November 10, 2017
Mitsubishi Corporation

Subsidiary Nitto Fuji Flour Milling Co., Ltd. Announces Commencement of Tender Offer for Shares in Masuda Flour Milling Co., Ltd.

Mitsubishi Corporation today announced that consolidated subsidiary Nitto Fuji Flour Milling Co., Ltd. has reached a resolution to implement a tender offer for shares of common stock in Masuda Flour Milling Co., Ltd.

Outline of Nitto Fuji Flour Milling Co., Ltd.

Address	2-3-17, Shinkawa, Chuo-Ku, Tokyo
Name and Title of Representative	Masao Shimojima Representative Director, President and Executive Officer
Nature of Business	Manufacture and sale of wheat flour and bran
Share Capital	JPY 2.5 billion

November 10, 2017

To Whom It May Concern:

Company Name:	Nitto Fuji Flour Milling Co., Ltd.
Name of Representative:	Masao Shimojima, Representative Director, President and Executive Officer
	(Stock Code: 2003, the first section of Tokyo Stock Exchange, Inc.)
Name and Title of Contact Person:	Yoshiaki Sakata, General Manager of the Administration Department
	Telephone Number: 03-3553-8781

Announcement Concerning Commencement of Tender Offer for Shares of Masuda Flour Milling Co., Ltd. (Stock Code: 2008)

Nitto Fuji Flour Milling Co., Ltd. (the "Tender Offeror") hereby announces that it resolved at the board of directors' meeting held on November 10, 2017 to acquire the shares of common stock of Masuda Flour Milling Co., Ltd. (Stock Code: 2008, the second section of Tokyo Stock Exchange, Inc. ; the "Target Company") (the "Target Company Shares") through the tender offer (the "Tender Offer") in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "Act") as stated below.

1. Purpose of the Tender Offer

(1) Overview of the Tender Offer

As of today, the Tender Offeror owns 280,000 Target Company Shares (Shareholding Ratio (Note 1): 30.71%), which are listed on the second section of Tokyo Stock Exchange, Inc. ("TSE"), having the Target Company as an equity method affiliate. This time, the Tender Offeror decided, on the board of directors' meeting held on November 10, 2017, to conduct the Tender Offer for all the issued shares in the Target Company (except for the Target Company Shares already owned by the Tender Offeror and the treasury shares owned by the Target Company; hereinafter the same) for the purpose of making the Target Company a wholly owned subsidiary of the Tender Offeror.

(Note 1) "Shareholding Ratio" means a ratio to the total issued shares of the Target Company as of November 10, 2017 (i.e., 1,000,000 shares), as set forth in the 130th Business Period Second Quarterly Report filed by the Target Company as of November 10, 2017 (the "Target Company's Second Quarterly Report") minus the Adjusted Number of Treasury Shares (Note 2) (i.e., the resulting number is 911,641 shares), which percentage is rounded to the nearest hundredth.

(Note 2) Effective as of October 1, 2017, the Target Company consolidated 10 Target Company Shares into 1 Target Company Share. "Adjusted Number of Treasury Shares" means the number of treasury shares owned by the Target Company as of September 30, 2017 (88,359 shares), which is set forth, under the assumption that such consolidation of shares had been conducted at the beginning of the preceding consolidated fiscal year, in the Summary of Financial Results for the Second Quarter of the Fiscal Year Ended March 2018, released by the Target Company on November 10, 2017 (the "Target Company's Summary of Second Quarterly Financial Results).

In the Tender Offer, the Tender Offeror has set the lower limit of the number of shares to be purchased as 327,800 shares (Shareholding Ratio: 35.96%), and if the total number of shares tendered for the Tender Offer ("Tendered Shares") falls below the such lower limit of the number of shares to be purchased, the Tender Offeror will not purchase all the Tendered Shares. Meanwhile, in the Tender Offer, the Tender Offeror aims to acquire all the Target Company Shares, and has not set the upper limit of the number of shares to be purchased, and thus, if the total number of Tendered Shares is not less than the lower limit of the number of shares to be purchased, the Tender Offeror will purchase all the Tendered Shares. The lower limit of the number of shares to be purchased, i.e., 327,800 shares, is set so that the Shareholding Ratio of the Tender Offeror after the Tender Offer will be two-thirds or more. Specifically, this is set as the number of voting rights, which are represented by the total number of issued shares as of November 10, 2017, as set forth in the Target Company's Second Quarterly Report, i.e., 1,000,000 shares, minus the Adjusted Number of Treasury Shares (i.e., the resulting number is 911,641 shares, which represents 9,116 voting rights), two-thirds of which represents 6,078 voting rights (rounded up to the nearest whole number), multiplied by 100 (607,800 shares), minus the number of shares owned by the Tender Offeror as of today (280,000 shares) (the resulting number is 327,800 shares). Since the Tender Offeror aims to make the Target Company a wholly owned subsidiary of the Tender Offeror, if the Tender Offeror is unable to acquire all the issued shares of the Target Company through the Tender Offer, the Tender Offeror will implement a series of procedures for making the Tender Offeror the only shareholder of the Target Company (the "Procedures for Making the Target Company a Wholly Owned Subsidiary"; together with the Tender Offer, the "Transactions") as set forth in "(5) Policy Regarding Reorganization, etc., Following the Completion of the Tender Offer (So-called "Two-Step Acquisition")" below.

Upon the Tender Offer, the Tender Offeror entered into the Tender Offer Agreement as of November 10, 2017 (the "Tender Offer Agreement") with SHINMEI Co., LTD. ("SHINMEI"), which is the second largest shareholder of the Target Company, and SHINMEI thereby agreed to tender all the Target Company Shares owned by SHINMEI (134,391 shares; Shareholding Ratio 14.74%) to the Tender Offer.

As to the details of the Tender Offer Agreement, please refer to "(3) Matters Concerning Material Agreements Related to the Tender Offer."

According to the "Announcement of Approval of the Tender Offer for the Company Shares by Nitto Fuji Flour Milling Co., Ltd. and Recommendation of Tendering therefor," which was released by the Target Company on November 10, 2017 ("Notice by the Target Company"), the Target Company determined that the Transactions were expected to further improve the corporate value of the Target Company, and the Tender Offer would provide the shareholders of the Target Company with a reasonable opportunity to sell their shares, and resolved, at the board of directors' meeting of the Target Company held on the same day, to express the opinion of approval of the Tender Offer and recommend the shareholders of the Target Company to tender their shares for the Tender Offer.

As to the details of the above-mentioned resolution of the board of directors' meeting of the Target Company, please refer to the Notice by the Target Company and "e. Unanimous Approval by the Non-Interested Directors and No Objection from Non-Interested Corporate Auditors of the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

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

Since its foundation as Matsumoto Rice Flour Milling Co., Ltd. in 1914, the Tender Offeror has supported the foundation of people's eating habits as a leading miller. The group of the Tender Offeror consists of the Tender Offeror, four subsidiaries, two affiliated companies and the parent company, and conducts the milling and food business, which relates to the manufacture and sale of wheat flour, wheat bran, mix flour and foods, the warehouse business, which relates to the storage of wheat, the food service business, which relates to the management of fast-food restaurants such as Kentucky Fried Chicken, and the carrier business, which relates to the transportation of raw materials and products of the Tender Offeror mainly. The Tender Offeror has manufacturing bases in Ota-ku, Tokyo, Kumagaya-shi, Saitama, Shizuoka-shi, Shizuoka, and Chita-shi, Aichi, and also has Nitto-Fuji International Vietnam Co., Ltd. as a subsidiary in Vietnam which manufactures and sells mix flour.

The Tender Offeror changed its name into Nitto Flour Milling Co., Ltd. ("Nitto Flour Milling") in 1930, and went public on the Tokyo Stock Exchange in 1938. Nitto Flour Milling merged with Fuji Flour Milling Co., Ltd. in 2006, with Nitto Flour Milling being the surviving company, changing its name into Nitto Fuji Flour Milling Co., Ltd. and strengthening its corporate character and expanding its business size. In addition, in 2007, the Tender Offeror became a consolidated subsidiary of Mitsubishi Corporation ("Mitsubishi Corporation"), promoting business expansion utilizing the consistent value chain of Mitsubishi Corporation from upstream (raw material procurement) to downstream (retail). Through the wheat flour milling business and related business, the Tender Offeror aims to be a company playing a part in food supply and contributing to the society and people, with a basic policy of strengthening the cooperation of all the departments of "Raw Material Procurement, Manufacture, Sale, Development and Logistics" and providing the assurance, safety and tastiness of food on a company-wide basis.

Meanwhile, as Masuzo Masuda and Centennial Mill, U.S., jointly constructed a flour mill in Kobe-shi in 1906, the Target Company commenced its business as Masuzo Masuda Flour Milling Co., Ltd., and became a joint-stock company in May 1908, and was established as Masuda Flour Milling Co., Ltd. Subsequently, the Target Company became listed on the Kobe Stock Exchange in May 1955, and became listed on the second section of the Osaka Stock Exchange in connection with the closing of the Kobe Stock Exchange in October 1961, and also became listed on the second section of the Tokyo Stock Exchange in connection with the integration of the Tokyo Stock Exchange and the Osaka Stock Exchange in July 2013. The group of the Target Company consists of the Target Company and two consolidated subsidiaries, and its main business lines include milling business (manufacture and sale of wheat flour, wheat bran, pre-mixed powder) and food business (manufacture and sale of udon, somen (Japanese vermicelli), hiyamugi (wheat noodles cooled on ice), soba and other dried noodles made from wheat flour manufactured by the Target Company, and sale of supplied products), and the milling business and the food business have manufacturing bases in Kobe-shi, Hyogo and Tatsuno-shi, Hyogo, respectively. The key product of the Target Company is "Takaragasa Flour Series," which are "Takaragasa" brand products which have taken over a unique way of milling as inherited secrets from the early Taisho era, with additional improvement to improvement, and "Takaragasa Flour Series" are commonly recognized nationwide as high-value-added products in the confectionery industry, and have established a solid position having strength in confectionery flour, with a shipment ratio of confectionery flour over 40%, versus 3 to 17% of competitors (nine leading companies in the industry) (Source: the July 2017 issue of *Shurui Shokuhin Tokei Geppo* (Liquor and Foodstuffs Monthly Statistical Report): Nikkei Keizai Tsushin Co., Ltd.). Under its management concept of "contributing to people's health, safety, assurance and rich eating habits," the group of the Target Company has approached the management objective of "providing high quality, assurance and service satisfactory to customers, and having unique products as the driving force for developing the company's business," and has promoted sales activities for high-value-added products such as "Takaragasa Flour Series," which is a key product, "Haru-yo-koi," "Haru-yo-koi-hikigurumi" and "Takaragasa De Nort," which are manufactured with domestic flour, and have tried to enhance a manufacturing yield and reduce cost.

The environment surrounding the milling industry, which is the core business of the Tender Offeror and the Target Company, is becoming more severe as the procurement prices for raw wheat significantly fluctuate by reason of the change in the wheat sale system due to the amendment to the Food Act, effective in April 2007, and sales competition has become intensified amid a declining birthrate and aging population and the economy-mindedness of consumers. Millers are required to further strengthen its corporate culture resistant to changes in business environment.

In order to cope with such an environment, the Tender Offeror and the Target Company entered into the Business Alliance Agreement in March 2009 for the purpose of promoting more powerful and more efficient systems of production, sale and logistics, and thereby strengthened their cooperation. At the same time, the Tender Offeror acquired from SHINMEI, which was the largest shareholder of the Target Company, 2,800,000 shares (as of today, 280,000 shares due to the consolidation of shares) out of the Target Company Shares which were owned by SHINMEI (4,143,915 shares), and Tender Offeror became the largest shareholder of the Target Company as from March 2009. Also, since June 2009, the Tender Offeror has dispatched its officers to the Target Company for the purpose of strengthening their relationship.

Since the above-mentioned business alliance, the Tender Offeror and the Target Company have cooperated with each other in each area of production, development, sale and logistics, and mutually supplemented and optimized their respective existing business, and created synergies, resulting in the trade volumes of supply and sale in the annual amount of more than 400 million yen in total. Meanwhile, the environment surrounding the industry has become intense and a population decrease has become serious, and thus, future increase in domestic demands is difficult to be expected. In addition, the Japanese government is reviewing the procurement system for imported wheat with a higher degree of freedom, and is showing the attitude of strongly supporting the restructuring of the industry, and thus, the competition within the industry is expected to further intensify. In order to win through future intensified competition in such a severe business environment, the Tender Offeror considers that further promoting the sales cooperaton with, and the technical assistance for the Target Company, which has excellent techniques and brands in the field of soft wheat flour (such as confectionery), allowing both to mutually utilize their brands, arranging three arrows of confectionery, bread and noodles and then developing new markets, new products and new areas is win-win for both companies and the best method not only for winning through the severe industry but also for making further developments. Through the Procedures for Making the Target Company a Wholly Owned Subsidiary, the Tender Offeror considers that it could appropriately succeed to the corporate name and brands of the Target Company, and also develop the system for integrating and fully utilizing the techniques of both companies, and develop, and expand the sale of, high-quality products. Furthermore, the Tender Offeror considers that the integration of both companies would enable the full utilization of domestic and overseas value chains of Mitsubishi Corporation Group and further reinforcement of the business foundation of the Target Company.

Under such circumstances, for the purpose of enhancing the corporate value of the Tender Offeror and the Target Company, the Tender Offeror made an offer to the Target Company in late June 2017 for the structuring of a closer alliance relationship with Target Company, keeping further reinforcement of capital relationship in mind, and has conducted discussions since then. As a result, in late June 2017, the Tender Offeror determined that it is important for both companies to cooperate with each other to undertake business under a more solid capital relationship, and that under the then-current ownership ratio (Shareholding Ratio: 30.71%), the mutual provision and ulitization of assets, management resources, systems and know-how constituting their respective business management basis were restricted to some extent, and thus, it would be the best method for enhancing corporate value for the Tender Offeror to make the Target Company a wholly-owned subsidiary and utilize the management resources of both companies to the fullest extent and take measures toward improving business efficiency, and for both companies as one to make rapid management decisions.

Specifically, the Tender Offeror is considering the following strategies as measures to further enhance the corporate value of both companies.

a. Procurement Strategy

- To share the place-of-origin information of foreign-produced wheat, and make competitive procurement of raw materials;

- To mutually utilize domestic wheat from the places of origin having a strong relationship with the respective companies; and

- To reduce the cost of procurement through joint purchase of materials.

b. Manufacturing Strategy

- To improve manufacturing efficiency through manufacturing at factories in appropriate locations; the streamlining of factories is not currently expected;

- To provide the Target Company with the manufacturing technology of the Tender Offeror, and reduce the manufacturing cost of the Target Company; and

- To optimize the manufacturing system by sharing the information of supply and demand for each product of both companies.

c. Sales Strategy

- To utilize the business flow of both companies, and expand the sales of products of both companies into potential markets;
- To utilize the value chain of Mitsubishi Corporation Group, and expand the sales of products of both companies; and
- To utilize the manufacturing facilities of the Target Company, and expand the sales of the Tender Offeror into Western Japan markets.

d. Research and Development

- To unite the technologies of both companies, and develop high-quality new products; and
- For research and development departments to collaborate with each other and share development know-how, and improve the product development capability and efficiency.

e. Logistics Strategy

- To utilize the locations of both companies, and improve the efficiency of logistics; and
- To utilize Nitto Fuji Transportation & Warehouse Co., Ltd., which is a subsidiary of the Tender Offeror, for the purpose of transporting products of the Target Company, and increase the productivity of the group as a whole.

As stated above, the Tender Offeror considered that strengthening the alliance relationship between both companies to the fullest extent, both companies' promoting the mutual provision and utilization of assets, management resources, systems and know-how constituting the business of each company, and achieving the above-mentioned measures could further improve the corporate value of both companies, and in late September 2017, the Tender Offeror made a formal offer to the Target Company to the effect that the Tender Offeror would conduct the Transactions, including the Tender Offer, and make the Target Company a wholly owned subsidiary.

According to the Notice by the Target Company, as specific measures for improving the corporate value of both companies, the Target Company shared recognition with the Tender Offeror in mid-October 2017, regarding (i) procurement strategy, (ii) manufacturing strategy, (iii) sales strategy, (iv) research and development and (v) logistics strategy. The Target Company is steadily accumulating results in the sales strategy of high-value-added products based on "Only-One Products" ("Takaragasa" brand products and other characteristic products which can be differentiated from competitors); however, the common challenge of the management team is the recognition that various challenges must be overcome for the purpose of coping with significant changes in business environement such as market shrinkage due to a declining birthrate and aging population, the economy-mindedness of consumers due to uncertainty, and changes in the government measures, and for maintaining high-value-added products as driving force for the development of company business, and for establishing strong revenue sources. In mid-October 2017, the Target Company determined that the Transactions would contribute to improving its corporate value, considering that the Target Company's finally becoming a wholly owned subsidiaries of the Tender Offeror as a result of the Transactions would achieve efficient procurement through the sharing of information of foreign-produced wheat and mutual utilization of domestic wheat, improvement of factory operation with the structuring of manufacturing systems in appropriate locations of both parties, utilization of know-how regarding the research and development facilities and manufacturing facilities of the Tender Offeror, improving business efficiency of logistics by utilizing the warehouses of the Tender Offeror as shipping bases, and sales expansion, including overseas markets, through integrated development of sales activities, as well as improvement of business management efficiency through development of personnel exchanges and reduction of the cost for maintaining the stock listing.

Subsequently, as a result of further discussions and negotiations between both companies, the Tender Offeror resolved, at the board of directors' meeting held on November 10, 2017, to conduct the Tender Offer in order for the Tender Offeror to make the Target Company a wholly owned subsidiary.

According to the Notice by the Target Company, as stated above, the Target Company received the proposal from the Tender Offeror, and appointed KPMG FAS ("KPMG") as a financial advisor and third-party appraiser independent from the Tender Offeror and the Target Company regarding the Transactions, and Oh-Ebashi LPC & Partners ("Oh-Ebashi") as a legal advisor, for the purpose of securing the fairness of conditions for the Transactions, including the price for purchases under the Tender Offer (the "Tender Offeror Price"). Also, the Target Company established a third-party examination committee as an advisory council for the Target Company for the purpose of excluding the arbitrariness of the decision-making of the Target Company regarding the Transactions, including the Tender Offer, and securing the fairness, transparency and objectivity of the decision-making process.

Also, with respect to the Tender Offer Price, from late July 2017, the Target Company received legal advice on the decision-making process and decision-making method for the Tender Offer and other issues for the decision-making regarding the Tender Offer from Oh-Ebashi, and commenced negotiations with the Tender Offeror, and conducted discussions and negotiations with the Tender Offeror. The Target Company obtains the share valuation report regarding the Target Company Shares (the "Target Company's Share Valuation Report") from KPMG on November 9, 2017, and received the submission of the Report from the third-party examination committee on November 9, 2017 (the "Report") (As to the outline of the Report and specific contents of activities of the third-party examination committee, please refer to "d. Establishment of Independent Third-Party Examination Committee by the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below).

Then, the board of directors of the Target Company carefully made discussions and considerations from the perspectives as to whether the Transactions could improve the corporate value of the Target Company and whether the various conditions for the Transactions, including the Tender Offer Price, are appropriate, based on the legal advice on the decision-making process, decision-making method and other issues regarding the decision-making regarding the Transactions, including the Tender Offer, and the substance of the Target Company's Share Valuation Report obtained from KPMG as financial advisor and third-party appraiser, and respecting the substance of the Report obtained from the third-party examination committee to the fullest extent.

As a result, the Target Company determined that the Transactions were expected to further improve the corporate value of the Target Company, and the Tender Offer would provide the shareholders of the Target Company with a reasonable opportunity to sell their shares, and resolved, at the board of directors' meeting of the Target Company held on November 10, 2017, to express the opinion of approval of the Tender Offer and recommend the shareholders of the Target Company to tender their shares for the Tender Offer.

As to the decision-making process of the Target Company, please refer to "e. Unanimous Approval by the Non-Interested Directors and No Objection from Non-Interested Corporate Auditors of the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

As of today, two of six directors of the Target Company also serve as directors or executive officers of the Tender Offeror, and other two are from the Tender Offeror. Also, out of four corporate auditors of the Target Company, one also serves as an employee of the Tender Offeror, and another one is from the Tender Offeror. As to the future management system of the Target Company, the current management system will be basically respected, and no specific change or additional dispatch of officers is currently expected.

(3) Matters Concerning Material Agreements Related to the Tender Offer

Upon the Tender Offer, the Tender Offeror entered into the Tender Offer Agreement as of November 10, 2017 with SHINMEI, which is the second largest shareholder of the Target Company, and SHINMEI thereby agreed to tender all the Target Company Shares owned by SHINMEI (134,391 shares; Shareholding Ratio 14.74%) to the Tender Offer. As the preconditions for the tendering by SHINMEI, the Tender Offer Agreement requires that: (i) the Tender Offer by the Tender Offeror has validly and effectively commenced in accordance with the applicable laws and regulations, and has not been withdrawn; (ii) the Tender Offeror has complied with or performed, in any material respects, its obligations set forth in the Tender Offer Agreement that the Tender Offeror is required to comply with or perform (Note) by the date of commencement of the Tender Offer; and (iii) no judgement, decision, order or other disposition (whether finalized or not) has been rendered by the relevant court that restricts or prohibits the Tender Offer and no petition for such judgment, etc. has been filed with the relevant court by a third party. SHINMEI is not restricted from waiving all or part of these preconditions at its discretion and tendering their shares in the Tender Offer. Additionally, the Tender Offer Agreement provides that SHINMEI shall not cancel the agreement for purchase of shares that is established as a result of SHINMEI's tendering its shares in the Tender Offer.

(Note) Under the Tender Offer Agreement, the Tender Offeror has (i) the obligation to implement the Tender Offer and (ii) the confidentiality obligation.

(4) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

Considering the facts that the Tender Offeror holds 280,000 Target Company Shares (Shareholding Ratio: 30.71%) and the Target Company is an equity method affiliate of the Tender Offeror; and that two (2) directors and one (1) corporate auditor of the Target Company concurrently work for the Tender Offeror as officer or employee and one (1) corporate auditor of the Target Company concurrently holds office as corporate auditor of SHINMEI with which the Tender Offeror executed the Tender Offer Agreement, the Tender Offeror and the Target Company took the following measures as measures to ensure the fairness of the Tender Offer, including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest.

a. Obtaining Share Valuation Report from Independent Third-party Appraiser of the Tender Offeror

In considering the Tender Offer Price, the Tender Offeror requested SMBC Nikko Securities Inc. ("SMBC Nikko"), which is a third-party appraiser independent from the Tender Offeror and the Target Company, to conduct a valuation of the Target Company Shares. SMBC Nikko is not a related party of the Tender Offeror or the Target Company, nor does it have any material interest in the Tender Offer.

For details of the share valuation report concerning the value of the Target Company Shares obtained by the Tender Offeror from SMBC Nikko (the "Share Valuation Report"), please refer to "(i) Basis of Calculation" and "(ii) Background of Calculation" of "(4) Basis of Calculation for Tender Offer Price" of "2. Overview of the Tender Offer" below.

b. Obtaining Share Valuation Report from Independent Third-party Appraiser of the Target Company

According to the Notice by the Target Company, in considering the Tender Offer Price presented by the Tender Offeror and determining its opinion on the Tender Offer, the Target Company requested KPMG, which is a third-party appraiser independent from the Tender Offeror and the Target Company, to conduct a valuation of the Target Company Shares, in order to ensure the fairness. KPMG is not a related party of the Tender Offeror or the Target Company, nor does it have any material interest in the Tender Offer.

Details of the Target Company's Share Valuation Report obtained by the Target Company from KPMG are as follows.

After considering the analysis methods appropriate for the valuation of the Target Company Shares from a number of share valuation methods, KPMG conducted the valuation of shares by using the (a) market price method, considering the fact that the Target Company Shares have been listed on the Second Section of the TSE and their market prices are available, and (b) Discounted Cash Flow method (the "DCF Method"), to reflect future business activities of the Target Company on the valuation. On November 9, 2017, the Target Company obtained the Target Company's Share Valuation Report from KPMG. The Target Company has not obtained any opinion on the fairness of the Tender Offer Price (a fairness opinion) from KPMG.

According to the Target Company's Share Valuation Report, the adopted methods and the ranges of the per-share value of the Target Company Shares, as calculated under the relevant methods, are as follows:

Market price method:	3,591 yen to 3,679 yen
DCF Method:	4,005 yen to 5,387 yen

Under the market price method, by setting the base date for the valuation as November 9, 2017, the range of per-share value of the Target Company Shares was analyzed to be 3,591 yen to 3,679 yen, based upon the simple average closing price of the Target Company Shares on the Second Section of the TSE for the past one (1) month (3,679 yen) (rounded to the nearest yen; the same shall apply to the calculations of average share price), three (3) months (3,606 yen) and six (6) months (3,591 yen) immediately prior to the base date (Note).

Under the DCF Method, KPMG analyzed the corporate value or share value of the Target Company by discounting the free cash flows that the Target Company is expected to generate in and after the fiscal year ending March 2018 to present value using certain discount rates, and analyzed the range of per-share value of the Target Company Shares to be 4,005 yen to 5,387 yen. It was based on assumptions derived from multiple sources, including profit and investment projects in the Target Company's business plans from the fiscal year ending March 2018 to the fiscal year ending March 2021, and publicly available information.

No fiscal years for which significant increases or decreases in profit are anticipated are included in the Target Company's business plans on which the analysis using the DCF Method was based.

(Note) With effect from October 1, 2017, the Target Company consolidated its shares at a ratio of ten (10) shares to one (1) share. It is reported that the share price adjusted by multiplying ten (10) was used for the period prior to the ex-date for the share consolidation (i.e. September 27, 2017).

c. Advice from Outside Law Firm to the Target Company

According to the Notice by the Target Company, the Target Company engaged Oh-Ebashi as outside legal advisor and received necessary legal advice regarding the process and methods of decision-making by the board of directors of the Target Company concerning the Transactions and other matters to note from Oh-Ebashi, in order to ensure the transparency and fairness of the decision-making by the board of directors of the Target Company concerning the Transactions.

d. Establishment of Independent Third-Party Examination Committee by the Target Company

According to the Notice by the Target Company, the Target Company has established a third-party examination committee independent from the Target Company and the Tender Offeror, in order to eliminate arbitrariness in decision-making by the Target Company concerning the Transactions and to ensure the fairness, transparency and objectivity in the decision-making process. The third-party examination committee consists of the following three (3) members: Toru Watanabe (attorney-at-law, Kitahama Partners) and Daisuke Shinkawa (certified public accountant, Hokuto & Co.), outside experts; and Kazufumi Iwasaki (certified public accountant), an outside corporate auditor being an independent officer of the Target Company. According to the Target Company, they have been the members of the third-party examination committee since its establishment and there has been no change to the members. On October 4, 2017, the Target Company inquired the third-party examination committee whether (a) the Transactions would contribute to the improvement in the Target Company's corporate value; (b) the procedures for the Transactions were fair; and (c) the Transactions were not disadvantageous to the minority shareholders of the Target Company in terms of the appropriateness of the consideration to be received by the minority shareholders in the Transactions (the "Inquired Matters").

The third-party examination committee held a total of five (5) meetings during the period from October 4, 2017 to November 1, 2017, and the members discussed and considered the Inquired Matters carefully through collecting information from the Target Company and other relevant parties and having discussions as necessary. More specifically, the third-party examination committee asked the Target Company about the purpose of the Transactions, specifically what improvement in the Target Company's corporate value was expected to be achieved by the Transactions and the business plans of the Target Company, with reference to the various materials submitted by the Target Company. The third-party examination committee also asked the Tender Offeror about the business plans after making the Target Company its wholly owned subsidiary and other relevant matters. Additionally, the third-party examination committee received explanations on the measures to ensure the fairness of the procedures for the Transactions and the measures to avoid conflicts of interest from Oh-Ebashi, and also received explanations on the results of valuation of the Target Company Shares from KPMG, which is a third-party appraiser, and asked Oh-Ebashi and KPMG questions to clarify their explanations.

Through these steps, on November 9, 2017, the third-party examination committee submitted with unanimous approval a report substantially to the following effect to the board of directors of the Target Company, based on its examinations and careful discussions and consideration of the Inquired Matters as stated above:

a. It is considered that the Transactions would enable the Target Company to address the issues that it needs to cope with in respect of (a) procurement, (b) manufacturing, (c) sale and (d) R&D and human resources for the following reasons, respectively: (a) the Target Company would be able to procure raw materials jointly with the Tender Offeror to take advantage of economies of scale, and to procure competitive foreign wheat thanks to the overseas raw procurement channels and technology to analyze production areas to be shared by the Tender Offeror; (b) the Target Company is likely to enjoy great benefits in terms of development of new products through access to the Tender Offeror's patents and production know-how for production of brand products using second-class and third-class flour (Note 1); (c) support from the Tender Offeror for the acquisition of the FSSC 22000 (Note 2) and halal certification (Note 3) would enable the Target Company to make progress toward the development of new overseas markets for "*Takaragasa*"-brand products; and (d) the Target Company would be able to secure R&D capabilities and human resources that are currently insufficient. Accordingly, the third-party examination committee believes that the Transactions would contribute to the improvement in the Target Company's corporate value, since the Target Company would be able to better address its present issues, as examined above.;

b. The third-party examination committee believes that the procedures for the Transactions are fair for the following reasons: (a) an appropriate opportunity is provided for the shareholders of the Target Company to make a decision as to whether or not to tender their shares, because of the facts that: the Tender Offeror will make sufficient disclosure on the processes leading to the Transactions and will provide sufficient explanations on the interests that the Tender Offeror has in the Transactions in the Registration Statement to be disclosed to the public; the Tender Offeror does not adopt a scheme that prevents those shareholders who oppose to making the Target Company a wholly owned subsidiary of the Tender Offeror after the Tender Offer from exercising appraisal rights or rights to claim determination of the price of their shares; and once the Tender Offeror acquires most of the Target Company Shares following the completion of the Tender Offer, it will make the Target Company its wholly-owned subsidiary by purchasing the remaining shares at the same price as the Tender Offer Price, unless there are exceptional circumstances; and (b) it is considered that arbitrariness in the decision-making process has been eliminated, because of the facts that: the Target Company consulted with the independent third-party examination committee; all of the directors and corporate auditors other than the directors who have special interests approve of the Transactions; legal advice has been obtained from the independent legal advisor; and the share valuation report was obtained from the independent third-party appraiser; and (c) it is considered that there has been an objective environment to ensure the fairness of the Tender Offer Price, because of the facts that: the Tender Offer Period is relatively longer; and there is no agreement that may excessively restrict a competing tender offeror (if any) from contacting the Target Company (so-called deal protection provisions);

c. (a) It is determined that the price range of the Target Company Shares analyzed by KPMG under the market price method is reasonable, because there is nothing abnormal about the pricing of the Target Company Shares and the periods set by KPMG to evaluate the Target Company Shares under the market price method are appropriate, and it is determined that the price range of the Target Company Shares analyzed by KPMG under the DCF Method is reasonable, because no arbitrary manipulation or unreasonable calculation basis to be questioned has been found in the assumptions underlying KPMG's analysis under the DCF Method (including, but not limited to, the selected business plans, discount rates applied, working capital calculation, effective income tax rate, expenditures on capital investment that form the basis of the calculations under the DCF Method); and (b) it is determined that the amount of the premium on the Tender Offer Price is appropriate in that the synergies to be created through the Transactions will be properly distributed among the minority shareholders of the Target Company and the Tender Offeror, because the premium on the Tender Offer Price is almost at the same level as those applied in the tender offers announced and commenced on or after November 1, 2016 (excluding any tender offers that did not successfully complete) that were intended to make the target companies a wholly-owned subsidiary of the tender offerors like the Transactions (excluding any tender offers to purchase treasury shares), and the Tender Offer Price is above the price range calculated under the market price method and is within the price range and above the median calculated under the DCF Method;

d. Based on the above determinations a. through c. above, the third-party examination committee does not believe that the Transactions are disadvantageous to the minority shareholders of the Target Company in terms of the appropriateness of the consideration to be received by the minority shareholders in the Transactions.

(Note 1) Flour is classified by the amount of ash content, and flour containing the least amount of ash content is rated first-class and the rate goes down to second-class and third class as the amount of ash increases.

(Note 2) The FSSC 22000 (Food Safety System Certification 22000) is one of the international certification schemes to measure the effectiveness of food safety management systems.

(Note 3) The halal certification is issued by a certification body to certify that the relevant product was manufactured completely without contact with any raw materials and products that the Muslims are prohibited from eating or drinking under the Islamic law such as pork and alcoholic beverage.

e. Unanimous Approval by the Non-Interested Directors and No Objection from Non-Interested Corporate Auditors of the Target Company

According to the Notice by the Target Company, the board of directors of the Target Company carefully discussed and considered the terms and conditions of the Transactions including the Tender Offer Price, based on the contents of the Target Company's Share Valuation Report obtained from KPMG, a third-party appraiser, on November 9, 2017 and the legal advice concerning the decision-making on the Transactions and other relevant matters obtained from Oh-Ebashi, and with full respect for the contents of the Report obtained from the third-party examination committee.

As a result, the Target Company determined that the Tender Offer would provide the shareholders of the Target Company with a reasonable opportunity to sell their shares, because (i) the Transactions including the Tender Offer would contribute to the improvement in the Target Company's corporate value and (ii) the Tender Offer Price and other terms and conditions of the Tender Offer were appropriate for the shareholders of the Target Company.

Thus, the Target Company resolved, at the board of directors' meeting held on November 10, 2017, to express supportive opinion on, and recommend its shareholders to tender their shares in, the Tender Offer, after the deliberations among, and with the unanimous approval of, all of the directors excluding Messrs. Isao Ito and Toshihiro Kojima.

Of the six (6) directors of the Target Company, Messrs. Isao Ito and Toshihiro Kojima have never participated in the deliberations or resolutions concerning the Transactions including those at the above-mentioned board of directors' meeting, nor have they ever participated in the discussions or negotiations about the Transactions on behalf of the Target Company for the purpose of avoiding any conflicts of interest, since Mr. Isao Ito concurrently holds office as part-time director of the Tender Offeror and Mr. Toshihiro Kojima concurrently holds office as executive officer of the Tender Offeror.

According to the Target Company, the proposal concerning the Transactions submitted to the board of directors' meeting of the Target Company was adopted by unanimous approval of all of the four (4) directors excluding Messrs. Isao Ito and Toshihiro Kojima as stated above. In addition, Messrs. Hideya Kubota and Kazufumi Iwasaki, corporate auditors of the Target Company, also attended the said board of directors' meeting, and expressed that they had no objection as to the board of directors' expressing supportive opinion on, and recommending the shareholders of the Target Company to tender their shares in, the Tender Offer. Of the four (4) corporate auditors of the Target Company, Messrs. Yoshinori Takata and Hiroshi Horie have never participated in the deliberations or resolutions concerning the Transactions including those at the above-mentioned board of directors' meeting, nor have they ever participated in the discussions or negotiations with the Tender Offeror on behalf of the Target Company for the purpose of avoiding any conflicts of interest, since Mr. Yoshinori Takata works for the Tender Offeror as general manager of accounting department and Mr. Hiroshi Horie concurrently holds office as part-time corporate auditor of SHINMEI that is the second largest shareholder of the Target Company and with which the Tender Offeror executed the Tender Offer Agreement.

f. Measures to Ensure the Opportunity to Receive Tender Offers from Other Offerors

While the statutory requirement of the period for purchases under the Tender Offer (the "Tender Offer Period") is twenty (20) business days at minimum, the Tender Offeror sets a longer Tender Offer Period of thirty (30) business days. By setting a relatively long Tender Offer Period, the Tender Offeror provides the Target Company's shareholders with a reasonable opportunity to make an appropriate decision as to whether or not to tender their shares in the Tender Offer, and also provides third parties other than the Tender Offeror with an opportunity to make a competing tender offer, with an aim to ensure the fairness of the Tender Offer Price. In addition, the Tender Offeror and the Target Company have not entered into any agreement which may restrict contacts between the Target Company and a competing tender offeror such as an agreement including deal protection provisions that would prohibit the Target Company from reaching out to a competing tender offeror. By setting the relatively longer Tender Offer Period and providing the opportunity for any competing tender offerors to make a competing tender offer in this way, the Tender Offeror is striving to ensure the fairness of the Tender Offer.

(5) Policy Regarding Reorganization, etc., Following the Completion of the Tender Offer (So-called "Two-Step Acquisition")

The Tender Offeror intends to make the Target Company its wholly-owned subsidiary as stated in "(1) Overview of the Tender Offer" above. If, following the completion of the Tender Offer, the Tender Offeror fails to acquire all of the issued and outstanding shares of the Target Company, the Tender Offeror plans to request the Target Company to take the following measures.

Specifically, if, following the completion of the Tender Offer, the Tender Offeror becomes a holder of 90% or more of the voting rights of all shareholders of the Target Company and able to exercise its rights as special controlling shareholder as provided for in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same), the Tender Offeror will, promptly after the settlement of the Tender Offer, demand all shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the

Tender Offer (the "Shareholders Subject to the Cash-Out") to cash out all of their Target Company Shares (the "Demand for Share Cash-Out"), pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act. For the Demand for Share Cash-Out, in exchange for each Target Company Share, an amount of cash equivalent to the Tender Offer Price will be delivered to the Shareholders Subject to the Cash-Out. In such case, the Tender Offeror will notify the Target Company to that effect and seek its approval for the Demand for Share Cash-Out. If the Target Company approves such Demand for Share Cash-Out by resolution of its board of directors, the Tender Offeror will, in accordance with the procedures required by the relevant laws and regulations and without obtaining individual consent from the Shareholders Subject to the Cash Out, acquire all of the issued and outstanding shares of the Target Company held by the Shareholders Subject to the Cash-Out as of the date of acquisition prescribed in the Demand for Share Cash-Out. The Tender Offeror will then deliver the amount of cash equivalent to the Tender Offer Price per Target Company Share to each of such Shareholders Subject to the Cash-Out in exchange for their Target Company Shares. According to the Notice by the Target Company, the Target Company intends to approve the Demand for Share Cash-Out by the Tender Offeror at its board of directors' meeting, once the Target Company receives from the Tender Offeror the notification of its intention to make the Demand for Share Cash-Out specifying the matters required under Article 179-2, Paragraph 1 of the Companies Act.

On the other hand, if, following the completion of the Tender Offer, the Tender Offeror fails to hold 90% or more of the voting rights of all shareholders of the Target Company, the Tender Offeror intends to request, promptly after the settlement of the Tender Offer, the Target Company to hold an extraordinary shareholders' meeting whose agenda includes the proposals to consolidate the Target Company Shares (the "Share Consolidation") and to partially amend the articles of incorporation of the Target Company to abolish the provision concerning share unit subject to the Share Consolidation becoming effective (the "Extraordinary Shareholders' Meeting"). The Tender Offeror intends to agree to both of the above proposals at the Extraordinary Shareholders' Meeting. If the Share Consolidation proposal is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will own such number of Target Company Shares as is proportionate to the ratio of the Share Consolidation as approved at the Extraordinary Shareholders' Meeting as of the effective date of the Share Consolidation. If the Share Consolidation results in any fractional shares, the amount of cash corresponding to the amount obtained by selling the Target Company Shares in the number equivalent to the aggregate of such fractional shares (if the aggregate still includes any fractional shares, such fractional shares will be disregarded; hereinafter the same) to the Target Company or the Tender Offeror will be delivered to the shareholders in accordance with the procedures under Article 235 of the Companies Act and other relevant laws and regulations. Regarding the sales price of the Target Company Shares in the number equivalent to the aggregate of such fractional shares, a petition for voluntary disposal permission will be filed with the relevant court after making calculations so that the amount of cash to be delivered to the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Target Company Shares held by each such shareholder. While the ratio of the Share Consolidation is undetermined as of today, the Tender Offeror intends to determine the ratio of the Share Consolidation so that the number of the Target Company Shares held by the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer will be a fractional number of less than one share, in order to enable the Tender Offeror to own all of the Target Company Shares (excluding the treasury shares held by the Target Company).

The Companies Act provides, for the purpose of protecting minority shareholders' interests in relation to the respective procedures set out above, that if the Demand for Share Cash-Out is made, the Shareholders Subject to the Cash Out will be entitled to file a petition for determination of the sales price of their Target Company Shares with the relevant court in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations. In such case, the sales price will be ultimately determined by the court.

If the Share Consolidation is conducted and results in any fractional shares, the shareholders of the Target Company may, in accordance with the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, demand the Target Company to purchase all of their fractional shares at a fair price, and may file a petition for determination of the price of the Target Company Shares with the relevant court. As stated above, the number of the Target Company Shares to be held by the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer after the Share Consolidation will be a fractional number of less than one share. Accordingly, those shareholders of the Target Company who oppose to the Share Consolidation will be entitled to file a petition for determination of the price of the Target Company Shares in accordance with the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. If such a petition is filed, the purchase price will be ultimately determined by the court.

There is a possibility that it may take time to implement each of the above procedures or that an alternative method that has substantially the same effect may be adopted, depending on any revisions to or effectuation of the relevant laws and regulations or interpretation thereof by relevant authorities, the Tender Offeror’s percentage of ownership of shares after the Tender Offer or the status of ownership of the Target Company Shares by any shareholder of the Target Company other than the Tender Offeror. In such case, too, the Tender Offeror plans to adopt a method that results in each shareholder of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer ultimately receiving cash. If such method is adopted, it is intended that the amount of such cash to be delivered to each such shareholder will be calculated so that it will be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company Shares held by each such shareholder. Specific procedures and timing in such case will be announced by the Target Company promptly after determination upon consultation with the Target Company.

The Tender Offer is not intended to solicit votes of the shareholders of the Target Company in favor of the proposals to be submitted to the Extraordinary Shareholders’ Meeting. Each shareholder should consult with his or her own professional advisors such as tax accountants regarding the tax treatment of the Tender Offer or the receipt of cash or other consideration through the above procedures and the purchase of shares upon exercise of appraisal rights.

(6) Prospects for Delisting and Reasons Therefor

While the Target Company Shares are listed on the Second Section of the TSE as of today, depending on the result of the Tender Offer, the Target Company Shares may be delisted through the prescribed procedures in accordance with the delisting criteria established by the TSE, since the Tender Offeror does not set a maximum number of shares to be purchased in the Tender Offer. Also, if the said delisting criteria are not met upon the completion of the Tender Offer, but the Procedures for Making the Target Company a Wholly Owned Subsidiary are to be taken as stated in “(5) Policy Regarding Reorganization, etc., Following the Completion of the Tender Offer (So-called “Two-Step Acquisition”)” above, the Target Company Shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the TSE. If the Target Company Shares are so delisted, they may no longer be traded on the TSE.

2. Overview of the Tender Offer

(1) Outline of the Target Company

(i)	Name	Masuda Flour Milling Co., Ltd.
(ii)	Address	1-10, Umegaka-cho 1-chome, Nagata-ku, Kobe-shi
(iii)	Title and Name of Representative	Ryosuke Takemasa, Representative Director and President
(iv)	Description of Business	Manufacturing and sale of flour, bran and premix flour products, and manufacturing and sale of dried noodles
(v)	Stated Capital	500 million yen (as of September 30, 2017)

(vi)	Date of Incorporation	May 25, 1908	
(vii)	Major Shareholders and Shareholding Ratios (as of September 30, 2017) (Note 1)	Nitto Fuji Flour Milling Co., Ltd.	28.00%
		SHINMEI Co., LTD.	13.43%
		MSIP CLIENT SECURITIES (Standing Proxy: Morgan Stanley MUFG Securities Co., Ltd.)	4.01%
		The Minato Bank, Ltd.	4.00%
		Mizuho Bank, Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	3.15%
		VOX TRADING CO., LTD.	3.00%
		Yoshihisa Masuda	1.78%
		Sumitomo Mitsui Banking Corporation	1.50%
		Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.47%
		Japan Trustee Services Bank, Ltd. (Trust Account)	1.37%
(viii)	Relationship between the Tender Offeror and the Target Company		
	Capital Relationship	The Tender Offeror holds 280,000 Target Company Shares (Shareholding Ratio: 30.71%).	
	Personal Relationship	Of the six (6) directors of the Target Company, two (2) directors concurrently holds office as director or executive officer of the Tender Offeror and two (2) directors are from the Tender Offeror. Of the four (4) corporate auditors of the Target Company, one (1) corporate auditor concurrently works for the Tender Offeror as employee and one (1) is from the Tender Offeror. Additionally, as of today, two (2) employees of the Tender Offeror are seconded to the Target Company.	
	Business Relationship	The Target Company and the Tender Offeror have been committed to their business development in terms of research and development, production, sale and logistics based on the business alliance. They purchase and sell flour and other such materials from/to each other.	
	Status as a Related Party	Since the Target Company is an equity method affiliate of the Tender Offeror, the Target Company is a related party of the Tender Offeror.	

(2) Timeline, etc.

(i) Timeline

Date of Determination of the Directors of the Tender Offeror	Friday, November 10, 2017
Date of the Public Notice of the Tender Offer	Monday, November 13, 2017 Public notice will be made electronically, and a notice to that effect will be published in the Nihon Keizai Shimbun. EDINET (electronic disclosure for investors' network): (http://disclosure.edinet-fsa.go.jp/)
Filing of the Registration Statement	Monday, November 13, 2017

(ii) Tender Offer Period as of the time of filing the Registration Statement

From Monday, November 13, 2017 through Monday, December 25, 2017 (30 business days)

(iii) Possible extension of the Tender Offer Period based on the Target Company's request

Not applicable.

(3) Tender Offer Price

4,805 yen per share of common stock

(4) Basis of Calculation for Tender Offer Price

(i) Basis of Calculation

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko, which is the Tender Offeror's financial adviser acting as a third-party appraiser independent from the Tender Offeror and the Target Company, to conduct a valuation of the shares of the Target Company.

SMBC Nikko considered the methods that should be adopted for the valuation of the Target Company Shares and conducted the valuation, using from among various share valuation methods, (I) the average market price method because the Target Company Shares are listed on the Second Section of the TSE and their market prices exist, (II) the comparable listed company method to refer to a comparative analysis of financial ratios showing the and other financial performance of certain listed companies engaged in businesses relatively similar to those of the Target Company, and (III) the DCF Method to reflect the state of the Target Company's future business activities in the valuation, and the Tender Offeror received the Share Valuation Report from SMBC Nikko on November 10, 2017. SMBC Nikko is not a related party of the Tender Offeror or the Target Company, and does not have any material interest in the Tender Offer. The Tender Offeror has not obtained any opinion on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko.

According to the Share Valuation Report, the methods adopted and the ranges of the per-share value of the Target Company Shares, as calculated under each of such methods, are as follows:

Average market price method:	3,591 yen to 3,679 yen
Comparable listed company method:	4,222yen to 5,320 yen
DCF Method:	4,076 yen to 5,296 yen

Under the average market price method, by setting the base date for the valuation as November 9, 2017, the per share value of the Target Company Shares was analyzed and determined to range from 3,591 yen to 3,679 yen, based upon the respective simple average closing prices of the Target Company Shares on the Second Section of the TSE for the most recent one-month period (3,679 yen), the most recent three–month period (3,606 yen) and the most recent six-month period (3,591 yen) immediately prior to the base date (see Note below).

Under the comparable listed company method, SMBC Nikko selected several companies whose business activities are similar to those of the Target Company, and valued the Target Company Shares by applying the ratios of certain financial figures to share prices of those companies, to the Target Company's financial figures. Its analysis determined that the share value per share of the Target Company Shares ranges from 4,222 yen to 5,320 yen.

Under the DCF Method, SMBC Nikko analyzed the corporate value of the Target Company and the value of the Target Company Shares by discounting the free cash flows that the Target Company is expected to generate in or after the fiscal year ending March 2018 to present value, using certain discount rates, and determined the range of the per-share value of the Target Company Shares to be 4,076 yen to 5,296 yen. It was based on assumptions including the projected revenues and investment plans as stated in the Target Company's business plans from the fiscal year ending March 2018 to the fiscal year ending March 2021, and publicly available information. The Target Company's business plans on which the valuation by the DCF Method is based do not include any business year for which a substantial increase or decrease of profits is anticipated.

The Tender Offeror finally determined on November 10, 2017 to set the Tender Offer Price to be 4,805 yen, with comprehensive consideration given to the share valuation results stated in the Share Valuation Report received from SMBC Nikko as well as the result of due diligence of the Target Company conducted by the Tender Offeror, whether or not the Target Company's board of directors is in favor of the Tender Offer, the trend of market price of the Target Company Shares, the liquidity of the Target Company Shares, examples of premiums actually placed in determining the purchase prices in tender offers for shares conducted by parties other than issuers for the purpose of making the targets their wholly-owned subsidiaries, and prospects of the shareholders' tenders for the Tender Offer, and based on the results of consultations and negotiations with the Target Company and SHINMEI.

The Tender Offer Price (4,805 yen) represents (i) a 31.64% premium (rounded to the nearest hundredth of a percent; the same applies to the calculation of a premium) over the closing price of the Target Company Shares on the Second Section of the TSE on November 9, 2017, which is the business day immediately preceding the announcement date of the Tender Offer (3,650 yen), (ii) a 30.61% premium over the simple average closing price for the most recent one-month period ending on the said date (3,679 yen), (iii) a 33.25% premium over the simple average closing price for the three-month period ending on the said date (3,606 yen) and (iv) a 33.81% premium over the simple average closing price for the six-month period ending on the said date (3,591 yen) (see Note below).

(Note) With effect from October 1, 2017, the Target Company consolidated its shares at a ratio of ten (10) shares to one (1) share. The share price adjusted by multiplying ten (10) was used for the period prior to the ex-date for the share consolidation (i.e. September 27, 2017)..

(ii) Background of Calculation

Since the business alliance in September 2009, the Tender Offeror and the Target Company have cooperated with each other in each area of production, development, sale and logistics, and mutually supplemented and optimized their respective existing business, and created synergies, resulting in the trade volumes of supply and sale in the annual amount of more than 400 million yen in total.

Under such circumstances, for the purpose of enhancing the corporate value of the Tender Offeror and the Target Company, the Tender Offeror made an offer to the Target Company in late June 2017 for the structuring of a closer alliance relationship with Target Company, keeping further reinforcement of capital relationship in mind, and has conducted discussions since then. As a result, in late June 2017, the Tender Offeror determined that it is important for both companies to cooperate with each other to undertake business under a more solid capital relationship, and thus, it would be the best method for enhancing corporate value for the Tender Offeror to make the Target Company a wholly-owned subsidiary and utilize the management resources of both companies to the fullest extent and take measures toward improving business efficiency, and for both companies as one to make rapid management decisions.

In late September 2017, the Tender Offeror made a formal proposal to the Target Company about the transaction to make the Target Company a wholly-owned subsidiary of the Tender Offeror, and engaged in multiple consultations and negotiations on the tender offer price with the Target Company in parallel with due diligence procedures (from early to late August 2017 and from mid to late October 2017). Subsequently, in early November 2017, the Tender Offeror made a final proposal of the Tender Offer Price (4,805 yen) to the Target Company. In addition, since mid-October 2017, the Tender Offeror has negotiated with SHINMEI, the second largest shareholder of the Target Company, as to the tendering of its shares in the Tender Offer and the tender offer price. After these consultations and negotiations, at its board of directors meeting held on November 10, 2017, the Tender Offeror decided to conduct the Tender Offer, setting the Tender Offer Price at 4,805 yen.

(a) Name of Third-party whose Opinion was Heard at the Time of Valuation

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko, which is the Tender Offeror's financial adviser acting as a third-party appraiser independent from the Tender Offeror and the Target Company, to conduct a valuation of the shares of the Target Company, and the Tender Offeror obtained the Share Valuation Report from SMBC Nikko on November 10, 2017. SMBC Nikko is not a related party of the Tender Offeror or the Target Company, and does not have any material interest in the Tender Offer. The Tender Offeror has not obtained any opinion on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko.

(b) Overview of the Opinion

After considering the valuation methods to be adopted in the Tender Offer, SMBC Nikko calculated the value of the Target Company Shares by using the average market price method, the comparable listed company method and the DCF Method. The ranges of the per-share value of the Target Company Shares, as calculated under each of the above methods, are as follows:

Average market price method:	3,591 yen to 3,679 yen
Comparable listed company method:	4,222 yen to 5,320 yen
DCF Method:	4,076 yen to 5,296 yen

(c) Background of Determination of the Tender Offer Price Based on Such Opinion

The Tender Offeror finally determined on November 10, 2017 to set the Tender Offer Price to be 4,805 yen, with comprehensive consideration given to the share valuation results stated in the Share Valuation Report received from SMBC Nikko as well as the result of due diligence of the Target Company conducted by the Tender Offeror, whether or not the Target Company's board of directors is in favor of the Tender Offer, the trend of market price of the Target Company Shares, the liquidity of the Target Company Shares, examples of premiums actually placed in determining the purchase prices in tender offers for shares conducted by parties other than issuers for the purpose of making the targets their wholly-owned subsidiaries, and prospects of the shareholders' tenders for the Tender Offer, and based on the results of consultations and negotiations with the Target Company and SHINMEI.

(iii) Relationship with Appraiser

SMBC Nikko, which is a financial advisor independent of the Tender Offeror and the Target Company, is not a related party of the Tender Offeror or the Target Company, and does not have any material interest in the Transactions including the Tender Offer.

(5) Number of Shares to be Purchased in the Tender Offer

Number of shares intended to be purchased	Minimum number of shares intended to be purchased	Maximum number of shares intended to be purchased
631,641	327,800	-

(Note 1) If the total number of tendered shares is less than the minimum number of shares intended to be purchased (327,800 shares), none of the tendered shares will be purchased by the Tender Offeror. If the total number of tendered shares is equal to or exceeds the minimum number of shares intended to be purchased (327,800 shares), all of the tendered shares will be purchased by the Tender Offeror.

(Note 2) The number of shares intended to be purchased is the largest number of shares to be acquired by the Tender Offeror through the Tender Offer. Such largest number is the number of shares obtained (631,641 shares) by deducting the Adjusted Number of Treasury Shares (88,359 shares) and the number of the Target Company Shares already held by the Tender Offeror (280,000 shares) from the total number of the issued shares in the Target Company as of November 10, 2017 as stated in the Target Company's Second Quarterly Report (1,000,000 shares).

(Note 3) Shares constituting less than a whole unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with legal procedures during the Tender Offer Period from any shareholder who exercises the right under the Companies Act to require the Target Company to purchase shares constituting less than a whole unit.

(Note 4) The Tender Offeror will not acquire treasury shares held by the Target Company through the Tender Offer.

(6) Change in Ownership Percentage of Shares due to the Tender Offer

Number of Voting Rights Represented by Shares Owned by Tender Offeror prior to the Tender Offer	2,800	(Ownership Percentage of Shares prior to the Tender Offer: 30.72 %)
Number of Voting Rights Represented by Shares Owned by Specially Related Parties prior to the Tender Offer	77	(Ownership Percentage of Shares prior to the Tender Offer: 0.84%)
Number of Voting Rights Represented by Shares Owned by Tender Offeror following the Tender Offer	9,116	(Ownership Percentage of Shares following the Tender Offer: 100.00%)

Number of Voting Rights Represented by Shares Owned by Specially Related Parties following the Tender Offer	0	(Ownership Percentage of Shares following the Tender Offer: 0.00%)
Total Number of Voting Rights of Shareholders of the Target Company	9,036	

(Note 1) The "Number of Voting Rights Represented by Shares Owned by Specially Related Parties prior to the Tender Offer" represents the total number of voting rights with respect to the shares held by each specially related party (excluding the parties that are excluded from the Specially Related Parties pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Ordinance Concerning Tender Offers for Shares, Etc., by Persons Other Than Issuers (Ministry of Finance Ordinance No. 38 of 1990, as amended) (the "TOB Order") for the purpose of calculating the shareholding ratio prescribed in each Item of Article 27-2, Paragraph 1 of the Act). Provided, however, that in the calculation of the "Ownership Percentage of Shares following the Tender Offer," the "Number of Voting Rights Represented by Shares Owned by Specially Related Parties prior to the Tender Offer" is not included in the numerator because the shares held by specially related parties (excluding the treasury shares held by the Target Company) are also the subject of the Tender Offer.

(Note 2) The "Total Number of Voting Rights of Shareholders of the Target Company" represents the total number of voting rights of all shareholders of the Target Company as of September 30, 2017 as stated in the Target Company's Second Quarterly Report. However, because shares constituting less than a whole unit are also subject to the Tender Offer, for the purpose of calculating the "Ownership Percentage of Shares prior to the Tender Offer" and the "Ownership Percentage of Shares following the Tender Offer," the "Total Number of Voting Rights of Shareholders of the Target Company" used in the calculation is the number of voting rights (9,116) (see Note 3 below) corresponding to the number of shares (911,641 shares) obtained by deducting the Adjusted Number of Treasury Shares (88,359 shares) from the number of the total issued shares of the Target Company as of November 10, 2017, as stated in the Target Company's Second Quarterly Report (1,000,000 shares).

(Note 3) As of October 1, 2017, the Target Company changed the trading unit of its common shares from 1,000 shares to 100 shares.

(Note 4) The "Ownership Percentage of Shares prior to the Tender Offer" and the "Ownership Percentage of Shares following the Tender Offer" are rounded to the nearest hundredth of a percent.

(7) Purchase Price 3,035,035,005 yen

(Note) The "purchase price" is an amount calculated by multiplying the number of shares intended to be purchased in the Tender Offer stated in (5) above (631,641 shares) by the Tender Offer Price per share (4,805 yen).

(8) Method of Settlement

(i) Name and Location of Head Office of Financial Instruments Business Operators and Banks, etc. in Charge of Settlement for the Tender Offer

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-Ku, Tokyo

(ii) Commencement Date of Settlement

December 29, 2017 (Friday)

(iii) Method of Settlement

A notice of the purchase through the Tender Offer will be mailed to the address of each tendering shareholder (or the standing proxy in case of a non-resident shareholder) promptly after the end of the Tender Offer Period. The notice will be delivered by electromagnetic means to shareholders who have tendered their shares through Nikko Easy Trade.

Purchases will be made in cash. The tender offer agent will, in accordance with the instructions of each tendering shareholder (or the standing proxy in case of a non-resident shareholder), remit the purchase price promptly after the commencement date of settlement to the place designated by the tendering shareholder (or the standing proxy in case of a non-resident shareholder).

(iv) Method of Returning Shares

If none of the shares tendered is purchased under the conditions stated in “(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act” or “(ii) Conditions of Withdrawal, etc. of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc.” under “(9) Other Conditions and Methods of the Tender Offer” below, the tender offer agent will return the shares which have to be returned to the tendering shareholders by restoring, on the tendering shareholders’ accounts with the tender offer agent, the record of such shares to its original state as at the time of the application (the “original state as at the time of application” means the state where the execution of the order to tender in the Tender Offer has been cancelled) on the second business day following the last day of the Tender Offer Period (or on the date of withdrawal of the Tender Offer, if the Tender Offer is withdrawn).

(9) Other Conditions and Methods of the Tender Offer

(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act

If the total number of tendered shares is less than the minimum number of shares intended to be purchased (327,800 shares), none of the tendered shares will be purchased by the Tender Offeror. If the total number of tendered shares is equal to or exceeds the minimum number of shares intended to be purchased (327,800 shares), all of the tendered shares will be purchased by the Tender Offeror..

(ii) Conditions of Withdrawal, etc. of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc.

Upon the occurrence of any of the events listed in Article 14, Paragraph 1, Items 1, sub-items (a) through (i) and (l) through (r), Items 3, sub-items (a) through (h) and (j), and Article 14, Paragraph 2, Items 3 through 6 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”), the Tender Offeror may withdraw the Tender Offer. For the purpose of the Tender Offer, “facts equivalent to those set forth in sub-items (a) through (i)” as set forth in Article 14, Paragraph 1, Item 3, sub-item (j) of the Enforcement Order means any of the following cases:

(a) The case where it is found that there is a false statement regarding, or an omission of, a material matter to be stated in the statutory disclosure documents which the Target Company submitted in the past; or

(b) The case where any of the events listed in Article 14, Paragraph 1, Items 3, sub-items (a) through (g) of the Enforcement Order occurs to a material subsidiary of the Target Company.

In the event that the Tender Offeror intends to withdraw the Tender Offer, the Tender Offeror will make a public notice electronically and also publish a notification in *the Nihon Keizai*

Shimbun; provided, however, that if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the TOB Order and make a public notice forthwith.

(iii) Conditions of Reduction of Purchase Price, etc., Details thereof and Method of Disclosure of Reduction

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action stipulated in Article 13, Paragraph 1 of the Enforcement Order, the Tender Offeror may reduce the purchase price of the Tender Offer in accordance with the criteria under Article 19, Paragraph 1 of the TOB Order.

In the event that the Tender Offeror intends to reduce the purchase price of the Tender Offer, the Tender Offeror will make a public notice electronically and also publish a notification in *the Nihon Keizai Shimbun*; provided, however, that, if it is impracticable to give such public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the TOB Order and make a public notice forthwith.

If the purchase price is reduced, the Tender Offeror will purchase tendered shares prior to the date of such public notice at the reduced purchase price.

(iv) Matters Concerning Tendering Shareholders' Right of Cancellation of Contract

Tendering shareholders may, at any time during the Tender Offer Period, cancel an agreement for the Tender Offer.

In case of such cancellation, tendering shareholders must deliver or send a written document stating their intention to cancel the agreement for the Tender Offer (the "Cancellation Document") to the party designated below by 3:30 p,m, on the last day of the Tender Offer Period (subject to the business hours of the sales office; a shareholder intending to cancel an agreement is requested to confirm in advance the business hours of the sales office to be used). The Cancellation Document that is sent must reach the party designated below by 3:30 p.m. on the last day of the Tender Offer Period (subject to the business hours of the sales office; a shareholder intending to cancel an agreement is requested to confirm in advance the business hours of the sales office to be used).

Party authorized to receive the Cancellation Document:
SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
(and all domestic sales offices of SMBC Nikko Securities Inc.)

The Tender Offeror will not make any claim for payment of damages or penalty due to the cancellation of an agreement by any tendering shareholder. The cost of returning any tendered shares will also be borne by the Tender Offeror.

(v) Method of Disclosure if the Terms and Conditions, etc. of the Tender Offer are Changed

Except in the instance prohibited by Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order, the Tender Offeror may change the terms and conditions, etc. of the Tender Offer during the Tender Offer Period. Should any terms and conditions, etc. of the Tender Offer be changed, the Tender Offeror will give public notice thereof electronically and also publish the notification in *the Nihon Keizai Shimbun*; provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the TOB Order and make a public notice forthwith. The purchase of the shares tendered on or prior to such public notice will also be made pursuant to the amended terms and conditions.

(vi) Method of Disclosure if Amendment to Registration Statement is Filed

If an amendment to the registration statement is submitted to the Director-General of the Kanto Local Finance Bureau except for cases set forth in the proviso to Article 27-8, Paragraph 11 of the Act, the Tender Offeror will forthwith make a public announcement of the contents thereof to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to Article 20 of the TOB Order. The Tender Offeror will also forthwith amend the tender offer explanatory statement and provide the amended tender offer explanatory statement to the tendering shareholders who have received the previous tender offer explanatory statement. However, if the amendments are minor, the Tender Offeror will make the amendment by delivering to the tendering shareholders a document stating the reason(s) for the amendments, the matters amended and the details thereof.

(vii) Method of Disclosure of Results of the Tender Offer

The Tender Offeror will make a public announcement regarding the results of the Tender Offer, pursuant to Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Order, on the day following the last day of the Tender Offer Period.

(viii) Other Matters

The Tender Offer is not being made, directly or indirectly, in or into the United States, or by the use of the U.S. mails, or by any other means or instrumentality (including, but not limited to, telephones, telexes, facsimile transmissions, electronic mails and Internet communications) of interstate or foreign commerce, or by any facility of a national securities exchange of the United States. No application may be made to the Tender Offer by or through any of the means, instrumentality or facility mentioned above, or from within the United States.

Copies of the tender offer registration statement or any other offering documents relating to the Tender Offer are not being, and must not be, mailed or otherwise sent or distributed in, into or from the United States. Any purported application for the Tender Offer that is directly or indirectly in violation of these restrictions will not be accepted.

Each shareholder tendering in the Tender Offer (or the standing proxy in case of a non-resident shareholder) is required to make the following representations and warranties:

- The tendering shareholder is not present in the United States either at the time of tendering or the delivery of the tender offer application form;

- No information or offering document regarding the Tender Offer has been received or sent by the tendering shareholder within, to or from the United States;

- The tendering shareholder has made no direct or indirect use of the U.S. mails, or any other means or instrumentality (including, but not limited to, telephones, telexes, facsimile transmissions, electronic mails and Internet communications) of interstate or foreign commerce, or any facility of a national securities exchange of the United States in relation to the purchases under the Tender Offer or the execution or delivery of the tender offer application form; and

- The tendering shareholder is not acting as a non-discretionary agent, or a trustee or fiduciary of another person (except where such person provides all instructions regarding the purchase relating to the Tender Offer from outside the United States).

(10) Tender Offer Agent

SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Policies after the Tender Offer and Future Prospects

For the policies after the Tender Offer, please refer to “(2) Background, Purpose and Decision-Making Process of Decision to Conduct the Tender Offer and Management Policy after the Tender Offer” of “1. Purpose of the Tender Offer.”

4. Other Information

(1) Agreements between the Tender Offeror and the Target Company or its Directors and Officers, and Contents Thereof

According to the Notice by the Target Company, the Target Company resolved at its board of directors' meeting held on November 10, 2017 to express its opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company to tender their shares in the Tender Offer. For the details of the above-mentioned Target Company's decision-making, please refer to the Notice by the Target Company and, "e. Unanimous Approval by the Non-Interested Directors and No Objection from Non-Interested Corporate Auditors of the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" of "1. Purpose of the Tender Offer" above.

(2) Other Information Deemed Necessary for Decision-Making by Investors Concerning the Tender of Their Shares

The Target Company resolved at its board of directors meeting held on November 10, 2017 to revise its dividend forecast for the fiscal year ending March 2018 and not to declare a final dividend for the fiscal year ending March 2018 subject to the completion of the Tender Offer, and resolved further to abolish the shareholder special benefit plan as from the fiscal year ending March 2018. For details, please refer to "Announcement on Revision of Dividends Forecast for Fiscal Year Ending March 2018 and Abolishment of Shareholder Special Benefit Plan" published by the Target Company on November 10, 2017.

(End of Document)