may, by

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respecting any recommendation of the Special Committee described above in (e) of 2.(2) ‘Procedures for Triggering the Plan,’ to the maximum extent, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options), cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) acquire the Share Options for no consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is likely that any investors who have sold or bought the shares in the Company expecting to see such a dilution will be commensurately affected as a result of a fluctuation in the share price.

### **(b) Procedures for Exercising Share Options**

The Company will deliver, as a general rule, a document necessary to be submitted for the exercise of the Share Options (in the form prescribed by the Company and containing necessary matters such as the terms and number of the Share Options for exercise and the exercise date for the Share Options, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Share Options, indemnity clauses and other covenants, and information necessary to allocate shares of the Company to the account of the Entitled Shareholders) and other necessary documents to the Entitled Shareholders. After the gratis allotment of Share Options, the shareholders will be issued, as a general rule, one share in the Company per Share Option upon submitting these necessary documents during the exercise period of Share Options and by paying in the prescribed manner an amount equivalent to the exercise price determined in the Gratis Allotment Resolution, which will be an amount within the range of one yen and one-half of the fair market value of the Company’s stock per Share Option, as a general rule. The Non-Qualified Parties intending to exercise Share Options must follow the Company’s separate determination in accordance with (g) of 2.(4), ‘Outline of the Gratis Allotment of Share Options.’

If the Company’s shareholders do not exercise their Share Options or pay the amount equivalent to the exercise price, the shares they hold in the Company will be diluted by the exercise of Share Options by other shareholders.

However, it is also possible for the Company to acquire the Share Options of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) below. If the Company carries out such an acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Share Options or paying an amount equivalent to the exercise price and, in principle, there will be no subsequent dilution of the shares in the Company they hold.

### **(c) Procedures for the Acquisition of Share Options by the Company**

If the Board of Directors determines to acquire the Share Options, the Company will acquire the Share Options in accordance with the statutory procedures from the shareholders other than Non-Qualified Parties, on the date separately determined by the Board of Directors and, in exchange, deliver shares in the Company. In this case, the shareholders concerned will, in principle, come to receive one share in the Company for each Share Option as consideration for the acquisition by the Company of those Share Options, without paying the amount equivalent to the exercise price. However, in such case, the shareholders concerned will be separately requested to provide information necessary to allocate shares of the Company to the account of the Entitled Shareholders and submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

In addition, the Company will disclose information to or notify all of its shareholders with respect to the particulars of the allotment method, exercise method and method for acquisition by the Company after any Gratis Allotment Resolution, so we request that shareholders check these details at that time.

## **4. Rationale of the Plan**

### **(1) Ensure and Enhance the Company’s Corporate Value and the Common Interests of Shareholders**

The Plan is renewed in line with the Basic Policy for the purpose of maintaining the corporate value of the Company and, in turn, the common interests of its shareholders by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept the Acquisition of share certificates, etc. of the Company and for the Board of Directors to present an alternative proposal to the shareholders, and by enabling

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the Board of Directors to negotiate with the Acquirer for the benefit of the shareholders when the Acquisition is to be effected.

### **(2) Satisfying the Requirements of the Guidelines for Takeover Defense Measures**

The Plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, namely, the principles of:

- ensuring and enhancing the corporate value and shareholders' common interests;
- prior disclosure and shareholder intent; and
- ensuring necessity and appropriateness.

### **(3) Placing High Value on the Intent of Shareholders**

The Renewal is subject to the condition that shareholder approval is obtained at this Ordinary General Meeting of Shareholders regarding the assignment of decision making authority to the Board of Directors in accordance with the Company's Articles of Incorporation.

The Board of Directors will basically determine whether it is appropriate to trigger the Plan by confirming the intent of shareholders at the Shareholders Meeting.

Further, the Plan is subject to a so-called sunset clause setting the Effective Period of approximately three years and if, even before the expiration of the Effective Period of the Plan, the Company's general meeting of shareholders passes a resolution to revoke its resolution to assign the authority set out above, the Plan will be abolished in accordance with the resolution. In this regard, the life of the Plan depends on the intent of the Company's shareholders.

### **(4) Emphasis on the Decisions of Independent Parties Such As Outside Directors and Obtaining the Advice of Third-Party Experts**

The Company must obtain a recommendation from the Special Committee, composed only of members who are independent, such as outside Directors, when making decisions for triggering the Plan.

Further, the Special Committee may obtain advice from experts at the Company's expense, which is a mechanism to even further ensure the objectivity and fairness of the decisions made by the Special Committee.

### **(5) Establishment of Reasonable Objective Requirements**

As set out above in (e) of 2.(2) 'Procedures for Triggering the Plan,' and 2.(3) 'Requirements for the Gratis Allotment of Share Options, Etc.,' the Company believes that the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Board of Directors.

### **(6) No Dead-Hand or Slow-Hand Takeover Defense Measures**

The Plan may be abolished by a meeting of the Board of Directors composed of Directors who are nominated by a person who acquires a large number of share certificates and elected at the Company's general meeting of shareholders. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a system of staggered terms of office for the Board of Directors, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that all members of the Board of Directors cannot be replaced at once).

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(Note 1) The following is an outline of the Rules of the Special Committee.

- There will be no less than three members of the Special Committee, and the Board of Directors shall appoint the members from (i) outside Directors of the Company, and (ii) outside Audit and Supervisory Board Members of the Company. If any of (i) the outside Directors of the Company or (ii) the outside Audit and Supervisory Board Members of the Company is unable to act as a member, and the number of members of the Special Committee does not satisfy the quorum detailed above, the Board of Directors may appoint the members from (iii) outside experts. Such experts must be experienced corporate managers, former government employees, parties with knowledge of the investment banking industry or the Company's business areas, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating them to exercise the duty of care of a good manager or a similar provision.
- Unless otherwise determined in a resolution by the Board of Directors, the term of office of members of the Special Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years of this Ordinary General Meeting of Shareholders. However, the term of office of any member of the Special Committee who is an outside Director or outside Audit and Supervisory Board Member of the Company will end simultaneously in the event that they cease to be an outside Director or outside Audit and Supervisory Board Member of the Company (except in the case of their reelection).
- The Special Committee may make decisions on the matters listed below:
  - (1) The implementation or non-implementation of the gratis allotment of Share Options or any other reasonable measures that could be taken under the laws and ordinances and the Company's Articles of Incorporation (the "Gratis Allotment of Share Options, Etc.");
  - (2) The cancellation of the Gratis Allotment of Share Options, Etc. or the gratis acquisition of Share Options; and
  - (3) Any matters regarding which the Board of Directors separately seeks advice from the Special Committee or that the Board of Directors separately determines that the Special Committee may conduct.
- As a general rule, resolutions of meetings of the Special Committee will pass with a majority vote when all of the members of the Special Committee are in attendance (including attendance via video conference or telephone conference; hereinafter the same). However, in unavoidable circumstances a resolution may be passed with a majority of voting rights when a majority of the members of the Special Committee are in attendance.

(Note 2) "Proposal" includes solicitation of a third party.

(Note 3) Defined in Article 27-23(4) of the Financial Instruments and Exchange Act. This definition applies throughout this proposal.

(Note 4) Including persons described as a holder under Article 27-23(3) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors of the Company). The same applies throughout this proposal.

(Note 5) Defined in Article 27-23(1) of the Financial Instruments and Exchange Act. The same applies throughout this proposal unless otherwise provided for.

(Note 6) Defined in Article 27-2(6) of the Financial Instruments and Exchange Act. The same applies throughout this proposal.

(Note 7) Defined in Article 27-2(8) of the Financial Instruments and Exchange Act. The same applies throughout this proposal.

(Note 8) Defined in Article 27-2(7) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors of the Company); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Financial Instruments and Exchange Act. The same applies throughout this proposal.

(Note 9) Defined in Article 27-2(1) of the Financial Instruments and Exchange Act.

(Note 10) Defined in Article 27-23(5) of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23(6) of the Financial Instruments and Exchange Act (including persons who are deemed a joint holder by the Board of Directors). The same applies throughout this proposal.

(Note 11) Defined in Article 9(5) of the Order for Enforcement of the Financial Instruments and Exchange Act.

(Note 12) If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other

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constituent members is required.

(Note 13) Specifically, the Company intends to require the Acquirer to cancel an Acquisition subject to the approval at the general meeting of shareholders, or to take other measures.

(Note 14) Specifically, the Company intends to set out that an “exceptional event” means when (x) an Acquirer cancels or revokes an Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so, and (y) the Acquirer’s shareholding ratio determined by the Board of Directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be Acquirer’s Joint Holders, and Share Options held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) falls below 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Share Options to the extent that the number of shares to be issued or delivered upon exercise of the Share Options is up to the number of shares disposed of and to the extent of the Acquirer’s shareholding ratio being under 20%. Detailed conditions and procedures for exercise of Share Options by Non-Qualified Parties will be determined separately by the Board of Directors.

(Note 15) “Specified Large Holder” means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same applies throughout this proposal.

(Note 16) “Specified Large Purchaser” means, in principle, a person who makes a public announcement of purchase, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act; the same applies throughout this Note 15) of share certificates, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act; the same applies throughout this Note 15) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order for Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc., of a person in special relationship (including any party who is deemed to fall under the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same applies throughout this proposal.

(Note 17) An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3(3) of the Enforcement Regulations of the Companies Act) of other corporations or entities.

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**Attachment**

**Profiles of the Members of the Special Committee**

The following three persons are scheduled to be the initial members of the Special Committee upon the Renewal.

**Mitsuo Arai**

Career Summary:

1945	Born
Aug. 1971	Joined Otsuka Public Accounting Firm
Mar. 1976	Registered as certified public accountant (up to present)
Sep. 1976	Registered as certified tax accountant (up to present)
July 1983	Left Otsuka Public Accounting Firm
Aug. 1983	Established Arai Public Accounting Firm
	Became president of Arai Public Accounting Firm (up to present)
Apr. 1990	Appointed part-time instructor of Faculty of Economics at Kokugakuin University
June 2006	Elected Director of the Company (up to present)
Mar. 2015	Retired from part-time instructor of Faculty of Economics at Kokugakuin University

Mitsuo Arai is an outside Director of the Company. He is scheduled to be reelected as an outside Director upon approval at this Ordinary General Meeting of Shareholders.

He does not have any special interest in the Company. In addition, the Company has notified the Tokyo Stock Exchange of the fact that he is an independent officer of the Company.

**Ryusaku Konishi**

Career Summary:

1952	Born
Feb. 1986	Elected director of Nippon Zoki Pharmaceutical Co., Ltd.
Feb. 1988	Elected managing director of Nippon Zoki Pharmaceutical Co., Ltd.
June 1992	Appointed senior managing director of Nippon Zoki Pharmaceutical Co., Ltd.
June 1997	Appointed representative director and senior managing director of Nippon Zoki Pharmaceutical Co., Ltd.
Jan. 2002	Appointed CEO/President of Nippon Zoki Pharmaceutical Co., Ltd. (up to present)
June 2004	Elected Audit and Supervisory Board Member of the Company (up to present)

Ryusaku Konishi is an outside Audit and Supervisory Board Member of the Company.

He does not have any special interest in the Company. In addition, the Company has notified the Tokyo Stock Exchange of the fact that he is an independent officer of the Company.

**Hideaki Kobayashi**

Career Summary:

1945	Born
Apr. 1968	Joined Ministry of Foreign Affairs of Japan
Jan. 1995	Appointed Deputy Director-General of Consular Immigration Department, Ministry of Foreign Affairs of Japan
Apr. 1995	Appointed Deputy Secretary General (in charge of international affairs) of Japan Fair Trade



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	Commission
Aug. 1997	Appointed Envoy Extraordinary and Minister Plenipotentiary at Japanese Embassy in the United States of America
Feb. 2000	Appointed Ambassador Extraordinary and Plenipotentiary of Permanent Mission of Japan to the United Nations
Apr. 2001	Appointed Chief of Protocol, Ministry of Foreign Affairs of Japan
Oct. 2002	Appointed Grand Chamberlain to the Crown Prince, Imperial Household Agency
Oct. 2005	Appointed Japanese Ambassador Extraordinary and Plenipotentiary in the Kingdom of Thailand
Oct. 2008	Appointed Director General of State Guest House, Cabinet Office
Mar. 2011	Retired from Cabinet Office
Apr. 2011	Appointed advisor to the Company
June 2011	Elected Director of the Company (up to present)

Hideaki Kobayashi is an outside Director of the Company. He is scheduled to be reelected as an outside Director upon approval at this Ordinary General Meeting of Shareholders.

He does not have any special interest in the Company. In addition, the Company has notified the Tokyo Stock Exchange of the fact that he is an independent officer of the Company.

## THE 105th TERM BUSINESS REPORT

(From April 1, 2017, to March 31, 2018)

### I. Business Overview of the Group

#### 1. Progress and Results of Operations

In the consolidated fiscal year ended March 31, 2018, the Japanese economy maintained its moderate recovery with improvement in employment and income environments and corporate profits despite potential impact of overseas economies and financial market movements.

Under such conditions, the Toyo Seikan Group reported business results for the consolidated fiscal year under review as described below. Net sales rose 0.7% from the previous year to 785,278 million yen. Sales of packaging container-related machinery and steel plate for electrical and electronic components increased and the yen-denominated sales at overseas subsidiaries gained due to fluctuation of foreign exchange rate, although sales of beverage containers decreased. Despite effects of cost-saving efforts across the Group, operating income and ordinary income fell over the year due to rises in material and energy prices, recording 31,870 million yen (down 12.1%) and 29,244 million yen (down 19.0%), respectively. As the Company posted an impairment loss and other losses, profit attributable to owners of parent resulted in a loss of 24,740 million yen, compared to the profit of 12,183 million yen for the previous year.

Please note that accounting standards for provisioning has been changed following an accounting policy change for the consolidated fiscal year under review and thereafter. Consequently, the year-on-year comparison is provided using retrospectively adjusted figures. The details of the accounting policy change are explained in the section headed “Notes to Consolidated Financial Statements” in a later part of this document.

The overall sales results of each segment were as follows:

Business segment	Net Sales		
	FY 2017 (million yen)	FY 2016 (million yen)	Year-on-year Change (%)
Packaging business	656,730	657,340	99.9
Steel plate related business	59,263	54,124	109.5
Functional materials related business	37,031	35,887	103.2
Real estate related business	7,766	7,429	104.5
Other businesses	24,486	24,686	99.2
Total	785,278	779,469	100.7

#### [Packaging business]

The Group's packaging business recorded 656,730 million yen in net sales (down 0.1% year-on-year) and 23,746 million yen in operating income (down 21.3% year-on-year).

#### 1) Manufacturing and sales of metal packaging

Sales of metal packaging products decreased from the previous fiscal year.

<Domestic>

Despite increased sales of cans for alcoholic beverages (canned *Chuhai* cocktails), overall domestic sales declined year-on-year due to sluggish growth of cans for coffee drinks as well as declines in cans for food (such as seafood) and household products and Maxi caps for beer bottles.

<Overseas>

Overseas sales gained from the previous year as sales of Maxi caps for beer bottles grew in Germany and the depreciation of the yen pushed up sales in Thailand.

#### 2) Manufacturing and sales of plastic packaging

Sales of plastic packaging products remained unchanged from the previous fiscal year.

<Domestic>

Domestic sales remained flat year-on-year as bottles for Japanese sauces and plastic closures for soft drink

**[Translation for Reference and Convenience Purposes Only]**

bottles performed well and pouches for food (such as curry dishes) increased, while sales of PET bottles for tea drinks were stagnant.

<Overseas>

Overseas sales declined year-on-year due to a drop in sales of plastic films as a result of the withdrawal from plastic film business in Malaysia in September 2016.

**3) Manufacturing and sales of paper products**

Sales of paper products remained flat from the previous fiscal year as paper containers (such as paper cups for vending machines) increased but corrugated paper sheet products mainly for confectionery declined, while sales of multi-packs for beer were sluggish.

**4) Manufacturing and sales of glass packaging**

Sales of glass packaging products fell from the previous fiscal year due to a sluggish sales of bottles for soft drinks and others.

**5) Contract manufacturing and sales of aerosol products and general filling products**

Overall sales of this category rose from the previous fiscal year due to an increase in general filling products, to which demand shifted from aerosol products in the antiperspirant and deodorant market.

**6) Manufacturing and sales of machinery and equipment related to packaging containers**

Overall sales of this category significantly exceeded the previous year's results due to a rise in sales of beverage-filling equipment in Japan as well as a recovery in sales of can and can-end production machinery as a result of new orders in the U.S. for products shipped to Eastern Europe and Central America.

**[Steel plate related business]**

Net sales rose 9.5% from the previous year to 59,263 million yen, while operating income fell 2.0% to 4,039 million yen.

Sales of materials for electrical and electronic components recorded a sharp increase from the previous fiscal year as sales of materials for automotive rechargeable batteries performed well.

Sales of materials for automotive and industrial machinery parts grew significantly year-on-year as a result of strong sales of materials for driving system components.

Sales of materials for construction and household electric appliances improved year-on-year as sales of bathroom interior materials increased.

**[Functional materials related business]**

Net sales gained 3.2% year-on-year to 37,031 million yen, while operating income surged 108.2% to 2,039 million yen.

Sales of aluminum substrates for magnetic disks exceeded the previous year's results, largely driven by an increase in products for hard disks used in servers.

Sales of optical functional films decreased year-on-year mainly due to intensified competition in the flat panel display market.

Meanwhile, sales of pigments as well as glazes used on enamelware products increased over the previous year.

**[Real estate related business]**

Net sales from leasing of properties, including office buildings and commercial facilities, increased 4.5% year-on-year to 7,766 million yen, while operating income rose 6.0% to 4,837 million yen.

**[Other businesses]**

This segment, which includes manufacturing and sales of automotive stamping dies, machinery, and hard alloys, manufacturing and sales of agricultural-use materials, sales of petroleum products, and non-life insurance agency business, recorded net sales of 24,486 million yen, down 0.8% year-on-year, and operating loss of 306 million yen, compared to the operating loss of 917 million yen for the previous year.

The Group's operating results by region are as follows.

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In Japan, net sales were 676,184 million yen, down 0.1% year-on-year, with operating income of 24,872 million yen, down 23.5% over the year.

In Asia (Thailand, China, Malaysia, etc.), net sales rose 2.1% year-on-year to 54,466 million yen, while operating income grew 17.1% to 5,751 million yen.

As for other regions, including the U.S., net sales increased 10.5% year-on-year to 54,627 million yen, while operating income recorded 534 million yen, compared to the operating loss of 1,650 million for the previous year.

As of the end of the consolidated fiscal year under review, the number of consolidated subsidiaries was 72 (up 1 from the year earlier), while that of affiliates accounted for under the equity method was 4 (up 1 from the year earlier). The changes in consolidated subsidiaries and affiliates under the equity method are described below.

(i) Consolidated subsidiary

Change in the number of company: +1

Newly added company: Mebius Packaging Co., Ltd.

(ii) Affiliates accounted for under the equity method

Change in the number of company: +1

Newly added company: PT FUJI TECHNICA INDONESIA

## 2. Capital Investment

- (1) Capital investment conducted during the consolidated fiscal year under review amounted to 51,069 million yen, which mainly consisted of the following investments.

[Packaging business] 42,731 million yen

▶Toyo Seikan Co., Ltd.

- Manufacturing facilities for beverage cans (Ishioka Plant)
- Manufacturing facilities for cans for food and household products (Shiga Plant)
- Manufacturing facilities for plastic products (Osaka Plant)

▶Nippon National Seikan Co., Ltd.

- Extension of factory buildings, etc. (Head Office Plant)

▶Tokai Kogyo Co., Ltd.

- Extension of plant buildings, etc. (Atsugi Plant)

[Steel plate related business] 4,313 million yen

[Functional materials related business] 1,543 million yen

[Real estate related business] 652 million yen

[Other businesses] 777 million yen

- (2) Major facilities whose construction completed during the consolidated fiscal year under review were as follows:

[Packaging business]

▶Toyo Seikan Co., Ltd.

- Manufacturing facilities for beverage cans (Ishioka Plant, Ibaraki Plant)
- Manufacturing facilities for cans for food and household products (Shiga Plant)
- Extension of factory buildings, etc. (Shiga Plant)

▶Nippon National Seikan Co., Ltd.

- Extension of factory buildings, etc. (Head Office Plant)

- (3) Ongoing new construction and expansion of major facilities as of the end of the consolidated fiscal year

**[Translation for Reference and Convenience Purposes Only]**

under review were as follows:

**[Packaging business]**

- ▶Toyo Seikan Co., Ltd.
  - Manufacturing facilities for plastic products (Osaka Plant)
- ▶Tokan Kogyo Co., Ltd.
  - Extension of plant buildings, etc. (Atsugi Plant)
- ▶Nippon Closures Co., Ltd.
  - Extension of plant buildings, etc. (Komaki Plant)
- ▶Toyo Aerosol Industry Co., Ltd.
  - Extension of plant buildings, etc. (Tsukuba Plant)
- ▶Nippon Tokan Package Co., Ltd.
  - Extension of plant buildings, etc. (Ibaraki Plant)

**[Steel plate related business]**

- ▶Toyo Kohan Co., Ltd.
  - Continuous plating and annealing line for battery electrode (Kudamatsu Plant)

**3. Financing**

Not applicable.

**4. Transfer of Business, Absorption-Type Split or Incorporation-Type Company Split**

Not applicable.

**5. Business Taken Over from Other Companies**

Not applicable.

**6. Succession of Rights and Obligations with Respect to Business of Other Companies through Absorption-Type Merger or Split**

Not applicable.

**7. Acquisition and Disposal of Shares and Other Equity Interests or Stock Acquisition Rights in Other Companies**

Not applicable.

**8. Issues to Be Addressed**

The Company and Toyo Seikan Co., Ltd., a consolidated subsidiary of the Company, were subject to on-site inspections by the Japan Fair Trade Commission on April 20, 2017, and February 6, 2018, on suspicion of violating the Antimonopoly Act of Japan regarding trading of cans for food and cans for beverage. The Company and Toyo Seikan Co., Ltd. have taken these facts seriously and will continue to fully cooperate with the inspections.

Although the Japanese economy is expected to remain on a moderate recovery track with improvement in employment and income environments and corporate profits, the overall outlook is still unclear due to potential impact of such factors as overseas economic uncertainty and financial market volatility. Meanwhile, amid the limited growth prospect for the domestic packaging container market, the business environment surrounding the Group has become tougher as beverage makers (clients of packaging companies) have been increasing in-house production of PET bottles they use.

In such conditions, the Group has taken various measures such as business structure reform under its Fourth Mid-term Management Plan, which was originally scheduled to last until the end of the fiscal year ending March 2019. The plan was designed to build the foundation on which the Group aims to grow into ‘a global company group that has expanded from its core packaging business into adjacent and surrounding fields.’

However, the business environment has been changing at an accelerated pace as the Group has been pursuing structural reform of its packaging business and reorganization. Meanwhile, the Company has come to decide to make its listed subsidiary Toyo Kohan Co., Ltd. a wholly owned company through a tender offer, intending to switch over to a new operational structure. In light of these situations, the Company has recently decided

## [Translation for Reference and Convenience Purposes Only]

to discontinue the existing mid-term plan at the end of March 2018 and newly develop Toyo Seikan Group Fifth Mid-term Management Plan for the coming years from fiscal 2018 (ending March 2019) to fiscal 2020 (ending March 2021).

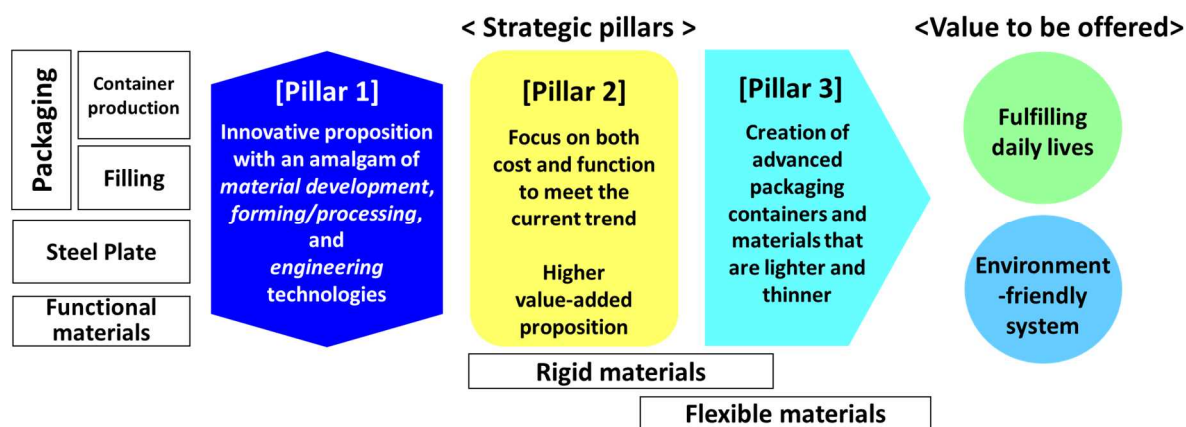
The tender offer for shares in Toyo Kohan Co., Ltd. commenced on May 11, 2018.

### [Outlines of basic strategy of the Fifth Mid-term Management Plan]

The Fifth Mid-term Management Plan defines the fiscal 2018 as the year of a fresh start with the spirit of foundation and provides basic policies for the Group's growth strategy and the measures that support the strategy implementation, including reforms of business structure and corporate culture as well as measures related to finance and capital management.

#### (1) Continuous offering of new value to our clients and society

We will continue to help people live more prosperous lives and propose environment-friendly systems, taking advantage of the combination of the Group's technologies in three key categories: material development, forming/processing, and engineering.



#### (2) Pursuing reforms of organizational structure and corporate culture to support sustainable growth

We will take measures based on the following three policies:

- Reorganization that allows for flexible business operation
- Optimization of scale, function, and location
- Implementation of a social role that a leading company is required to take on

#### (3) Carrying out measures related to finance and capital management that allow for both growth strategy investment and financial soundness

We will take measures based on the following two policies:

- Implementation of growth strategy investment through an appropriate allocation of management resources
- Carrying out measures related to finance and capital management that can flexibly respond to environmental changes

### [Numerical goals]

The Fifth Mid-term Management Plan aims to achieve 820 billion yen in sales and 50 billion yen in operating profit on a consolidated basis for its final fiscal year ending March 2021.

Although more challenging business environment surrounding the Group is anticipated going forward, we will continue to pursue a sustainable growth by ensuring to implement the above-mentioned measures in the new mid-term management plan.

We would greatly appreciate continued support and assistance of our shareholders.

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9. Assets, and Profit and Loss for the Recent Four Fiscal Years

(millions of yen)

	102nd term FY2014	103rd term FY2015	104th term FY2016	105th term FY2017 (Current term)
Net sales	784,362	802,048	779,469	785,278
Operating income	15,182	32,426	36,273	31,870
Ordinary income	23,972	26,770	36,098	29,244
Profit (Loss) attributable to owners of parent	3,668	10,135	12,183	(24,740)
Profit (Loss) per share (yen)	18.08	49.96	60.06	(121.96)
Total assets	1,137,929	1,150,697	1,148,174	1,121,168
Net assets	708,655	702,204	725,838	720,207
Net asset per share (yen)	3,153.80	3,124.03	3,234.69	3,193.97

Note: As accounting standards for provisioning has been changed following an accounting policy change for the consolidated fiscal year under review and thereafter, figures for the periods from FY2014 to FY2016 are retrospectively adjusted according to the currently adopted accounting policies.

10. Material Status of the Parent Company and Subsidiaries

- (1) Parent company  
Not applicable.
- (2) Significant subsidiaries

Company name	Paid-in capital	Ratio of voting rights (%)	Main operations
Toyo Seikan Co., Ltd.	1,000 (million yen)	100.0	Manufacturing and sales of metal and plastic packaging products, etc.
Toyo Kohan Co., Ltd.	5,040 (million yen)	47.6	Manufacturing and sales of tinplate, steel sheets, surface-treated steel sheets and functional materials
Tokan Kogyo Co., Ltd.	1,531 (million yen)	100.0	Manufacturing and sales of paper container and plastic products
Nippon Closures Co., Ltd.	500 (million yen)	100.0	Manufacturing and sales of closures and crown caps
Toyo Glass Co., Ltd.	960 (million yen)	100.0	Manufacturing and sales of glass products
Toyo Aerosol Industry Co., Ltd.	315 (million yen)	100.0	Contract manufacturing and sales of aerosol products, etc.
Tokan Material Technology Co., Ltd.	310 (million yen)	100.0	Manufacturing and sales of glaze/trace-element fertilizer/pigment/gel coat, etc.
Nippon Tokan Package Co., Ltd.	700 (million yen)	55.0 [55.0]	Manufacturing and sales of corrugated paper products and paper container products, etc.
Bangkok Can Manufacturing Co., Ltd.	1,800 (million baht)	99.9 [99.9]	Manufacturing and sales of beverage cans
Crown Seal Public Co., Ltd.	528 (million baht)	47.6 [47.6]	Manufacturing and sales of closures and crown caps
Stolle Machinery Company, LLC	—	100.0 [100.0]	Manufacturing and sales of can and can end manufacturing machinery

- Notes: 1. The ratio of indirect voting rights is shown in parentheses in the column of the “Ratio of voting rights.”
2. The status of specific wholly owned subsidiary as of the end of the fiscal year under review is as follows.

**[Translation for Reference and Convenience Purposes Only]**

Name of specific wholly owned subsidiary	Toyo Seikan Co., Ltd.
Address of specific wholly owned subsidiary	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
Book value of the specific wholly owned subsidiary's shares in the Company	219,424 million yen
Total assets of the Company	620,554 million yen

**11. Content of Principal Businesses (as of March 31, 2018)**

Business segment	Content of business
Packaging business	Manufacturing and sales of metal packaging, plastic packaging, paper products and glass packaging; contract manufacturing and sales of aerosol and general products; and manufacturing and sales of machinery and equipment related to packaging containers
Steel plate related business	Manufacturing and sales of steel plate and related processed goods
Functional materials related business	Manufacturing and sales of aluminum substrates for magnetic disks, functional films for optics, glaze, trace-element fertilizer, pigment and gel coat, etc.
Real estate related business	Rental/lease of office buildings and commercial facilities, etc.
Other businesses	Manufacturing and sales of automobile press dies, machinery and appliances, hard alloys and raw material products for agriculture, and; sales of petroleum products; and non-life insurance agency business

**12. Principal Offices and Plants (as of March 31, 2018)**

Company name	Major base	
Toyo Seikan Group Holdings, Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
Toyo Seikan Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Chitose (Chitose-shi), Sendai (Miyagino-ku, Sendai-shi), Ishioka (Ishioka-shi), Kuki (Kuki-shi), Saitama (Yoshimi-cho, Hiki-gun), Kawasaki (Kawasaki-ku, Kawasaki-shi), Yokohama (Tsurumi-ku, Yokohama-shi), Shizuoka (Makinohara-shi), Toyohashi (Toyohashi-shi), Shiga (Higashi-Omi-shi), Ibaraki (Ibaraki-shi), Osaka (Izumisano-shi), Hiroshima (Mihara-shi), Kiyama (Kiyama-cho, Miyaki-gun)
Toyo Kohan Co., Ltd.	Head Office	2-12 Yonbancho, Chiyoda-ku, Tokyo
	Plant	Kudamatsu (Kudamatsu-shi)
Tokan Kogyo Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Ibaraki (Goka-machi, Sashima-gun), Atsugi (Ayase-shi), Shizuoka (Kakegawa-shi), Komaki (Komaki-shi), Osaka (Settsu-shi), Fukuoka (Miyawaka-shi)
Nippon Closures Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Ishioka (Ishioka -shi), Hiratsuka (Hiratsuka-shi), Komaki (Komaki-shi), Okayama (Shouo-cho, Katsuta-gun)
Toyo Glass Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Chiba (Kashiwa-shi), Shiga (Konan-shi)
Toyo Aerosol Industry Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Tsukuba (Ryugasaki-shi), Kawagoe (Kawagoe-shi), Mie (Iga-shi)
Tokan Material Technology Co., Ltd.	Head Office	2-1-27 Oyodo Kita, Kita-ku, Osaka-shi, Osaka
	Plants	Osaka (Kita-ku, Osaka-shi), Komaki (Komaki-shi), Kyushu (Nakama-shi)



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Company name	Major base	
Nippon Tokan Package Co., Ltd.	Head Office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
	Plants	Sendai (Taiwa-cho, Kurokawa-gun), Fukushima (Iwaki-shi), Ibaraki (Goka-machi, Sashima-gun), Koga (Koga-shi), Tochigi (Sakura-shi), Saitama (Souka-shi), Sagami-hara (Minami-ku, Sagami-hara-shi), Atsugi (Ayase-shi), Shizuoka (Kakegawa-shi), Aichi (Anjo-shi), Gifu (Mizuho-shi), Shiga (Kusatsu-shi), Kyoto (Kumiyama-cho, Kuse-gun), Osaka (Settsu-shi), Fukuoka (Shingu-machi, Kasuya-gun)
Bangkok Can Manufacturing Co., Ltd.	Head Office	Thailand (Pathumthani)
	Plant	Thailand (Pathumthani)
Crown Seal Public Co., Ltd.	Head Office	Thailand (Pathumthani)
	Plant	Thailand (Pathumthani)
Stolle Machinery Company, LLC	Head Office	United States (Delaware)
	Plant	United States (Colorado)

### 13. Employees (as of March 31, 2018)

#### (1) Employees of the Group

Business segment	Number of employees	Year-on-year change in number
Packaging business	14,856 [2,980]	-122 [-170]
Steel plate related business	1,120 [83]	+25 [+4]
Functional materials related business	1,184 [88]	+6 [-11]
Real estate related business	7 [1]	±0 [±0]
Other businesses	867 [109]	+32 [-24]
Corporate (common)	385 [18]	-12 [-3]
Total	18,419 [3,279]	-71 [-204]

- Notes: 1. "Number of employees" consists of the number of employees who are working within the Group as of the date, excluding those who are seconded to companies outside of the Group and including those who are seconded from companies outside of the Group to any of group companies. In addition to the number of employees, the number of temporary workers is shown in [ ] as an annual average.
2. The number of temporary workers includes contract employees, associate employees, and part-time workers, and excludes temps dispatched from staffing agencies.
3. Number of employees stated as "Corporate (common)" refers to employees who belong to administrative departments that cannot be categorized into a specific business segment.

#### (2) Employees of the Company

Number of employees		Year-on-year change in number	Average age (years)	Average years of service
Male	292 [13]	-14 [-4]	41.7	16.2
Female	93 [5]	+2 [+1]	38.0	12.6
Total	385 [18]	-12 [-3]	40.8	15.3

- Notes: 1. "Number of employees" consists of the number of employees who are working within the Group as of the date, excluding those who are seconded to companies outside of the Group and including those who are seconded from companies outside of the Group to any of Group companies. In addition to the number of employees, the number of temporary workers is shown in [ ] as an annual average.
2. The number of temporary workers includes contract employees, associate employees, and part-term workers, and excludes temps dispatched from staffing agencies.
3. All the employees of the Company are included in the "Corporate (common)" segment in the table of the previous section 13(1).

**[Translation for Reference and Convenience Purposes Only]**

**14. Major Lenders (as of March 31, 2018)**

(millions of yen)	
Lender	Loan amount
Sumitomo Mitsui Banking Corporation	66,991
Sumitomo Mitsui Trust Bank, Limited	33,132
Mizuho Bank, Ltd.	14,564

**15. Other Material Matters Concerning Current Status of the Group**

- (1) The company has resolved at its Board of Directors meeting on February 7, 2018, that it would acquire the common shares of Toyo Kohan Co., Ltd., a consolidated subsidiary of the Company, via a tender offer in order to make the group company a wholly-owned subsidiary. The tender offer commenced on May 11, 2018.
- (2) The Company and Hokkan Holdings Limited entered into a memorandum of understanding (MOU) as of April 25, 2016, regarding the business integration of the two companies and proceeded with discussions and deliberations on the proposed merger. However, the review by the Japan Fair Trade Commission on the merger has continued with no settlement in sight, while the business environment has changed from the time of the MOU conclusion. In light of these conditions, the two companies have resolved that they would agree to cancel the MOU and terminate discussions and deliberations on the preparation for their business integration.
- (3) On April 1, 2018, the Company completed an absorption-type company split in which operations related to plastic bottles and caps mainly for non-beverage products were curved out from Toyo Seikan Co., Ltd., Tokan Kogyo Co., Ltd. and Nippon Closures Co., Ltd., consolidated subsidiaries of the Company, and succeeded and integrated by Mebius Packaging Co., Ltd., a subsidiary established on October 2, 2017.
- (4) Toyo Seikan Co., Ltd., a consolidated subsidiary of the Company, transferred all the shares it held in PET Refine Technology Co., Ltd. ("PRT") to JEPLAN, Inc. Following the transfer, PRT was removed from the Company's consolidated financial statements.

**[Translation for Reference and Convenience Purposes Only]**

**II. Current Status of the Company**

**1. Shares (as of March 31, 2018)**

- |                                                  |                    |
|--------------------------------------------------|--------------------|
| (1) Number of shares authorized to be issued:    | 450,000,000 shares |
| (2) Number of outstanding shares:                | 217,775,067 shares |
| (3) Number of shareholders:                      | 7,092              |
| (4) Major shareholders:<br>(Top 10 shareholders) |                    |

Name	Number of shares held (in thousands)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	27,872	13.7
Toyo College of Food Technology	16,192	8.0
Japan Trustee Services Bank, Ltd. (trust account)	15,479	7.6
Toyo Institute of Food Technology	12,390	6.1
Sumitomo Mitsui Banking Corporation	6,500	3.2
Fukoku Mutual Life Insurance Company	5,600	2.8
Sumitomo Mitsui Trust Bank, Limited	4,200	2.1
The Gunma Bank, Ltd.	3,919	1.9
Toyo Ink SC Holdings Co., Ltd.	3,798	1.9
Mitsui Sumitomo Insurance Company, Limited	3,441	1.7

- Notes: 1. In addition to the above-mentioned shares, 14,912,905 shares are held by the Company as treasury shares.
2. The 14,912,905 treasury shares are excluded from the total outstanding shares in calculation of the ownership ratio.

**2. Stock Acquisition Rights Related Information**

Not applicable.

**[Translation for Reference and Convenience Purposes Only]**

**3. Directors and Audit and Supervisory Board Members of the Company**

**(1) Directors and Audit and Supervisory Board Members (as of March 31, 2018)**

Position	Name	Responsibility and significant concurrent positions
President and Representative Director	Takao Nakai	- Chairman of Group CSR Promotion Committee - Chairman of Group Risk and Compliance Committee - Chairman of Group Environment Committee
Executive Vice President and Representative Director	Atsuo Fujii	- Corporate Strategy and Corporate Administration - Chief Financial Officer
Director	Norimasa Maida	- Senior Executive Officer - Chief Technology Officer - Director of Toyo Kohan Co., Ltd.
Director	Toshiyasu Gomi	- Senior Executive Officer - Secretariat, CSR, General Affairs, Legal, HR, and Group's Risk & Compliance - Director of Toyo Seikan Co., Ltd.
Director	Masashi Gobun	- Senior Executive Officer - Accounting, Finance, Information System, and Group's IT Management - Director of Toyo Seikan Co., Ltd.
Director	Masakazu Soejima	- Operating Officer - Corporate Strategy and Investor Relations - Director of Toyo Aerosol Industry Co., Ltd.
Director	Kazuo Murohashi	- Operating Officer - General Affairs and Human Resources - General Manager of Human Resources Dept.
Director	Mitsuo Arai	- Certified Public Accountant (Representative Partner of Arai CPA Office) - Outside Director (Audit and Supervisory Committee member) of Okamoto Industries, Inc.
Director	Hideaki Kobayashi	- Outside Director of Densan Co., Ltd.
Director	Tsutao Katayama	- Professor, Department of Biomedical Engineering, Faculty of Life and Medical Sciences, Doshisha University
Director	Kei Asatsuma	- Lawyer (Partner of Nagashima Ohno & Tsunematsu)
Standing Audit and Supervisory Board Member	Kunio Okawa	- Auditor of Toyo Seikan Co., Ltd. - Auditor of Toyo Kohan Co., Ltd. - Auditor of Toyo Aerosol Industry Co., Ltd. - Auditor of Tokan Material Technology Co., Ltd. - Auditor of Toyo Institute of Food Technology
Standing Audit and Supervisory Board Member	Toshitaka Uesugi	- Auditor of Tokan Kogyo Co., Ltd. - Auditor of Nippon Closures Co., Ltd. - Auditor of Toyo Glass Co., Ltd. - Auditor of Nippon Tokan Package Co., Ltd.
Audit and Supervisory Board Member	Ryusaku Konishi	- President and Representative Director of Nippon Zoki Pharmaceutical Co., Ltd.
Audit and Supervisory Board Member	Fuminari Hako	- Certified Public Accountant, Certified Tax Accountant (Partner of Aoyama Trust Tax Accounting Firm) - Outside Director (Audit Committee member) of Showa Chemical Industry Co., Ltd.
Audit and Supervisory Board Member	Hiroshi Suzuki	- Certified Tax Accountant

Notes: 1. Directors Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, and Kei Asatsuma are outside Directors.

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2. Audit and Supervisory Board Members Ryusaku Konishi, Fuminari Hako, and Hiroshi Suzuki are outside Audit and Supervisory Board Members.
3. The Company notified the Tokyo Stock Exchange (TSE) that it has appointed Directors Mitsuo Arai, Hideaki Kobayashi and Tsutao Katayama, and Audit and Supervisory Board Members Ryusaku Konishi, Fuminari Hako and Hiroshi Suzuki as Independent Directors of the Company.
4. Kei Asatsuma, an outside Director, meets the independence criteria of both TSE and the Company but has not been designated as an Independent Director according to the policy of the law firm to which he belongs.
5. Standing Audit and Supervisory Board Member Kunio Okawa has considerable insight into finance and accounting based on his experience as General Manager of the Accounting Department of the Company.
6. Audit and Supervisory Board Member Fuminari Hako is a CPA and certified tax accountant and has considerable insight into finance and accounting.
7. Audit and Supervisory Board Member Hiroshi Suzuki is a certified tax accountant and has considerable insight into finance and accounting.
8. Resignation from significant concurrent positions during the fiscal year under review was as follows:

Position	Name	Significant concurrent positions	Date of resignation
Director	Toshiyasu Gomi	Director of Toyo Seikan Co., Ltd.	March 31, 2018
Director	Masakazu Soejima	Director of Toyo Aerosol Industry Co., Ltd.	March 31, 2018
Audit and Supervisory Board Member	Fuminari Hako	Outside Auditor of B-Lot Company Limited	March 28, 2018

**(2) Total amount of compensation to Directors and Audit and Supervisory Board Members**

Category	Basic compensation		Bonus		Total Amount (millions of yen)
	Number of persons paid	Amount Paid (millions of yen)	Number of persons paid	Amount Provided (millions of yen)	
Directors (of the above, outside Directors)	11 (4)	264 (30)	11 (4)	32 (4)	297 (34)
Audit and Supervisory Board Members (of the above, outside Audit and Supervisory Board Members)	6 (4)	66 (21)	5 (3)	10 (3)	77 (24)
Total (of the above, outside Directors and Audit and Supervisory Board Members)	17 (8)	331 (52)	16 (7)	43 (7)	374 (59)

- Notes: 1. The 93rd Ordinary General Meeting of Shareholders held on June 29, 2006, resolved that compensation paid to Directors will be no more than 430 million yen per year (excludes the employee salary portion if a Director concurrently serves as an employee).
2. The 104th Ordinary General Meeting of Shareholders held on June 27, 2017, resolved that compensation paid to Audit and Supervisory Board Members will be no more than 110 million yen per year.
3. “Number of persons paid” and “Amount paid” under the “Basic compensation” for Directors in the table include one Director who retired due to the expiration of the term of office upon the close of the 104th Ordinary General Meeting of Shareholders held on June 27, 2017 and the amount paid to such Director.
4. In addition to the above, the Company paid retirement allowance as below according to the length of services from the assumption of office to June 29, 2006, based on the resolution of the 93rd

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Ordinary General Meeting of Shareholders held on June 29, 2006 (“Grant of retirement allowance to the retiring Directors and payment of retirement allowance with the abolishment of retirement benefit program for Directors”), as an Audit and Supervisory Board Member subject to the payment of the balance of retirement allowance according to the resolution retired during the fiscal year under review.

Number of retired Audit and Supervisory Board Member: 1  
Amount paid: 1 million yen

**(3) Outside directors and auditors**

- 1) Significant positions concurrently held by outside Directors (In the case where the person executes business or serves as an outside director or auditor at a company other than the Company)

Name	Significant concurrent positions outside the Company
Mitsuo Arai	Outside director (Audit and Supervisory Committee Member) of Okamoto Industries, Inc.
Hideaki Kobayashi	Outside director of Densan Co., Ltd.
Kei Asatsuma	Lawyer (Partner of Nagashima Ohno & Tsunematsu)

Notes: 1. There are no special interests between the Company and Okamoto Industries, Inc.  
2. There are no special interests between the Company and Densan Co., Ltd.  
3. There are no special interests between the Company and Nagashima Ohno & Tsunematsu.

- 2) Significant positions concurrently held by outside Audit and Supervisory Board Members (In the case where the person executes business or serves as an outside director or auditor at a company other than the Company)

Name	Significant concurrent positions outside the Company
Ryusaku Konishi	President and Representative Director of Nippon Zoki Pharmaceutical Co., Ltd.
Fuminari Hako	Certified Public Accountant, Certified Tax Accountant (Partner of Aoyama Trust Tax Accounting Firm) Outside director (Audit Committee member) of Showa Chemical Industry Co., Ltd.

Notes: 1. There are no special interests between the Company and Nippon Zoki Pharmaceutical Co., Ltd.  
2. There are no special interests between the Company and Aoyama Trust Tax Accounting Firm.  
3. There are no special interests between the Company and Showa Chemical Industry Co., Ltd.

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3) Major activities in the fiscal year under review

Each outside Director sufficiently fulfilled management surveillance functions by providing advice and making proposals in a proper and timely manner to ensure the validity and appropriateness of decision making by the Board of Directors.

Each outside Audit and Supervisory Board Member sufficiently fulfilled auditing functions by expressing questions and opinions necessary for deliberations at the Board of Directors meetings as well as exchanging opinions and discussing audit matters at the Audit and Supervisory Board meetings.

Name	Position	Record of attendance		Status of expression of opinions
		Board of Directors Meetings	Audit and Supervisory Board Meetings	
Mitsuo Arai	Outside Director	13 out of 14 times	—	Expresses opinions as needed mainly from a professional viewpoint of a CPA
Hideaki Kobayashi	Outside Director	14 out of 14 times	—	Expresses opinions as needed mainly based on his international experience and broad insights as a diplomat over many years
Tsutao Katayama	Outside Director	14 out of 14 times	—	Expresses opinions as needed mainly from a professional viewpoint of a professor
Kei Asatsuma	Outside Director	14 out of 14 times	—	Expresses opinions as needed mainly from a professional viewpoint of a lawyer
Ryusaku Konishi	Outside Audit and Supervisory Board Member	12 out of 14 times	13 out of 14 times	Expresses opinions as needed mainly based on his abundant experience and knowledge concerning corporate management
Fuminari Hako	Outside Audit and Supervisory Board Member	14 out of 14 times	14 out of 14 times	Expresses opinions as needed mainly from a professional viewpoint of a CPA and certified tax accountant
Hiroshi Suzuki	Outside Audit and Supervisory Board Member	11 out of 11 times	10 out of 10 times	Expresses opinions as needed mainly from a professional viewpoint of a certified tax accountant

- Notes: 1. Since Audit and Supervisory Board Member Hiroshi Suzuki took office at the 104th Ordinary General Meeting of Shareholders held on June 27, 2017, the numbers of Board of Directors meetings and Audit and Supervisory Board meetings available for him to attend were 11 and 10, respectively.
2. In addition to the above, outside Directors and Audit and Supervisory Board Members have actively been engaged in activities such as the outside directors' meeting that is held on a monthly basis in principle to exchange views and opinions with Representative Directors, and on-site inspections of group companies, which are conducted as needed.

4) Outline of the limited liability agreements

Under provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded with each outside Director and outside Audit and Supervisory Board Member an agreement which limits the liability under Article 423, Paragraph 1 of the Companies Act. In accordance with the agreement, the liability of each of outside Directors and outside Audit and Supervisory Board Members shall not exceed the higher of either 10 million yen or the amount stipulated in the Act.

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**4. Accounting Auditor**

(1) Name of Accounting Auditor    Sohken Audit Corporation

(2) Amount of compensation to Accounting Auditor

(millions of yen)

		Amount of compensation
1)	Amount of compensation to be paid to the Accounting Auditor in the fiscal year under review	52
2)	Amount of monetary and other economic benefits to be paid to the Accounting Auditor by the Company and its subsidiaries	212

Notes: 1. The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish the amount of compensation being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and cannot do so practically. Therefore, the total amount of such compensations is stated in 1).

2. The Audit and Supervisory Board carefully examined the Accounting Auditor's explanation of the content of the accounting audit plan for the fiscal year under review, the results of the previous fiscal year's audit, the status of operations of the Accounting Auditor's audit, and the basis for calculations of the compensation estimates, and having deemed them appropriate, approved the amount of compensation for the Accounting Auditor.

Among the Company's primary subsidiaries, Bangkok Can Manufacturing Co., Ltd., Crown Seal Public Co., Ltd. and Stolle Machinery Company, LLC have been subject to statutory audits (limited only to audits based on provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws equivalent to said laws in Japan) by Certified Public Accountants or audit corporations (including those who have foreign licenses equivalent to Japanese licenses for such audits) other than the Company's Accounting Auditor).

(3) Company policy regarding decision on dismissal or non-reappointment of the Accounting Auditor

The Audit and Supervisory Board shall, if it determines that the Accounting Auditor brings about significant obstacles to the Company in cases where, for example, the Accounting Auditor has violated any of its professional obligations or neglected its duties, or committed any misconduct, follow the policy of dismissing the Accounting Auditor, based on the consent of all the Audit and Supervisory Board Members, in accordance with the provisions of Article 340, paragraph 1 of the Companies Act.

In addition, in case the Accounting Auditor's appropriate performance of duties cannot be ensured due to the occurrence of a cause that could impair qualification and/or independence of the Accounting Auditor, or in case it judges that the replacement thereof would be reasonable to enhance the appropriateness of audits, the Audit and Supervisory Board shall determine the content of a proposal regarding dismissal or refusal of reelection of the Accounting Auditor, which will be submitted to the General Meeting of Shareholders.

**5. System to Ensure Appropriateness of Business and Its Managerial Status**

(1) System to Ensure Appropriateness of Business

With respect to the system to ensure the appropriateness of its business, the Company resolved the following matters at the Board of Directors meetings:

- 1) System to ensure that the performance of duties by respective Directors and employees of the Company and each Group company complies with Japanese laws and regulations and the Articles of Incorporation
  - (a) The Company shall formulate the Toyo Seikan Group Code of Conduct Charter, which shall apply to the Company and each Group company accordingly, and establish the Group Risk and Compliance Committee to streamline the Group-wide compliance structure and control compliance-related initiatives.
  - (b) Under the guidance of the Group Risk and Compliance Committee, the Company and each Group company shall formulate their respective corporate codes of conduct as behavior guidelines for Directors, Executive Officers, employees and other personnel (collectively, hereinafter the "Officers and Employees") to address compliance with Japanese laws and regulations, the Articles of



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- Incorporation and corporate ethics. At the same time, the Company and each Group company shall conduct training and education of their respective Officers and Employees to ensure that they thoroughly understand compliance issues.
- (c) The Company and each Group company shall establish their respective compliance hotlines both internally and externally as a means for employees, etc., to directly provide information about questionable activity that might be illegal or otherwise non-compliant. The Company and each Group company shall also set rules for operating said hotline system and streamline the compliance-related reporting and consulting systems to prevent and/or early detect and correct non-compliance.
- 2) System to retain and manage information regarding the performance of duties by respective Directors of the Company and each Group company
- (a) In accordance with Japanese laws and regulations, and internal regulations, the Company and each Group company shall record and maintain all information regarding the performance of duties by Directors, including i) General Meeting of Shareholders meeting minutes, ii) Board of Directors meeting minutes, iii) management meeting minutes and iv) consultations and approvals, for a period of time set forth by regulations pertaining to such information and in an appropriate manner that it is accessible in either hard copy or electromagnetic media by Directors and Audit and Supervisory Board Members for examination.
- (b) The Company shall control information management at the Company and each Group company under the guidance of the Group Risk and Compliance Committee, and formulate regulations for information management to ensure appropriate information management at the Company and each Group company.
- 3) Regulations and other systems for controlling the risk of loss at the Company and each Group company
- (a) The Company shall formulate the “Group Risk and Crisis Management Regulations,” and establish a Group-wide risk and crisis management system under the guidance of the Group Risk and Compliance Committee. The Company shall also check the risk management status at each Group company and take necessary measures for improvement and correction.
- (b) In any unforeseen event or circumstances, the Company shall establish, as the need arises, a crisis management headquarters to control crisis management efforts at the Group companies, or each relevant Group company shall establish its own crisis management headquarters. Thus, the Company and each Group company shall put in place an emergency response structure to prevent or minimize further expansion of Group-wide damages.
- 4) System to ensure efficient performance of duties by respective Directors of the Company and each Group company
- (a) The Company shall stipulate matters to be resolved and reported at the Board of Directors meetings. In addition, the Board of Directors meetings of the Company shall be held once per month, in principle, and at other times, as needs dictate, to make appropriate and quick decisions with regard to Group-wide management policies and strategies, as well as important issues in relation to the execution of business operations.
- (b) The Company shall stipulate matters to be discussed and reported at the management meetings. In addition, the management meetings of the Company shall be held three times per month, in principle, and at other times, as appropriate, to discuss important issues relating to the execution of business operations of the Company and each Group company to help the Board of Directors of the Company improve the efficiency and effectiveness of deliberations. Each Group company shall also establish management meetings, etc., in principle, to help its Board of Directors improve the efficiency and effectiveness of deliberations.
- (c) At the Company and each Group company, business operations based on the decisions regarding a course of action made by the Board of Directors shall be executed by each department in charge according to rules governing the division of duties, final decisions (*kessai*) and authority, which shall be stipulated by the Company or each Group company through prior consultation with the Company and shall be checked or rectified by Directors, as necessary.
- 5) Other systems to ensure the appropriateness of operations at the Company and each Group company
- (a) As the holding company that controls the overall businesses of all the Group companies, the Company shall confirm and validate the scope of business, operating performance, etc., by holding regular meetings with each Group company.
- (b) The Company shall formulate the “Group Companies Management Regulations” and streamline

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- systems to receive reports on business operations, etc., from each Group company and provide it with business administration and support in the pursuit of seeking the appropriate management of each Group company.
- (c) The Internal Audit Division of the Company shall audit the internal control systems at the Company and each Group company and report the audit results to the President and Representative Director.
  - (d) The Company and each Group company shall streamline and operate appropriate internal management systems to ensure proper financial reporting in accordance with the Financial Instruments and Exchange Act and other applicable Japanese laws and regulations.
- 6) System of employees assigned to assist the duties of Audit and Supervisory Board Members, as well as matters for ensuring independence of said employees from Directors and the effectiveness of the directions given by Audit and Supervisory Board Members to said employees
- (a) Based on discussion with Audit and Supervisory Board Members on the required number of such assistants, Directors shall appoint assistants who are dedicated employees assigned to assist the duties of Audit and Supervisory Board Members.
  - (b) The aforementioned assistants shall receive directions and orders only from the Audit and Supervisory Board Members in executing their duties and shall never receive any orders from Directors. Evaluations of the assistants will be made by the relevant Audit and Supervisory Board Member, while the Directors, with the consent of the Audit and Supervisory Board, shall make decisions on the appointment, dismissal and reassignment of such assistants.
- 7) System to report to Audit and Supervisory Board Members by Directors and employees, etc., of the Company and each Group company, as well as other systems for reporting to Audit and Supervisory Board Members
- (a) The Officers and Employees shall make timely and appropriate reports to the Audit and Supervisory Board Members regarding important matters that might have an impact on business operations or performance through management meetings, etc.  
Despite the above, Audit and Supervisory Board Members may, whenever necessary, request reports from the Officers and Employees and attend important meetings on various business operations at the Company and each Group company.
  - (b) The Internal Audit Division of the Company shall regularly hold reporting sessions for Audit and Supervisory Board Members to report the current circumstances of the internal audits, compliance, risk management, etc., at the Company and any relevant Group companies.
  - (c) The Company and each Group company shall streamline their respective systems that allow the Officers and Employees to appropriately report compliance-related issues to any Audit and Supervisory Board Member.
  - (d) The Company and each Group company shall ensure that anyone who has reported to Audit and Supervisory Board Members does not suffer from detrimental treatment for the reason of having made said report, and streamline the system to this end.
- 8) Other systems to ensure the effectiveness of audits by Audit and Supervisory Board Members
- (a) The Audit and Supervisory Board Members shall strive to continually fulfill and improve their professional duties by mutually exchanging information and ideas with the President and Representative Director, the Internal Audit Division and Accounting Auditor.
  - (b) When problems or issues arise in the operation or management of the Company's internal control system, the Audit and Supervisory Board Members may discuss with the Board of Directors and request measures to address those problems.
  - (c) The Company and each Group company shall immediately treat expenses in their respective accounting procedures that have accrued in relation to the performance of duties by Audit and Supervisory Board Members, by taking into account the opinion of the relevant Audit and Supervisory Board Member, except as otherwise recognized that such expenses are not necessary for the performance of said Audit and Supervisory Board Member's duties.
- 9) Basic principles and structures for eliminating antisocial forces
- (a) The Company and each Group company shall have a resolute stance of no association with any antisocial forces that pose a threat to the order and safety of society, and if such association exists, immediate action shall be taken to eliminate any connection and all demands refused.

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- (b) The Company and each Group company shall establish their respective corporate codes of conduct and other guidelines to deal with antisocial forces, which shall be made widely known to the Officers and Employees, and other stakeholders.

The Company and each Group company shall cooperate with authorities to obtain information through the General Affairs Department as the response team that takes action against any such antisocial forces, and shall maintain close connections with law enforcement agencies and attorneys in order to act swiftly to prohibit further activity by such groups.

**(2) Managerial Status of System to Ensure Appropriateness of Business**

Summarized below is the managerial status of the system to ensure the appropriateness of business in the fiscal year under review.

**1) Overall internal control system**

The Company and each Group company have an internal control system whereby the Internal Audit Office, the Company's internal audit division, regularly carries out internal audits to confirm the status of the framework and operation of internal controls and compliance with laws and regulations. The Internal Audit Office makes improvements based on audit results, and reports the results to the Company's executives at the Board of Directors meetings, management meetings, and Audit and Supervisory Board Meetings.

**2) Risk management**

The Company and Group companies reinforce their risk management system based on the "Group Risk and Crisis Management Regulations", which has been formulated for the purpose of preventing various risks that could have an impact on business continuity and achieving a stable management foundation for them as well as quickly restoring and resuming operations in the event of a crisis. The Company has established the Group Risk and Compliance Committee to comprehensively supervise risk control, crisis management, and compliance across the Group. The Committee checks information pertaining to material risks and takes necessary steps to improve relevant issues and prevent risk occurrence. In addition, the Company and Group companies individually develop crisis management rules and crisis response manuals based on their respective management systems and review their risk management conditions.

**3) Compliance**

The Group carries out compliance activities such as Group Risk and Compliance Committee meetings and training, with a flexible cross-organizational approach to ensure compliance awareness and prevent violations.

The Company and Group companies endeavor to ensure that employees are properly informed of the compliance hotlines and that these hotlines are easy to use. The information received through the hotlines is investigated and addressed by the relevant division based on the instructions from the officer in charge of compliance, and then reported to the Group Risk and Compliance Committee meeting.

The Company and Toyo Seikan Co., Ltd., a consolidated subsidiary of the Company, were subject to on-site inspections by the Japan Fair Trade Commission on April 20, 2017, and February 6, 2018, on suspicion of violating the Antimonopoly Act of Japan regarding trading of cans for food and cans for beverage.

The Group has seriously taken to heart the fact that it has faced these investigations, and has undertaken the review and further enhancement of its compliance program. It has reviewed its "Regulations related to Compliance with the Antimonopoly Act, etc." and, in order to have all members in the Group fully understand the regulations, conducted a series of training programs regarding the Antimonopoly Act for its officers and employees. In addition, the Group has newly developed the "Toyo Seikan Group Code of Conduct" and the "Toyo Seikan Group Standards of Behavior"<sup>1</sup>, which provide its members with a framework for compliance and practice. The new provisions stipulate what should be a fair competitive relationship between rival companies.

Note 1: The Toyo Seikan Group Code of Conduct and the Toyo Seikan Group Standards of Behavior were enacted on April 1, 2018.

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4) Group companies' management

Based on the "Group Companies Management Regulations," each Group company's important decisions are discussed in Company management meetings after being discussed at the management meetings of the respective Group companies.

The Company shares the Group's business issues by regularly holding meetings of the Group Management Promotion Committee and others with major Group companies.

5) Audit and Supervisory Board Members' performance of duties

The Audit and Supervisory Board Members, including outside Audit and Supervisory Board Members, hold Audit and Supervisory Board Meetings 14 times a year. Also, the Audit and Supervisory Board Members attend Board of Directors meetings, and the Standing Audit and Supervisory Board Members attend the management meetings to receive reports on important management issues and confirm the status of business operations.

Audit and Supervisory Board Members, including outside Audit and Supervisory Board Members, regularly exchange opinions with the Company's Representative Directors and with representative directors and audit and supervisory board members, and accounting auditors of key Group companies, to cooperate appropriately.

**6. Basic Policy concerning Control of the Company**

(1) Outline of the basic policy

The Company believes that those who control decisions on its financial and business policies need to understand the source of the Company's corporate value and be able to constantly and stably generate and improve the value and in turn the common interests of its shareholders.

The Company would not necessarily reject a large-scale acquisition of its shares if such acquisition could contribute to its corporate value and the shareholders' common interests. The Company also believes that the final decision as to whether or not accepting a proposal of acquisition that leads to a change in control of the Company should be made based on the overall shareholders' intention.

However, it is not unusual that a large-scale share acquisition is performed with a purpose that could result in obvious damage to the target company's value and its shareholders' common interests as well as other negative outcomes. If a buyer who acquires massive amount of shares in the Company never understands the source of its corporate value nor manages to seize and strengthen the source continuously for the medium to long term, the Company's value and its shareholders' common interests would be impaired.

The Company believes that such buyer is not an appropriate person to gain control over decisions on the Company's financial and business policies and that therefore necessary and reasonable countermeasures against such large-scale acquisition should be taken to protect the corporate value of the Company and the common interests of its shareholders.

(2) Details of activities to implement the basic policy

(a) Details of special activities to contribute to the implementation of the basic policy

Mid-Term Management Plan and others

The Group has engaged in performing various measures such as business structure reform to achieve the Fourth Mid-term Management Plan, which was originally scheduled to last until the end of the fiscal year ending March 2019. The plan was designed to build the foundation on which the Group aims to grow into "a global company group that has expanded from its core packaging business into adjacent and surrounding fields."

However, business environment surrounding the Group has been changing at an accelerated pace as it has been pursuing structural reform of its packaging business and reorganization. Meanwhile, the Company has come to decide to make its listed subsidiary Toyo Kohan Co., Ltd. a wholly owned company through a tender offer, intending to switch over to a new operational structure. In light of these situations, the Company has recently decided to discontinue the existing mid-term plan at the end of March 2018 and newly develop Toyo Seikan Group's Fifth Mid-term Management Plan for the coming years from fiscal 2018 (ending March 2019) to fiscal 2020 (ending March 2021).

The new Mid-term Management Plan defines the fiscal 2018 as the year of a fresh start with the spirit of

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foundation and provides basic policies for the Group's growth strategy and the measures that support the strategy implementation, including reforms of business structure and corporate culture as well as measures related to finance and capital management. Under this mid-term plan, we will continue to pursue a sustainable growth.

### **Reinforcement of Corporate Governance**

The Company believes that the enhancement of corporate governance under the Group's management philosophy, including its management policy, creed, and vision, is one of the most important management issues in improving its corporate value and continuing new development and evolution while contributing to society through its business activities. Based on this point of view, it has formulated its "Basic Policy on Corporate Governance to address the issue continuously."

#### **1) Holding company structure**

Under a holding company structure, the Group has been operating flexibly and effectively by setting clear strategies and goals for the management of the group as a whole and optimizing the allocation of management resources across the group. This allows the Group to separate functions for the development of group management strategies and the execution of business processes as well as to establish a more definite management responsibility structure.

#### **2) Structures of outside directors and auditors**

The Company has set the "independence criteria for outside directors and auditors" in order to clarify independence standards based on which its outside directors and auditors are designated as Independent Directors and Independent Audit and Supervisory Board Members of the Company.

The Board of Directors is composed of eleven members, four of whom are independent outside Directors. The independent outside Directors represent more than one-third of the Board members. The term of office of Directors is set as one year in order to clarify the Directors' management responsibility and flexibly establish a management system that can swiftly respond to changes in business environment.

The outside Directors, together with outside Audit and Supervisory Board Members, hold the outside directors' meeting on a monthly basis in principle, where they make straightforward discussions to enhance transparency and objectivity in management. They are also actively engaged in other duties, including on-site inspections of domestic and overseas group companies.

In addition to active discussions at the Board meetings, these outside Directors and Audit and Supervisory Board Members provide monitoring on management with an objective view of an outsider, which allows the Company to ensure that surveillance function regarding its management structure works effectively.

#### **3) Executive structure**

The Company has introduced an operating officer system to ensure management efficiency and flexibility as well as distinguish and clarify responsibilities for decision-making/supervision and business execution. It conducts on a monthly basis the Management Strategy Meeting, which comprises full-time Directors, Heads in charge of key organizational functions, Senior Executive Officers, and Executive Officers. The Company also holds twice a month in principle the Executive Management Meeting, which is attended by full-time Directors, Heads in charge of key organizational functions, Senior Executive Officers, and Presidents of major group companies. Standing Audit and Supervisory Board Members attend both the Management Strategy Meetings and the Executive Management Meetings and present their opinions as appropriate. The Company provides its directors and officers with training opportunities as needed to support them in acquiring and continuously updating necessary knowledge for appropriate performance of their duties.

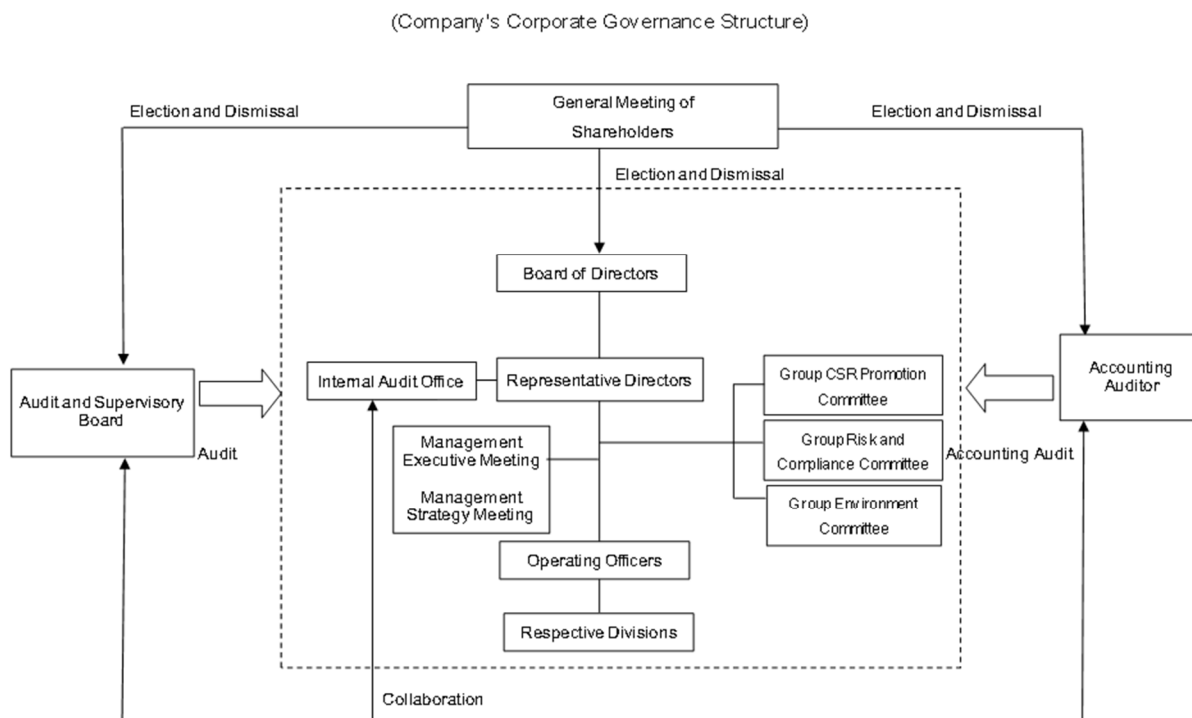
#### **4) Structure of internal control system operation**

The Company and each companies of the Group operate their internal control systems. The Company has set up the Internal Audit Office, which is responsible for internal audit and operates directly under the President, to ensure corporate activities compliant with laws and regulations and improve efficiency of management. The state of development and operation of the internal control systems and their law compliance are checked through internal audits that are regularly conducted by the Internal

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Audit Office, and, if any issues are identified, improvement measures will be implemented based on the audit results.

The Group will pursue the enhancement of corporate governance with the aforementioned measures, increasing the corporate value of the Company and, in turn, generating and improving the common interests of its shareholders.



(b) Outline of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy

(i) The Company revised countermeasures to large-scale acquisitions of shares of the Company (takeover defense measures; the "Plan") following resolutions adopted at the Board of Directors meeting held on May 15, 2015 and the 102nd Ordinary General Meeting of Shareholders held on June 25, 2015. Details of the Plan are explained below in item (ii).

(ii) Plan outline

As set out in the Basic Policy, the Board of Directors believes that persons who would propose a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and thus the common interests of its shareholders, and on the occasion that it receives a large-scale acquisition proposal from an acquirer, to enable the Board of Directors to present an alternative proposal to shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Plan sets out procedures necessary to achieve the purpose stated above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates or other equity securities.

The acquirer must not effect a large-scale acquisition of the shares and other equity securities of the Company until and unless the Board of Directors determines not to trigger the Plan in accordance with the procedures for the Plan.

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In the event that an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities of the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders, etc., and in cases such as where the acquisition satisfies the triggering requirements set out in the Plan, the Company will implement a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) for stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc., to exercise the rights as a general rule, and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer, etc., or implement any other reasonable measures that could be taken under the Japanese laws and regulations, and the Company's Articles of Incorporation.

If a gratis allotment of stock acquisition rights were to take place in accordance with the Plan and all shareholders other than the acquirer received shares in the Company as a result of those shareholders exercising or the Company acquiring those stock acquisition rights, the ratio of voting rights in the Company held by the acquirer may be diluted by up to a maximum of approximately 50%.

In order to eliminate arbitrary decisions by Directors, the Company will establish the Special Committee, which is solely composed of members who are independent from the management of the Company such as outside Directors of the Company, to ensure objective decisions of the committee with respect to matters such as the implementation or non-implementation of the gratis allotment of stock acquisition rights or the acquisition of stock acquisition rights under the Plan, in compliance with the Rules of the Special Committee. In addition, the Board of Directors may, if prescribed in the Plan, convene a meeting of shareholders and confirm the intent of the Company's shareholders.

Transparency with respect to the course of those procedures will be ensured by timely disclosing information to all of the Company's shareholders. The effective period of the Plan will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the 102nd Ordinary General Meeting of Shareholders held on June 25, 2015.

**(3) Decisions on specific measures by the Board of Directors and reasons for decisions**

The Toyo Seikan Mid-Term Management Plan and various measures for strengthening corporate governance were specifically formulated in order to enhance the corporate value of the Company and the common interests of its shareholders continuously and sustainably in compliance with the Company's basic policy.

The Plan is a framework for the Company to ensure the corporate value of the Company and, in turn, the common interests of its shareholders in compliance with the Company's basic policy in cases where any acquisition of the shares in the Company is affected.

Moreover, the Company established the Plan, focusing on the intent of the Company's shareholders on the condition that (i) it fully satisfies the three principles provided in the "Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests"; (ii) it is subject to approval at a general meeting of shareholders upon the renewal thereof; (iii) it is based on a system to confirm the intent of the Company's shareholders at a meeting of shareholders regarding the triggering of the Plan, etc., in some cases; (iv) the effective period thereof is to be approximately three years, that is, the "sunset clause" provision is stipulated; and, (v) it may be abolished at any time by a resolution at a general meeting of shareholders even before the expiration of the effective period. Furthermore, fairness and objectivity are also assured in the Plan such as (i) reasonable and objective requirements regarding the triggering thereof are established; (ii) the substantial decision on whether or not to trigger the Plan will be made by the Special Committee, which is composed of outside Directors and others who are independent from the management of the Company; (iii) the Special Committee may at the cost of the Company obtain advice from experts; and, (iv) the term of office of Directors is determined to be one year.

Accordingly, the purpose of the Plan is not to maintain the status of Directors and Audit and Supervisory Board Members within the Company, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

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Note: All fractions of less than ¥1 million in amounts and numbers of shares of less than one unit stated in this Business Report are rounded down to the nearest unit. Ratios are rounded off to the nearest unit.

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## **Consolidated Balance Sheet**

(As of March 31, 2018)

(millions of yen)

Accounting title	Amount	Accounting title	Amount
(Assets)		(Liabilities)	
Current assets	541,506	Current liabilities	215,661
Cash and deposits	153,937	Notes and accounts payable—trade	87,218
Notes and accounts receivable—trade	203,781	Short-term loans payable	52,062
Electronically recorded monetary claims—operating	34,623	Lease obligations	564
Merchandise and finished goods	72,185	Income taxes payable	4,064
		Provision for directors' bonuses	467
Work in process	19,637	Provision for business structure reform	2,627
Raw materials and supplies	31,132	Provision for loss on disaster	41
Deferred tax assets	9,966	Provision for pollution load levy	118
Other	18,951	Other	68,496
Allowance for doubtful accounts	(2,709)		
		Non-current liabilities	185,299
Non-current assets	579,662	Bonds payable	5,000
Property, plant and equipment	326,008	Long-term loans payable	82,177
Buildings and structures	109,909	Lease obligations	1,876
Machinery, equipment and vehicles	102,845	Deferred tax liabilities	25,908
Land	79,131	Provision for special repairs	5,664
Leased assets	2,132	Provision for PCB	501
Construction in progress	19,640	Provision for asbestos	155
Other	12,349	Provision for soil improvement expenses	347
		Provision for pollution load levy	2,518
Intangible assets	38,651	Provision for directors' retirement benefits	806
Goodwill	2,046	Net defined benefit liability	52,847
Other	36,605	Asset retirement obligations	1,130
		Other	6,365
Investments and other assets	215,001	Total liabilities	400,961
Investment securities	188,066		
Investments in capital of subsidiaries and associates	5,778	(Net assets)	
Long-term loans receivable	2,437	Shareholders' equity	547,904
		Capital stock	11,094
Net defined benefit asset	11,795	Capital surplus	1,361
Deferred tax assets	2,489	Retained earnings	560,228
Other	5,536	Treasury shares	(24,779)
Allowance for doubtful accounts	(1,101)		
		Accumulated other comprehensive income	100,031
		Valuation difference on available-for-sale securities	84,924
		Deferred gains or losses on hedges	17
		Foreign currency translation adjustment	16,377
		Remeasurements of defined benefit plans	(1,287)
		Non-controlling interests	72,271
		Total net assets	720,207
Total assets	1,121,168	Total liabilities and net assets	1,121,168



[Translation for Reference and Convenience Purposes Only]

## **Consolidated Statement of Income**

〔 From April 1, 2017  
to March 31, 2018 〕

(millions of yen)

Accounting title	Amount	
Net sales		785,278
Cost of sales		663,821
Gross profit		121,457
Selling, general and administrative expenses		89,586
Operating income		31,870
Non-operating income		
Interest income	437	
Dividend income	2,656	
Rent income	989	
Share of profit of entities accounted for using equity method	2,103	
Other	5,194	11,382
Non-operating expenses		
Interest expenses	1,632	
Rent expenses on non-current assets	714	
Foreign exchange losses	911	
Compensation expenses	1,743	
Other	9,005	14,008
Ordinary income		29,244
Extraordinary income		
Compensation for transfer	289	289
Extraordinary losses		
Impairment loss	47,227	
Business structure reform expenses	1,736	
Provision for business structure reform	1,777	
Provision for soil improvement expenses	347	
Loss on disaster	229	
Provision for loss on disaster	41	51,360
Profit (Loss) before income taxes		(21,826)
Income taxes—current	7,485	
Income taxes—deferred	(6,686)	799
Profit (Loss)		(22,625)
Profit (Loss) attributable to non-controlling interests		2,114
Profit (Loss) attributable to owners of parent		(24,740)

[Translation for Reference and Convenience Purposes Only]

## Consolidated Statement of Changes in Equity

〔 From April 1, 2017  
to March 31, 2018 〕

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,094	1,361	590,338	(24,778)	578,016
Cumulative effect of accounting policy change			(1,991)		(1,991)
Balance at beginning of current period adjusted for accounting policy change	11,094	1,361	588,347	(24,778)	576,024
Changes of items during period					
Dividends of surplus			(3,854)		(3,854)
Profit attributable to owners of parent			(24,740)		(24,740)
Purchase of treasury shares				(1)	(1)
Change of scope of consolidation			476		476
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(28,118)	(1)	(28,120)
Balance at end of current period	11,094	1,361	560,228	(24,779)	547,904

(millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	71,619	(217)	13,928	(5,156)	80,173	69,639	727,829
Cumulative effect of accounting policy change							(1,991)
Balance at beginning of current period adjusted for accounting policy change	71,619	(217)	13,928	(5,156)	80,173	69,639	725,838
Changes of items during period							
Dividends of surplus							(3,854)
Profit attributable to owners of parent							(24,740)
Purchase of treasury shares							(1)
Change of scope of consolidation							476
Net changes of items other than shareholders' equity	13,304	234	2,449	3,869	19,857	2,631	22,489
Total changes of items during period	13,304	234	2,449	3,869	19,857	2,631	(5,630)
Balance at end of current period	84,924	17	16,377	(1,287)	100,031	72,271	720,207

## **Notes to Consolidated Financial Statements**

### **[Assumptions Underlying Preparation of Consolidated Financial Statements]**

#### **1. Scope of Consolidation**

- 1) Number of consolidated subsidiaries and names of significant consolidated subsidiaries

Number of consolidated subsidiaries: 72

(Toyo Seikan Co., Ltd., Toyo Kohan Co., Ltd., Tokan Kogyo Co., Ltd., Nippon Closures Co., Ltd., Toyo Glass Co., Ltd., Toyo Aerosol Industry Co., Ltd., Tokan Material Technology Co., Ltd., and the other 65 companies)

Mebius Packaging Co., Ltd., which was newly established, is included in the scope of consolidation in the consolidated fiscal year under review.

- 2) Non-consolidated subsidiaries

Toyo Packs Co., Ltd., and the other 16 non-consolidated subsidiaries, for which the respective sums of total assets, net sales, profit (loss) (corresponding to equity held by the Company) and retained earnings (corresponding to equity held by the Company) have no significant impact on these account items in the consolidated financial statements, have been excluded from the scope of consolidation.

#### **2. Application of the Equity Method**

Number of associates accounted for using the equity method: 4

(Asia Packaging Industries (Vietnam) Co., Ltd., T&T Enertechno Co., Ltd., and TOSYALI TOYO CELIK ANONIM SIRKETI, PT FUJI TECHNICA INDONESIA)

PT FUJI TECHNICA INDONESIA is accounted for using the equity method from the consolidated fiscal year under review due to its increased importance.

The non-consolidated subsidiaries (Toyo Packs Co., Ltd., and 16 others) and associates (Takeuchi Hi-Pack Co., Ltd., and 7 others) are not accounted for using the equity method because the impact of their profit or loss (corresponding to equity held by the Company) and retained earnings (corresponding to equity held by the Company) on the consolidated financial statements is immaterial.

As for associates that are accounted for using the equity method, of which the closing date for the settlement of accounts is different from the consolidated closing date, the financial statements for each company's own fiscal year are used.

#### **3. Closing Date for the Settlement of Accounts of Consolidated Subsidiaries**

Of the consolidated subsidiaries, 33 companies, including 7 companies mentioned below, close their accounts on December 31. Because the difference between the closing date of said companies and the consolidated closing date is less than three months, the financial statements as of the closing date of these companies are used in the consolidated financial statements.

Bangkok Can Manufacturing Co., Ltd.

TOYO-MEMORY TECHNOLOGY SDN. BHD.

Toyo Seikan (Thailand) Co., Ltd.

Tokan (Changshu) High Technology Containers Co., Ltd.

Crown Seal Public Co., Ltd.

Stolle Machinery Company, LLC

Next Can Innovation Co., Ltd.

Necessary adjustments are made for material transactions between their closing date (December 31) and the consolidated closing date (March 31) for the purposes of consolidation.

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**4. Accounting Policies**

**(1) Valuation basis and method for major assets**

1) Securities

Bonds held to maturity: Valued at amortized cost by the straight-line method.

Available-for-sale securities

With fair value: Valued at fair market value as of the balance-sheet date with changes in net unrealized gain or loss included directly in net assets. Cost of securities sold is determined by the moving-average method.

Without fair value: Valued using the moving-average method.

2) Derivatives

Derivatives are valued using the fair value method.

3) Inventories

Inventories are principally stated at cost determined by the average cost method, using the value method to devalue a book value for decreasing profitability.

**(2) Depreciation and amortization methods of major assets**

1) Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method.

2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

3) Leased assets (non-ownership-transfer finance lease transactions)

Depreciated over the lease period using the straight-line method with no residual value.

Financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee and which commenced before the date on which the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, revised on March 30, 2007) was applied are accounted for using the same method as that for rental transactions.

**(3) Accounting for major reserves**

1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of uncollectible receivables based on the actual rate of bad-debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

2) Provision for directors’ bonuses

The provision for directors’ bonuses is provided at an amount that is expected to be sufficient to cover payouts of bonuses to Directors.

3) Provision for special repairs

The provision for repairs of glass furnaces, which are conducted periodically, is provided at an amount considered sufficient to cover the estimated amount for the next repair in response to the lapsed time.

4) Provision for business structure reforms

The provision for business structure reforms is provided at a reasonably estimated amount to cover costs and losses expected to accrue in the future for the process of reforming the structure of the domestic packaging and container business.

5) Provision for pollution load levy

The provision for pollution load levy is provided at an estimated amount of pollution load levy payable in the future that is reasonably estimated according to the amount of pollutant emission pursuant to the Law Concerning Pollution-Related Health Damage Compensation and Other Measures.

**(4) Accounting standards for the amount and cost of completed work**

The percentage-of-completion method has been applied to works for which the outcome of the construction activity is deemed certain at the work zone with advanced construction by the end of the consolidated fiscal

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year ended March 31, 2017 (the degree of completion of construction is estimated principally by the cost-to-cost method), whereas the completed-contract method has been applied to other works.

### (5) Other important matters in preparing the consolidated financial statements

#### 1) Hedge accounting method

The Company has adopted the deferral method for hedging activities. Certain forward foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment (“*furiate-shori*”).

#### 2) Accounting for consumption tax, etc.

Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption taxes.

However, the nondeductible consumption tax, etc., in respect of assets is recorded as period costs for the consolidated fiscal year when such costs were incurred.

#### 3) Amortization method and period of goodwill

Goodwill is equally amortized over a period of 5-20 years. If the amount is insignificant, the corresponding goodwill is amortized in the full amount for the year of its recognition.

#### 4) Application of consolidated tax payment system

The consolidated tax payment system with Toyo Seikan Group Holdings, Ltd., as the parent company of the consolidated tax payment has been applied.

#### 5) Accounting procedure regarding employees' retirement benefits

The amount of retirement benefit obligations after deducting the plan assets was reported as “Net defined benefit liability” based on the projected retirement benefits as of the end of the consolidated fiscal year under review. In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the consolidated fiscal year under review.

Prior service cost is amortized at one time in the fiscal year of occurrence.

Unrecognized actuarial gains or losses are amortized in expenses for the pro-rata amount mainly computed by the straight-line method over a period of 10 years, which is shorter than the average remaining service years for employees at the time of recognition, commencing from the following consolidated fiscal year of recognition.

Actuarial gains or losses are reported as remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting tax effects.

## [Note to Changes in Accounting Policies]

[Change in an accounting policy]

[Provision for pollution load levy]

Some of the domestic consolidated subsidiaries that had recognized pollutant load levy expenses as period expenses for the relevant reporting and paying year until the previous consolidated fiscal year have changed the accounting policy related to the levy. From the consolidated fiscal year under review, these subsidiaries make a provision for pollution load levy at an estimated amount of the levy payable in the future that is reasonably estimated according to the amount of pollutant emission, the underlying cause of the levy.

This change was made in order to indicate financial conditions and business performance more appropriately at certain domestic consolidated subsidiaries in light of the growing importance of environmental management, with the systems for identifying and verifying the levy amount at these subsidiaries being formulated.

The accounting policy change is applied retrospectively, and the cumulative effect of the change is reflected in the book value of the shareholders' equity balance at the beginning of the consolidated fiscal year under review. As a result, the balance of retained earnings at the beginning of the period after the retrospective application declined by 1,991 million yen.

[Change in an accounting policy that is inseparable from the change in estimation in accounting]

[Change in depreciation methodology for property, plant and equipment]

Some of the domestic consolidated subsidiaries that had basically used the fixed-rate method for depreciating

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property, plant and equipment (excluding leased assets) have changed the depreciation methodology to the straight-line method from the consolidated fiscal year under review.

This change was made as a result of the review on the depreciation methodology for property, plant and equipment at certain domestic subsidiaries from the viewpoint of appropriate periodic accounting of profit and loss. The review has concluded that changing the way of depreciation to the straight-line method is more reasonable to properly reflect the underlying economic conditions in the financial statements in light of the principles of cost allocation, as the property, plant, and equipment have been under stable operation.

There is no major impact of the accounting policy change on the consolidated financial statements for the fiscal year under review.

**[Notes to Consolidated Balance Sheet]**

	(millions of yen)
<b>1. Accumulated depreciation on property, plant and equipment</b>	1,239,226
<b>2. Pledged assets and secured liabilities</b>	
Pledged assets	
Buildings	1,171
Land	2,611
Secured liabilities	
Short-term loans payable	610
Long-term loans payable	404
<b>3. Guarantee of liabilities</b>	
As stated below, the Company has guaranteed loans from financial institutions.	
Employees (housing fund)	897
TOSYALI TOYO CELIK ANONIM SIRKETI (L/C transactions)	89
	(EUR 0 million)
	(USD 0 million)
TOSYALI TOYO CELIK ANONIM SIRKETI (bank loans)	33,540
	(USD 315 million)

**[Notes to Consolidated Statement of Income]****Matters concerning extraordinary losses**

## 1) Impairment loss

The Group posted an impairment loss on the following asset groups.

(millions of yen)				
Location	Purpose	Type	Amount of loss	Collectible amount
Toyo Seikan Co., Ltd. Chitose Plant (Chitose-shi, Hokkaido), etc.	Manufacturing facilities for cans for food, etc.	Buildings and structures, machinery, equipment and vehicles, etc.	740	Use value
Toyo Seikan Co., Ltd. Ishioka Plant (Ishioka-shi, Ibaraki)	Manufacturing facilities for cans for food	Buildings and structures, machinery, equipment and vehicles, land, etc.	8,208	Use value
Toyo Seikan Co., Ltd. Shiga Plant (Higashiomi-shi, Shiga)	Manufacturing facilities for cans for food	Buildings and structures, machinery, equipment and vehicles, land, etc.	5,160	Use value
Can Machinery Holdings, Inc. (Delaware, United States)	—	Goodwill	31,635	Fair value

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Nippon Tokan Package Co., Ltd. Kyoto Plant (Kuze-gun, Kyoto), etc.	Manufacturing facilities for corrugated paper products, etc.	Buildings and structures, machinery, equipment and vehicles, land, etc.	535	Net sales price
Nippon Tokan Package Co., Ltd. Fukuoka Plant (Kasuya-gun, Fukuoka)	Manufacturing facilities for corrugated paper products	Buildings and structures, machinery, equipment and vehicles, etc.	947	Use value

The Group classifies owned assets based on management accounting categories: Business assets are mainly classified by plant or office, whereas rental and idle assets are classified by property. However, with respect to goodwill at some overseas subsidiaries, the Group classifies it based on the unit by which the impairment test is conducted in accordance with U.S. generally accepted accounting principles.

The Group estimated the future cash flow of the asset groups for which profitability significantly declined. For the asset groups for which profitability was unlikely to recover, their book value was reduced to the collectible amounts, and the difference was posted as an impairment loss under extraordinary losses. The collectible amounts for individual asset groups were based on the use values or net sales prices; the use values were calculated by discounting the future cash flow by 5%, while the net sales prices were determined according to the estimated disposal values.

With respect to goodwill, The Group accelerated its application of the Accounting Standards Update (ASU) 2017-04, “Simplifying the test for goodwill impairment”, issued by the Financial Accounting Standards Board (FASB) on January 26, 2017, to the consolidated subsidiaries that use the US GAAP. Pursuant to the ASU, from the consolidated fiscal year under review, the Step 2, which is one of the two steps required by the existing goodwill impairment test, shall be removed and a goodwill impairment shall be the amount by which a reporting unit’s carrying value exceeds its fair value and shall not exceed the carrying value of goodwill of the reporting unit.

In calculating a reporting unit’s carrying value, the carrying value of its goodwill is determined based on the amount net of amortization in accordance with Japanese accounting standards. The fair value of a reporting unit is calculated mainly using the income approach based on the US GAAP, applying the discount rate of 8.9%.

The following table describes the details of the impairment loss (47,227 million yen) posted under extraordinary losses.

(millions of yen)						
Location	Buildings and structures	Machinery, equipment and vehicles	Land	Goodwill	Others	Grand total
Toyo Seikan Co., Ltd. Chitose Plant, etc.	359	349	—	—	31	740
Toyo Seikan Co., Ltd. Ishioka Plant	1,625	5,269	433	—	880	8,208
Toyo Seikan Co., Ltd. Shiga Plant	1,571	1,457	1,869	—	260	5,160
Can Machinery Holdings, Inc.	—	—	—	31,635	—	31,635
Nippon Tokan Package Co., Ltd. Kyoto Plant, etc.	98	112	312	—	12	535
Nippon Tokan Package Co., Ltd. Fukuoka Plant	570	341	—	—	36	947
Total	4,224	7,529	2,615	31,635	1,222	47,227

2) Cost of business structure reforms

Costs for business restructuring as part of the structural reform of the domestic packaging and container

**[Translation for Reference and Convenience Purposes Only]**

business

3) Provision for business structure reforms

The provision for business structure reforms that is provided at a reasonably estimated amount to cover costs and losses expected to accrue in the future following the structural reform of the domestic packaging and container business

4) Loss on disaster

Expenses of restoration and other work following a factory fire at a domestic consolidated subsidiary

5) Provision for loss on disaster

The provision for loss on disaster that is provided at a reasonably estimated amount to cover costs and losses expected to accrue in the future following a factory fire at a domestic consolidated subsidiary

**[Notes to Consolidated Statement of Changes in Equity]**

**1. Matters Concerning Class and Total Number of Shares Issued**

(thousands of shares)

Class of shares	Number of shares at the beginning of the period	Number of shares increased during the period	Number of shares decreased during the period	Number of shares at the end of the period
Number of shares issued and outstanding				
Common shares	217,775	—	—	217,775
Treasury shares				
Common shares*	14,912	0	—	14,912

Note\*: The breakdown of the increase in treasury shares is as follows:

Purchase of shares in odd lots: 0 (thousand shares)

**2. Matters Concerning Dividends**

(1) Dividends paid

Resolution	Class of shares	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2017	Common shares	2,434	12.00	March 31, 2017	June 28, 2017
Board of Directors Meeting on October 31, 2017	Common shares	1,420	7.00	September 30, 2017	December 5, 2017

(2) Dividends of which record date belongs to the consolidated fiscal year under review and effective date for payment is in the following consolidated fiscal year

Resolution	Class of shares	Dividend resource	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2018	Common shares	Retained earnings	1,420	7.00	March 31, 2018	June 28, 2018



**[Translation for Reference and Convenience Purposes Only]****[Note to Tax-Effect Accounting]**

Significant components of deferred tax assets and liabilities

(millions of yen)

Deferred tax assets	
Provision for bonuses	3,302
Net defined benefit liability	18,093
Excessive depreciation	21,991
Others	21,613
Subtotal of deferred tax assets	65,001
Valuation reserve	(18,227)
Total of deferred tax assets	46,774
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(35,402)
Reserve for advanced depreciation of non-current assets	(9,437)
Intangible assets	(6,627)
Reserve for special depreciation	(286)
Gain on contribution of securities to retirement benefit trust	(5,173)
Others	(3,301)
Total of deferred tax liabilities	(60,227)
Net deferred tax liabilities	(13,453)

Note: Net deferred tax liabilities in the consolidated fiscal year under review are included in the following items of the consolidated balance sheet:

(millions of yen)

Current assets—Deferred tax assets	9,966
Non-current assets—Deferred tax assets	2,489
Non-current liabilities—Deferred tax liabilities	(25,908)

**[Notes to Revision of Amounts of Deferred Tax Assets and Liabilities Following a Change in US Federal Corporate Tax Rate]**

Following the passage of the tax reform bill in the U.S. on December 22, 2017 (US local time), the effective statutory tax rates applied to the calculation of deferred tax assets and liabilities of the consolidated subsidiaries that use US GAAP have become as follows according to the periods in which temporary differences are eliminated.

On and before December 31, 2017: 36.06%

On and after January 1, 2018: 22.29%

As a result of this tax rate change, the deferred tax liabilities (net of deferred tax assets) and the income taxes—deferred decreased by 3,625 million yen and 3,602 million yen, respectively.

**[Notes to Financial Instruments]****1. Status of Financial Instruments****(1) Policy on treatment of financial instruments**

With regard to fund management, the Toyo Seikan Group only utilizes highly secure financial assets. For financing, it primarily utilizes bank loans and bond issuances to obtain necessary funds in accordance with the business plan. The Group is also committed to appropriate fund management by effectively leveraging its cash management service (CMS). It is our policy to utilize derivatives to hedge risks from fluctuations of currencies and interest rates arising from our business activities, using those that are based only on actual demand, and not to use derivatives for speculation.

**(2) Details of financial instruments, and risks and risk management system thereof**

Notes and accounts receivable—trade, which are operating receivables, are exposed to customer credit risks. To manage these risks, we have established a system whereby due dates and balances are managed for each business partner and the credit status of a major business partner is checked on a regular basis. In addition, we hedge foreign exchange fluctuation risks utilizing forward exchange contracts for some operating receivables denominated in foreign currencies. Although most of the Company's investment securities, which primarily consist of held-to-maturity debt securities and the shares of business partner corporations with which any group companies have business relations, are exposed to the risk of market value fluctuations, our system is prepared to regularly monitor market prices, financial conditions and other financial data regarding

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issuers and counterparties.

Notes and accounts payable—trade, which are operating debts, mostly become due within a year. For operating debts denominated in foreign currencies, forward exchange contracts are used to hedge exchange fluctuation risk.

Loans payable are used to collect funds needed mainly for investments and loans such as business transactions and capital investments, whereas bonds payable are used to collect funds needed mainly for capital investments. We hedge interest rate fluctuation risks utilizing derivatives (e.g., interest rate swaps) for some loans.

Derivatives are managed through mutual supervision by the execution division and the accounting division with checks by each counterparty such as balance confirmation, and are reported to the Board of Directors, etc., on a regular basis (it is Toyo Seikan Group's policy to use derivatives that are based only on actual demand and not to use them for speculation with the intent to acquire trading profit). In addition, we enter into derivative transactions only with highly rated and major financial institutions to mitigate credit risks.

Operating debts and loans are exposed to liquidity risks. The Toyo Seikan Group manages these risks by maintaining liquidity on hand at a specific level or above and concluding a commitment line agreement with financial institutions, and the Financial Division prepares and updates financing plans as necessary.

**2. Matters regarding Fair Values of Financial Instruments**

The consolidated balance sheet amounts and fair values as of March 31, 2018, and their variances, of financial instruments are as follows. However, financial instruments whose fair values are deemed to be extremely difficult to compute are not included therein (Note 2).

(millions of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	153,937	153,937	—
(2) Notes and accounts receivable—trade	203,781		
(3) Electronically recorded monetary claims—operating	34,623		
Allowance for doubtful accounts	(1,941)		
	236,463	236,463	—
(4) Investment securities			
1) Bonds held to maturity	9,300	9,538	238
2) Available-for-sale securities	163,000	163,000	—
(5) Long-term loans receivable	2,437		
Allowance for doubtful accounts	(16)		
	2,420	2,403	(17)
Total assets	565,121	565,343	221
(1) Notes and accounts payable—trade	87,218	87,218	—
(2) Short-term loans payable	52,062	52,062	—
(3) Income taxes payable	4,064	4,064	—
(4) Bonds payable	5,000	4,979	(20)
(5) Long-term loans payable	82,177	82,840	662
Total liabilities	230,523	231,164	641
Derivatives*			
Without the application of hedge accounting	—	—	—
With the application of hedge accounting	24	24	—
Total derivatives	24	24	—

\*Net receivables and payables arising from derivative transactions are shown in net amounts. Negative net amounts are shown in parentheses ( ).

Note 1: Calculation method of fair values of financial instruments and matters concerning securities and derivatives

Assets

(1) Cash and deposits

Because this item is settled in a short period, its fair value is nearly equal to its carrying value. Therefore, the fair value amount is in accordance with the carrying value.

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- (2) Notes and accounts receivable—trade and (3) Electronically recorded monetary claims—operating  
Because these items are settled in a short period, their fair values are in accordance with their carrying values less the estimated amount of doubtful accounts where credit risks are reflected. The fair value of some accounts receivable—trade is in accordance with the price presented by transacting financial institutions as these items are subject to procedures for appropriation treatment such as forward exchange contracts (refer to “Derivatives” below).
- (4) Investment securities  
The fair value of a stock is in accordance with the price on the relevant stock exchange, whereas that of a bond is in accordance with the price presented by the transacting financial institutions.
- (5) Long-term loans receivable  
The future cash flow of each loan group into which these loans are classified by specific periods is calculated at the rate of indicator such as yield of government bonds to which the elements of credit risks are added according to the credit risk category in the light of the credit controls. The resulting amount is the present value at which the fair value of this item is calculated. For doubtful receivables, the estimated amount of doubtful accounts is calculated based on the collectible amount, etc., secured by pledge and security. The fair value of this item is then in accordance with the carrying value less the estimated amount of doubtful accounts.

## Liabilities

- (1) Notes and accounts payable—trade  
Because this item is settled in a short period, its fair value is nearly equal to its carrying value. Therefore, the notes and accounts payable are stated at their carrying value.
- (2) Short-term loans payable and (3) Income taxes payable  
Because these items are settled in a short period, their fair values are nearly equal to their carrying values. Therefore, fair value is in accordance with the carrying value.
- (4) Bonds payable  
Fair value is in accordance with the present value determined by calculating the total of principal and interest at a discount rate which incorporates the remaining period of said bonds and credit risks.
- (5) Long-term loans payable  
Fair value is in accordance with present value, which is calculated at a discount rate obtained under the assumption that a similar loan is newly provided to the total of principal and interest.

## Derivatives

The fair value of derivatives is stated at the price presented by financial institutions with which the Group has traded derivatives.

Since the items subject to appropriation treatment (*furiate-shori*) such as forward exchange contracts are processed in accounting combined with accounts receivable being hedged, the fair value of these items is included in that of the accounts receivable booked in the financial statements. (See “Assets” (2) above).

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute  
Unlisted shares (amount recorded in the consolidated balance sheet: 15,765 million yen) and investments in capital of subsidiaries and associates (amount recorded in the consolidated balance sheet: 5,778 million yen) do not have market prices and future cash flow cannot be estimated. Thus, they are not included in “(4) Investment securities; 2) available-for-sale securities” as computing the fair values of these items are deemed to be extremely difficult.

## [Note to Rental Property]

The Company and several of its consolidated subsidiaries own rental office buildings (including land) and rental commercial facilities, etc., in the Metropolis of Tokyo and other areas. The amounts recorded in the consolidated balance sheet, gains and losses and fair values of these rental properties are as follows.

(millions of yen)

Purpose	Amounts recorded in consolidated balance sheet	Revenue	Expenses	Fair value
Office buildings	14,958	4,915	2,256	74,134
Commercial facilities	2,526	667	284	13,053
Other	11,686	2,190	647	38,592
Total	29,171	7,773	3,188	125,781

**[Translation for Reference and Convenience Purposes Only]**

- Notes: 1. “Amounts recorded in the consolidated balance sheet” are acquisition costs less accumulated depreciation and impairment loss.
2. Revenue includes rent income, gain on sales of non-current assets and others, whereas expenses include depreciation expenses, repair expenses, insurance expenses, taxes and dues and others.
3. Fair values as of the end of the fiscal year under review are mainly based on real estate appraisal reports or real estate inspection reports provided by an outside real estate appraiser.

**[Note to Per Share Information]**

Net assets per share	3,193.97 yen
Loss per share	121.96 yen

**[Material Events after the Reporting Period]****[Transaction between entities under common control]**

On July 31, 2017, the Company resolved at the Board of Directors meeting to establish a wholly owned subsidiary named Mebius Packaging Co., Ltd. (“Mebius Packaging”) as of October 2, 2017, as well as to conduct an absorption-type company split, effective on April 1, 2018, in which operations related to plastic bottles and caps mainly for non-beverage products were carved out from consolidated subsidiaries Toyo Seikan Co., Ltd. (“Toyo Seikan”), Tokan Kogyo Co., Ltd. (“Toka Kogyo”) and Nippon Closures Co., Ltd. (“Nippon Closures”) and succeeded and integrated by Mebius Packaging. The agreement on the company split was signed on February 7, 2018, and the transaction completed on April 1, 2018.

1. Names of parties to the business combination and description of business, date of the business combination, legal form of the business combination, company name after the business combination and overview of transaction including its purpose

**(1) Names of parties of the business combination and description of their business**

Parties to the business combination	Major business
Toyo Seikan Co., Ltd. (Splitting company)	Manufacturing and sales of packaging containers and filling equipment
Toka Kogyo Co., Ltd. (Splitting company)	Manufacturing and sales of paper packaging products and diversified plastic packaging products
Nippon Closures Co., Ltd. (Splitting company)	Manufacturing and sales of metal and plastic caps
Mebius Packaging Co., Ltd. (Succeeding company)	Manufacturing and sales of plastic products

**(2) Date of the business combination**

April 1, 2018

**(3) Legal form of the business combination**

An absorption-type company split in which Toyo Seikan, Tokan Kogyo, and Nippon Closures are the splitting companies and Mebius Packaging is the succeeding company

**(4) Company name after the business combination**

Mebius Packaging Co., Ltd.

**(5) Outline of transaction including the purpose of the transaction****(i) Purpose of the business consolidation**

The purpose of the absorption-type company split is to integrate plastic container-related operations that have overlapped between group companies into newly established Mebius Packaging, whereby combining business resources and assets, including outstanding technologies, product developing ability, and quality and cost management, which have been fostered by individual companies in the Group. Capitalizing on this new structure, the Group aims to further improve its ability to make proposals that meet its clients’ needs, whereby strengthening its business foundation in the plastic packaging container market.

**[Translation for Reference and Convenience Purposes Only]**

(ii) Outline of the business consolidation

The majority of the manufacturing, product development, and sales functions related to plastic packaging container business owned by the Company's consolidated subsidiaries Toyo Seikan, Tokan Kogyo, and Nippon Closures are carved out from them and succeeded and integrated by Mebius Packaging.

(iii) Overview of companies involved in the Absorption-type Split (as of March 31, 2018)

(a) Splitting companies

(1) Company name	Toyo Seikan Co., Ltd.	Tokan Kogyo Co., Ltd.	Nippon Closures Co., Ltd.
(2) Head office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
(3) Title and name of representative	Ichio Otuka* President and Representative Director	Kiyoyasu Takasaki President and Representative Director	Hisashi Nakajima President and Representative Director
(4) Business	Manufacturing and sales of packaging containers and filling equipment	Manufacturing and sales of paper packaging products and diversified plastic packaging products	Manufacturing and sales of metal and plastic caps
(5) Capital	1,000 million yen	1,531 million yen	500 million yen
(6) Date of incorporation	April 2, 2012	February 18, 1943	January 17, 1941
(7) Number of shares issued	20,000 shares	30,571,231 shares	10,000,000 shares
(8) Fiscal year-end	March 31	March 31	March 31
(9) Major shareholders and ownership ratio	Toyo Seikan Group Holdings, Ltd. 100%	Toyo Seikan Group Holdings, Ltd. 100%	Toyo Seikan Group Holdings, Ltd. 100%
(10) Financial position and business performance for the most recent fiscal year (Non-consolidated basis, Unit: million yen)			
Net sales	273,763	67,488	50,305
Operating income	11,109	2,619	5,824
Ordinary income	11,947	1,751	6,334
Profit (Loss)	(2,312)	941	4,450
Net assets	227,130	48,081	56,329
Total assets	306,537	72,828	66,446
Net assets per share	11,356,505.57 yen	1,572.76 yen	5,632.93 yen
Profit (Loss) per share	(115,610.99) yen	30.80 yen	445.04 yen

\* Masanori Honda assumed the President and Representative Director as of April 1, 2018.

(b) Succeeding company

(1) Company name	Mebius Packaging Co., Ltd.
(2) Head office	2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
(3) Title and name of representative	Masami Mitokawa*, President and Representative Director
(4) Business	Manufacturing and sales of plastic products
(5) Capital stock	10 million yen*
(6) Date of incorporation	October 2, 2017
(7) Number of shares issued	200 shares
(8) Fiscal year-end	March 31
(9) Major shareholders and ownership ratio	Toyo Seikan Group Holdings, Ltd. 100%

\* Michio Oiwa assumed the President and Representative Director and the capital increased to 1,000 million yen as of April 1, 2018.

**[Translation for Reference and Convenience Purposes Only]**

2. Outline of accounting treatment implemented

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013), the accounting of the absorption-type company split was processed as a transaction under common control.

**[Transfer of shares of a subsidiary]**

The Company resolved at an extraordinary board meeting on March 7, 2018, that it would transfer all the shares of PET Refine Technology Co., Ltd. (“PRT”) held by Toyo Seikan Co., Ltd. (“Toyo Seikan”), a consolidated subsidiary of the Company, to JEPLAN, Inc. (“JEPLAN”). The contract regarding the share transfer was concluded on the same date, and the shares were assigned to JEPLAN on April 1, 2018.

1. Background of the share transfer

On October 10, 2008, the Toyo Seikan Group (“the Group”) has established PRT to run PET bottle recycling business, considering an environmental activity through PET recycling operation as one of its important business strategies.

PRT has played a key role as a recycling business base in the Group with a unique chemical recycling technology which breaks down used PET bottles into molecules and recreate polyethylene terephthalate (PET). However, PRT has struggled to turn a profit since its launching. As recent surge in the price of used PET bottles and drop in the price of virgin PET resin in fierce competition have dragged down its price competitiveness significantly, PRT has continued to face difficulty in making profit. Meanwhile, JEPLAN has been managing chemical recycling operations for polyester fiber, which is also made from used PET, the same material as for PET bottles. We thus believe that taking advantage of PRT’s technology and facilities combined with JEPLAN’s recycling activities will generate a growth potential for PRT’s recycling business.

Following discussions between the Company and JEPLAN, we have reached a conclusion that transferring all the PRT shares held by Toyo Seikan to JEPLAN to allow JEPLAN to have control over management of PRT should pave the way for a further enhancement of PRT’s corporate value. In addition, we have determined, after considering our future strategies, that the share transfer will also enable the Group to accelerate structural reforms of its existing operations and use its resources intensively in its key business activities.

2. Name of the transferee

JEPLAN, Inc.

3. Date of the transfer

April 1, 2018

4. Profile of the subsidiary transferred

(1) Company name

PET Refine Technology Co., Ltd.

(2) Business

PET bottle recycling

5. Number of shares transferred, consideration paid, profit (or loss), and number of shares held after transfer

(1) Number of shares transferred

42,001 shares (Ownership percentage of voting rights: 100.0%)

(2) Consideration paid for the transfer

100 million yen

(3) Profit (or loss) from the transfer

The profit/loss from the transaction is not expected to have a significant impact on the Company’s consolidated financial results for the fiscal year ending March 31, 2019.

(4) Number of shares held after the transfer

None (Ownership percentage of voting rights: 0.0%)

## [Translation for Reference and Convenience Purposes Only]

[Tender Offer for Shares of Toyo Kohan Co., Ltd., a Consolidated Subsidiary of the Company]

The Company resolved at the Board of Directors meeting on February 7, 2018, that it would acquire the shares of consolidated subsidiary Toyo Kohan Co., Ltd. (Securities Code: 5901, First Section of the Tokyo Stock Exchange) (the “Target Company”) through a tender offer (the “Tender Offer”). The transaction was commenced on May 11, 2018, with the tender offer period from May 11 to June 21, 2018.

### 1. Background of the tender offer

The Target Company was founded as a tinplate maker in 1934 by TOYO SEIKAN KAISHA (a former company of the Company) and its partners for the purpose of supplying tinplate, a key raw material of metal cans, stably to TOYO SEIKAN KAISHA. Since then, it has steadily grown with a consistent focus on steel, and in May 1949, it listed on the Tokyo Stock Exchange.

As a pioneer of surface-treated steel plate production, the Target Company has successfully expanded into other areas outside steel, including aluminum and synthetic resin, based on its unique technologies of rolling, surface treatment, and lamination, leveraging its expertise and know-how developed over many years. Since 1999, as a consolidated subsidiary of the Group, it has played an important role in the steel plate and functional materials related business segments.

The business environment has been increasingly challenging in recent years due to shrinking domestic markets resulting from the declining birthrate, intensifying competition, and higher prices of energy and materials. Against this backdrop, the Company has been required to reduce raw material cost and other expenses, promote technological development to strengthen its price competitiveness, and leverage manufacturing and development technologies owned by each company. It also needs to enhance its business model to a broader extent, expand its markets, and foster and utilize human resources with expertise. To achieve these goals, the Company has come to believe that a closer cooperation with the Target Company is essential and that the two companies need to share a common viewpoint on the value proposition to their clients and other stakeholders in order to establish an efficient business operation with a completely integrated strategy.

As the Company and the Target Company had been engaged in intermittent discussions about enhancing their corporate value, the Company made on September 14, 2017, an initial proposal to the Target Company for the tender offer. After continuous deliberation and negotiation on the matter, the both parties have reached a conclusion that the Company’s acquiring all the shares of the Target Company and making it a wholly-owned subsidiary would be the best way to allow the Group as a whole to improve its corporate value and continue to develop, with an organizational structure that ensures solid business management over the mid to long term amid the continued challenging business environment.

### 2. Overview of the Target Company

- (1) Company name: Toyo Kohan Co., Ltd.
- (2) Address: 2-12 Yonbancho, Chiyoda-ku, Tokyo
- (3) Title/name of representative: Hirohiko Sumida, President and Representative Director
- (4) Description of business: Manufacturing and sales of tinplate, thin-plates, surface-treated steel plates, and functional materials
- (5) Capital: 5,040 million yen
- (6) Date of Establishment: April 11, 1934

### 3. Outline of the tender offer

The Company owns 47,885,756 shares of the Target Company (ownership ratio: 47.53%, rounded off to two decimal places). The purpose of this tender offer is to make the Target Company a wholly-owned subsidiary of the Company. Consequently, if the Company fails to acquire all of the outstanding shares of the Target Company (excluding the shares already held by the Company and the Target Company) through the tender offer, it intends to implement procedures to become a sole shareholder of the Target Company (i.e. demand for cash-out or consolidation of stock), whereby acquiring all of the outstanding shares of the Target Company (excluding the shares already held by the Company and the Target Company).

- (1) Period of the tender offer: From May 11 to June 21, 2018 (30 business days)
- (2) Offer price: 718 yen per common share
- (3) Expected number of shares to be purchased
  - (i) Expected number of shares to be purchased: 52,860,212 shares
  - (ii) Minimum number of shares to be purchased: 19,278,300 shares

## [Translation for Reference and Convenience Purposes Only]

(iii) Maximum number of shares to be purchased:

None

(4) Total purchase price: 37,954 million yen (expected)

Note: The expected total purchase price is determined by multiplying the “expected number of shares to be purchased” described above (52,860,212 shares) by the offer price per share (718 yen).

## [Repurchase and retirement of own shares]

On May 15, 2018, the Company resolved at the Board of Directors meeting a share repurchase and related matters under the provision of Article 156 of the Company Act as applied by replacing terms pursuant to the provision of Article 165, Paragraph 3 of the Act, as well as a retirement of its own shares under the provision of the Article 178 of the Act.

### 1. Background of the repurchase and retirement of the Company’s own shares

To improve the capital efficiency and increase the corporate value

### 2. Matters related to the share buyback

(1) Class of shares to be purchased: Common shares of the Company

(2) Number of purchasable shares: 18,000,000 shares (maximum)

(Ratio of the purchasable shares to the outstanding shares (excluding treasury shares): 8.9%)

(3) Total purchase price: 30 billion yen (maximum)

(4) Period of purchase: From May 16, 2018 to March 29, 2019

(5) Form of transaction: Open market trading at the Tokyo Stock Exchange

### 3. Matters related to the retirement of own shares

(1) Class of shares to be retired: Common shares of the Company

(2) Number of shares to be retired: 14,912,905 shares

(Ratio of the shares to be retired to the outstanding shares before the retirement: 6.8%)

(3) Number of shares after retirement: 202,862,162 shares

(4) Expected date of retirement: June 27, 2018

## [Other Notes]

### [The Cancellation of merger between Toyo Seikan Group Holdings, Ltd. and Hokkan Holdings Limited]

The Company and Hokkan Holdings Limited (collectively, “the Companies”) had decided that they would merge resources of the two groups in order to take advantage of their respective strength amid changing business environment surrounding them. To that end, on April 25, 2016, they signed a memorandum of understanding (“MOU”) regarding the business integration of the Companies (the “Business Integration”), which would be performed through a share exchange whereby The Company would become the wholly-owning parent company and Hokkan Holdings Limited would become a wholly-owned subsidiary. Following the MOU, the Companies proceeded with detailed and sincere discussions and deliberations on the proposed merger in a spirit of equality.

Despite their efforts, the review by the Japan Fair Trade Commission on the proposed merger continued with no settlement in sight, while the business environment has changed from the time of the MOU conclusion. In light of these situations, the Companies have resolved at their respective board meetings on March 30, 2018, that they would agree to cancel the MOU and terminate discussions and deliberations on the preparation for the Business Integration.

Note: Yen amounts presented in the Consolidated Financial Statements are rounded down to the nearest million yen.



[Translation for Reference and Convenience Purposes Only]

## **Non-Consolidated Balance Sheet**

(As of March 31, 2018)

(millions of yen)

Accounting title	Amount	Accounting title	Amount
(Assets)		(Liabilities)	
Current assets	119,490	Current liabilities	88,193
Cash and deposits	94,529	Short-term loans payable	36,649
Deferred tax assets	391	Lease obligations	83
Short-term loans receivable	21,242	Accounts payable—other	2,757
Accrued receivable	5,080	Accrued expenses	1,651
Other	601	Income taxes payable	56
Allowance for doubtful accounts	(2,354)	Deposits received	46,951
		Provision for directors' bonuses	43
		Non-current liabilities	97,062
		Long-term loans payable	75,271
		Lease obligations	183
		Deferred tax liabilities	16,462
		Provision for retirement benefits	44
		Provision for asbestos	155
		Asset retirement obligations	582
		Other	4,363
Non-current assets	501,063	Total liabilities	185,256
Property, plant and equipment	27,162	(Net assets)	
Buildings	22,222	Shareholders' equity	354,192
Structures	374	Capital stock	11,094
Machinery and equipment	252		
Vehicles	12	Capital surplus	1,361
Tools, furniture and fixtures	769	Legal capital surplus	1,361
Land	3,281	Retained earnings	367,414
Leased assets	248	Legal retained earnings	2,773
Construction in progress	0	Other retained earnings	364,640
		Reserve for advanced depreciation of non-current assets	69
Intangible assets	872	General reserve	342,441
Software	29	Retained earnings brought forward	22,130
Other	842	Treasury shares	(25,677)
Investments and other assets	473,028	Valuation and translation adjustments	81,104
Investment securities	161,158	Valuation difference on available-for-sale securities	81,079
Shares of subsidiaries and associates	231,548	Deferred gains or losses on hedges	25
Long-term loans receivable from subsidiaries and associates	81,279	Total net assets	435,297
Other	320	Total liabilities and net assets	620,554
Allowance for doubtful accounts	(1,278)		
Total assets	620,554		

[Translation for Reference and Convenience Purposes Only]

## **Non-Consolidated Statement of Income**

( From April 1, 2017  
to March 31, 2018 )

(millions of yen)

Accounting title	Amount	
Operating revenue		
Management fee income from subsidiaries and associates	3,022	
Income from operations consignment by subsidiaries and associates	4,349	
Dividends from subsidiaries and associates	6,585	
Rent income of real estate	6,385	20,343
Operating expenses		
Expenses of real estate rent	2,944	
General and administrative expenses	10,105	13,050
Operating income		7,293
Non-operating income		
Interest and dividend income	4,565	
Other	927	5,493
Non-operating expenses		
Interest expenses	1,123	
Foreign exchange losses	1,071	
Provision of allowance for doubtful accounts for subsidiaries and associates	826	
Other	896	3,917
Ordinary income		8,868
Extraordinary losses		
Loss on forgiveness of debt receivable from subsidiaries and associates	1,788	
Loss on valuation of shares of subsidiaries and associates	19,300	21,088
Profit (Loss) before income taxes		(12,220)
Income taxes—current	63	
Income taxes—deferred	42	105
Profit (Loss)		(12,325)

[Translation for Reference and Convenience Purposes Only]

## Non-Consolidated Statement of Changes in Equity (1/2)

〔 From April 1, 2017  
to March 31, 2018 〕

(millions of yen)

(millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus	Retained earnings					Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
				Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	11,094	1,361	2,773	71	342,441	38,308	383,594	(25,675)	370,374
Changes of items during the period									
Reversal of reserve for advanced depreciation of non-current assets				(1)		1	-		-
Dividends of surplus						(3,854)	(3,854)		(3,854)
Profit (Loss)						(12,325)	(12,325)		(12,325)
Purchase of treasury shares								(1)	(1)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	(1)	-	(16,178)	(16,179)	(1)	(16,181)
Balance at end of current period	11,094	1,361	2,773	69	342,441	22,130	367,414	(25,677)	354,192

[Translation for Reference and Convenience Purposes Only]

## **Non-Consolidated Statement of Changes in Equity (2/2)**

( From April 1, 2017  
to March 31, 2018 )

(millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	68,622	(95)	68,527	438,901
Changes of items during the period				
Reversal of reserve for advanced depreciation of non-current assets				-
Dividends of surplus				(3,854)
Profit (Loss)				(12,325)
Purchase of treasury shares				(1)
Net changes of items other than shareholders' equity	12,456	121	12,577	12,577
Total changes of items during period	12,456	121	12,577	(3,603)
Balance at end of current period	81,079	25	81,104	435,297

## **Notes to Non-Consolidated Financial Statements**

### **[Notes to Significant Accounting Policies]**

#### **1. Valuation Basis and Method for Securities**

- 1) Bonds held to maturity:  
Valued at amortized cost determined by the straight-line method.
- 2) Shares of subsidiaries and associates:  
Valued at cost determined by the moving-average method.
- 3) Available-for-sale securities
  - Securities with fair value: Valued at fair market value as of the balance-sheet date with changes in net unrealized gain or loss included directly in net assets. Cost of securities sold is determined by the moving-average method.
  - Securities without fair value: Valued at cost determined by the moving-average method.

#### **2. Valuation Basis and Method for Derivatives**

Derivatives are valued using the fair value method.

#### **3. Depreciation and Amortization Methods of Non-Current Assets**

- 1) Property, plant and equipment (excluding leased assets):  
Depreciated using the straight-line method.
- 2) Intangible assets  
Amortized using the straight-line method.
- 3) Leased assets (non-ownership-transfer finance lease transactions)  
Depreciated over the lease period using the straight-line method with no residual value.

#### **4. Accounting for Reserves**

- 1) Allowance for doubtful accounts  
The allowance for doubtful accounts is provided at an amount of uncollectible receivables based on the actual rate of bad-debt losses for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.
- 2) Provision for directors' bonuses  
The provision for directors' bonuses is provided at an amount that is expected to be sufficient to cover payouts of bonuses to Directors.
- 3) Provision for retirement benefits  
The provision for retirement benefits is provided at an amount calculated based on the projected benefit obligations at the end of the fiscal year under review.

#### **5. Other Important Matters in Preparing the Non-Consolidated Financial Statements**

- 1) Hedge accounting method  
The Company has adopted the deferral method for hedging activities. Certain forward foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment ("*furiate-shori*").
- 2) Accounting for consumption tax, etc.  
Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption taxes.  
However, the nondeductible consumption tax, etc., in respect of assets is recorded as period costs for the fiscal year when such costs are incurred.
- 3) Application of consolidated tax payment system  
The Company has applied the consolidated tax payment system effective from the fiscal year under review.

**[Translation for Reference and Convenience Purposes Only]**

**[Notes to Non-Consolidated Balance Sheet]**

	(millions of yen)
1. Accumulated depreciation on property, plant and equipment	27,481
2. Guarantee of liabilities	
As stated below, the Company has guaranteed loans from financial institutions.	
• Stolle Machinery Company, LLC (debt obligations, etc.)	3,404
• Stolle Machinery Company, LLC (lease agreements)	1,266
• Tokan Trading Corporation (accounts payable)	146
3. Monetary receivables due from subsidiaries and associates	25,683
4. Monetary payables due to subsidiaries and associates	48,649

**[Note to Non-Consolidated Statement of Income]**

1. Volume of Trading with Subsidiaries and Associates	(millions of yen)
Operating revenue	15,099
Operating expenses	298
Volume of non-operating transactions	4,639
2. Loss on valuation of shares of subsidiaries and associates represents a valuation loss on shares of Can Machinery Holdings, Inc., a consolidated subsidiary of the Company.	

**[Note to Non-Consolidated Statement of Changes in Equity]**

**Matters concerning class and total number of treasury shares**

				(thousands of shares)
Class of shares	Number of shares at beginning of fiscal year under review	Number of shares increased in fiscal year under review	Number of shares decreased in fiscal year under review	Number of shares at end of fiscal year under review
Common shares	14,912	0	—	14,912

Note: The breakdown of an increase in treasury shares is as follows:

Purchase of shares constituting less than one unit: 0 thousand shares

**[Note to Tax-Effect Accounting]**

**Significant components of deferred tax assets and liabilities**

	(millions of yen)
Deferred tax assets	
Shares of subsidiaries and associates	15,540
Excessive depreciation	1,102
Loss on valuation of shares of subsidiaries and associates	8,001
Other	2,627
Subtotal of deferred tax assets	27,271
Valuation reserve	(9,934)
Total of deferred tax assets	17,337
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(33,191)
Reserve for advanced depreciation of non-current assets	(30)
Assets adjusted for gains or losses on transfer	(172)
Other	(14)
Total of deferred tax liabilities	(33,408)
Net deferred tax liabilities	(16,071)

**[Translation for Reference and Convenience Purposes Only]**

**(Notes to Transactions with Related Parties)**

**Subsidiaries**

1. Transactions with related parties

Attribute	Company name	Ratio of voting rights	Relationship with the related party	Description of transactions	Transaction amount <sup>(4)</sup> (millions of yen)
Subsidiary	Toyo Seikan Co., Ltd.	Direct holding (100%)	Business administration Concurrent post of officers	Management fee/ Outsourcing fee <sup>(1)</sup>	3,730
Subsidiary	PET Refine Technology, Co., Ltd.	Indirect holding (100%)	Lending of funds	Debt forgiveness <sup>(2)</sup>	2,488 <sup>(3)</sup>

Note 1: The amount is determined based on certain reasonable standards for the purpose of business administration, etc.

Note 2: The debt forgiveness was related to loans receivable from PET Refine Technology, Co., Ltd.

Note 3: Out of the amount of debt forgiveness, 700 million yen was posted as allowance for doubtful accounts for the previous fiscal year.

Note 4: The transaction amounts do not include consumption taxes.

2. Debt guarantees

Attribute	Balance at end of period (millions of yen)	Remark
Subsidiaries	4,817	(Notes 1, 2)

Note 1: The Company guarantees debt obligations, etc. of the subsidiaries from financial institutions, etc.

Note 2: The Company guarantees rent, etc., over the remaining lease period with regard to lease agreements.

3. Debt guarantees received

Attribute	Balance at end of period (millions of yen)	Remark
Subsidiaries	104,954	The Company receives a guarantee for debt obligations from financial institutions.

**[Notes to Per Share Information]**

Net assets per share	¥2,145.78
Loss per share	¥60.76

**[Notes to Subsequent Material Events]**

[Transaction between entities under common control]

On July 31, 2017, the Company resolved at the Board of Directors meeting to establish a wholly owned subsidiary named Mebius Packaging Co., Ltd. (“Mebius Packaging”) as of October 2, 2017, as well as to conduct an absorption-type company split, effective on April 1, 2018, in which operations related to plastic bottles and caps mainly for non-beverage products were curved out from consolidated subsidiaries Toyo Seikan Co., Ltd., Tokan Kogyo Co., Ltd. and Nippon Closures Co., Ltd. and succeeded and integrated by Mebius Packaging. The agreement on the company split was signed on February 7, 2018, and the transaction completed on April 1, 2018.

The details of the transaction are explained in the section of “Note to Subsequent Material Events” in the Notes to Consolidated Financial Statements.

[Tender offer for shares of Toyo Kohan Co., Ltd., a consolidated subsidiary of the Company]

The Company resolved at the Board of Directors meeting on February 7, 2018, that it would acquire the shares of consolidated subsidiary Toyo Kohan Co., Ltd. (Securities Code: 5901, First Section of the Tokyo Stock Exchange) through a tender offer. The transaction was commenced on May 11, 2018, with the tender offer period from May 11 to June 21, 2018.

The details of the tender offer are explained in the section of “Note to Subsequent Material Events” in the

## **[Translation for Reference and Convenience Purposes Only]**

Notes to Consolidated Financial Statements.

### **[Repurchase and retirement of own shares]**

On May 15, 2018, the Company resolved at the Board of Directors meeting a share repurchase and related matters under the provision of Article 156 of the Company Act as applied by replacing terms pursuant to the provision of Article 165, Paragraph 3 of the Act, as well as a retirement of its own shares under the provision of the Article 178 of the Act.

The details of the repurchase and retirement of own shares are explained in the section of “Note to Subsequent Material Events” in the Notes to Consolidated Financial Statements.

### **[Other Notes]**

#### **[The Cancellation of merger between Toyo Seikan Group Holdings, Ltd. and Hokkan Holdings Limited]**

The Company and Hokkan Holdings Limited (collectively, “the Companies”) had decided that they would merge resources of the two groups in order to take advantage of their respective strength amid changing business environment surrounding them. To that end, on April 25, 2016, they signed a memorandum of understanding (“MOU”) regarding the business integration of the Companies (the “Business Integration”), which would be performed through a share exchange whereby The Company would become the wholly-owning parent company and Hokkan Holdings Limited would become a wholly-owned subsidiary. Following the MOU, the Companies proceeded with detailed and sincere discussions and deliberations on the proposed merger in a spirit of equality.

Despite their efforts, the review by the Japan Fair Trade Commission on the proposed merger continued with no settlement in sight, while the business environment has changed from the time of the MOU conclusion. In light of these situations, the Companies have resolved at their respective board meetings on March 30, 2018, that they would agree to cancel the MOU and terminate discussions and deliberations on the preparation for the Business Integration.

Note: Yen amounts presented in the Non-Consolidated Financial Statements are rounded down to the nearest million yen.